



# Local Government and Housing Committee

## Welsh Government Draft Budget Scrutiny 2025-26

15/01/2025

### Background

The Draft Budget indicates the spending plans for 2025-26. This paper provides evidence to the Committee on the future programme budget proposals in relation to the budgets within the Housing and Local Government MEG.

The Draft Budget allocations reflect our continued drive to deliver more homes. This will have a positive impact across the whole of Wales and our population, providing opportunity for every family.

Primarily, increases to the Social Housing Grant and Transitional Accommodation Capital Programme will deliver more homes. This will support our work to end homelessness and ensure everyone in Wales has a decent, secure place to call home. We will also work to maximise investment in delivering more homes through recycling loan funding.

Alongside work to increase the number of homes for rent in the social sector, we will invest to support people to own their own homes through our Help to Buy Wales Scheme and Homebuy. We will also continue to invest for the long term in the regeneration of our towns and cities, bringing empty homes and buildings back into productive use and in increasing our pipeline of land.

Investment in maintenance, improvement and decarbonisation of homes in Wales will be maintained. Whilst the prime focus of this investment remains on social homes, we are investing in Private Rented homes through Leasing Scheme Wales and will extend our Green Homes scheme through the Development Bank for Wales next year.

Annex A provides a breakdown of the relevant Draft Budget figures for the Housing and Local Government Main Expenditure Group (MEG) by Action and Budget Expenditure Line (BEL). These figures are reflected in the table below.

**Table 1: Overview of changes to the BEL tables**

Summary	2025-26 Revised Baseline £000	2025-26 Draft Budget December 2024 £000	Change £'000	% change
Revenue	5,194,461	5,475,394	280,933	5%
General Capital	1,071,630	1,191,280	119,650	11%
FTC* Allocation	0	86,250	86,250	
FTC Repayments	0	-13,388	-13,388	
<b>Total DEL</b>	<b>6,266,091</b>	<b>6,739,536</b>	<b>473,445</b>	<b>8%</b>
AME	1,112,157	1,113,803	1,646	0%
<b>Total Budget</b>	<b>7,378,247</b>	<b>7,853,388</b>	<b>475,091</b>	<b>6%</b>

\*Financial Transactions Capital (FTC)

## Contents

The Draft Budget indicates the spending plans for 2025-26. This paper provides evidence to the Committee on the future programme budget proposals in relation to the budgets within the Housing and Local Government MEG as outlined in the Draft Budget which was laid on 10 December 2024. .... 1

Annex A provides a breakdown of the relevant Draft Budget figures for the Housing and Local Government Main Expenditure Group (MEG) by Action and Budget Expenditure Line (BEL). These figures are reflected in the table below..... 2

<b>Allocations by Spending Programme Area, Action and Budget Expenditure Line (BEL).....</b>	<b>4</b>
<b>Alignment with Programme for Government Commitments.....</b>	<b>32</b>
<b>Preventative Spend within Budget Allocations.....</b>	<b>33</b>
<b>Strategic Integrated Impact Assessments .....</b>	<b>37</b>
<b>Prioritisation of Budgets.....</b>	<b>38</b>
<b>Climate Change, Well-Being of Future Generations Act and Decarbonisation .....</b>	<b>40</b>
<b>Capital Spending on Housing.....</b>	<b>42</b>
<b>Homelessness and Housing Support Grant.....</b>	<b>43</b>
<b>Building Safety Bill.....</b>	<b>44</b>
<b>Gypsy, Roma and Travellers .....</b>	<b>45</b>
<b>Annex A.....</b>	<b>46</b>

# 1. Allocations by Spending Programme Area, Action and Budget Expenditure Line (BEL)

1. This section will provide a breakdown of the allocations by Spending Programme Area, Action and Budget Expenditure Line (BEL) and indicates how these align with Programme for Government commitments.

## Homelessness Prevention

### 1. Homelessness Support & Prevention

BEL	Resource Budget £'000	Capital Budget £'000
1120 - Homelessness Support & Prevention	219,590	
<b>Purpose of BEL</b>		
<p>This BEL funds a range of homelessness prevention measures, with the majority of funding allocated to the Housing Support Grant (HSG). An additional £21m has been allocated to this BEL, which will be used to uplift the HSG.</p> <p>The HSG is the primary funding source to support Local Authorities in the prevention of homelessness and assists people with a range of support needs to live independently and sustain tenancies. Consequently, this reduces pressures on other public services (particularly health and social care). There is increasing demand on HSG funded services, particularly for individuals with significant complex needs.</p> <p>The vast majority of HSG funding is pay related costs, with services commissioned by Local Authorities. A proportion of the HSG commissioned services are delivered by Local Authorities, with a larger proportion of the services delivered by third sector partners. The £21m additional allocation in funding awarded to this vital Grant will support the sector in achieving the Real Living Wage for staff delivering these critical services and build capacity in the system to respond to the increased demand and complexity of need.</p> <p>£21.32m has also been transferred out of this BEL to the Revenue Support Grant (RSG). Local Authorities are responsible for ensuring that those who need it can access emergency and temporary accommodation and for provision of discretionary support to prevent or relieve homelessness. The transfer of</p>		

funding from Grant to RSG to support provision of Temporary Accommodation, Discretionary Homelessness Prevention Funding and Strategic Coordinators reflects that where funding supports delivery of statutory duties it should rightly be funded through RSG rather than Grant. These funding streams are being transferred at their full 2024/25 value.

This BEL is preventative in nature as the failure to prevent homelessness has direct cost implications for local authorities including through the revenue costs associated with approximately 11,500 individuals currently housed in temporary accommodation. In fact, homelessness or the risk of homelessness undermines wellbeing, gives rise to costs across the public sector. It also impacts on long term outcomes, for example with children in such circumstances failing to achieve their potential educationally.

This BEL is a significant contributor to the fundamental reform of homelessness services to focus on prevention and rapid rehousing which is a key priority in the Programme for Government (PfG). Additionally, this BEL will continue to support the PfG commitment to *“Implement the renting homes Act to give renters greater security and develop a national scheme restricting rent to local housing allowance levels for families and young people who are homeless or who or are at risk of homelessness”* in 2025/26.

## Independent Living

### 2a. Housing Policy

BEL	Resource Budget £'000	Capital Budget £'000
1100 - Housing Policy	1,368	
<b>Purpose of BEL</b>		
<p>This BEL provides funding for a range of projects and activity to support delivery of Welsh Government housing related priorities, the support for implementation of new legislation, research and evaluation on key policy priorities. These projects include Second Homes, Leasehold Reform and implementing the Renting Homes Act.</p> <p>The Housing Policy BEL is a package of funding designed specifically to support the following PfG commitments: <i>“Rent Smart Wales landlords to respond quickly to complaints of racism and hate crime and offer appropriate support”</i>, <i>“Legislate to enact the recommendations of the Law Commission in</i></p>		

*relation to leasehold reform” and “Develop further effective tax, planning and housing measures to ensure the interests of local people are protected.”*

Additionally, this BEL will continue to support the various strands of activity within the Second Homes and Affordability Pilot which is complementary to the PFG commitment to “*Create a Welsh Language Communities Housing Plan*”.

## 2b. Rapid Response to Independent Living

BEL	Resource Budget £'000	Capital Budget £'000
1285 - Rapid Response to Independent Living	6,358	25,000
<b>Purpose of BEL</b>		
<p>The Welsh Government manages several grant schemes to provide home adaptations under the Rapid Response Adaptations Programme (RRAP) BEL, in addition to providing unhypothecated capital to local government which can be used to provide Disabled Facilities Grants (DFG). Through the Care &amp; Repair sector, the RRAP scheme targets rapid provision of adaptations, primarily to enable hospital discharge and reduce delayed transfers of care. The Physical Adaptations Grant for traditional housing associations reduces pressures on local authority Disabled Facilities Grants and the Enable Grant helps local authorities to provide small and medium adaptations rapidly without having to engage the complex and time-consuming DFG means test.</p>		
<p>The additional allocations of £5.5m capital and £1.255m revenue in 2025-26 are in recognition of the significant increases in the number of adaptations needed across Wales over the past three years.. The number of complex cases has also risen, along with the costs of delivering these. Budget increases will increase the number of adaptations that can be delivered, help speed up provision of adaptations and ensure services can recruit and retain skilled and experienced staff.</p>		

Funding will support capital grant increases to Care and Repair Agencies of £1.5m (£4.5m), Housing Associations through the Physical Adaptation Grants of £1.5m (£12m) and Local Authorities via the 'Enable' programme of £2.5m (£8.5m). This will provide increases for adaptations programmes across all tenures. Additional revenue allocations will be made to support home improvement agency staff across Wales.

