

Agenda – Local Government and Housing Committee

Meeting Venue:

Committee Room 2, Senedd

Meeting date: 8 January 2025

Meeting time: 09.30

For further information contact:

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Committee Clerk

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Private pre-meeting

09.15 – 09.30

1 Introductions, apologies, substitutions and declarations of interest

09.30

2 Scrutiny of the Welsh Government Draft Budget 2025–26: Evidence session 1 – Welsh Local Government Association

09.30 – 10.30

(Pages 1 – 56)

Councillor Gary Pritchard, Leader of Isle of Anglesey County Council – Welsh Local Government Association

Councillor Jane Gebbie, Deputy Leader of Bridgend County Borough Council – Welsh Local Government Association

Councillor Mark Pritchard, Leader of Wrexham County Council – Welsh Local Government Association

Councillor Mary Ann Brocklesby, Leader of Monmouthshire County Council – Welsh Local Government Association

3 Papers to note

10.30

(Page 57)

3.1 Letter from Community Leisure UK in relation to the Welsh Government Draft Budget 2025–26

(Pages 58 – 59)



**3.2 Letter from Audit Wales with additional information following the meeting of
14 November 2024**

(Pages 60 – 75)

**3.3 Letter from the Chair of the Petitions Committee in relation to the right to
buy scheme**

(Pages 76 – 77)

3.4 Welsh Government response to the Private Rented Sector report

(Pages 78 – 95)

**4 Motion under Standing Order 17.42 (ix) to resolve to exclude the
public from the remainder of this meeting**

10.30

Private meeting

10.30 – 11.15

**5 Scrutiny of the Welsh Government Draft Budget 2025–26:
Consideration of evidence**

10.30 – 11.00

**6 The provision of sites for Gypsy, Roma and Travellers: Summary
of engagement**

11.00 – 11.15

(Pages 96 – 103)

7 Electoral registration pilot regulations

11.15 – 11.25

(Pages 104 – 109)

Document is Restricted



Finance Committee and Local Government & Housing Committee: Scrutiny of Welsh Government's Draft Budget Proposals 2025-26

Jon Rae, Director of Resources

Welsh Local Government Association - The Voice of Welsh Councils

The Welsh Local Government Association (WLGA) is a politically led cross party organisation that seeks to give local government a strong voice at a national level.

We represent the interests of local government and promote local democracy in Wales.

The 22 councils in Wales are our members and the 3 fire and rescue authorities and 3 national park authorities are associate members.

We believe that the ideas that change people's lives, happen locally.

Communities are at their best when they feel connected to their council through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows communities to thrive.

Our ultimate goal is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

We'll achieve our vision by

- Promoting the role and prominence of councillors and council leaders
- Ensuring maximum local discretion in legislation or statutory guidance
- Championing and securing long-term and sustainable funding for councils
- Promoting sector-led improvement
- Encouraging a vibrant local democracy, promoting greater diversity
- Supporting councils to effectively manage their workforce



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Overview

1. This evidence paper addresses the questions posed by the committee in annex 2 of the commissioning letter. It is largely based on the paper that we presented to Welsh Government in a meeting of the Finance Sub Group (FSG) on 23rd October.
2. Most of it comprised our assessment of local government spending pressures that have remained persistently high over the current financial year. At the time of writing, we were still collecting data on the impact of the increase in national insurance contributions. We are collecting data both on the direct impact and on the impact of commissioned social care and can make these available to the committee in due course

Committee Questions

What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

3. Last year we reported a total pressure for local government of £720m in 2024-25. There was some uncertainty around funding for teachers' and fire-fighters' pensions and an element of teachers' pay. The pensions issue is due to be resolved and allocations have been circulated in late November 2024. The eventual settlement gave local government an additional 3.3% increase or £180m which along with £110m of CT income left and estimated budget gap of around £400m which has meant difficult decision for non-statutory services and increasingly, schools. Issues with schools' budgets are set out in the annex, paras 19 to 31, which provide a summary of the state of the service, fabric of school buildings and schools' reserves.
4. In the report to the FSG that is attached at Appendix I we report projected overspends in the current financial year running to £238m. Social care accounts for £106m, education £92m and other services £40m. The impact means difficult decisions are made in-year.

How financially prepared is your organisation for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

5. We carried out a survey with our finance directors over the summer, collecting data and information on local authority medium-term financial plans covering next financial year, and the two subsequent years. The estimated pressure next year is £559m. This would require a spending increase of just over 7% in net revenue

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expenditure¹. The pressure is unrelenting in subsequent years although it falls slightly to £454m in 2026-27 and then rises slightly to £464m in 2027-28. The pressure next year is double what we would ordinarily expect to see and full paper in the appendix details this. Social care accounts for 40% (£223m) of pressure in 2025-26, schools account for 22% (£120m) of the pressure and other local authority services account for the remaining 40% (£224m).

6. Cumulatively, the pressures building up in the system amount to £1.478bn, and the resulting budget gap means that the outlook is extremely challenging and the options for local services will be unpalatable. To address a pressure of £559m, without additional funding, will require a mix of council tax increases, cuts to services and efficiencies. The pressure is equivalent to a 26% increase in council tax, or the loss of just under 14,000 posts².

What action should the Welsh Government take to help households cope with inflation and cost of living issues?

7. Whilst the Welsh Government provides advice and supporting information on their website, there is more that could be done with regard to specific tailored support schemes. Local councils in England have been able to provide more targeted support through the Household Support Fund. This fund is aimed at anyone who is vulnerable or cannot pay for essentials and councils are free to operate their own support scheme. They are also free to utilise partner agencies to help administer funding to those in most need.
8. From the first announcement in September 2021 to date, a total of £3.5 billion has been put into this scheme with the decision lying with the devolved governments on their own use. Due to the decision not to transfer any of the equivalent consequential funding to Welsh councils, we have not been able to offer our residents the same level of support. Additional funding has been put into the Discretionary Assistance Fund but that has limited reach and we have not been able to introduce innovative support schemes like those in existence in English councils.

What action should the Welsh Government take to address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

9. The current level of capital subsidy invested by Welsh Government in supporting Councils and Registered Social Landlords to deliver additional affordable homes

¹ Total net revenue expenditure is budgeted at £7.762bn in 2024-25 (Source: Welsh Government RA Returns)

² See table 3 in the Council Tax Levels in Wales 2024-25 Statistical Release ([Council Tax Levels in Wales, 2021-22 \(gov.wales\)](https://gov.wales/council-tax-levels-in-wales-2021-22)), total council tax income is currently £2.148bn. Cost of an average post is estimated at £40,000 (including oncosts).

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in communities across Wales should be seen as the minimum floor for future investment in delivering much-needed new homes, rather than as a high point. Additional social housing grant should be made available. A healthy multi-year settlement from Welsh Government will give social landlords, developers and supply chain partners in the construction industry confidence and certainty to plan, resource and deliver increasing numbers of affordable homes.

10. This should include greater certainty over rent policy and future funding arrangements for retrofitting existing homes. In line with the recommendations from the recent Local Government and Housing Committee's inquiry into social housing supply, Welsh Government should consider establishing a national development corporation to lead on delivery of large-scale strategic sites and to support alignment of housing and regeneration efforts."

Have Welsh Government business support policies been effective, given the economic outlook for 2025-26?

11. Whilst Business Wales has delivered some generic programmes of support to businesses, it is important to recognise the vital role that councils play in supporting local companies. As a result of the Shared Prosperity Fund (SPF) councils have been able to rebuild their capacity to work with businesses in their areas. The feedback from councils is that this support has been extremely well-received and has resulted in expansion, job creation and training opportunities.
12. Whilst it is potentially confusing for companies to have different bodies offering them advice and assistance, and for that offer to vary from one council area to another, this can be overcome through close co-ordination and regular dialogue. A 'Team Wales' approach can ensure roles and responsibilities are clarified from the outset and avoid duplication of effort. There are significant benefits of having a local contact, with immediate links to the full range of other council services (e.g. waste/recycling collections, highways, planning, environmental health), offering in-person advice and support to local businesses. In 2025/26, and beyond, it will be important to sustain councils' capacity to work alongside Welsh Government in this area.

Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

13. WG has a range of ambitious high-level plans, but ambitions are constrained by the practical ability to deliver and subject to resources available. It is important in striving to build a 'greener economy' that WG's plans inform all economic activities and go beyond those that are readily identifiable as 'green' (such as



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renewable energy and energy management). That means ensuring key areas such as procurement and finance support whole-life cycle assessment and place a value on carbon reduction and net benefit for biodiversity.

14. That often requires paying more upfront for 'whole system' benefits that can be generated in construction, in operation and at the end of life. Upskilling to embed 'green thinking' and 'nature positive' approaches across all economic activity is as important as investing, for example, in low carbon energy, electric vehicles, public transport, digitisation and repair and reuse activities. Whilst undoubtedly more WG support for such investment would help, it is also a question of spending existing money wisely on the most sustainable options (or sometimes choosing not to invest in something new, but to achieve goals in innovative ways). That gives signals to the market and can encourage (far greater) private sector investment in 'good growth'.

Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

15. We would like the Welsh Government to have more flexibility around the use of its borrowing and reserves and we have made our views known to the UK Government both directly via correspondence and in our press releases around the UK Government Budget on 29 October.

The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

16. Whilst many of the levers lie solely with the UK Government such as the amount paid in Welfare benefits and the associated annual uprating, the Welsh government has remained committed to ensuring residents who are entitled to full council tax support receive it due to the operation of a national scheme. Councils in Wales do not have to redesign a scheme to fit with their funding however this does come at a cost to local government as the cost of the scheme exceeds to amount allocation through the settlement.
17. WLGA are distributing Welsh Government grant funding to councils, to support food insecurity, sustainable food partnerships and more recently for community/warm hubs. The latter also enable the funding to support accessibility via community transport to enable accessibility to the hubs, in particular for rural localities. Although this funding is short term, it aims to improve sustainability of



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food security and align with national ambition for community resilience and resourcefulness in localities.

How could the budget further address gender inequality in areas such as healthcare, skills and employment?

18. When budgets are scarce, prevention and local government's role in prevention can often be overlooked. Local government's position is to advocate for the focus of government to be on the longer-term, preventative agenda and to address the root causes of gender inequality and equality more broadly. The cuts to local authority budgets over a decade or more have impacted disproportionately on the life chances, opportunities and quality of life of individuals and communities who are disadvantaged and depend on essential services, be they statutory or otherwise.
19. Local government has done its best to protect discretionary services that support the preventative agenda and many of these e.g. access to leisure centres, libraries, youth services, drug and alcohol community provision, services that prevent violence against women and girls, play a key role in addressing inequality and the complexity of need within families and communities which is multi-faceted.
20. Increased funding to enable service provision in areas such as housing, education/ALN, social care for adults and children, should provide a safety net for the most vulnerable, which over recent years has been increasingly stretched. These services are underfunded and oversubscribed and there is a need for government to recognise the service demand and how the continued financial pressure impacts on the resilience of individuals and communities, especially those who are from disadvantaged groups where intersectionality is more prevalent.

Is the Welsh Government's approach to preventative spending represented in resource allocations?

21. Local government has long recognised the need for a refocusing of our social care and health services to prioritise prevention and early intervention and promote independence and good wellbeing. It is only by doing so that we will reduce our dependence on more intense and costly interventions, such as the use of acute and hospital services. Councils recognise and support Welsh Government's ambition to focus on and invest more in prevention and early intervention but, as a nation, have often struggled to shift from ambition to reality.
22. There is a need for far greater investment in early intervention and prevention services to improve personal outcomes, maintain independence and reduce the need for more costly services. Historically, prevention has always been overtaken by the immediate funding challenges for acute and hospital care and responding

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to crises. Without resources specifically earmarked for prevention, we will unlikely achieve the radical step change required to turn the curve on a growing burden of health inequalities, ill-health and long-term conditions. Councils want to work with Welsh Government and the NHS to articulate what this means for people and families who require support in our communities.

How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

23. Since the pandemic, the overall size of the waiting list and the length of time people are waiting for treatment have increased significantly. Recent announcements amounting to £50m have been made to target the longest waiting times in Wales, to increase weekend and evening working and to set up more regional clinics in south-east Wales. This funding will be available to health boards to spend against their plans to provide more treatments, more tests, more out-patient appointments, to see more people and, where necessary, to use private hospital capacity to end long waits.
24. Councils appreciate that cutting long waiting times and ensuring people have timely access to planned care is a priority for the public and for this Government. However, the approach to only making additional funding available to health boards is a missed opportunity. Social care plays a central role in enhancing the care and support options available to patients and 'unblocking' care and discharge pathways from hospitals, as well as helping to reduce waiting times. Councils can work closely with the NHS to improve self-management of conditions, focus on prevention and early intervention, make better join up and use of community and primary care services and improve access to community support and information and advice, which are all services that stop people presenting at the 'front door' in the first place and reduce additional pressure on the NHS.

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

25. Welsh Government provide the WLGA with an annual improvement grant of up to £800k for local government as part of their commitment to sector-led improvement. The improvement grant is used to support collective corporate improvement priorities, based on engagement with the sector and broader intelligence gathering. The sector-led programme encourages innovative practise and sector learning. During 2023-24, part of the grant was used to commission specialist workforce planning training and support via the LGA. This was well received by local government with 19 councils taking up the offer.



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26. Building upon this work, the WLGA with financial support from Social Care Wales, has commissioned the LGA to provide targeted workforce planning support to council social services departments. This includes addressing recruitment and retention challenges and improving workforce data and intelligence. Training will be provided for both adult and children services to help councils develop their internal workforce planning approaches and apply this learning to the broader social care sector in Wales.

Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

27. Whilst investment implies capital expenditure, it is arguably revenue spend on maintenance that is critical in terms of basic public sector infrastructure. Historically, new assets have been created with an assumption that existing maintenance budgets will pick up the ongoing costs. However, highways, structures (e.g. bridges; street lighting), drainage and flood defences require continual maintenance if they are not to deteriorate over time. With the very real prospect of increasingly frequent severe weather events and continuing pressure on councils' revenue budgets, the risks associated with such infrastructure are rising in terms of likelihood and impact.

28. Maintenance of existing assets should therefore be afforded a high priority. Otherwise, complete replacement (at higher cost) becomes the only alternative. That applies both directly (replacement capital cost) and also indirectly (e.g. in terms of dealing with flood damage; economic costs of lengthy diversions after bridge failure).

How should the Budget support young people?

29. In relation to education, the budget should support local authorities to be able to effectively resource support for learners and their families, to provide interventions where necessary, and to offset increasing costs in relation to demand for services and increasing costs of provision.

30. In particular, with increasing demand on schools and LAs in relation to behaviour, attendance and mental health / wellbeing, it is important that local authorities can resource the support for children and their families to ensure they are supported to engage in education, receive a suitable education, and be safeguarded from harm. This is equally true in terms of support for the increasing numbers of children with ALN and the rising complexity of need within that population – not just in schools but also in the early years.

31. Implementing the new curriculum and preparing for upcoming changes to qualifications, alongside the other significant reforms noted above, also increases

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workload and financial pressures for the education workforce and local authorities. Reforms, including unintended consequences on workload, should be fully resourced to maximise the support young people receive.

32. Local authorities are seeing rising costs for home to school transport, issues around supplier availability, and increasing demand in relation to ALN and transport to schools such as accompanied / taxi requirements. An increase in funding in this area is needed to ensure statutory responsibilities are met, as well as to ensure general attendance and engagement in wider school activities.
33. Since 2010-11, total maintained youth work sector income has reduced by 26% (WG Youth Work Funding Review, Phase 2 Report). In this time, school attendance and attainment has declined, whilst school exclusions and youth crime have increased. Funding pressures in youth work have also seen numerous buildings/facilities sold on. Youth work has become more reliant on external (short term) funding streams as core funding has reduced. Some councils report that, given the ongoing reduction in numbers of staff, they may struggle to even be able to draw down/spend certain grants due to lack of core capacity.

Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

34. Local authorities worked very closely with the voluntary sector throughout the pandemic. The deployment of community resources and the voluntary sector has been integral to the national and local support of people who were shielding or required to self-isolate, often supporting councils as the first point of contact. Welsh Government surveys undertaken in April and July 2020 identified that the rapid mobilisation of councils, voluntary organisations, community and town councils and community groups to provide wrap around support for the most vulnerable in their localities has demonstrated the effectiveness of collaboration and partnership working. The escalation of service demand and complexity of service users' needs has increased in the past few years and exacerbated by the on-going cost-of-living crisis.
35. The voluntary sector welcomed the Welsh Government funding programmes such as Voluntary Sector Recovery Fund and the Third Sector Resilience Fund, distributed primarily through WCVA. However, there has been a decline in funding for the voluntary sector in the years following the Covid-19 pandemic. Subsequent cuts in funding across nearly all portfolios, have and will continue to impact negatively on the preventative support and will leave the sector in a precarious financial situation. Consideration should be given to Welsh Government financial support for the sector to sustain the momentum of the community's response during the pandemic, including to extend their activities,



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maintain stability in localities and continue the successful collaborative partnerships that were fostered during the pandemic.

What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Wellbeing of Future Generations (Wales) Act 2015?

36. Wales has clear opportunities in terms of renewable energy generation, with tidal, coastal, wind (onshore and offshore), hydro and solar possibilities. Investment in those and in the development of associated supply chains, along with smart local energy systems and storage capacity, helps to generate opportunities in local economies. It also helps public services directly by providing long term, low carbon, secure sources of energy. As the grid decarbonises, so public services become lower carbon in operation, in line with the 'prosperous' theme of the Well-being Act.
37. All investment, whatever its nature, ultimately has to be delivered at a local level. Local government therefore has a critical role and stake in ensuring it is delivered successfully. Where councils are involved in investment decisions from the outset, they are ideally placed to help shape them to ensure integration, maximise long-term community benefits and prevent potential problems from emerging and growing. That may be through, for example, identification of training and apprenticeship opportunities, collaboration with partner organisations and impacted communities, or through input from their local planning, environmental and highways and transport functions.
38. There are knock-on, indirect benefits to the public sector associated with a growing economy (which generally reduces pressure on services).

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Item 01**Finance Sub Group**

16th September 2024

FINANCIAL OUTLOOK**Purpose**

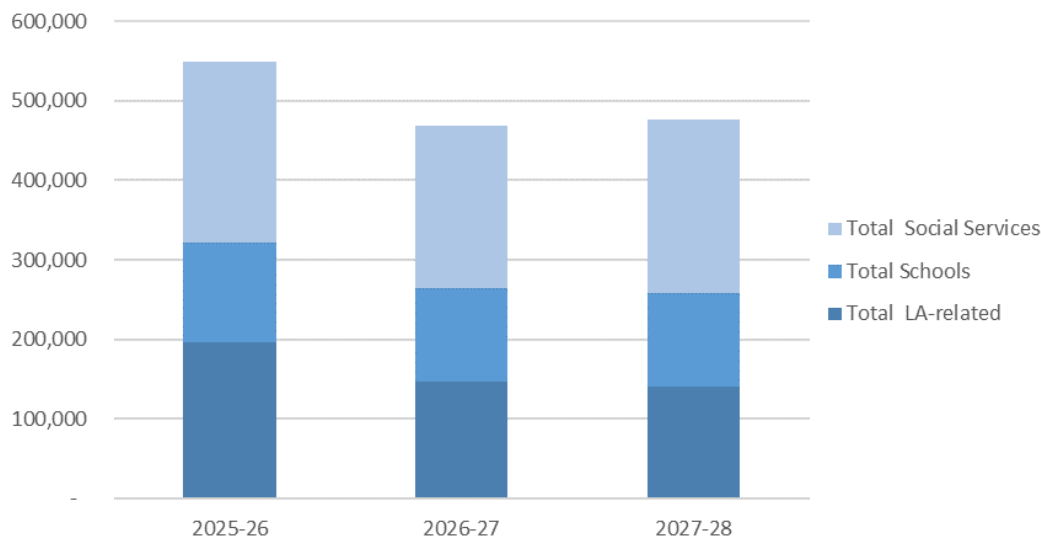
39. This paper provides the latest analysis of spending pressures over the next three years based on councils' medium-term financial plans. This is based on the results of a full survey of councils and fire and rescue services carried out during July/August with the help of the Society of Welsh Treasurers (SWT). The results are summarised in Annex I.
40. The paper also includes information on the in-year position for 2024-25 which is summarised in Annex II. This reflects there will be a need for a combination of cuts, efficiencies, and use of reserves to balance budgets. The financial resilience studies carried out by Audit Wales show that several councils would be close to financial collapse if the funding outlook does not improve.

Summary

41. The estimated pressure next year is £43m higher than previously thought. In exchanges of correspondence with Welsh Government over the summer we quoted estimates of £521m for 2025-26 and the survey confirms this is £563m. This would require a spending increase of just over 7% in net revenue expenditure³. This falls to £457m in 2026-27 and then rises slightly to £462m in 2027-28.

Figure 1: Budget pressures by service, 2025-26 to 2027-28, £000s

³ Total net revenue expenditure is budgeted at £7.762bn in 2024-25 (Source: Welsh Government RA Returns)

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Source: SWT Survey 2024

42. The pressure next year is double what we would ordinarily expect to see and figure 1 above shows how these are spread over the broad service areas. Social care accounts for 40% (£224m) of pressure in 2025-26, schools account for 22% (£122m) of the pressure and other local authority services account for the remaining 40% (£224m). The full break down is set out in Annex I. Cumulatively, the pressures building up in the system amount to £1.482bn, and the resulting budget gap, means that the outlook is extremely challenging and the options for local services will be unpalatable.
43. To address a pressure of £563m without additional funding will require a mixture of council tax increases and cuts to services. The pressure is equivalent to a 26% increase in council tax, or the loss of just over 14,000 posts⁴.
44. It is becoming clear that there are projected in-year pressures in 2024-25 which are larger than previous years, amounting to £38m more than previously anticipated. This is set out in more detail in Annex II. In some authorities, these projected overspends have become particularly acute with a range of measures being implemented to balance budgets. In terms of a service breakdown, social care makes up 45% of the overspend, or £106m, with high-cost children's care and soaring demand for adults' social care accounting for most of the runaway costs. Education and schools account for around 39%, or £92m of the total overspend, which has doubled from last year. Other council services account for £40m which is just under 16% of the overall overspend.

⁴ See table 3 in the Council Tax Levels in Wales 2024-25 Statistical Release ([Council Tax Levels in Wales, 2021-22 \(gov.wales\)](https://gov.wales/council-tax-levels-in-wales-2021-22)), total council tax income is currently £2.148bn. Costs of an average post is estimated at £40,000 (including oncosts).



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45. Viewed another way, £83m or just over a third of projected overspend in 2024-25, is due to inflation (including pay inflation) and commissioning costs, which is higher than originally anticipated when budgets were set in early 2024. However much of the in-year pressures arise from unanticipated demand, especially in social care, and accounts for 48% or £114m.
46. On the funding side, the latest estimates from Wales Fiscal Analysis for subsequent years shows the outlook on funding to be particularly bleak, with councils relying mostly on council tax for any additional funding.
47. Without additional funding, the risk to council services including education and social care cannot be overstated. The aggregate annual budget gap in each of the next 3 years is £449m, £368m and £377m in the run up to 2027-28. In total, the cumulative funding gap could potentially be £1.194bn. Some of the gap will be met through efficiencies and other measures but given the scale of the challenge, many councils are bracing for large scale service cuts and a loss of posts that may run into thousands.
48. The scale of the financial challenges councils have already overcome, and of those they face going forward are not dissimilar to those in England. Over the border, it is not surprising that the financial sustainability of some councils is being severely tested. This is clearly demonstrated by the fact that 18 councils, are reliant on Exceptional Financial Support from the Ministry of Housing, Communities and Local Government to secure their current financial sustainability. The LGA says this is unprecedented⁵ and goes on to say that while the underlying reasons for this support vary across these councils, the sheer scale of this intervention by the Government indicates the risk of financial failure is potentially becoming systemic.

⁵ [Further funding cuts for councils would be disastrous; urgent funding and reform is needed | Local Government Association](#)



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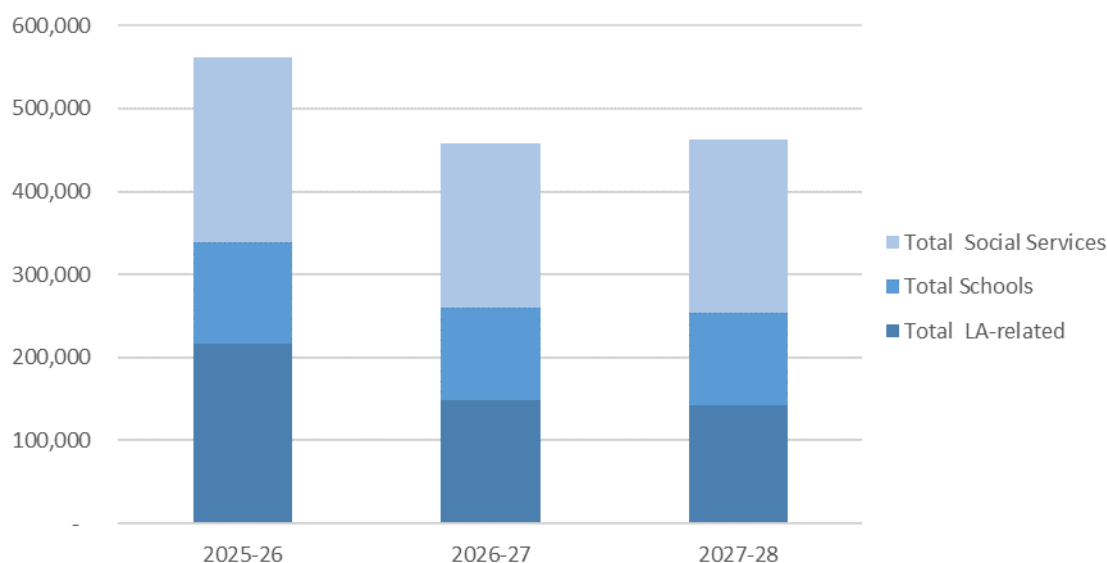
Overview

49. Budget setting over the autumn and the 2025 Spending Review is taking place in the context of challenging economic and fiscal conditions. At the same time the new UK Government has set out an ambitious programme to reform and restore key elements of public services. Our submission is aimed not only at improving the lives of those in our communities but also at helping the Welsh Government deliver its programme in the context of these financial challenges. The 22 councils, the Fire and Rescue Services and National Parks are key partners in delivering Welsh Government objectives.

50. However, we cannot shy away from the fact that councils are under severe financial strain. Inflation, wage pressures and growing demand and complexity of need mean that councils face a sizable funding gap over the next 3 years. And this needs to be seen in the context of the estimated £3bn of cuts and efficiencies in service spending that councils made since 2009-10. This is more or less equivalent to the current cost of the social care system across Wales. If councils’ service spend had grown in line with inflation, wage growth, demographics and demand since 2009-10 it would have been 32 per cent higher in 2024-25 than at the start of the period. Councils have had to absorb these huge pressures through service cuts or efficiencies. Many discretionary services have been hollowed out.

51. The main objective of the SWT survey is to capture and condense the information held in medium-term financial plans. Figure 2 below summarises budget pressures over the 3 years to 2027-28 under 4 main headings: pay inflation, non-pay inflation, commissioning costs (in social care) and demand.