Further investment will help to deliver thousands of additional adaptations across Wales, alleviate Housing Association and Local Authority pressures of backlogs for complex cases and could potentially help broaden the remit of the RRAP, leading to better health outcomes for some of the most vulnerable in Wales.

## 2c. Private Rented Sector

BEL	Resource Budget £'000	Capital Budget £'000
1182 - Private Rented Sector		3,500
<b>Purpose of BEL</b>		
<p>Leasing Scheme Wales aims to lease properties in the Private Rented Sector for use by Local Authorities to discharge their homelessness duties. The Scheme provides benefits for Local Authorities, tenants (who have access to longer term accommodation and the benefit of tenancy support akin to being a social tenant) and property owners. An intended consequence of the scheme is to also improve property standards within the Private Rented Sector (PRS).</p>		
<p>It directly contributes to the PfG commitment to “Develop a national scheme restricting rent to local housing allowance levels for families and young people who are homeless or who are at risk of homelessness”. It also contributes towards the 20,000 social homes target.</p>		

It is intended that this scheme will be delivered in all Welsh Local Authorities. Each Local Authority will, provisionally, be set a target of 1% of their PRS to be leased through the scheme by year 5. An additional £2m of capital has been allocated to this BEL in line with this policy intent.

## Homes & Places

### 3a. Warm Homes

BEL	Resource Budget £'000	Capital Budget £'000
0950 - Warm Homes	3,731	37,500
<b>Purpose of BEL</b>		



The Warm Homes Programme has been the Welsh Government’s main intervention in efforts to reduce fuel poverty since its launch in 2009/2010. Welsh Ministers published its statutory plan to tackle fuel poverty in March 2021, with the latest iteration of the WHP launched in April 2024. By 2035, we aim to have no more than 5% of all Welsh households in fuel poverty and no households in persistent or severe fuel poverty.

The Warm Homes Programme sets out to achieve this by taking a ‘fabric first’ approach, independently assessing the needs of each home before recommending short, medium, and longer-term steps to be taken to decarbonise the home and reduce the cost of bills for homeowners. The steps taken include new windows and doors, cavity or external wall insulation, installing air source heat pumps and solar photovoltaics for 1500-2000 homes per year.

The Capital funding for this Programme has been increased by 7% in 2025/26 from £35m to £37.5m.

This BEL contributes to the PfG commitment to *“Continue to improve existing homes, helping us tackle fuel poverty, create much needed jobs, training opportunities, and supply chains.”*

### 3b. Health & Housing

BEL	Resource Budget £'000	Capital Budget £'000
0986 - Health & Housing		60,500
<b>Purpose of BEL</b>		
<p>Housing with Care Fund (HCF) funds projects to increase housing stock to meet the needs of people with care and support needs. It also provides intermediate care settings in the community so that people who need care, support and rehabilitation can return to living independently or maintain their existing independence. As a preventative programme, HCF aims to reduce demand for long term residential care, and the costs associated with hospital admissions and expensive placements.</p> <p>HCF investments in housing and accommodation must be low carbon and contribute to tackling climate change.</p> <p>The Fund builds on the previous Integrated Care Fund (ICF) capital programme and continues to support the delivery of the PfG commitments to <i>“Support innovative housing development to meet care needs”</i> and to <i>“fund</i></p>		

*regional residential services for children with complex needs ensuring their needs are met as close to home as possible and in Wales wherever practicable”.*

Furthermore, these are tenanted social housing units which will count towards delivery of the 20,000 low carbon social homes for rent target.

## Achieve Quality Housing

### 4a. Residential Decarbonisation & Quality

BEL	Resource Budget £'000	Capital Budget £'000
1065 - Residential Decarbonisation & Quality	1,673	95,000
<b>Purpose of BEL</b>		
<p>This BEL supports a key PfG commitment to <i>Decarbonise more homes through retrofit, delivering quality jobs, training and innovation using local supply chains</i>. It also delivers against two key statutory requirements: Climate Change (Wales) Regulations 2021 – delivery of reduction in greenhouse gas emissions from the housing sector; and Section 33A of the Housing Act 1996 – regarding the setting of standards (i.e. WHQS)</p> <p>This funding will improve the energy efficiency of homes to reduce their carbon emissions to meet legally binding carbon targets, as well as meet our PfG commitment to decarbonise residential homes. Our strategy and investment prioritises social housing, demonstrating best practice, developing supply chains and skills that will stimulate the market and inform strategy for owner occupied home retrofit programmes.</p> <p>The revenue funding supporting this capital programme includes funding for: staffing; running a net zero decarbonisation hub in Wales; and the team responsible for the Regulation of Registered Social Landlords (RSLs).</p> <p>The £95m capital allocation includes a new allocation of £3m of Financial Transaction Capital which will support the continued funding of retrofit loans.</p>		

## 4b. Major Repairs Allowance and Dowry Gap Funding

BEL	Resource Budget £'000	Capital Budget £'000
1061 - Major Repairs Allowance and Dowry Gap Funding		108,000
<b>Purpose of BEL</b>		
<p>The budget supports the Major Repairs Allowance (MRA) capital grant, allocated to 11 Local Housing Authorities (LHAs) who have retained their council housing stock and forms part of their overall housing capital resources. MRA provides a financial contribution to the cost of LHAs' overall WHQS programmes to ensure their housing stock maintains the Welsh Housing Quality Standard (WHQS).</p> <p>The budget also supports Dowry Gap funding, provided to 10 Large Scale Voluntary Transfer (LSVT) housing associations which were established to accept their Local Authorities council housing. The grant ensures promises made to tenants, including reaching and maintaining the WHQS standard at the time of transfer are fulfilled.</p>		

## Building Safety

### 5. Building Safety

BEL Description	Resource Budget £'000	Capital Budget £'000
2255 – Building Safety	4,500	127,670
<b>Purpose of BEL</b>		
<p>The Welsh Building Safety Remediation Programme will address fire safety issues in medium and high-rise housing (residential buildings over 11 metres). Phase 1 of the fund focussed on intrusive survey work to identify the scale of fire safety issues present, and whether these were due to construction-related defects, inadequate maintenance or the actions of individual leaseholders. Phase 2 of the Programme is focussed on remediation and addressing issues such as non-compliant cladding, compartmentation, and the installation of suppression and evacuation alert systems.</p>		

Addressing fire related Building Safety remains a key priority. With 407 buildings in our building safety remediation programme, we have an increasingly detailed understanding of the work to be undertaken and the profile of spend needed over the coming years. We continue to monitor progress and press for pace from all involved and will tailor our budget to match the programme of works.

This BEL contributes to the PfG to *“Reform the current system of building safety, including a second phase of the Welsh Building Safety Fund, so that people feel safe and secure in their homes”*.

## Increase the Supply and Choice of Affordable Housing

### 6a. Social Housing Grants (SHG)

BEL Description	Resource Budget £'000	Capital Budget £'000
0982 - Social Housing Grants (SHG)		437,250
<b>Purpose of BEL</b>		
<p>Allocations made to this BEL contribute towards one of the 5 key PfG priorities of building 20,000 low carbon homes for social rent in this term of government, as well as funding social homes that will be started in 2025-26 and completed in the next Senedd term.</p>		
<p>To complement our well-established Social Housing Grant Programme (SHG), and to support focus on delivering more homes quickly to meet housing need, the Transitional Accommodation Capital Programme (TACP) was introduced in 2021.</p>		
<p>An increase of £81m of core capital to the funding for SHG and TACP in 2025-26 will deliver more homes. We will also work to maximise investment in delivering more homes through recycling loan funding.</p>		
<p>Along with the increase in core capital there has also been an allocation of £26.250m Financial Transaction Capital to support RSL Development Loans. The loan funding is intended to remedy a current market failure due to the housing sector facing several difficult challenges including significant tender</p>		

increases due to material cost rises and contractors pricing in higher risk, rising inflation and interest rates and higher bad debt and void rates.