Figure 2: Budget Pressures by type, 2025-26, 2026-27 and 2027-28, £000s



Source: SWT Survey 2024

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52. Demand is clearly a significant element of pressure in all three years accounting for a third of total pressure in 2025-26 for £242m. This falls to around £147m in the next financial year and rises to £143m in the year after that.
53. Basic inflationary costs are all unavoidable costs that must be met just to stand still. These account for just over £320m in 2025-26 and fall slightly to around £310m in the next financial year and return to £320m in the year after that.
54. The employers side of the National Joint Council (NJC) for Local Government Services made a full and final offer to trade union in May proposing from April 2024, an increase £1,290 (pro rata for parttime employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive (equivalent to 5.77 per cent on the bottom pay point, tapering to 2.50 per cent on the top pay point and above).
55. The offer means an employee on the bottom pay point in April 2021 (then earning £18,333) will have received an increase in their pay of 29% over the three years to April 2024. For an employee at the mid-point of the pay spine (pay point 22), their pay will have increased over the same period by 19% per cent and for those on pay point 43, at the top of the spine, 11 per cent. The offer, if accepted, is estimated to increase the paybill by just over 4.5% in Wales.
56. Following the announcement on 29 July of funded pay awards to other parts of the public sector NJC trade unions sought a new pay offer from the National Employers, who again reaffirmed the offer made in May as full and final as it would "...be difficult to fund in a number of local authorities and anything beyond it would take many more authorities well past their level of affordability." However, in agreeing to reaffirm the offer, the National Employers also agreed that the LGA (along with WLGA and NILGA) should be asked to consider lobbying central government (and devolved governments) for funding for future pay awards. The National Employers last met on 12 September 2024 and are continuing to monitor the situation.
57. The remainder of this submission paper sets out our 5 priority areas that were set out in the recent letter to the Prif Weinidog.
- Priority Area 1 – Schools and Education
 - Priority Area 2 – Social Care and Prevention
 - Priority Area 3 – Housing and Homelessness
 - Priority Area 4 – Regional and Local Economic Development
 - Priority Area 5 – Capital and Investment

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Priority Area 1 - Schools and Education

58. Councils have reported £92m of in-year pressures added to school budgets for 2024-25, which is well over double that reported in the pressures survey for the previous year. This showed £41m of in-year pressures for 2023-24. In the current financial year 30% of the overspend is due to pay pressures. Whilst this is concerning, what worsens the situation is the fact reserves have largely been depleted so no longer remain the option they were in previous years. This is discussed in greater depth below. The future pressures that schools are facing is sobering, showing £122m in 2025-26, with a further £111m and £112m in 2026-27 and 2027-28 respectively. Pay accounts for around 80% of schools' pressure in each of the years.

59. One theme repeatedly highlighted in the survey responses was that school budgets are starting from an already fragile position. The starkness of the situation is illustrated by a response stating:

“Schools have increasingly relied upon their reserves but these have reduced from £6.7m in 2022-23 to less than £0.9m (March 2024). Where schools have used reserves to cover rising inflation costs in previous financial years, this is now not an option. £2.3 million of pressure in previous years is required to base line school budgets, in addition to the pressures shown. Without further funding into school delegated budgets or considerable reductions in spend the projections for the next 3 years will see schools falling collectively into a deficit balance of over £15m.”

60. In addition to the revenue strain, a response also noted specific capital pressures on the education budget, commenting:

“General investment in school buildings has been impacted by previous years funding, to reduce backlog maintenance issues, fulfil our current capital transformation commitments and invest to achieve net zero across the schools estate, we have broadly estimated investment levels of more than £400m. Borrowing to support this level of investment would require annual revenue contributions of more than £25m, levels clearly beyond affordability”.

61. Whilst councils have been working hard to reduce costs through, for example better procurement, councils are supporting schools with robust in-year budget monitoring and sustainable financial planning arrangements over the medium term.

62. The survey responses exhibited widespread fear about the current trajectory with more than half the respondents emphasising the reserves burn rate. One response highlighted that “Schools budgets have been set in the past two years at a level that does not fully cover inflationary pressures. Schools have mainly funded this cost from school balances, but these balances are being eroded quickly”. Comments surrounding declining reserves include:

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- Schools drew £5.8m from their reserves last year [86.7%] and the collective Net school reserves balance as at 31st March 2024 was £0.891m. 20 of our schools now hold deficit reserve balances totalling £5.7m
- We project that school reserves will continue to reduce at a significant rate as budget savings need to be made. This is not a sustainable position, where school expenditure continues to exceed the income they receive there is a likelihood that school reserve balances will be soon in a net deficit position
- First forecast based on schools budget returns is £11m draw on balances (currently £5m, so would be a £6m deficit balance in March 25 if this happens)
- Significant draw on schools reserves in 2024-25, £7.6m. Majority of schools now in a deficit reserve position, with recovery plans in place
- School budgets are projecting an overall deficit of £5m at the end of 2024-25 which is unsustainable and schools are saying they cannot cut further and deliver the curriculum / meet statutory or safe staffing ratios. Funding for pensions and pay awards must be fully funded.

63. There were many comments about how the sustainability of small schools will need to be reviewed as financial pressures persist. However, it was also noted that the increased cost of transport to neighbouring schools could negate savings made, especially in rural areas. The lengthy timescales involved were also cited as being a barrier even when the profile indicates net saving having taken the increased transport into account. One authority reported how a review of 6th form provision is in the pipeline with the financial sustainability of the current provision to be considered as part of this review.

64. It is beyond doubt that education departments and schools face difficult, unpopular choices with one response commenting, "Asking schools to simply provide education to the same number of pupils is ever more difficult because the only real option available is to reduce teacher numbers and increase class sizes". Another notes the likely negative impact on future generations, stating "schools will be unable to fulfil the needs of the curriculum without falling into deficit, the offer for our pupils will be more limited and attainment levels will be impacted".

65. The causes of financial pressure are myriad, but recurring themes from the responses received include:

- "all schools are seeing an increase in both the numbers of learners with additional learning needs and in the complexity of those needs"
- Due to the ALN Reform, there has been an increase in the number of Statemented pupils in mainstream schools with hours attached to their Statement.
- Headteachers report significant increasing demand in terms of meeting additional learning needs, combined with the growth under the IDP system.

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- Within additional learning needs (ALN) there is increased growth and demand across all age ranges. Early years data predicts this trend will continue. Notably there is a national increase in neurodiversity. This, combined with responsibility across an extended age range results in increased resource requirements creating a c£2M pressure and need to plan more places.
- Grants which have been flat cash (vs double digit NJC and teachers pay)
- Posts delivering against statutory requirements are grant funded with costs increasing and grant remaining static resulting in further financial pressures.
- The need for Post 16 specialist places has resulted in additional school places within and beyond the local authority with the former restricting the overall quantum available to all schools and the latter adding further pressure to insufficient budgets.
- Demands across schools continue to be high particularly in relation to pupil behaviour, the level of exclusions and attendance.
- Home to School Transport Demand and inflation pressures are year on year increases in excess of £1.5 million particularly in respect to ALN.

66. Clearly such pressures will have negative impacts on the next generation, with concerns highlighting “The risk is that to maintain a balanced budget that [the] Education [Department’s] ability to give targeted support to Schools for specific ALN interventions will be withdrawn”. Another response went further, citing “the risks to schools will be a loss of teaching and support staff roles. This will include insufficient support staff to cover required ALN posts”, whilst another stated simply that “Efficiencies will inevitably lie with staffing as 85% plus of a school budget is tied with staffing”.

67. Most responses mentioned the increased pressures in ALN. The Welsh Government’s own data shows that costs⁶ have escalated in recent years well beyond historic levels. From 2007-08 to 2018-19 expenditure ranged between £300m to £400m. It breached £300m in 2019-20 and budgeted expenditure for the current financial year is £592m. the ALNET Act is cited as the main reason for the escalation in costs. Furthermore some authorities are reporting

68. It should also be noted that as stark as the projections going forward are, the actuality could be even worse, with a number of responses commenting the figures indicated assumed the increase in teacher’s pension contribution is fully funded by WG.

⁶ See Figure 2 in [Budgeted Expenditure on Special Educational Needs/Additional Learning Needs \(SEN/ALN\) Provision: 2024-25 \(gov.wales\)](https://gov.wales/budget-2025-26/sen-aln-provision)

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Priority Area 2 - Social Care and Prevention

69. Councils continue to be extremely concerned about the current pressures facing social care. The survey responses demonstrate the continuing impact of growing demographic, cost of living, workforce and inflationary pressures facing all parts of the social care system, as well as the impact of additional responsibilities and legislation without appropriate levels of resources attached. There are also additional risks such as those around the procurement of the replacement system for the Wales Community Care Information System (WCCIS) which may result in further additional costs needing to be met. Rising demand for services, and the increasing complexity add to these pressures and concerns. The impact is that budgets are not stretching as far, families and unpaid carers are facing further strains, and recruitment and retention remain huge challenges.
70. The SWT survey shows the significant in-year pressures being experienced across both adults and children's services. The projected overspend for 2024-25 currently stands at £106m which is around 4.2% of budgeted net revenue expenditure⁷. This is similar to the £107m overspend that was projected this time last year for 2023-24.
71. Without exception councils will have taken measures to bridge gaps in social care and other service areas as an unbalanced position would be unlawful. By comparison the Auditor General has very recently⁸ qualified his 'regularity' audit opinion for all 7 NHS Boards, as they have failed to meet their statutory duty to break even over a three-year period. The three-year cumulative over-spend across the NHS increased from £248 million in 2022-23 to £385 million in 2023-24 compared to councils who have to ensure balanced budgets at year end.
72. For councils, the considerable financial challenges already being experienced continue for social care into 2025-26 and beyond. Next financial year there is a £224m pressure which represents an 9% increase in current budgets. Commissioning costs and pay and non-pay inflation account for £130m of the pressure, and the remainder is due to demand which accounts for £94m. There is an additional pressure of £198m in 2026-27, and £209m in 2027-28 respectively giving a cumulative total of £631m for the next 3 years.
73. A number of councils highlighted that the increasing demands and costs being experienced across social services show no signs of easing. Added to this is the fragility of the social care workforce which was reflected in responses with on-going recruitment and retention challenges. For some, this means a continuing reliance on more expensive agency workers, despite initiatives such as "grow your own" being invested in. For many, social services is the area of greatest risk to council's

⁷ Social care net revenue expenditure is budgeted at £2.553bn in 2024-24 (Source: Welsh Government RA Returns)

⁸ [All Health Boards breach break even duty amid deepening financial pressures | Audit Wales](#)

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budgets where pressures are most acutely seen. While councils continue to mitigate these pressures through the use of other areas of savings delivery, slippage and increased income many of these will be of a one-off nature leaving councils with recurrent pressures that impact on future years budget planning.

74. Commissioned services, which are essential to the provision of social care, are also affected by similar issues to local authority social care services. Given the reliance on externally commissioned placements, and the increase in demand for them across both children's and adults' services, the higher costs associated with increased running costs further add to significant financial pressures. Councils also reported significant pressures in relation to the fees set across residential and nursing care homes. In particular, the requirement for social care providers to pay the Real Living Wage, without sufficient funding being made available in the settlement, was highlighted as a specific concern. This adds further to the inflationary pressures being experienced by commissioned services.
75. The majority of responses highlighted that both levels of demand and the complexity of need continues to increase. Reference was made to the impact of an ageing population and the increase in the number of people living with dementia adding further to levels of increased complexity being seen and the knock-on cost implications. One council identified that they had experienced a 15% increase in demand across all client groups in Adult Services.
76. In particular, concerns in the survey responses were reported in relation to the provision of domiciliary care and the pressures and costs associated with packages of care and support across mental health and learning disability services. An emerging risk highlighted by one council was the need to better understand the implications for Adult Services in the future of the significant rise in high-cost children's services and children's disabilities. With both growing significantly in recent years the concern is what this means for the number which transition into requiring high- cost support as adults.
77. The challenges facing social care also have an impact on the wider health and social care system, as a sustainable NHS with the necessary flow depends on a properly funded social care system. There remains a need to recognise the value social care has in its own right as a service. But, where the NHS and social care work well together, there is evidence that this helps people to recover and to keep people well and thereby reducing demand on secondary health services. Here councils can work closely with the NHS to improve self-management of conditions, focus on prevention and early intervention, better use of community and primary care services, improving access to community support and information and advice, which are all services that stop people presenting at the 'front door' in the first place and reducing additional pressure on the NHS.
78. Councils, care providers and wider health services continue to do all they can to enable people to be discharged from hospital and back to their homes with the

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correct support as soon as they can, as well as focussing on preventing hospital admissions in the first place. This has involved increasing community care capacity, developing extra step-down beds and community care packages, helping people get care closer to home and free up hospital beds. This has highlighted the benefits of councils and health working in partnership with a shared endeavour to deliver tangible benefits and positive impacts for individuals, but it also comes with a need to invest significant amounts of time and resource, including additional funding, to support this work. It also highlights the importance of developing future models of community-based care which take a 'whole-person' approach, addressing people's physical health, mental health and social needs together.

79. At the same time a lack of capacity and resources in health also has implications for local authorities. Additional costs have been identified by at least one council linked to discharges from hospital where the individual is not ready for discharge and there is no rehabilitation package in place from health, so costs have to be picked up by social care and the social services budget.
80. Significant concerns were also raised in survey responses in relation to both Continuing Healthcare Care (CHC) and Funded Nursing Care (FNC). Councils reported that the level of FNC provided is not enough to fully cover the cost, with care homes unable to cope with the FNC contribution that is made. It was also highlighted that CHC discussions can be extremely challenging. This means that costs are often passed on from the NHS onto local authorities, essentially meaning that councils are having to subsidise health care, often at a significant cost.
81. In addition, some authorities have referred to the financial impacts of social care 'Tourism' with clients moving over from England to benefit from the more generous social care charging regimes in Wales. Councils also report seeing individuals who have delayed accessing healthcare and so now on presentation to social services have higher dependency requiring more costly care provision.
82. Across Children's Services significant challenges continue to be experienced in finding appropriate placements for children and young people that meet their specific needs. This is a major factor which is driving up costs in Children's Services with councils reporting unprecedented levels of emergency placements for residential care, increased independent placements and increased pressure to find foster placements. It was highlighted that placement costs are rising significantly due to demand far exceeding supply with one council experiencing a 40% increase in the cost of new placements over the past 18 months. One council gave the example of the need for a court ordered placement that requires a 4:1 staffing ratio which means that the care and support for one child's costs could potentially be £1m.
83. Survey responses also recognised that the need to place children via the National Transfer Scheme (NTS) has increased cost pressures and has resulted in Unaccompanied Asylum Seeking Children (UASC) often being placed out of

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county/country to meet their identified needs which comes with significant cost pressures. One council reported a 146% increase in the number of UASC (rising from 13 to 32) between 2023/24 and 2024/25, the costs of which are not fully covered by the Home Office, leading to a projected full year overspend of £440k for that council.

84. The introduction of legislation to eliminate private profit from the care of looked after children is further exacerbating these challenges with concerns over the level of resources (both revenue and capital) to achieve this ambition and how these will be met. This comes at a time of significant overspends across children's services combined with the harsh financial reality of a flat local government spending increase and the expectation of being able to front load investment to support the development of in-house provision whilst maintaining existing services across all council responsibilities. Concerns were raised over the additional costs that have already been incurred and the potential disruption that will be made to the market resulting in further increasing costs which could put at risk councils' ability to deliver safe outcomes for those children in need of care and support.
85. Survey responses also highlighted a number of challenges associated with grant funding. It was noted that there are a number of grants that are only confirmed until 31st March 2025, including the funding that has been made available to support the work to take forward the commitment to eliminate profit. A number of other grants are also in the same position, notably the Housing Support Grant and the Children and Communities Grant which support with the provision of early help and prevention activity, seek to intervene early for better outcomes for people, promote independence, resilience and help avoid the need for expensive statutory services. The risk is that if these grants disappear, the cost pressure on statutory services will significantly increase over the coming years. The impact of the requirement to 'mainstream to core' projects that are funded via the Regional Integration Fund (RIF) was also raised with concerns that this will require councils to either reduce service provision elsewhere or cease continuation of the RIF projects in order to manage within available resources.
86. The risk is that the continuation of reductions in grant funding levels across social services will require reviews of service provision to be undertaken and the high likelihood of on-going service reduction proposals needing to be considered.



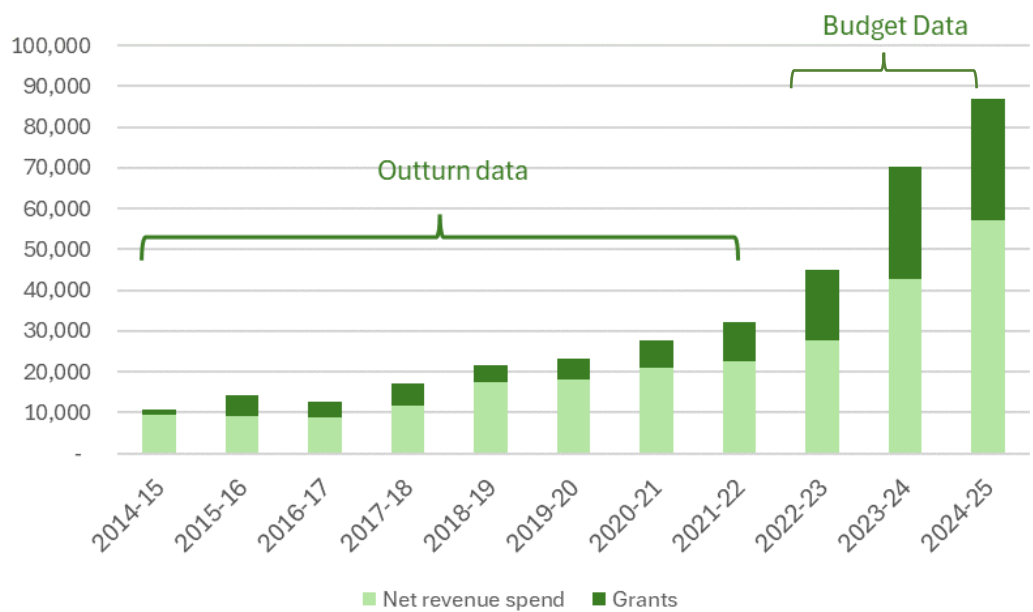
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Priority Area 3 - Housing and Homelessness

87. There continues to be very high numbers of people seeking support and assistance from councils due to the threat of or they are experiencing homelessness. Wales has continued with the approach of “no-one left out” in relation to homelessness, following the end of the public health emergency. This approach is supported by councils, however, the numbers of households approaching authorities for assistance has continued to increase. This sustained increase in homelessness presentations to councils in the period since the pandemic means that core homelessness services are overwhelmingly now dealing only with crisis and unable to work to prevent homelessness.

88. The demand is reflected in the costs. The data in figure 3 below is drawn from council finance returns to Welsh Government over an 11-year period, with the last 3 years’ returns from the budget (RA) forms as no outturn is yet available. Net current spend has increased from £10.8m in 2014-15 to £86.8m in 2024-25.

Figure 3: Councils' Net Current Spend on Homelessness and Temporary Accommodation, £000s



Source: WG RO/RA Returns

89. Welsh Government housing and homelessness grants are making a contribution and funding from other sources is being used. However, the vast majority of spend is funded from general funding which has grown at rates of 23%, 54% and 34% in the last three years respectively. This is significantly higher than the increases in the general settlement and council tax, which implies that other services have been cut to fund them.

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90. The early release of prisoners due to overcrowding in prisons, including those covered by the current Standard Determinate Sentences (SDS) 40 scheme, inevitably involves significant numbers of people with no accommodation available at the point of release. This is creating further pressures on housing options teams and increasing demand for temporary accommodation in many areas. The complexity of needs that often accompany prisoners, as well as others who are homeless (and rough sleepers) can make it more difficult to find appropriate temporary accommodation, which can also be more costly, and with councils also taking into account safeguarding duties in relation to the needs of others and in particularly families with children.
91. Additional housing pressures and increased demand and costs for temporary accommodation, are also seen in many areas as a result of various migration and humanitarian protection schemes, including competition for private rented sector properties across Wales as a result of asylum dispersal being widened to all council areas. The UK Government's decision to reduce the backlog of asylum decisions will inevitably lead to increased numbers of people leaving accommodation provided by the Home Office and seeking assistance from councils in finding a home, often requiring the provision of temporary accommodation before a permanent home is found. There is no additional funding from the Home Office for the increased pressures on councils for this work and the costs of temporary accommodations are quite literally, rising exponentially.
92. The recently published White Paper on homelessness will also add further financial pressures on councils and it is important that a robust and thorough assessment of the financial implications of all legislative proposals are undertaken, in partnership, so that appropriate levels of funding are provided by Welsh Government to support the successful implementation of any legislative changes. Councils are being encouraged to engage with the work currently undertaken by Alma Economics on behalf of Welsh Government to ensure a full and credible picture of the financial implications is developed.
93. The latest data reflects that there are currently more than 11,000 people in temporary accommodation. This comes at a significant cost to council budgets and the level of funding provided by the Welsh Government, or recoverable from DWP, is not keeping pace with such increased demand. The feedback from the survey undertaken reflects overspend on homelessness budgets and this is an increasing financial pressure on councils. One authority cited homelessness pressure contributing to a £660k overspend in the current year as demand outstripped the available budget. The Housing Support Grant budget is critical in supporting homeless people and those at risk of homelessness, including funding for third sector bodies, and the WLGA stresses the need to maintain the current level of funding if additional funding is not available.



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94. Building more homes is essential to ensure that we have enough for everyone who needs them, including those households who become homeless or are inadequately housed. Those councils with housing stock are implementing ambitious new-build programmes and seeking to acquire existing homes (often former Right to Buy properties) to increase the numbers of homes available for social rent. Increased land, labour and material costs mean that the much-needed building of new council homes has become more expensive - this threatens the viability of many house building schemes without increased capital subsidy from Welsh Government.
95. All councils are also working with RSL partners to build new low carbon social rented homes. It is therefore important to ensure that capital funding is available to support the building of social housing at the pace and scale needed to reduce reliance on temporary accommodation and ensure the housing needs of citizens in housing need can be met.
96. However, the recently published Audit Wales report on Affordable Housing concluded that if the Welsh Government is to meet the 20,000 social homes target by March 2026 it will need to spend significantly more than planned, this will largely be through increased capital subsidy to councils and RSLs to support the delivery of additional homes.
97. Councils support the achievement of Welsh Government's key housing objectives, set out in the Programme for Government, however adequate funding is required to enable successful delivery. In addition to the above issues, other financial pressures in housing come from reform of the building safety regime, meeting the revised Wales Housing Quality Standard, workforce pressures and meeting any workforce gaps (for example the recent Audit Wales report on Building Control) and the ambitions in relation to decarbonisation of more homes.
98. Social landlords, including those councils with housing stock, require long-term certainty over rental income in order to effectively plan for the maintenance and improvement of existing properties, and the development of much-needed new homes. The current Social Rent settlement agreed with Welsh Government has been extended to cover 2025-26, and work has commenced on a new social rent settlement framework. It is vital that any future social rent settlement is affordable to tenants and provides certainty over future levels of sufficient income for landlords to deliver on services and new homes that fully meet the needs of existing and future tenants.
99. To reduce the numbers of people becoming homeless and requiring temporary accommodation, councils need to be fully resourced to support households and intervene in ways which prevent homelessness in the first place. To provide homes for the many thousands of people on housing waiting lists across Wales, and to provide opportunities for those in expensive and unsatisfactory emergency temporary accommodation to 'move-on' to permanent housing that is suitable and



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affordable there needs to be significant and sustained increases in the development programmes delivering new homes for councils and RSLs. This will require considerable increases in the level of capital subsidy from Welsh Government, as identified in the recent Audit Wales report.

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Priority Area 4 - Regional and Local Economic Development

Including Levelling up Fund (LUF) and the Shared Prosperity Fund (SPF)

100. Sustainable economic growth at all spatial levels has been identified as a key way to help ease demands on public services and generate the tax revenues needed to provide these services with the additional funding they require.
101. Creating conditions for 'good growth' therefore has to be a top priority. Agreeing the 'institutional' arrangements for economic development at UK, Wales, regional and local levels is critical to this. In anticipation of funding to replace former EU funds, considerable effort went into developing a Regional Investment Framework for Wales, led by Welsh Government and with input from councils and other stakeholders. This looked at respective roles at a Wales, regional and local level and was informed by work commissioned from the OECD.
102. In the event, the previous UK Government (UKG) used the Internal Market Act to enable it to allocate funding in areas devolved to Wales. That included the successor to EU funding, for economic and community development purposes. The Shared Prosperity Fund (SPF) was allocated by UKG on a local authority basis, co-ordinated by lead authorities working together with constituent councils at a regional level. It has included a mixture of revenue and some capital funding. In addition, as part of the wider Levelling up policy, a (competitive) Levelling up Fund has been awarded directly to councils to support a range of primarily capital projects across Wales.
103. In total, the UK Government allocated £585m to Wales through the UKSPF. This included £101m that was top-sliced by the UK Government to support an adult numeracy programme called Multiply. The allocations by region were as shown in the Table below:

Region	Core SPF	Multiply	TOTAL
Cardiff Capital Region	£230.4m	£48.1m	£278.5m
Mid Wales	£35.1m	£7.3m	£42.4m
North Wales	£104.6m	£21.8m	£126.4m
South West/Swansea Bay	£114.0m	£23.8m	£137.8m

104. Welsh Government has argued that this funding does not match the level of former EU funding received in Wales. It calculates that EU ERDF and ESF funding would have been worth £1.404bn for the period January 2021 to March 2025, allowing for inflation and exchange rates. Its figures suggest that, taking into

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account £47m from the Community Renewal Fund pilot in 2021/22, the total of £632m over this period is £772m less that should have been received.⁹

105. Due to a delay in the allocation of SPF funds by UKG at the start of the programme, and the need to allow time for programme closure by the end of March 2025, what should have been a three-year programme has effectively been condensed into 18 months. However, councils have worked well and managed to expedite delivery as far as possible, supporting a wide range of projects under the three themes of 'Communities and Place', 'Business Support' and 'People and Skills'.
106. Under the first two rounds of the Levelling up Fund Wales received £329m out of a UK total of £3.8bn, or 8.7% (£121m in round 1 and £208m in round 2). A further £111m was allocated to projects in Wales in the third round, bringing the total to £440m. The total LUF pot for the UK was £4.8bn, so Wales was *allocated* 9.2% overall. However, some of the LUF round 3 allocations are currently being reviewed by the incoming UKG which has signalled a move away from the 'Levelling up' approach. If no agreement has been signed with the councils concerned, then some of those awards may now be at risk.
107. Adding together the total SPF and LUF *allocations* to Wales by the previous UKG gives a grand total of £1,025m. Whilst, as noted in para 53, WG has argued the overall amount of support made available to Wales has been less than under the EU funding regime, it clearly still represents a substantial amount of funding to support economic development activities in Wales.
108. With the change in UKG earlier this year, the position over any successor programme when SPF finishes next March is currently unclear. The only certainty provided by UKG at present is that there can be no carry-over of any underspend remaining at the end of the programme. WLGA has been lobbying for a one-year extension of the fund to enable projects to be fully delivered to realise maximum benefits. However, no decision is expected on this now until the Spending Review is announced. It seems likely there could be an additional year of funding for a 'transition year', whilst a new programme is developed. However, this should not be viewed as enabling the continuation of current projects as they must be brought to a close by the end of March 2025. This raises questions both about the current programme and about how and when funding levels and delivery arrangements for any successor programme will be announced.
109. The concerns with the current programme are, first, that many projects may have to be brought to an early close or may no longer be viable, reducing the anticipated outputs and outcomes. Second, staff employed under the programme

⁹ see Written Statement: Loss of funding to Wales as a result of the UK Government's arrangements for replacement EU funding (4 May 2022) | GOV.WALES.