This BEL contributes to preventing pressures on other public services. Investing in better quality housing can have wider impacts than improving the housing stock alone. Therefore, investment in good quality housing has the potential to generate large economic returns as well as reducing our emissions and levels of fuel poverty. It has a direct impact on the health and well-being of occupants, which can in turn help to reduce pressures on other public services.

Our drive to deliver more homes will have a positive impact across the whole of Wales and its population.

## 6b. Housing Finance Grant

BEL Description	Resource Budget £'000	Capital Budget £'000
0984 - Housing Finance Grant	5,285	
<b>Purpose of BEL</b>		
<p>This funding, set up pre 2017/18 represents the legal commitment made by the Welsh Government to assist with the repayment of a 30-year bond private placement which has allowed RSLs to borrow around £120million of private finance to fund the development of additional affordable homes, costing £4.1m per annum. Phase 2 of the Housing Finance Grant was also completed with an allocation of £9million per annum of Resource Budget from reserves for a 30-year period. It was extended to include local housing authorities from 2018-19 onwards, known as the Affordable Housing Grant.</p> <p>The Housing Finance Grant budget remains at £13.1m and represents the contractual commitment to RSLs to support SHG. However, the budget line is offset by income forecasted from other sources across the MEG.</p>		

## 6c. Land for Housing - Repayment

BEL Description	Resource Budget £'000	Capital Budget £'000
-----------------	--------------------------	-------------------------

0989 - Land for Housing - Repayment		-1,000
<b>Purpose of BEL</b>		
The capital budget allocation of -£1m represents planned repayments of Financial Transactions Capital back to the Welsh Treasury.		

## Housing Revenue Fund

### 7. Housing Programme Revenue Fund

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
1181 - Housing Programme Revenue Fund	1,100	
<b>Purpose of BEL</b>		
<p>This budget funds research and evaluation and supports the delivery of the significant capital PfG commitment of delivering <i>20,000 new affordable homes</i> during this term of government. It also supports interventions such as Rural Housing Enablers, Co-operative housing, work to deliver Welsh Government land and evaluations into the condition of the housing stock in Wales.</p> <p>The budget has increased by £700k reflecting a transfer of funding from the Social Justice MEG and is in relation to programme posts which continue to support Ukrainian people to move to longer term accommodation as part of their local communities.</p>		

## Land Division

### 8. Land Division

BEL Description	Resource Budget £'000	Capital Budget £'000
6410 - Land Release Fund	-1,550	25,000
6410 - Land Release Fund - Repayment		-9,128
<b>Purpose of BEL</b>		
<p>Operational budget of £25m capital allocated to the Land and Buildings Development Fund (LBDF) and land assembly/development.</p> <p>The LBDF is able to assist with derisking land and buildings to advance development. Specifically for buildings, it is able to meet the costs associated with “abnormal” items e.g. removal of asbestos, which can be the barrier to conversion and for land it assists with issues such as contamination.</p> <p>The revenue budget of -£1,550 comprises planned expenditure more than offset by planned income. The capital budget of -£9.126m represents a planned repayment of Financial Transactions Capital back to the Welsh Treasury.</p> <p>This BEL is key in supporting the PfG Commitment of delivering 20,000 new affordable homes.</p>		

## Increase the Supply and Choice of Market Housing

### 9a. Market Housing and Other Schemes

BEL Description	Resource Budget £'000	Capital Budget £'000
0987 - Market Housing and Other Schemes		82,000
0987 - Market Housing and Other Schemes - Repayment		-3,260
<b>Purpose of BEL</b>		

Allocations to this BEL will continue to support the Empty Homes Grant (£25m) with an additional £57m of Financial Transaction Capital allocated to support a one-year extension of the Help to Buy Wales Scheme which demonstrates our ongoing support of people who aspire to own their own homes,

The Empty Homes Grant was introduced in January 2023 as an additional incentive to further reduce the number of empty properties and therefore increase housing supply.

- *The scheme has been developed with Local Authorities and builds on the success of the previous Valleys Taskforce Empty Homes Grant. Aside from owner occupiers, RSLs, Local Authorities and community housing groups can access the funding for empty properties they are acquiring to bring back into use as affordable housing. This is an additional measure to take forward the commitment to bring a higher proportion of existing homes, and especially empty homes, into common ownership at local level.*

## 9b. Homebuy

BEL Description	Resource Budget £'000	Capital Budget £'000
0980 - Homebuy		4,000
<b>Purpose of BEL</b>		
<p>Homebuy is a shared equity home ownership support scheme, which is available on existing homes. The scheme is popular in rural areas, where new build homes are not readily available.</p> <p>Homebuy forms part of a wider package to address the challenges facing communities with high levels of second homes in Wales and supports people who wish to own their own homes.</p> <p>The PfG sets out clearly our commitment to address the issue of affordability in areas where there are high instances of second homes and develop a <i>Welsh Language Communities Housing Plan</i>. Homebuy will form part of the package to address issues of affordability through targeting and tailoring existing housing programmes.</p>		

## Regeneration



## 10a.Regeneration

BEL Description	Resource Budget £'000	Capital Budget £'000
4151 - Regeneration	-13,329	40,000
<b>Purpose of BEL</b>		
<p>£125 million of capital has been invested over the three years (2022-25) in our Transforming Towns programme to support our town and city centres. The programme has been underpinned by place making principles and robust master planning in recognising the new landscape of towns. It actively encourages mixed use towns as places to live, work, visit and stay. One of the key elements of this 'place making' activity includes strong community involvement, well-being, enhancement of existing spaces and maintaining their unique identity. Transforming Towns is a coordinated package of support, which provides the Welsh Government's core regeneration investment in town centres.</p> <p>Individual towns have benefitted by identifying the mix of interventions which best suit their specific characteristics, local strengths, culture and heritage. Our investment in Regeneration will help support the delivery of the following Programme for Government commitments:</p> <ul style="list-style-type: none"> <li>• <i>Enable our town centres to become more agile economically by helping businesses to work co-operatively, increase their digital offer and support local supply chains, including local delivery services</i></li> <li>• <i>Develop masterplans for towns and high streets</i></li> <li>• <i>Empower communities to have a greater stake in local regeneration</i></li> <li>• <i>Create more community green space in town centres</i></li> <li>• <i>Repurpose public space for outdoor events, markets, street vendors, pop up parks and 'parklets'</i></li> <li>• <i>Support the development of a register of empty buildings and help small businesses move into vacant shops.</i></li> </ul> <p>The resource position is negative as planned expenditure is offset by expected income.</p>		

## 10b.Cardiff Harbour Authority

BEL Description	Resource Budget £'000	Capital Budget £'000
-----------------	--------------------------	-------------------------

4162 - Cardiff Harbour Authority	5,400	
<b>Purpose of BEL</b>		
<p>Cardiff Council assumed the role of Cardiff Harbour Authority (CHA) on 1 April 2000. The functions and responsibilities of CHA are detailed in an Agreement made between the Welsh Ministers and Cardiff Council under Section 165 of the Local Government Planning and Land Act 1980. The Section 165 Agreement obliges the Welsh Ministers to pay Cardiff County Council the amounts necessary to discharge its statutory functions. This budget provides the funding required by CHA to discharge these obligations and any additional duties relating to the Cardiff Bay Barrage Act 1993. This funding and any income generated through operating the CHA are ring fenced by Cardiff Council.</p> <p>The functions and responsibilities of CHA include:</p> <ul style="list-style-type: none"> <li>• <i>Environmental &amp; conservation management</i></li> <li>• <i>Groundwater Monitoring &amp; Management</i></li> <li>• <i>Community &amp; Events Liaison</i></li> <li>• <i>Barrage operation &amp; maintenance, including emergency planning &amp; security</i></li> <li>• <i>Harbour master duties &amp; marine operations</i></li> <li>• <i>Byelaw enforcement</i></li> <li>• <i>Navigational safety security &amp; emergency planning</i></li> </ul>		

## Funding Support for Local Government

### 11a. Local Govt General Revenue Funding

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
0840 - Local Govt General Revenue Funding	4,999,896	
<b>Purpose of BEL</b>		
<p>Local Authorities deliver a wide range of public services. These include significant services for children, through education and social services, and a wide range of services for adults who may be supported through social services, housing support and other community services. Universal services such as highways and waste and public protection are important to all</p>		

households while services such as planning impact on both residents and businesses.