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may start to leave for other posts unless there is an early announcement of a new scheme that includes a significant and ongoing role for councils. If the role of councils is reduced in future, then there will be significant job losses across Wales amongst those currently employed under the programme.

110. In relation to a future programme, WLGA has called on both UKG and WG for local government to be involved in discussions. WLGA has written to Angela Rayner MP and Eluned Morgan MS offering to work with both governments as partners, to agree the best way forward in Wales. There is an urgent need for such a three-way discussion, not least because of the substantial number of jobs throughout Wales funded by SPF at risk due to current uncertainties.
111. Looking ahead, there are lessons we can draw on from delivery of LUF/SPF, where councils have worked collaboratively at a regional level. It is important, too, that devolution proposals in England are matched by equivalent and appropriate measures in Wales, building on existing regional arrangements.
112. In England, the UKG has called for Local Growth Plans to be developed and is looking to devolve integrated packages of funding and responsibilities to Mayoral Combined Authorities. After a transition year, a successor programme is likely to see funds being allocated to MCAs and county authorities in England in response to plans they submit.
113. Welsh Government is keen to see Corporate Joint Committees develop the strategic planning roles they have been given. There are discussions underway about transport grants being devolved to the CJsCs after a period of transition.
114. Building on the work undertaken on the Regional Investment Framework, WG is likely to want to see CJsCs playing a significant role in the management of some elements of funding for economic development that comes from any successor programmes to SPF/LUF. However, how this will work is still the subject of discussion between UKG and WG. The risk for councils is that a large part of any such funding will be allocated to national and regional levels and many of the local activities that have been supported under SPF will be viewed as non-strategic and lose funding.
115. Another risk is that the process for allocating funding becomes too bureaucratic and 'layered'. That potentially could see funding being passed from UK Government to Welsh Government and/or the Wales Office, then some of that down to CJsCs and then some to the local council level. Three-way partnership discussions can help to identify the most efficient way of getting funds to the right geographic level with the minimum of bureaucracy. It is vital that the lessons learned under SPF, including many positive outcomes, are considered in determining the way forward. If councils do lose access to funds then this could seriously undermine their capacity to promote economic development at a local level.



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116. Local contacts and knowledge are crucial to successful economic development, as well as councils' ability to co-ordinate support across their full range of services. This underlines the importance of lobbying for councils to continue to have a central role in any successor programme.

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Priority Area 5 - Capital and Investment

117. The importance of sustained public sector investment to long-term economic growth has recently been underlined by the Office for Budget Responsibility.¹⁰ The responses indicate that a tightened revenue settlement will impact capital programmes. Across capital programmes we are seeing an increase in costs from when the programme was approved at feasibility stage, to the design and development stage of capital projects, due to the current inflation rates and volatility of the construction market. With little or no additional funding available, there has been a lot of reprioritising between schemes and scaling back where possible.
118. Although inflation has returned to more normal levels, costs have remained at the inflated levels whereas core capital funding has not kept up with inflation, resulting in core capital budgets remaining static. Increases in costs are being experienced across the whole programme resulting in some schemes being unaffordable and/or not providing value for money. General Capital Funding has risen around 4% in cash terms since the pandemic while general construction inflation¹¹ has increased 6 times faster.
119. Where possible, programmes are being reprofiled, however this does not resolve the budget pressure, it may just spread it over a longer period which in itself can then increase the costs even more. Many authorities are finding that contractors have become more adversarial in terms of contracts and cost increases as they are working to very tight prices from subcontractors and suppliers. This can impact the final prices for schemes. The urgent is crowding out the important with burgeoning maintenance backlogs in estates and highways being prioritised over strategic projects because of capital rationing.
120. Due to pressures on the revenue budgets, costs are continually being reviewed and challenged in terms of what can be capitalised, however with no additional capital funding it results in less capital budget to actually spend on scheme delivery. Similarly, any annual revenue funding that was being used to support the capital programme has been removed.
121. PWLB interest rates are having an impact on schemes funded by Prudential Borrowing, both in terms of the business cases for borrowing and payback periods (e.g. invest to save schemes) and the impact that the interest costs have on the revenue budget.
122. This comes at a time when significant additional resources will be needed for investing in four main areas:

¹⁰ [Discussion paper No.5: Public investment and potential output \(obr.uk\)](#)

¹¹ [ONS Construction Output Price Indices](#) (OPIs) from April 2019 to June 2024, UK. Summary. All construction (new work and repair and maintenance) index

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- digital infrastructure to improve services and productivity, for example Connecting Care
- residential care investment to support the *Eliminate Agenda*
- housing investment for councils that are social landlords.
- estate decarbonisation¹² and EV infrastructure to support net zero

123. The major challenge of taking necessary climate change mitigation and adaption measures is recognised by all councils. However, climate change measures must not be seen as a separate 'item' to be funded but as something integral to all service areas. Therefore, aligned with the other four priorities outlined in this report, capital spend on new schools, social care provision, housing and economic development all need to be implemented in ways that help address the challenge.

124. To the extent that upfront costs will be higher, there is a need for additional capital to help cover the gap in costs. Over time however, lifetime costs should be lower as a result of more energy efficient/self-sufficient and lower emission buildings, care homes, houses and business units, and lower running and maintenance costs for electric vehicles.

125. There are, therefore, major 'invest to save' opportunities aligned to the priority areas in this report. These could be accelerated if more capital were to be made available. It should be noted though, that there are also revenue implications in terms of the costs of transitioning to net zero operations, associated with, for example, design work and developing a workforce with the skills required to build/retrofit and operate new assets in what is a very competitive labour market.

¹² Some initial work by Local Partnerships (LP) suggests that over £1bn will be needed to cover the capital cost of treating council buildings across Wales if decarbonisation, insulation and renewables measures are installed. LP note that this is an under-estimate of total costs as:

- (1) their capital cost figures are based on floor space details, which were provided for only 83% of the buildings reported
- (2) they note that they have not included other project costs which will be incurred, which could add 30-40% to the total delivery cost (e.g. survey, design, contingencies). Further work is underway to enable a more accurate picture to be developed by each council.

29th November 2024

Conclusion

126. In conclusion, our latest estimates of pressures remain exceedingly high and whilst they show some sign of reducing in the medium-term, indications are they will remain significantly above a level deemed to be normal. Without further additional funding, local authorities face impossible decisions for the preventative services that local government provides and the people who rely on them. A local authority budget gap similar to last year would be catastrophic for the NHS which relies on a well-funded care system. Further cuts would be demoralising for our workforce.

127. The Welsh Government recently made a commitment to funding pay rises across the public sector. This commitment to our workforce is welcomed especially considering the erosion of public sector pay in recent years. We are grateful that the Prif Weinidog has signalled she wants to protect local services. We welcome the partnership approach to forging a new relationship between the Welsh Government and local government. The close working relationship that we developed in recent years has served us all well. We are committed to continuing with that approach to protect our shared priorities from the worst effects of the economic headwinds to come.

Cleared by: Councillor Anthony Hunt, WLGA Finance Spokesperson

Authors: Jon Rae, Director of Resources
Nathan Gardner, Finance Manager

Tel: 07979018007
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29th November 2024

ANNEX I

Projected financial pressures, 2025-26 to 2027-28

	2025-26	2026-27	2027-28
A. Local Authority Related (excluding schools and social services)			
Pay inflation pressures	64,783	60,898	66,400
Non pay inflation pressure	35,193	31,333	30,421
Fees/Charges inflation (positive)	- 4,303	4,408	575
LA Inflation (Stand Still) pressures	95,673	96,639	97,396
Budget pressures			
a. Demand related pressures	47,754	29,473	26,253
b. Capital financing pressures	13,149	7,114	6,204
c. Reduction in specific grants	10,118	1,626	510
d. Local priorities	6,758	2,752	1,189
e. Other	42,888	11,050	10,156
LA budget pressures	120,667	52,015	44,312
Total LA-related	216,340	148,653	141,708
B. Schools			
Pay inflation pressures	91,079	79,191	84,188
Non pay inflation pressure	3,396	6,765	6,654
Fees/Charges inflation (positive)	- 493	504	525
Inflation (Stand Still) pressures	93,981	85,452	90,317
Budget pressures			
a. Demand related pressures	13,714	12,998	9,554
b. Capital financing pressures	- 738	702	741
c. Reduction in specific grants	1,003	105	105
d. Local priorities	1,328	1,007	-
e. Other	12,620	12,387	12,392
Total Schools Budget Pressures	27,927	25,795	21,311
Total Schools	121,909	111,248	111,628

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Projected financial pressures, 2025-26 to 2027-28 (cont.)

	2025-26	2026-27	2027-28
<u>C. Social Services</u>			
Pay inflation pressures	28,146	25,700	28,540
Commissioning Cost Pressures - Adults'	67,712	65,069	62,502
Commissioning Cost Pressures - Children's	18,066	16,783	15,143
Non pay inflation pressure	17,395	22,198	27,629
Fees/Charges inflation (positive)	- 865 -	1,678 -	1,796
Inflation (Stand Still) pressures	130,453	128,071	132,018
Budget pressures			
a. Demand related pressures			
<u>Adults Services</u>			
Domiciliary Care (incl supported living)	18,553	12,644	11,818
Residential Placements	20,427	13,189	16,446
Other	8,693	5,521	4,776
<u>Childrens Services</u>			
Domiciliary Care	2,382	2,453	2,685
Residential Placements	29,296	13,888	13,331
Foster Care	457	1,259	1,252
Other	7,367	10,306	11,680
b. Capital financing pressures	369	63	13
c. Reduction in specific grants	2,549	4,668	9,223
d. Local priorities	431	26	53
e. Other	3,345	5,479	5,690
Total SC Budget Pressures	93,871	69,496	76,966
Total Social Services	224,324	197,567	208,984
Total Pressures	562,573	457,468	462,320

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ANNEX II

In-year (2024-25) projected financial pressures (in excess of budget)

	£000s
A. Local Authority Related (excluding schools and social care)	
Pay inflation pressures	5,085
Non pay inflation pressure	7,318
Inflation (Stand Still) pressures	12,403
Financial pressures	
a. Demand related pressures	27,584
b. Capital financing pressures	- 2,898
c. Reduction in specific grants	1,264
d. Local priorities	150
e. Other	1,863
LA Budget Pressures	27,963
Total LA Related	40,366
B. Schools	
Pay inflation pressures	25,916
Non pay inflation pressure	24,907
Fees/Charges inflation (positive)	-
Schools Inflation (Stand Still) pressures	50,823
Financial pressures	
a. Demand related pressures	17,915
b. Capital financing pressures	21,073
c. Reduction in specific grants	2,202
d. Local priorities	-
e. Other	- 140
Total Schools Budget Pressures	41,050
Total Schools	91,873



29th November 2024

29th November 2024

In-year (2024-25) projected financial pressures (cont.)

	£000s
<u>C. Social Services</u>	
Pay inflation pressures	1,960
Commissioning Cost Pressures - Adults'	5,553
Commissioning Cost Pressures - Children's	10,209
Non pay inflation pressure	1,914
Inflation (Stand Still) pressures	19,636
Financial pressures	
a. Demand related pressures	
<u>Adults Services</u>	
Domiciliary Care (incl supported living)	17,382
Residential Placements	15,841
Other	5,590
<u>Childrens Services</u>	
Domiciliary Care	-
Residential Placements	38,011
Foster Care	850
Other	8,927
Total Social Services Budget Pressures	86,601
Total SC Pressures	106,237
<u>Total projected financial pressures (A+B+C)</u>	238,476

Agenda Item 3

Local Government and Housing Committee

08 January 2025 – papers to note cover sheet

Paper no.	Issue	From	Action point
2	Welsh Government Draft Budget 2025/26	Community Leisure UK	To note
3	Inquiry into the role, governance and accountability of the community and town council sector	Audit Wales	To note
4	P-06-1457 Re- introduce the right to buy Scheme	Petitions Committee	To note
5	Private rented sector	Welsh Government	To note



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John Griffiths MS
Chair, Local Government and Housing Committee
Senedd Cymru

Via email

5th December 2024

Dear John Griffiths MS,

Re: Impact of the increased National Insurance for employers on charities and social enterprises delivering public services

I am writing to urgently highlight the direct, deep and long-term impact on our members, who are all charities and social enterprises delivering public leisure and culture, of the proposed increase in the employer's rate of National Insurance to 15%, coupled with the lowering of the threshold from £9100 to £5000.

We are a members' association representing registered charities, societies or community interest companies (with a public benefit asset lock) delivering public leisure, sport and/or culture services for communities across the UKs. Our members in Wales work in partnership to deliver services on behalf of local authorities and operate assets and services as part of the public leisure and culture service provision in their communities.

The impact of the increase in National Insurance, which comes on top of a range of other financial challenges, will impact on our members' ability to retain their staffing levels and to improve and develop our services to the community, which will in turn ultimately impact on their physical and mental health, wellbeing and economic prospects.

The shift in the rate of Employers National Insurance contribution along with the significant change in threshold at which it is payable has an impact of an additional 2.3% on annual pay bills. Based on an indicative salary of £30,000, these changes represent an additional £866 cost to the employer per employee.

As charities and social enterprises all our members reinvest any financial surpluses generated back into their business and, ultimately, into their services. They operate on tight margins and have been hit hard in the past few years by the impact of Covid closures, the rise in energy prices, supply chain problems and inflation, and decreasing investment from local authorities. This is against a constraint of limited ability to increase pricing in order to ensure facilities and opportunities remain accessible.

The NIC policies announced in the Autumn Budget were unexpected, unbudgeted and is deeply damaging, particularly as it comes in addition to significant uplifts to the National Living Wage and Real Living Wage.

The cumulative impact on of all changes to staffing costs (both to salaries and national insurance rates and threshold) are equivalent to an 4.1% increase in costs for our members in Wales.

The rising employer costs, resulting from increasing NIC and National Minimum and Living Wage, pose a significant challenge for members who are seeing the erosion of differentials between job roles. While we welcome the intention behind the increases and absolutely support the National Living wage, the reality is that the rate of increases has exacerbated the pressure on maintaining distinctions between roles and levels of responsibilities.

These uplifts in wages represent an additional 1.8% salary costs for our members (excluding the changes to National Insurance Contributions). One of our members in Wales noted in our November survey that the impact of the additional costs will mean: "Reduction in workforce is inevitable with reducing management fees as well as these increasing costs together with inflation which is now greater from suppliers passing on the NI increases. Reduction in pay award is a consequence. Major problem will be further and widening health inequalities as prices are predicated to have to rise by around 10% as a result of these cost pressure"

According to our November members' survey, the direct impact of the increased salary costs (NIC and NMW/NLW) for our members in Wales are to increase prices, reduce staff pay awards, and restructure their workforce.

Prior to the announcement of the increase in National Insurance for employers, 69% of members cited affordability, economic climate, business performance, general market conditions as a key measure in setting pay awards.

We recognise the significant budgetary challenges facing both the UK and Welsh Governments and the reality of difficult decisions that need to be made. However, the risk of the cumulative effect of the financial pressures on our members is that, as businesses, they are at risk of significant service and/or workforce reductions to remain financially sustainable.

We call on the Local Government and Housing Committee to recognise the unprecedented challenges facing our members and to meet as a matter of priority to discuss collaborative measures to safeguard these vital community assets and organisations.

Your sincerely,



Jennifer Huygen
Head of Policy and Strategic Partnerships, Community Leisure UK
jenniferhuygen@communityleisureuk.org

Local Government and Housing
Committee
Welsh Parliament

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Reference: AC472/caf

Date issued: 6 December 2024

Dear Evan

Escalation Process and Powers available to the Auditor General

As requested, please find attached a note describing the escalation process and powers available to the Auditor General.

During our oral evidence session, Committee members began to explore the potential for some legislative streamlining of the audit regime for town and community councils. Since then, we have given some thought to alternative models that might be considered if the Committee wished to recommend legislative change in this area. These are described in the second attached paper, which I hope the Committee will find helpful. We would, of course, be happy to discuss further.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales

Encs

Reference: AC472/caf-1

Date issued: December 2024

Escalation process for non-submission of accounts for audit by community and town councils in Wales

Background

- 1 Section 13 of the Public Audit (Wales) Act 2004 (the 2004 Act) requires all councils to make up their accounts to 31 March each year and to submit those accounts to the Auditor General who must audit them.
- 2 In giving evidence to the Local Government and Housing Committee meeting held on 14 November 2024, the Auditor General noted an on-going issue of non-submission of accounts for audit by community and town councils across Wales.
- 3 As at 14 November the position for recent financial years was as set out in Exhibit 1 below:

Exhibit 1: Outstanding accounts by financial year

	2019-20 and earlier	2020-21	2021-22	2022-23	2023-24
Accounts due for audit	449	740	740	737	737
Accounts submitted for audit	444	729	729	716	641
Outstanding accounts (i.e. not submitted)	5	11	11	21	96

Source: Audit Wales analysis

- 4 The 2023-24 accounts were due to be submitted for audit by 7 August 2024 at the latest. As exhibit 1 shows, at 14 November 2024, 96 councils had not submitted 2023-24 accounts for audit. At 30 September 2024 (not shown in exhibit 1), this number was 161.

- 5 The 2022-23 accounts were due to be submitted for audit by 7 August 2023 at the latest. At 30 September 2023, 180 councils had not submitted their 2022-23 accounts.
- 6 The equivalent number for 2021-22 was 150.
- 7 This data shows that a significant proportion of councils are late in submitting accounts for audit.
- 8 Following the meeting, the Committee requested further details of the escalation process followed regarding non-submission of accounts by community and town councils. The Committee also asked whether or not the Auditor General had sufficient statutory powers in relation to non-submission of accounts for audit.
- 9 This paper sets out the statutory background, including the Auditor General's right of access to information necessary to perform his functions and the process followed by auditors when dealing with non-submission of accounts, together with reporting options and the implications for fees.

The Auditor General's rights of access to information

- 10 The Auditor General's rights of access to information and explanations relevant to the audit are set out in section 52 of the 2004 Act.
- 11 The Act provides that the Auditor General for Wales has a right of access at all reasonable times to every document relating to a local government body in Wales which appears to him necessary for the purposes of the audit. The Auditor General for Wales may require a person whom he thinks has relevant information to give him any assistance, information and explanation which the Auditor General for Wales thinks necessary for the purposes of the audit. In addition, under section 52(4), the Auditor General may require the person he believes has the relevant information to attend before him in person to give the assistance, information or explanation, or to produce any document which is held or controlled by the person and to which the Auditor General has a right of access.
- 12 Section 53 of the Act sets out that a person commits an offence if without reasonable excuse he fails to comply with a requirement imposed by the Auditor General under section 52(4).
- 13 It is for the Auditor General to enforce his rights set out in section 52. This means that it is for the Auditor General to pursue a prosecution if he considers that is necessary.

Reporting options available to the Auditor General

- 14 As set out in sections 22 to 26 of the 2004 Act, the Auditor General has a range of reporting options available to draw attention to non-submission of accounts.
- 15 In the first instance, late preparation and submission of accounts may be reported in the Auditor General's opinion and report attached to the annual accounts on completion of the audit. This report is the general report provided for in section 23 of the 2004 Act. The report is normally brief and extends from 1 – 3 pages and includes a short explanation of the issues identified at audit and recommendations to the council. In most cases, this will be the approach followed.
- 16 In some cases, the audit identifies more widespread or complex issues at a council. In these cases, the audit team may prepare a longer form, stand-alone report. This report will be referenced in the Auditor General's opinion attached to the accounts. The report will explain issues in more detail and make a series of recommendations.
- 17 Two further options for more public reporting of issues and recommendations are:
 - Public interest reports—section 22 of the Act provides that the Auditor General must consider whether, in the public interest, he should make a report on any matter which comes to his notice during the audit, in order for it to be considered by the body or brought to the attention of the public. Any such reports must be considered by the council in accordance with the requirements of section 25 of the 2004 Act.
 - Statutory recommendations—section 25 of the 2004 Act also applies if the Auditor General sends to the council a written recommendation and states in the document containing the recommendation that in his opinion the recommendation should be considered in accordance with the requirements of section 25. We refer to these as 'statutory recommendations.'
- 18 In summary, a council that receives a report in the public interest or statutory recommendations must take the following steps:
 - Arrange a meeting of the full council within 30 days of receipt of the report or recommendations to consider the report and/or recommendations;
 - Advertise the meeting via a notice published in a newspaper circulating in the area;
 - At the meeting, consider the report or recommendations, whether the recommendations are to be accepted and what

action (if any) to take in relation to the report or recommendations;

- As soon as practicable after the meeting, notify the Auditor General of the decisions taken at the meeting and obtain the Auditor General's approval of a written summary of those decisions; and
- Ensure that a notice containing the approved summary is published in a newspaper circulating in the area.

Audit fees

- 19 Section 20 of the 2004 Act makes provision for the charging of audit fees to councils.
- 20 Our audit fees are charged in accordance with the provisions of the 2004 Act and as set out in section 20 of the 2004 Act, are payable in full by the Council.
- 21 Section 20 of the 2004 Act states that:
- the Wales Audit Office must charge a fee for the functions exercised by the Auditor General in auditing the council's accounts;
 - the fee must be charged in accordance with the annual Fee Scheme; and
 - the council must pay the fee payable in respect of the audit.
- 22 Insofar as it is reasonably possible to do so, all time spent in dealing with an individual council is charged directly to that council.

Dealing with non-responding or unco-operative councils

Audit Wales's process for dealing with non-responding councils

- 23 All councils receive an audit notice each year – usually around the end of March. This audit notice sets out the information we require for audit and sets out a timetable for submission of accounts and necessary supporting information. The audit notice is sent to the clerk – our primary point of contact with the council.
- 24 Many councils submit accounts a few days late. Therefore, we issue a first reminder to the council around a month after the audits were initially due for submission. This is a generic email sent to all outstanding councils. Around a month later, a further generic email is sent to those councils that remain outstanding. At this stage we set a

further deadline for submission of the accounts and supporting documents (this is of course later than the original deadline set in the original audit notice). We usually request that councils provide their accounts within a month of the second email being issued. In both emails we highlight the council's responsibilities and that the accounts are overdue.

- 25 In many cases, these two reminders will prompt councils to submit the accounts. If councils do not respond to these emails, we follow up each council on an individual basis.
- 26 This process involves confirming the contact details we hold to ensure our correspondence reaches the right address. We also seek to identify the council chair at this stage and copy the chair in on any correspondence with the clerk. We seek to agree a date for submission of accounts. At this stage, it is often the case that no accounts have been prepared by the council. Therefore, we specify a further extended deadline for submission so as to provide some time for the council to prepare accounts and to have the accounts approved by the council. This timeframe may extend to two months.
- 27 If there is no substantive response at this stage, we require the chair and clerk to attend in person to provide the information. To ensure that councils have limited excuse for not attending we offer a number of alternative dates. At this stage, councils will usually provide the annual accounts and supporting information.
- 28 If councils fail to provide information at this stage, we refer the matter to our Law and Ethics team who write to the Council notifying the clerk and chair of their obligations and that we may commence enforcement proceedings if they fail to comply.
- 29 At each stage, council clerks and chairs are informed of the following:
 - Likely need for additional audit procedures as a result of late submission and an increased risk assessment
 - potential reporting options available to the Auditor General and
 - the likelihood that additional audit fees will be charged.

Issues encountered when following this process

- 30 We frequently encounter difficulties while going through this process:
 - There is a significant turnover of clerks in the sector. When we identify a change of clerk, we generally have to start the whole process of dealing with non-submission again more or less from

scratch, including setting a new realistic date for the submission of the accounts.

- In many cases, when a clerk leaves, the council omits or cannot arrange an orderly handover. We frequently find that the departing clerk has not handed over any documentation to the incoming clerk. This means the incoming clerk needs a longer run in period to prepare the accounts.
- Too often, councils will provide some but not all of the information needed. In such cases, the councils will usually state they have provided everything, despite this not actually being the case. We also find that when councils attend a meeting in person, they often do not bring all of the required information and promise to provide it shortly or request an alternate method of providing the information.
- Councils may drip feed information to us, significantly prolonging the process.

- 31 In most cases, councils co-operate without any need for enforcement. However, in a small number of cases, we need to consider enforcement through the courts. In such cases, we need to be mindful that section 53 of the 2004 Act specifies that a person commits an offence if without reasonable excuse they do not comply with a requirement imposed under section 52 of the 2004 Act.
- 32 As noted at paragraph 12, it is for the Auditor General to pursue prosecution if he considers that is necessary. Prosecution is, however, expensive—legal fees alone would in each case easily well exceed £8,000, which in most circumstances would seem to be disproportionate. Current practice is therefore generally to seek compliance through persuasion. Although this a call on Audit Wales staff time and is not without cost, it will be less expensive than charges for legal advisers' time.

Impact of large-scale non-submission

- 33 This process of chasing councils is resource intensive and time consuming. This means that we are not able to progress as quickly as we would like due to other resource pressures related to the audits.
- 34 Furthermore, the elapsed time to complete audits is significantly extended leading to additional administrative time being required to monitor progress of audits.

Sufficiency of the powers available to deal with non-cooperation by councils

- 35 Community and town councils are the smallest public bodies in Wales. Although collectively they spend a significant amount of public money – approximately £65 million a year, individually they are a very small proportion of the overall public sector in Wales. Furthermore, clerks are often part time and receive little support in discharging their roles.
- 36 Given the expense of enforcing access rights through prosecution, there might be merit in providing for a fixed penalty notice mechanism. However, we do see some drawbacks to such an arrangement.
- 37 First, the availability of fixed penalty notices may act as a disincentive to individuals to take on the roles of clerk and councillor. As we understand that there are already shortages of willing individuals in some areas, this may be counterproductive.
- 38 Second, the issue of a fixed penalty notice would not preclude matters proceeding to court if the individual does not pay the notice. The risk of disproportionate expenditure in some cases therefore continues.
- 39 Overall, we consider that the enforcement arrangements available to the Auditor General are sufficient in the current context of community councils.
- 40 We consider that improved compliance with accounts submission is best first pursued through professional education and development of clerks and councillors, and ongoing support for them. Such education, development and support are matters for the councils themselves in the first instance, including through their associations (One Voice Wales and SLCC), but councils may benefit from further support from government in these areas.
- 41 While it would be tempting to ask auditors to provide such support, providing such a service to any significant extent would be at odds with audit independence under the terms of the Financial Reporting Council's Ethical Standard.