The increase of £278.4m in revenue funding for the Local Government settlement includes transfers in as part of the reducing the grant administration burden on Local Authorities. £21m relating to housing grants that were delivering core services have moved into the settlement. There are also some small transfers in relating to coastal risk management and firefighters' pay.

Of the remaining increase, £7m supports the limiting of the Non-Domestic Rates multiplier and £13m the full year impact of the higher than expected teachers pay award. The remaining £236m supports Local Authorities to deliver key services, supporting government priorities as well as delivering to local needs. Social care delivered by Local Authorities is a vital part of the health and social support available to people of all ages across Wales.

Partnership work between Health Boards and Local Authorities is key to boost preventative services and minimise hospital stays. Education is another critical service delivered by Local Authorities; the core funding provided through the local government settlement underpins the provision of education through nursery, primary and secondary schools. It also supports those with additional needs through mainstream provision and special schools.

The increased level of funding will support Local Authorities in meeting pay, inflation and service pressures. However, given levels of pay inflation and increases in complex demands, Local Authorities are likely to continue to make difficult choices on service changes (including to seek to prevent demand) and reductions as well as further council tax increases.

The settlement formula distributes the total settlement available based on indicators of relative need, the main indicators used relate to population, deprivation and sparsity. There will be a different impact in each authority in terms of their own settlement uplift. In making local decisions to reflect local needs, Local Authorities will need to consider the impacts of their choices under the statutory requirements relating to local government including assessing impacts for different groups and in the context of the Wellbeing of Future Generations (Wales) Act.

Unhypothecated revenue and capital funding for will support Local Authorities in both reactive and preventative services. In particular education

and social services will include services intended to enable people to stay healthy in their own homes and to live independently.

## 11b. Non-Domestic Rates Rates Relief

BEL Description	Resource Budget £'000	Capital Budget £'000
0875 - Non-Domestic Rates Rates Relief	77,730	
<b>Purpose of BEL</b>		
<p>The Welsh Government provides grant funding to all 22 Local Authorities to provide the Retail Leisure and Hospitality Rates Relief (RLHRR) scheme to eligible businesses.</p> <p>For 2025-26, the scheme will offer a discount of 40% on non-domestic rates bills for the eligible sectors, with around 25k businesses expected to claim relief. The relief is capped at £110,000 for each business across Wales and provides a continuation of the 40% relief scheme provided in 2024-25.</p> <p>This relief is aimed at businesses and other ratepayers in the retail, leisure and hospitality sectors, for example shops, pubs and restaurants, gyms, performance venues and hotels. The aim of the relief is to support these sectors to improve their chances of recovery from the economic challenges which have affected them in recent years.</p> <p>The RLHRR grant is paid directly to Local Authorities to reimburse the costs of relief awarded to ratepayers using Section 47 powers of the Local Government Finance Act 1988.</p>		

## 11c. Police General Revenue Funding

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
0860 - Police General Revenue Funding	112,331	
<b>Purpose of BEL</b>		
<p>This budget funds essential policing activity in communities through the annual police settlement. This funding contributes towards the total budgets available to Police and Crime Commissioners for the provisions of policing and community safety services in their areas, alongside Home Office funding and council tax precepts.</p>		

## 11d. Local Govt PFI Revenue Consequences

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
0885 - Local Govt PFI Revenue Consequences	2,411	
<b>Purpose of BEL</b>		
<p>This funding provides a contribution to the annual costs of Private Finance Initiative schemes that were set up in the Welsh public sector and run over 20-30 years. The profile of agreed support is front loaded, so the total amount reduces each year but is committed over the life of the project.</p>		

## 11e. Transformation & Legislation

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
0887 - Transformation & Legislation	6,032	
<b>Purpose of BEL</b>		
<p>This budget provides funding to support the implementation of a number of Local Government reform programmes delivered by the Welsh Government. It includes funding for workforce partnership arrangements, research in</p>		

support of local government finance and local tax reform, diversity in democracy and improved accountability, scrutiny and transparency.

Within this BEL funding is being provided to improve and support Local Authorities to respond to and prevent governance or other failures.

There have been a number of budget updates for 2025-26:

- *£2.150m for the WLGA Improvement Grant has been consolidated into the improvement and support grant in BEL 1571 to reduce administrative burdens.*
- *£80k has transferred to BEL 1440 to recognise the transfer of functions to the Democracy and Boundary Commission Cymru.*
- *£105k has moved out of MEG as it relates to Public Service Boards no longer part of the Housing and Local Government MEG responsibilities.*
- *There are new allocations of funding of £1m to support Electoral Reform and £0.8m for Corporate Joint Committees.*

This BEL contributes to the following PfG commitments:

- *Strengthen the autonomy and effectiveness of local government to make them more successful in delivering services.*
- *Expand our Access to Elected Office programme.*
- *Delivery of the Local Government Chapter in the Race Equality Action Plan*
- *Change the performance framework for local government to better enable innovation, transparency, and local ownership*

## 11f. Non-Domestic Rates Collection Costs

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
0940 – Non-Domestic Rates Collection Costs	5,172	
<b>Purpose of BEL</b>		
This is an accounting only budget (i.e., not cash payments) to pay for the administration of non-domestic rates in accordance with the Local Government Finance Act 1988.		

## 11g. Emergency Financial Assistance

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
1600 – Emergency Financial Assistance	1	
<b>Purpose of BEL</b>		
<p>Any emergency funding is provided through this BEL, previously it has been used to support Covid and Ukraine payments to Local Authorities. It is also used when the Emergency Financial Assistance Scheme is triggered, for example in extreme weather events. The budget is zero as the need for the EFAS scheme is not predictable and any costs are managed in year.</p>		

## Valuation Services

### 12a. Valuation Office Agency Services

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
1500 – Valuation Office Agency Services	17,000	
<b>Purpose of BEL</b>		
<p>This budget provides annual funding for the statutory functions of the Valuation Office Agency (VOA), an executive agency of HM Revenue &amp; Customs (HMRC), for property valuation services in Wales. The organisation provides the valuations and property advice required for the effective running of council tax and non-domestic rates systems, and to support policy development and administration.</p> <p>In relation to local taxation, the VOA has a statutory duty to maintain accurate valuation lists of properties, providing and maintaining the base valuation data which is held on both council tax and non-domestic rating lists. These valuation lists underpin the collection of over £3 billion of local taxation a year in Wales.</p> <p>The VOA is also responsible for meeting the Welsh Government’s local taxation reform requirements: this includes significant work to deliver a council tax revaluation in 2028, a non-domestic rates revaluation in 2026, alongside other local tax reforms.</p> <p>This BEL contributes to the following PfG commitments:</p>		

- *Seek to reform council tax to ensure a fairer and more progressive system*
- *Explore and develop effective tax, planning and housing measures to ensure the interests of local people are protected*

## 12b. Valuation Tribunal for Wales

BEL Description	Resource Budget £'000	Capital Budget £'000
1540 – Valuation Tribunal for Wales	1,925	
<b>Purpose of BEL</b>		
<p>This budget provides annual funding for the Valuation Tribunal for Wales (VTW), a Welsh Government Sponsored Body. It is independent of the Welsh Government and the Valuation Office Agency (VOA).</p> <p>The VTW provides a free service to the public, dealing with appeals concerning council tax, non-domestic rates and drainage rates. Appeals are heard and determined by unpaid volunteer members. A team of paid staff, led by the Chief Executive, provides the necessary support services.</p> <p>Funding is agreed via a formal framework agreement which is regularly reviewed to ensure the VTW remains fit for purpose and is managed within its agreed budget. These reviews are complemented by regular monitoring meetings to ensure the VTW maintains effective control over its operations.</p> <p>VTW have recently expanded in order to prepare for their vital role in delivering reform programmes for both council tax and non-domestic rates.</p> <p>This BEL contributes to the PfG commitments; “<i>Seek to reform council tax to ensure a fairer and more progressive</i>”.</p>		

## 12c. Local Taxation Reform

BEL Description	Resource Budget £'000	Capital Budget £'000
-----------------	--------------------------	-------------------------



1550 – Local Taxation Reform	4,800	
<b>Purpose of BEL</b>		
<p>The main purpose of this funding is to support the Valuation Office Agency to carry out preparatory work ahead of council tax reforms, as part of the PfG commitment to make council tax fairer. It also funds research and analysis to monitor and evaluate the local taxation system (including the commitment to explore Land Value Tax further), alongside maintaining software for managing the annual operation of the Council Tax Reduction Scheme.</p> <p>This BEL contributes to the following PfG commitments:</p> <ul style="list-style-type: none"> <li>• <i>Seek to reform council tax to ensure a fairer and more progressive</i></li> <li>• <i>Strengthen the autonomy and effectiveness of local government to make them more successful in delivering services</i></li> <li>• <i>Explore and develop effective tax, planning and housing measures to ensure the interests of local people are protected</i></li> </ul>		

## Building Local Democracy

### 13a. Democracy and Boundary Commission Cymru

BEL Description	Resource Budget £'000	Capital Budget £'000
1440 –Democracy and Boundary Commission Cymru	1,507	
<b>Purpose of BEL</b>		
<p>This BEL provides the funding for the Democracy and Boundary Commission Cymru which has statutory duties to undertake Senedd constituency reviews, and local electoral and community reviews. It also has the statutory functions to set the remuneration for local elected representatives and provide an Electoral Management Board to lead on the effective delivery of Welsh Devolved elections.</p> <p>The increase in the budget in 2025-26 of £140k relates to the transfer of functions into the Democracy and Boundary Commission Cymru from BEL 887 Expenditure to Promote Local Democracy of £60k and BEL 0887 Transformation and Legislation of £80k.</p>		

## 13b. Expenditure to Promote Local Democracy

BEL Description	Resource Budget £'000	Capital Budget £'000
1462 – Expenditure to Promote Local Democracy	66	
<b>Purpose of BEL</b>		
<p>This BEL provides funding for a range of research and organisational memberships which support and enable policy development in the local government portfolio. The reduction in budget in 2025-26 of £60k represents the transfer of functions into the Democracy and Boundary Commission Cymru BEL 1440</p>		

## 13c. Election Policy

BEL Description	Resource Budget £'000	Capital Budget £'000
1463 – Election Policy	3,400	
<b>Purpose of BEL</b>		
<p>This Budget supports the implementation of electoral reform, in particular the implementation of the Elections and Elected Bodies Act, and work to promote democratic engagement. This year will also require funding for training to local government staff in advance of the Senedd elections in 2026.</p> <p>This BEL is the main contributor to the PfG to “<i>Reform local government elections to reduce the democratic deficit.</i>”</p>		

## Local Government Improvement

### 14. Improvement & Support

BEL Description	Resource Budget £'000	Capital Budget £'000
1571 – Improvement & Support	2,791	
<b>Purpose of BEL</b>		

Provides for support for improvement, resilience and digital transformation of county and county borough councils plus contract with Welsh Government Energy Service for decarbonisation - climate change and delivery of the decarbonisation capital budget.

The increase in the BEL is the transfer of the WLGA Improvement Grant to reduce administrative burden.

This BEL contributes to the PfG commitment to “*Strengthen the autonomy and effectiveness of local government to make them more successful in delivering” services.*”

## Local Govt General Capital Funding

### 15. Local Govt General Capital Funding

BEL Description	Resource Budget £'000	Capital Budget £'000
1675 – Local Govt General Capital Funding		230,000
<b>Purpose of BEL</b>		
<p>This funding has increased in 2025/26 by £30m (15%) to a total of £230m, including a £1m from Ystadau Cymru.</p> <p>This funding is split into three areas:</p> <ul style="list-style-type: none"> <li>• £30m for local government low carbon heat grant run through WG Energy Service.</li> <li>• £111.2m general capital grant, used for match funding for other grant and small-scale capital project or capital maintenance.</li> <li>• £88.8m budget cover for supported borrowing (a revenue amount in the settlement which can be used to pay interest repayments on borrowing).</li> </ul>		

## Academi Wales

### 16. Academi Wales

BEL Description	Resource Budget £'000	Capital Budget £'000
-----------------	--------------------------	-------------------------

7093 – Academi Wales	1,269	
<b>Purpose of BEL</b>		
<p>Academi Wales is the centre of excellence for public service leadership. It is an enabling function, contributing towards the capacity and capability of leaders across Welsh public services to respond to PfG commitments or legislative requirements. Underpinning this is a focus on leadership behaviours and values which underpin delivery. More than half of the budget (circa £830,000) supports programme funded posts within the delivery team. The budget can be considered to be wholly committed to the range of leadership development programmes, including our summer and winter schools, leadership interventions and a range of masterclasses and programmes. A large number of which have a range of contractual arrangements and agreements in place to support delivery. In addition, in order to deliver on the Academi Wales published Three Year Strategy, part of our annual budget will be allocated to research and evaluation activities, to ensure ongoing innovation.</p>		

## Supporting Collaboration and Reform

### 17. Community and Town Councils

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
1574 – Community and Town Councils	144	
<b>Purpose of BEL</b>		
<p>This BEL provides support to the town and community council sector via core funding to its representative body One Voice Wales.</p> <p>This BEL contributes to “<i>Strengthen the autonomy and effectiveness of local government to make them more successful in delivering services</i>”, a PfG commitment.</p>		

## Fire and Rescue Services and Resilience

### 18a. Fire and Rescue Service

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
------------------------	----------------------------------	---------------------------------

1265 - Fire and Rescue Service	2,646	900
<b>Purpose of BEL</b>		
<p>This BEL funds the Fire and Rescue Services' National Resilience Capabilities of £2m, the salary and on-costs of the Welsh Government's Chief Fire and Rescue Adviser and the Crown Premises Inspector (all of which we are obliged to appoint and remunerate for), and actuarial and legal advice on Firefighter Pensions from the Government Actuary's and Government Legal Departments , which again we are legally obliged to obtain.</p> <p>The revenue budget has been increased by £120k to support resource leading on Fire and Rescue Service (FRS) Culture and Governance Reform,</p> <p>This capital BEL funds the specialist equipment for the Fire and Rescue Services' National Resilience frontline capabilities to respond to major disasters (building collapses, Chemical, Biological, Radiological and Nuclear incidents, serious flooding and terrorist attacks).</p>		

## 18b. Fire and Rescue Service - Communication Systems

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
1697 - Fire and Rescue Service - Communication Systems	1,275	210
<b>Purpose of BEL</b>		
<p>The majority of the funding is provided to the Home Office for Wales' contribution to the Emergency Services Network (ESN) which is the future communications platform for the emergency services. The Welsh Government is a Funding Sponsor Body which means the contribution to ESN is a long-term contractual commitment.</p>		

## 18c. Community Fire Safety

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
1698 - Community Fire Safety	371	1,000
<b>Purpose of BEL</b>		

The revenue budget funds a range of Fire and Rescue Service interventions with children and young people, aimed at diverting them away from offending and other negative behaviours. The programmes use firefighters as role models and positive authority figures, and aim to build self-esteem, confidence, teamwork and respect for others. Participant numbers are typically around 500 per year for the most intensive programme (“Phoenix”) for those at greatest risk of offending, with around 3,000 in the less intensive “Reflect” programme.

The capital element of the budget funds the provision of safety equipment free of charge to households that are at particular risk of fire in the home (eg because of old age, disability or mental health problems).

## Ystadau Cymru

### 19. Ystadau Cymru

BEL Description	Resource Budget £'000	Capital Budget £'000
1576 - Ystadau Cymru	500	
<b>Purpose of BEL</b>		
<p>Ystadau Cymru (YC) is an integral part of the Corporate Asset Management Strategy as the lead for supporting best practice in those areas of asset management. The majority of YC budget funds the ACPW3 grant scheme (revenue &amp; capital). This scheme supports innovative collaborative asset projects across Wales and in many cases, funds projects that are not supported elsewhere. Alongside the grant scheme, our key workstreams also include building safety, sustainability and community assets where we work with partners to provide support and guidance for the public sector.</p> <p>In 2025-26 the £1m of capital previously allocated through Ystadau Cymru has been allocated to the Local Government General Capital Funding BEL.</p>		

## Annually Managed Expenditure (AME)

Spending that cannot reasonably be subject to firm multi-year limits, or that relates to certain non-cash transactions, is included in AME.

<b>BEL Description</b>	<b>Resource Budget £'000</b>	<b>Capital Budget £'000</b>
0981 – Market Housing - AME	-575	
0870 - Non-Domestic Rates Distributable Amount - AME	1,077,000	
0865 - Bad Debt Provision - AME	227	
1699 - Fire Service Pensions - AME	37,151	
<b>Total AME</b>	<b>1,113,803</b>	

### BEL 0981 - Market Housing

Budget relates to the fair value adjustments on the Help to Buy Wales Scheme's loan book. The forecasts are very volatile as they relate to Welsh Government's equity share from the scheme and are extremely sensitive to any movement in the House Price Index (HPI). The model is updated on an annual basis to reflect the latest HPI, RPI and discount factor (cost of capital) data. The current budget allocation represents the latest forecast.

### BEL 0870 - Non-Domestic Rates Distributable Amount

Budget represents the expenditure funded by Non-Domestic Rates income in Wales.

### BEL 0865 - Bad Debt Provision – AME

Budget reflects the movement in the bad debt provision.

### BEL 1699 - Fire Service Pensions

The budget allocation is a grant to cover pension payments transferred from our DEL in 2007-08. The current budget allocation reflects the latest forecast received from three Fire Services.

## 2. Alignment with Programme for Government Commitments

- 1.** The Local Government and Housing MEG supports the delivery of a number of PfG commitments. In accordance with Welsh Government budget management principles, allocations to support the delivery of these commitments have been targeted towards interventions that are affordable and offer value for money whilst also seeking to protect front line services that protect the most vulnerable in our society. Details of the allocations and the PfG commitments they support are provided in the BEL analysis above and throughout this paper.



## 3. Preventative Spend within Budget Allocations

### Local Government

2. Unhypothecated revenue and capital funding will support Local Authorities in both reactive and preventative services. In particular education and social services will include services intended to enable people to stay healthy in their own homes, to live independently. Services which prevent flooding, support healthy lifestyles, provide access to employment, education and leisure are all in the widest sense preventative services. In addition, Local Authorities will have specific activities targeted towards prevention for example [frailty services, reablement to prevent hospital admissions, community advice and support].
3. Funding provided through the RSG is unhypothecated. It is for Local Authorities to determine priorities. Providing this significant funding in this way means Local Authorities have the flexibility to plan, fund and deliver their services in the way that works best for their local populations.
4. Within the Transformation and support BEL, funding is provided to improve and support Local Authorities to respond to and prevent governance or other failures.

### Housing

5. Within the housing sector there are numerous schemes targeted at prevention.

Increased investment in more homes and continued investment in existing stock

6. Investing in **more homes** provides families with the opportunity to thrive, improving health, wellbeing, quality of life and outcomes. **Building new homes** contributes to local economies, creating and supporting jobs, training opportunities and strengthening supply chains.
7. Investing in **better quality housing** can have wider impacts than improving the housing stock alone. For all age groups, those living in social housing are more likely to have a limiting long-term illness, disability or infirmity than

owner occupiers and those privately renting. Improvements in housing quality can alleviate these conditions and prevent the requirement for intervention from health and social services.

- 8.** Therefore, investment in good quality housing has the potential to generate large economic returns as well as reducing our emissions and levels of fuel poverty. It has a direct impact on the health and well-being of occupants, which can in turn help to reduce pressures on other public services.
- 9.** Our drive to deliver more homes will have a positive impact across the whole of Wales..

Increased Investment in Homelessness prevention and Support via the Housing Support Grant

- 10.** Early intervention is the most effective, and cost effective, means of preventing homelessness. In fact, homelessness or the risk of homelessness undermines wellbeing and gives rise to costs across the public sector. It also impacts on long term outcomes.
- 11.** The HSG is the primary funding source to support Local Authorities in the prevention of homelessness. There is increasing demand on HSG-funded services, and an increasing proportion of individuals with significant complex needs. This is a view supported by evidence from the Cymorth Cymru provider survey 2024.
- 12.** Analysis by the Bevan Foundation of Shelter casework data found that, of those seeking support for housing issues, the vast majority had support needs. The most common support need was for mental health at 54 per cent followed by physical health at 42 per cent.
- 13.** HSG services are key to preventing homelessness and to supporting people to move on successfully from temporary accommodation. Bevan Foundation research and Welsh Government data shows repeat placements are common; 19% of placements into temporary accommodation in August 2024 were of individuals who had previously been placed into temporary accommodation within the last 12 months (Welsh Government data)
- 14.** HSG services are under significant pressure. Cymorth Cymru's 2024 provider survey found that 81% of providers are running services at a deficit due to

insufficient funding from the HSG. Looking to next year, the survey suggested that a failure to increase the HSG would result in high numbers of providers being likely to reduce service capacity and being unlikely to bid for new or re-tendered contracts.

- 15.** Previous research (in 2020) by Cymorth Cymru and Cardiff Metropolitan University into the social and financial impact of the HSG estimated that the grant generates a gross annual saving to public services of £300.4m, or a net annual saving of £176.7m (when taking in to account the annual HSG spend as at July 2019).
- 16.** Investment in prevention and support through the HSG will have a positive impact on vulnerable individuals and households as well as on public services.
- 17.** This increased investment in preventive services also supports our transformation agenda and provides a strong foundation and preventative focus ahead of the forthcoming legislative reform. Viewed alongside our investments to deliver more homes and improve standards, this underlines our commitment to, and progress towards, delivering housing adequacy.

#### Increased investment in Independent Living budgets

- 18.** This increased investment will support Care & Repair services via revenue funding as well as RRAP capital budgets to support Local Authorities and RSL funded adaptations.
- 19.** Adaptations are an effective preventative investment to support independent living and improve the health and wellbeing of older people, disabled adults and children.
- 20.** There have been significant increases in the number of adaptations needed across Wales over the past three years. The number of complex cases has also risen, along with the costs of delivery
- 21.** The most recent cleansed and analysed data we have available for housing adaptations in Wales (2020-21) indicates that the average cost was £117 for a small adaptation, £3,840 for a medium adaptation and £16,237 for a large adaptation. More than half of adaptations delivered in 2020-21 were funded by the Rapid Response Adaptations Programme (38%) or local authorities from

their own budgets (20%). A smaller proportion of adaptations were funded by Disabled Facility Grants, Enable (15%) and the Integrated Care Fund (6%).

**22.** Care and Repair Impact Report 2024 notes the past year has seen increased demand for our services as a cost-of-living squeeze has impacted older people's wellbeing and ability to maintain homes. Demand for Care and Repair services has seen another year-on-year rise. This long-term trend is due to rocketing costs for construction labour and materials, reduced levels of disposable income amongst older people, and more complexity of need. The service delivered 19,023 Rapid Response Adaptations in 2023/24, supporting hospital discharges, and preventing admissions to hospital and residential care. 4,685 patients were supported with a quicker safe discharge home through their Hospital to a Healthier Home service, leading to an estimated 25,968 bed days saved.

**23.** Further investment will help to deliver thousands of additional adaptations across Wales, alleviate Housing Association and Local Authority pressures of backlogs for complex cases and could potentially help broaden the remit of the RRAP, leading to better health outcomes for some of the most vulnerable in Wales.

## 4. Strategic Integrated Impact Assessments

**24.** A Strategic Integrated Impact Assessment was published alongside our Draft Budget on 10 December; this sets out how our interventions have been targeted to address economic, climate and other impacts. Allocations have been made throughout this portfolio to address impacts that have been identified and with the principles of the Wellbeing of Future Generations Act in mind; these details are provided throughout this paper.

**25.** Our Strategic Integrated Impact Assessment (SIIA) of the 2025-26 Draft Budget outlines the evidence which was considered and informed our decisions. The SIIA identifies key trends and considered the strategic and cumulative impacts of decisions across a range of areas, including giving due consideration to the statutory requirements. This helps to reduce any disproportionate effect on any one specific group as well as identifying opportunities to maximise positive impacts to reduce inequalities across our society.

**26.** This document should not be read in isolation. It should be read in conjunction with the wider draft Budget narrative and supporting documents, such as the Wales Economic and Fiscal Report (WEFR) and our updated distributional impact analysis. Following the publication of the draft Budget, we will also publish the summary of all Ministerial evidence to Senedd scrutiny committees.

## 5. Prioritisation of Budgets

- 27.** Across the MEG, we have a total revenue budget increase of £281m, of which £258m was allocated to support Local Government, £23m to supporting Housing and Regeneration. In addition, the MEG has seen an increase in capital of £192.5m, of which £28.7m was allocated to support Local Government with the remaining £163.8m supporting Housing and Regeneration,
- 28.** The additional funding provided through the Autumn Budget is welcome as we emerge from the prolonged period of austerity imposed by previous UK Governments, as well as a range of economic crises such as spiralling inflation. Our overall settlement for 2025-26 is more than £1bn higher than it would have been under the previous UK Government. However, fourteen years of constrained public funding cannot be turned around in just one budget and it will take time for the public finances to recover.
- 29.** As we have developed the draft Budget 2025-26, we have again prioritised protecting core frontline public services as far as possible, supporting the hardest hit households and prioritising jobs. We have therefore provided a rise of 4.3% in the local government settlement.
- 30.** Budget increases for Housing and Regeneration have sought to support the drive to end homelessness in Wales. We recognise that to do so we must increase the supply of affordable homes alongside providing the right support and prevention services. Investing in more homes will benefit people without a suitable home as well as helping to reduce pressure on Local Authority revenue budgets.
- 31.** General Capital budgets for the Social Housing Grant BEL have increased from £330m to £411m as part of Draft Budget 2025-26. This is the key budget line for increasing the supply of affordable housing.
- 32.** The need for more affordable homes is evidenced through Local Authority Market assessments across Wales with all areas reporting a heightened unmet need as well as newly arising need for social rented accommodation. In particular, there is an acute need for one bedroom accommodation which is the highest reported category across all Local Authorities.

- 33.** The number of households experiencing difficulty maintaining a tenancy or facing homelessness continues to rise. Citizens Advice cost of living dashboard for November 2024 notes the number of people they have helped with housing affordability issues continues to follow an upwards trend since 2019. The groups of people they see most for housing affordability issues are single people including single parents, social tenants, 35–44-year-olds and those with a long-term health condition or disability.
- 34.** As of 31 August 2024, 11,339 individuals were in temporary accommodation, a 1% increase from 31 August 2023. 2,860 of these were dependent children aged under 16, a decrease of 16% from 31 August 2023. The number of dependent children has been decreasing over recent months, with the numbers dropping below 3,000 for the last four months. The type of accommodation temporarily housing the most individuals at the end of August 2024 was 'bed and breakfast and hotels' with 32% of individuals, of which 17% were dependent children under 16.
- 35.** The Bevan Foundation and Shelter Cymru consider that the best way to move people on from temporary accommodation is to provide more social homes that are available to people living in temporary accommodation.
- 36.** Information from Local Authorities suggests they are spending on average over £5m a month across Wales on temporary accommodation.
- 37.** The majority of the funding allocated to the Homelessness Support and Prevention BEL funds the HSG which is the primary funding source to support Local Authorities in the prevention of homelessness. An additional allocation of £21m has been awarded to this grant in Draft Budget 2025-26 and will support the sector in achieving the Real Living Wage for staff delivering these critical services and build capacity in the system to respond to the increased demand and complexity of need.

## 6. Climate Change, Well-Being of Future Generations Act and Decarbonisation

**38.** The Wellbeing of Future Generations Act requires Local Authorities, alongside other public bodies, in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other. Funding through the RSG to the Local Authorities will support work to prevent persistent problems such as poverty, health inequalities and climate change.

**39.** Our continued investment in **Residential Decarbonisation & Quality** supports the key PfG commitment to decarbonise more homes through retrofit, delivering quality jobs, training and innovation using local supply chains. It also delivers against two key statutory requirements: Climate Change (Wales) Regulations 2021 – delivery of reduction in greenhouse gas emissions from the housing sector; and Section 33A of the Housing Act 1996 – regarding the setting of standards (i.e. WHQS)

- Capital funding will predominantly be used to support the social housing sector, through the Optimised Retrofit Programme (ORP). Our ambition is to ensure all social housing landlords participate in this scheme so that they can integrate the decarbonisation agenda within their planned maintenance programmes.
- An additional £3m of Financial Transactions Capital has been invested in 2025-26 to support the continuation of Housing Retrofit Loans.
- Our investment in Major Repairs Allowance and Dowry Gap Funding also supports the tackling of climate change and decarbonisation. Welsh Government, together with social landlord delivery partners, have invested billions of pounds to significantly improve and maintain the quality of social homes across Wales over the last two decades following the introduction of the original WHQS standard. By 2022, all social housing in Wales has met the challenging Standard and social landlords continue to maintain that Standard today.
- A new version of the WHQS standard was launched in October 2023. This new standard builds on the excellent achievements of its predecessor,



keeping anti-poverty requirements at its heart, improving energy efficiency, with the aim of putting more money in tenant's pockets and supporting their comfort and well-being. In the face of the cost-of-living crisis and climate change emergency we cannot stand still, and we must continue to push progress and set standards to address decarbonisation through a variety of measures in existing social housing. The current WHQS has already improved the energy efficiency of social homes, which is a significant benefit in the current cost of living crisis. WHQS 2023 builds on this while continuing to ask for more on energy efficiency.

- The new standard focuses on more than just decarbonisation though with the introduction in the standard for suitable flooring to be provided throughout the home at each new tenancy if required and the introduction of water efficiency standards, encouraging landlords to consider biodiversity opportunities across the land that they own and manage.

**40.** Building on capital funding provided in previous years for the decarbonisation of heating of Local Authority buildings has been increased by £10m to £30m. This funding can be used in stand alone projects or as part of wider capital programmes to reduce the carbon footprint of the local authority estate.

## 7. Capital Spending on Housing

- 41.** This section will confirm how capital spending on housing will be increased to meet the target of delivering 20,000 new low carbon social homes for rent, as well as funding social homes that will be started in 2025-26 and completed in the next Senedd term.
- 42.** Investing in more homes provides families with the opportunity to thrive , improving health, wellbeing, quality of life and outcomes. Building new homes contributes to local economies, creating and supporting jobs, training opportunities and strengthening supply chains.
- 43.** SHGBEL funding allocations have been increased by £81m from £330m to £411m in 2025-26. This is the key budget line for increasing the supply of affordable housing and is the key contributor towards the PfG priority of building 20,000 low carbon homes for social rent in this Term of Government.
- 44.** SHG is currently the main capital programme supporting the delivery of high-quality affordable housing in Wales by local authorities and RSLs..
- 45.** The TACP was established in response to the growing pressures on temporary accommodation where homelessness figures are increasing due to the worsening cost of living crisis, as well as wider resettlement schemes. TACP provides grant funding to local authorities and registered social landlords (RSLs) to bring forward good quality longer term accommodation at pace to support everyone in housing need.
- 46.** The funding awarded in 2025-26 will be used across both the SHG and TACP programmes to support the delivery of additional homes against the target of delivering 20,000 new low carbon social homes for rent in this term of government, as well as new homes approved and started in 2025-26 that will complete in the next Senedd term.

## 8. Homelessness and Housing Support Grant

- 47.** This section will provide a breakdown of the draft budget on homelessness, including the Housing Support Grant element of the Homelessness Support and Prevention BEL and how this is laying the foundations for the forthcoming legislative reform.
- 48.** As outlined above, the HSG is the primary funding source to support Local Authorities in the prevention of homelessness.
- 49.** The additional £21m investment in the HSG provides increased investment in preventive services and supports our transformation agenda, providing a strong foundation and preventative focus ahead of the forthcoming legislative reform. Viewed alongside our investments to deliver more homes, this underlines our commitment to our long-term goal of ending homelessness by making it rare, brief and unrepeatable.
- 50.** This additional allocation in funding awarded to this vital Grant will support the sector in achieving the Real Living Wage for staff delivering these critical services and build capacity in the system to respond to the increased demand and complexity of need.
- 51.** £21.32m has also been transferred out of this BEL to the RSG, as part of Draft Budget 2025-26 allocations. This funding is intended to support provision of Temporary Accommodation, Discretionary Homelessness Prevention Funds and Strategic Coordinators, and reflects that where funding supports delivery of statutory duties it should rightly be funded through RSG rather than Grant. Local Authorities are responsible for ensuring that those who need it can access emergency and temporary accommodation and for provision of discretionary support to prevent or relieve homelessness
- 52.** The remainder of funding in this BEL supports a range of homelessness prevention activities, including housing advice services, youth homelessness innovation funding, the housing first programme, and Leasing Scheme Wales.

## 9. Building Safety Bill

**53.** This section will explore how the allocations will support the implementation of the upcoming Building Safety Bill.

**54.** As stated above, addressing fire related building safety remains a priority for the Government and we are continuing to invest in our building safety remediation programme. We are working at pace to finalise the planned Building Safety (Wales) Bill for introduction before the summer in 2025. An important element of this ongoing work is engaging with local authority partners and others to understand the resource and workforce implications of the legislation. We are also exploring what can be done nationally to support implementation, for example around digital systems to enable the new regime. This work will continue into early 2025 and will inform future budget planning

## 10. Gypsy, Roma and Travellers

- 55.** There are no allocations within the LGH MEG to support Gypsy, Roma and Travellers and there have been no specific transfers into the RSG in respect of these communities.
- 56.** There are 14 actions within the Anti-racist Wales Action Plan which relate to housing for Gypsy, Roma and Traveller communities, these actions are supported by a revenue budget of £1.63m in the Social Justice MEG, that is contributing to the provision of appropriate and suitable housing including transit sites.
- 57.** Also included within the Social Justice MEG, the Gypsy Traveller Sites has a capital budget of £3.44m for 2025-26 which is unchanged from the 2024-25 Final Budget (restated). The budget covers the development of new sites, site extensions and refurbishment projects at local authority owned sites across Wales. The Cabinet Secretary for Social Justice will be providing evidence to the Equality and Social Justice Committee in respect of these budgets.

## 11. Annex A

HOUSING & LOCAL GOVERNMENT					
RESOURCE BUDGET					
Action	BEL No.	BEL Description	2025-26 Revised Baseline £000	2025-26 changes £000	2025-26 Draft Budget December 2024 £000
Homelessness Prevention	1120	Homelessness Support & Prevention	219,910	-320	219,590
<b>Total Homelessness Prevention</b>			<b>219,910</b>	<b>-320</b>	<b>219,590</b>
Independent Living	1100	Housing Policy	1,368	0	1,368
	1285	Rapid Response to Independent Living	5,103	1,255	6,358
<b>Total Independent Living</b>			<b>6,471</b>	<b>1,255</b>	<b>7,726</b>
Homes & Places	0950	Warm Homes	3,731	0	3,731
<b>Total Homes &amp; Places</b>			<b>3,731</b>	<b>0</b>	<b>3,731</b>
Achieve Quality Housing	1065	Residential Decarbonisation & Quality	1,673	0	1,673
<b>Total Achieve Quality Housing</b>			<b>1,673</b>	<b>0</b>	<b>1,673</b>
Building Safety	2255	Building Safety	4,500	0	4,500
<b>Total Building Safety</b>			<b>4,500</b>	<b>0</b>	<b>4,500</b>
Increase the Supply and Choice of Affordable Housing	0984	Housing Finance Grant	4,100	1,185	5,285
<b>Total Increase the Supply and Choice of Affordable Housing</b>			<b>4,100</b>	<b>1,185</b>	<b>5,285</b>
Housing Revenue Funding	1181	Housing Programme Revenue Funding	400	700	1,100
<b>Total Housing Revenue Funding</b>			<b>400</b>	<b>700</b>	<b>1,100</b>
Land Division	6410	Land Release Fund	-1,550	0	-1,550
<b>Total Land Division</b>			<b>-1,550</b>	<b>0</b>	<b>-1,550</b>
Regeneration	4151	Regeneration	-13,329	0	-13,329
	4162	Cardiff Harbour Authority	5,400	0	5,400
<b>Total Regeneration</b>			<b>-7,929</b>	<b>0</b>	<b>-7,929</b>
Funding Support for Local Government	0840	Local Govt General Revenue Funding	4,721,513	278,383	4,999,896
	0875	Non-Domestic Rates Rates Relief	78,730	-1,000	77,730
	0860	Police General Revenue Funding	112,331	0	112,331
	0885	Local Govt PFI Revenue Consequences	2,596	-185	2,411
	0887	Transformation & Legislation	6,567	-535	6,032
	0940	Non Domestic Rates Collection Costs	5,172	0	5,172
	1600	Emergency Financial Assistance	1	0	1
<b>Total Funding Support for Local Government</b>			<b>4,926,910</b>	<b>276,663</b>	<b>5,203,573</b>
Valuation Services	1500	Valuation Office Agency Services	17,000	0	17,000
	1540	Valuation Tribunal for Wales	1,925	0	1,925
	1550	Local Taxation Reform	4,800	0	4,800
<b>Total Valuation Services</b>			<b>23,725</b>	<b>0</b>	<b>23,725</b>
Building Local Democracy	1440	Democracy and Boundary Commission Cymru	1,367	140	1,507
	1462	Expenditure to Promote Local Democracy	126	-60	66
	1463	Election Policy	3,400	0	3,400
<b>Total Building Local Democracy</b>			<b>4,893</b>	<b>80</b>	<b>4,973</b>
Local Government Improvement	1571	Improvement & Support	641	2,150	2,791
<b>Total Local Government Improvement</b>			<b>641</b>	<b>2,150</b>	<b>2,791</b>
Academi Wales	7093	Academi Wales	1,269	0	1,269
<b>Total Academi Wales</b>			<b>1,269</b>	<b>0</b>	<b>1,269</b>
Supporting Collaboration and Reform	1574	Community and Town Councils	144	0	144
<b>Total Supporting Collaboration and Reform</b>			<b>144</b>	<b>0</b>	<b>144</b>
Fire and Rescue Services and Resilience	1265	Fire and Rescue Service	3,426	-780	2,646
	1697	Fire and Rescue Service - Communication Systems	1,275	0	1,275
	1698	Community Fire Safety	371	0	371
<b>Total Fire and Rescue Services and Resilience</b>			<b>5,072</b>	<b>-780</b>	<b>4,292</b>
Ystadau Cymru	1576	Ystadau Cymru	500	0	500
<b>Total Ystadau Cymru</b>			<b>500</b>	<b>0</b>	<b>500</b>
<b>HOUSING &amp; LOCAL GOVERNMENT - TOTAL RESOURCE BUDGET</b>			<b>5,194,461</b>	<b>280,933</b>	<b>5,475,394</b>

CAPITAL BUDGET					
Action	BEL No.	BEL Description	2025-26 Revised Baseline	2025-26 changes	2025-26 Draft Budget December 2024
Independent Living	1,285	Rapid Response Adaption Programme	19,500	5,500	25,000
	1,182	Private Rented Sector	1,500	2,000	3,500
<b>Total Independent Living</b>			<b>21,000</b>	<b>7,500</b>	<b>28,500</b>