Reference: AC427/caf-2

Date issued: December 2024

Alternative models for the accounts and audit of community and town councils in Wales

Background

- 1 At the Local Government and Housing Committee meeting on 14 November 2024, the Committee explored how the current audit regime for community and town councils might be streamlined.
- 2 This paper sets out some options for amendment of the overall statutory framework that could assist in such reform. It considers the current model of audit in Wales and the models applied to parish councils in England and community councils in Scotland.
- 3 Each of the options identified below would require amendments to legislation.

Comparative audit models

- 4 There are significant differences in the audit arrangements for Welsh community and town councils compared with those for English parish councils and Scottish community councils.

Community and town councils in Wales

- 5 Section 13 of the Public Audit (Wales) Act 2004 (the 2004 Act) requires all councils to make up their accounts to 31 March each year and to submit those accounts to the Auditor General who must audit them. The Auditor General must then undertake the audit and discharge his functions within the framework of the 2004 Act and its subordinate legislation, the Accounts and Audit (Wales) Regulations 2014.
- 6 The Auditor General's functions include:
 - The audit of accounts;
 - Statutory reporting functions (sections 22 to 25);
 - Functions related to electors' questions and objections related to the accounts (sections 30 and 31); and
 - Functions related to unlawful expenditure (sections 32 to 34).

- 7 The requirements of the 2004 Act mean that the Auditor General must undertake an audit at all councils every year.

Parish councils in England

- 8 There are around 10,000 parish and town councils in England. These English councils have broadly the same powers and functions as community councils in Wales. They are subject to the accounts and audit provisions of the Local Audit and Accountability Act 2014, subject to provisions made for smaller authorities by the Local Audit (Smaller Authorities) Regulations 2015 (the Smaller Authority Regulations), and the Accounts and Audit Regulations 2015 (the English Accounts & Audit Regulations).
- 9 The English Accounts & Audit Regulations impose broadly the same responsibilities on English parish councils as the 2014 (Wales) Regulations impose on community councils in Wales regarding the preparation of accounts.
- 10 The Smaller Authority Regulations allow, but do not require, a smaller authority to certify themselves as an exempt authority for a financial year if:
- the qualifying condition for that authority and that financial year is met--i.e. that the higher of the council's receipts/income and payments/expenditure does not exceed £25,000;
 - the financial year is not one of the first three years of the authority's existence; and
 - certain specified circumstances do not apply in relation to the keeping of the accounts for the preceding financial year or to the audit of those accounts. These circumstances include:
 - the local auditor has made a public interest report or a written recommendation in respect of the authority or any entity connected with it;
 - the local auditor has issued an advisory notice and has not withdrawn the notice;
 - the local auditor has commenced judicial review proceedings and the proceedings have not been withdrawn nor has the court found against the auditor;
 - the local auditor has made an application to the court for a declaration that an item of account is unlawful, and the application has not been withdrawn nor has the court refused to make the declaration; or

- the court has declared an item of account unlawful.
- 11 In practice, this means that the majority of English parish councils with income and expenditure less than £25,000 are exempt from normal audit requirements.
 - 12 However, all councils are still required to complete, approve and publish an Annual Governance and Accountability Report.
 - 13 English parish councils are also subject to a transparency code that requires extensive online publication of accounting and other information on council websites. Such requirements seem to be a prudent measure to prevent complete loss of accountability for spending in the absence of an annual audit.
 - 14 Although most councils fall within the exemption outlined above, all councils must have an appointed auditor who will receive any questions or objections from electors and may undertake audit work in relation to these matters.

Community councils in Scotland

- 15 Community councils in Scotland are quite different in structure and functions to community councils in Wales. There are currently approximately 1,200 active community councils in Scotland. In Scotland, community councils are voluntary organisations set up under schemes provided for by statute by the local authority and run by local residents to act on behalf of their areas. The local authorities exercise statutory oversight of their local community councils.
- 16 Scottish community councils have fewer functions than their English or Welsh counterparts. Scottish community councils represent their communities to the local authority, undertaking local surveys and campaigning on local issues. They may carry out local projects and organise community events.
- 17 In particular, unlike in England and Wales, Scottish community councils do not have the right to raise funds by setting a precept on local taxes, and are instead dependent upon local authority grant funding, which is usually received for running costs only. Councils may however obtain additional funds such as through lottery grants.
- 18 In Scotland, while the schemes that establish community councils provide for the preparation of accounts and their independent examination or audit, there is no equivalent to the Welsh and English statutory requirements for external audit.
- 19 Councils are required by the schemes that establish them to prepare annual accounts and to appoint an independent examiner or auditor

of those accounts. There is no general requirement for community council account examiners or auditors to have professional qualifications; the only requirement is that they are independent, i.e. not be members of the community council. The recommended programme of work for independent examiners and external auditors in Scotland is similar to that carried out by internal auditors in England and Wales.

- 20 The administration grant from the local authority is paid annually, on submission of examined or audited annual accounts for the previous financial year.

Possible models for Wales

- 21 While the Auditor General can determine what and how much audit work to undertake in any given financial year in relation to community council accounts, he is restricted by the statutory requirement for him to audit the accounts of every community council every year. This means that significant changes to the audit requirements would most likely require amendments to the 2004 Act.
- 22 Potential alternative models are set out below. We suggest that a key principle that should be applied in considering these potential alternative models is that those who raise and spend local taxes should be held accountable for the use of those local taxes.

Option 1: Replace audit by the Auditor General with other audit or independent examination

- 23 Option 1 would be to adopt an approach similar to that applied in Scotland. The 2004 Act could be amended to replace the requirement for councils to submit the accounts for audit by the Auditor General with a requirement for councils to appoint their own external auditor. The individuals that currently provide internal audit to community councils may be suitable to take on this role, but this would only be appropriate if the current requirement for internal audit was removed.
- 24 In order to ensure that councils account for the monies they raise, spend and manage, local authorities could be required to withhold precepts until such time as they receive audited accounts from the community councils. Checking for audited accounts would, however, be an additional task for the authorities.

- 25 In order to ensure consistency of approach across the sector it may be necessary for guidance to be issued for external auditors of community councils and potentially additional support for councils looking for an external auditor.
- 26 The Auditor General's report on internal audit arrangements in the sector highlighted concerns over the adequacy of internal audit and highlighted that around 10% of councils did not have an internal auditor. Therefore, it seems quite likely that some community councils may face challenges in finding suitable persons willing and able to undertake the audit or examination.

Option 2: Smaller council exemption from audit by the Auditor

General

- 27 The English model provides an example where some councils are exempt from audit requirements.
- 28 An amendment could be made to the 2004 Act to introduce a similar exemption from audit for smaller councils below a set threshold (as in England) or for all community councils.
- 29 Councils would still need to advertise local inspection of accounts and advertise electors' rights to ask questions or make objections to accounts at audit but would not need to submit accounts for audit below a set threshold of income/expenditure.
- 30 The Auditor General would have a duty to consider undertaking audit work when matters are drawn to his attention during the inspection period, e.g. in response to questions and objections from local electors or whistleblowers. We expect however that despite this duty on the Auditor General the majority of councils would not be subject to external audit.
- 31 One of the weaknesses with the English arrangements is that councils may simply not prepare annual accounts, make arrangements for public inspection of accounts or comply fully with any transparency code. We gather that sometimes that these requirements are overlooked because of the lack of annual audit requirements, and this can lead to the council incurring additional expenditure.
- 32 Our experience in Wales suggests that a significant number of councils would be in this position.

Option 3: General exemption from audit by the Auditor General but with a requirement to submit accounts to the Auditor General

- 33 A third option may include amending the 2004 Act, retaining the requirement for councils to submit their accounts to the Auditor General each year but with an amendment to give the Auditor General discretion as to the extent of audit work required, including the option not to audit the accounts.
- 34 The Auditor General could then consider whether or not there is a need for any external audit work. This consideration might encompass:
- Analytical review of the accounts to identify trends that may need explanation;
 - Issues arising in previous years;
 - Consideration of any questions, objections or other correspondence related to the accounts; and
 - Whether or not accounts have been filed on a timely basis.
- 35 Where the Auditor General considers it appropriate to do so, he may undertake such audit work as is necessary to address his concerns. This would allow flexibility for the Auditor General, in consultation with the sector and Welsh Government, to set the threshold at which an external audit is required.
- 36 Where no audit work is undertaken, no audit opinion or certificate would be issued, and no audit fee would be charged.

Hybrid options

- 37 The various options are likely to have certain advantages and disadvantages. The options described above could be combined in certain respects to provide further options. For example, replacement of audit by the Auditor General (option 1) could be made confined to smaller councils, such those below a specified expenditure threshold (option 2).
- 38 For example, a new arrangement might include:
- a) Replacing the requirement for annual audit by the Auditor General for small community councils with expenditure below £25,000, with a requirement for the council to obtain an audit or independent examination from elsewhere and to provide audited/examined accounts to the Auditor General and the

billing authority from which the council wishes to receive a precept; and

- b) Providing that where a council fails to provide audited/examined accounts by a set deadline (e.g. 30 September), or where electors or whistleblowers raise matters that are not addressed in the auditor's/examiner's report, the Auditor General may undertake further audit work and report.
- 39 Any changes such as those outlined above would need to keep in mind the potential friction by councils challenging the undertaking of audit work prompted by questions or objections, on the grounds that they consider such questions and objections are ill-founded or malicious.

Consequential issues

- 40 The comments above only address the relatively narrow issue of how the statutory requirement for audit of community councils might be amended. They do not address any consequential issues, such as the effect on councils wishing to exercise the general power of competence (GPOC).
- 41 In the case of councils wishing to exercise the GPOC, at present such a council must meet three qualifying conditions, one of which is that its two most recent audit reports must be unqualified. Withdrawal of the requirement to have an annual external audit would, unless consequential amendments are made to legislation, prevent councils wishing to exercise GPOC from doing this. One way of addressing this might be to amend section 13 of the 2004 Act to allow a council to request that the Auditor General undertakes an audit in any given year.
- 42 The form and content of the Annual Return is agreed between Audit Wales, One Voice Wales, SLCC and Welsh Government each year. The return itself is issued to councils by Audit Wales alongside a proforma audit notice as a matter of convenience.
- 43 Audit Wales could continue to issue councils with the annual returns and proforma notices for public inspection and log the accounts data on receipt of the council approved annual returns. But with many councils no longer paying audit fees, consideration would need to be given as to whether some or all of the work still undertaken by Audit Wales should be funded by supply rather than fees charged to a smaller number of councils.

Petitions Committee

Jayne Bryant MS
Cabinet Secretary for Housing and Local Government
Welsh Government
Tŷ Hywel
Cardiff Bay
CF99 1SN

Copied to John Griffiths MS, Chair, Local Government and Housing Committee

6 December 2024

Dear Cabinet Secretary,

Petition P-06-1457 Re-introduce the right to buy Scheme

The Petitions Committee considered the above petition, submitted by Ryan Hamill, at its 18 November meeting.

The Committee noted that the Welsh Government has clearly set out its position on Right to Buy, and agreed there was little more they could do to take the issue forward. In light of this, Members agreed to close the petition and thank the petitioner.

In doing so, it was agreed to forward the petitioners' latest correspondence, including suggestions for mitigation conditions, to you and to the Senedd's Local Government and Housing Committee for awareness.

The full details of the Committee's consideration of the petition, including the correspondence and the actions agreed by the Committee can be found here: [P-06-1457 Re-introduce the right to buy... Scheme](#)

I would be grateful if you could send any response by e-mail to the clerking team at petitions@senedd.wales.

Senedd Cymru

Bae Caerdydd, Caerdydd, CF99 1SN

Deisebau@senedd.cymru

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0300 200 6565

Welsh Parliament

Cardiff Bay, Cardiff, CF99 1SN

Petitions@senedd.wales

senedd.wales/SeneddPetitions

0300 200 6565

Yours sincerely,

A handwritten signature in black ink that reads "Carolyn". The letters are cursive and fluid, with a large initial 'C'.

Carolyn Thomas MS
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Welsh Government

Written response by the Welsh Government to the report of the Local Government and Housing Committee – Private Rented Sector

03/12/2024

I am grateful to the Local Government and Housing Committee for their report on the Private Rented Sector and welcome the recommendations and conclusions contained in the report. I have provided a detailed response to each below:

Recommendation 1

The Welsh Government publishes by October 2025 a concise statement outlining its vision for the role of the private rented sector in the short and longer terms in meeting housing need in Wales, and outlines how it will use the statement to provide focus for Welsh Government policy, legislation and spending.

Response: Accept in principle

Welsh Government set out the important role that the Private Rented Sector plays in helping to address housing need in Wales, in

our recently published White Paper on Housing Adequacy, Fair Rents and Affordability.

The outcome of that consultation and evidence gained through it, will help inform and shape the focus for policy and legislation, and associated budgetary considerations, in relation to the Private Rented Sector.

We intend to publish the outcome of the White Paper consultation by Summer 2025.

Financial Implications: None.

Recommendation 2

The Welsh Government should work with stakeholders to put in place training and education for landlords and tenants on the grants and support available through the rapid response adaptations programme.

Response: Accept in Principle

We will work with stakeholders to scope training packages already in development and will consider how these could be best utilised to provide support to landlords and tenants.

Financial Implications: None. Funding is in place for training packages currently under development.

Recommendation 3

The Welsh Government considers how a register of accessible accommodation available to rent privately could be introduced. This should include whether the register for accessible social housing properties proposed in the Welsh Government's White Paper could be extended to private sector properties

Response: Accept

We will examine the potential for a register of accessible accommodation for the private rented sector, and the considerations that would need to be addressed for such a register to be introduced.

Financial Implications: None.

Recommendation 4

The Welsh Government, in its response to our report, should set out clear timescales and milestones for the reviews referred to in the commitment in the Welsh Housing Quality Standard to extend the Standard to other housing types and tenures. This should include details of when reviews will take place, what such reviews will consider, and how decisions will be taken on whether and when to extend the Standard to the private rented sector.

Response: Accept in principle

The current iteration of the Welsh Housing Quality Standard (WHQS) was introduced a year ago and our social housing landlords are beginning its implementation. We committed to reviewing this new standard within three years, before 31 March 2027. We are currently gathering evidence on roll out of this standard for social housing, before considering how the standard might be extended to other tenures.

The Committee will be aware that at the time of its introduction, the previous UK Government had decided not to proceed with reform of the Minimum Energy Efficiency Standard for Private Rented Properties. However, on 23 September, the current UK Government confirmed it would be reversing that decision and plan to shortly issue a consultation on minimum energy efficiency standards (MEES) for rental properties. We understand this will include a requirement to bring private rented homes up to Energy Performance Certificate (EPC) C by 2030.

Given the new standard will apply to Wales, the immediate focus and priority in this area is therefore working with UK Government to understand the implications for Wales and to support the sector in ensuring uptake and compliance with the new MEES standard.

Financial Implications: None

Recommendation 5

The Welsh Government should work with Rent Smart Wales to develop a property MOT for fitness for human habitation for use as part of the licensing regime. The Welsh Government should, in its response to our report, commit to providing us with annual progress updates on the development and implementation of the MOT, including whether it will be ready in sufficient time for use in the next landlord registration cycle (due to begin in late 2026).

Response: Accept in principle

We are currently consulting within the White Paper on Adequate Housing, Fair Rents and Affordability on the introduction of an Annual Property Condition Record. This would, if taken forward, introduce a requirement on licence holders to self-certify to Rent Smart Wales that their property meets fitness for human habitation standards (i.e. gas and electrical safety certificates and mains wired smoke alarms) and supply evidence to demonstrate compliance if required.

Subject to the outcome of the consultation, Annual Property Condition Records could be introduced ready for the next landlord registration cycle in late 2026.

Financial Implications: None. Any financial implications will be considered as part of the outcome of the consultation and decision on whether to proceed with implementation of an Annual Property Condition Record.

Recommendation 6

The Welsh Government should explore the feasibility of enabling tenants who are subject to no-fault evictions to retain the last two months' rent of their tenancy as compensation for the financial and wellbeing impact of a forced move, and write to us by April 2025 to set out its conclusions.

Response - Accept

We will engage with a wide range of stakeholders, including members of the Stakeholder Advisory Group who supported the development of the White Paper on Adequate Housing, Fair Rents and Affordability to explore the feasibility of this proposal. We will respond with our conclusions before the end of April 2025.

Financial Implications: None.

Recommendation 7

The Welsh Government should outline what steps are being taken to ensure that the remaining five local authorities become part of the Leasing Scheme Wales. This should include timescales by when the Welsh Government intends that all 22 local authorities will be part of the Scheme, and, if any local authority indicates that it does not intend to participate, details of the reasons and the alternative

arrangements that local authority will put in place to achieve the equivalent ends.

Response: Accept

Our aim is to achieve all Wales coverage, and that all 22 local authorities participate in Leasing Scheme Wales. We believe this will ensure consistency and get maximum impact.

The Scheme was launched in January 2022 for five years. The number of local authorities has increased since the PRS inquiry session last year and there are now 19 Local Authorities on the scheme. Bridgend County Borough Council joined the scheme in March 2023 and Torfaen Borough Council and Caerphilly Borough Council in 2024.

We will continue to engage with and support the three remaining local authorities (Flintshire, Swansea and Vale of Glamorgan), who are not currently participating to join the scheme. Swansea and Flintshire have expressed interest in joining in 2025. However, should the remaining local authorities not join the scheme, we will write to the Committee outlining the reasons and the alternative arrangements in place.

Financial Implications: None. The costs of authorities joining Leasing Scheme Wales are covered within existing budget allocations.

Recommendation 8

The Welsh Government should review how many private sector landlords receive Housing Support Grant for tenants who have support needs, and take steps to review and promote examples of good practice within the sector.

Response: Reject

The Housing Support Grant (HSG) is distributed to local authorities to plan and commission housing related support services. This may take the form of floating support services to help an individual who may be at risk of homelessness to help sustain a tenancy. The HSG is tenure neutral, therefore support can be provided to any individual to prevent homelessness and/or assist people with a range of support needs to live independently and sustain a tenancy, regardless of tenure. Support is provided direct to the tenant; the PRS landlord would not receive the HSG funding.

The Welsh Government asked local authorities and Rent Smart Wales (RSW) to promote awareness of the HSG across stakeholders, including the PRS, as well as supporting RSW and Shelter Cymru to provide assistance and advice for landlords and tenants who may need it. Local authorities are also required to engage with the PRS in the process of developing their Housing Support Programme Strategy and HSG Delivery plan. We will continue to work with local authorities and RSW to ensure HSG services are sufficiently promoted and examples of good practice identified.

Financial Implications: None.

Recommendation 9

The Welsh Government should provide an update on the PRS Action Plan it committed to the development of in its Anti-racist Wales Action Plan of July 2022. An update should be provided by December 2024.

Response: Accept

The Welsh Government's refresh of the Anti-racist Wales Action Plan was published on 5 November, following engagement with stakeholders.

The refreshed plan does not include a specific action in regard to a separate Action Plan dedicated to the Private Rented Sector. Rather, the refreshed plan focuses on the commitment to work with the

Private Rented Sector to improve awareness of racism and hate crime. Our commitment over the next two years is therefore to work with landlords and agents across the Private Rented Sector to improve poor attitudes and behaviours that may persist. This activity includes:

- supporting those on lower incomes to access affordable and longer-term tenancies;
- continuing to deliver anti-racism and hate crime training for landlords and agents;
- providing information to tenants to enable them to report racism and hate crime; and
- improving communication and engagement with Black, Asian and Ethnic Minority tenants within the Private Rented Sector so that they are aware of their rights and how to enforce them and have confidence in doing so.

I can provide further updates to the Committee as this work progresses over the next two years.

Financial Implications: No additional costs are anticipated.

Recommendation 10

The Welsh Government should regulate to address the financial and bureaucratic barriers that tenants may face when they apply for a home, such as guarantor requirements, and requirements for multiple months' rent in advance.

Response: Accept in principle

Our White Paper consultation on Adequate Housing, Fair Rents and Affordability includes proposals aimed at removing financial barriers for tenants to enter and remain in the Private Rented Sector. This includes proposals to develop national guidance, in collaboration with local authorities, for the provision of providing a rent guarantor.

The purpose of this guidance would be to develop a consistent approach and clear eligibility criteria to support local authorities in offering to act as guarantors to people who need to rent a property in the Private Rented Sector but are unable to find a guarantor.

We will reflect on the evidence provided to the White Paper consultation in determining next steps.

Financial Implications: None

Recommendation 11

The Welsh Government must urgently outline how it intends to extend tenants' rights to have a pet in to contracts, including whether it will bring forward legislation to end this discrimination.

Response: Accept in principle

We have included within the White Paper on Adequate Housing, Fair Rents and Affordability proposals to allow a landlord to cover the cost of a pet damage insurance premium as a permitted payment through amending secondary legislation. This is very similar to the proposal being brought forward by the UK Government in the Renters Rights Bill for England.

In addition, the White Paper also highlights how we would want to promote “pets considered” as the default for letting advertisements to encourage more landlords to be willing to let to prospective tenants with pets.

We will reflect on the evidence provided to the White Paper consultation in determining next steps.

Financial Implications: None

Recommendation 12

The Welsh Government should set out how it will work with local government to increase local authority inspection capacity to improve housing standards in the private rented sector, including actions to address long term recruitment shortages in environmental health.

Response: Accept in Principle

Local authorities are democratically accountable bodies, responsible for managing their own resources, including their workforce. Through its budget decisions, the Welsh Government prioritises frontline public services, including those provided by local government, as far as possible. Regular engagement between the Welsh Government Ministers, local authority Leaders, Cabinet Members for Housing, and other local authority colleagues, supports partnership working and provides opportunities to discuss key challenges in delivery of shared priorities.

Work to deliver the Welsh Government's Programme for Government commitment to reduce the administrative burden on local authorities is focused on reducing unnecessary bureaucracy, particularly in relation to funding provided through grants to local authorities. By consolidating grants, or moving funding into the Revenue Support Grant, this allows increased flexibility for local decision making so that funding and other resources can be prioritised to deliver services to people and communities across Wales. The regional structures available, including the Corporate Joint Committees, provide the opportunity to share capacity and capability across a number of authorities, particularly in professional areas which have long-term recruitment challenges.

The Cabinet Secretary for Housing and Local Government is keen to work with local authorities to promote local government as an employer of choice in Wales, and to emphasise the variety of careers

available across this tier of government. Welsh Government colleagues working on post 16 Education and Training policy are working with partners on the development of apprenticeship programmes, including one in Environmental Health. Both these actions would go some way to help address long term recruitment shortages being faced by local authorities.

Financial Implications: None

Recommendation 13

The Welsh Government should explore the use and effectiveness of local authorities' compulsory purchase powers as a means of discouraging persistent bad practice by landlords, with a view to encouraging their wider use if considered effective. This should include consideration of the legal advice available to local authorities and the progress made in establishing a regional or national source of legal expertise to advise on compulsory purchase powers.

Response: Accept in Principle

Welsh Government considers that there are sufficient powers under Health Housing and Safety Rating System HHSRS in respect of improvement notices, prohibition notices, and emergency work notices, and the fit and proper person test to deal with bad landlord practices and failures to deal with property conditions. Rent Smart Wales also have the power to remove the licence of a bad landlord so they can no longer manage the property.

In February 2020, Welsh Government secured an Enforcement Industry Expert to offer training and bespoke expert advice to local authorities on enforcement including current enforcement powers and how to use them more effectively. Additionally, they are providing advice to policy officials on the current policy on enforcement, including Compulsory Purchase Orders and Empty Dwelling Management Orders and how to make these tools more effective in the delivery of bringing empty properties back into use.

The industry expert is contracted until 31 March 2025; enforcement training and support beyond this financial year will be a key consideration as we continue to develop our enforcement support package.

This package will include the provision of the Empty Homes Handbook which will be an informative and practical guide to assist Local Authorities and landlords to bring Empty Homes back into beneficial use. Building on previous interventions and utilising current legislation, the handbook will be an informative and user friendly guide to assist stakeholders with homes that are more complex. The handbook will offer detailed, practical guidance on the steps necessary to identify and secure empty homes through legal, financial, and persuasive means. It will help with learning, provide training and resource material enabling stakeholders to tackle the issues experienced when bringing empty homes back into use.

Financial Implications: Costs for training and Empty Homes Handbook are being met from existing budgets.

Conclusions

In addition to the Recommendations made by the Committee the report also contain six Conclusions which I have responded to below:

Conclusion 1

The Welsh Government should, as part of its White Paper on Housing Adequacy and Fair Rents, take account of the oral and written evidence presented to us in response to our inquiry on the Private Rented Sector as it develops its proposals and makes decisions on the next policy and legislative steps.

Response: Accept

We will consider all the evidence provided in response to the Committee inquiry on the Private Rented Sector, as well as the

evidence provided in response to the White Paper consultation, to inform next steps.

Financial Implications: None

Conclusion 2

They intend to write to the Welsh Government to request that, once sufficient evidence is available, the appropriate Cabinet Secretary provides an update to the Senedd outlining the impact of the measures that have been put in place to discourage landlords from transferring properties to the holiday lets markets.

Response: Accept

We await the formal letter from the Committee and will respond in due course. The Cabinet Secretary for Finance and Welsh Language issued a written statement to Members of the Senedd on 12th November providing an update on legislating to support tourism in Wales.

Financial Implications: None

Conclusion 3

They believe that the Welsh Government should explore the feasibility of developing a statutory ratings scheme for letting agents to encourage improvements in housing standards and inform tenants' choices.

Response: Accept

Rent Smart Wales currently undertake audits of commercial letting agents and provide a rating score as part of those audits. We will engage with Rent Smart Wales and letting agents to explore the

feasibility of requiring audit scores to be publicly displayed in letting agents' premises and on their websites.

Financial Implications: None

Conclusion 4

In light of the concerns raised with the reliability of the data held by Rent Smart Wales, the Welsh Government should not depend on the accuracy of this data providing an up to date picture of the private rented sector in Wales.

Response: Accept in Principle

The data on Rent Smart Wales is the best data currently available on the Private Rented Sector in Wales, and therefore it does provide an indication of how the sector is changing.

We do however recognise the limitations of the data and our White Paper on Adequate Housing, Fair Rents, and Affordability includes a proposal to improve data by exploring the potential for a requirement on landlords and/or agents to provide rent data and property condition records to Rent Smart Wales on an annual basis.

Financial Implications: None

Conclusion 5

They recognise the benefits of introducing a household conditions survey in improving the data available on the housing stock in Wales. We therefore welcome the commitment by the Welsh Government to undertake scoping work on this during the 2024-25 financial year, and would be grateful for an update from the Cabinet Secretary once this scoping work has been completed.

Response: Accept

A business case on options for delivering a Welsh Housing Survey is currently being prepared and is expected to be completed for Ministerial consideration by March 2025. An update will be provided to the Committee once the Cabinet Secretary has considered the business case.

Financial Implications: None - the cost of preparing a business case will be met from existing budgets.

Conclusion 6

They believe that the Welsh Government should provide an update on its plans relating to collecting PRS rent data, and whether there could be a role for Rent Smart Wales in this.

Response: Accept

Our White Paper on Adequate Housing, Fair Rents, and Affordability includes proposals to improve rent data, including exploring placing a requirement on landlords and/or agents to provide rent data to Rent Smart Wales. The consultation will run until 31 January. After the close of the consultation, we will consider the evidence submitted to inform next steps

Financial Implications: None

Agenda Item 6

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

Agenda Item 7

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted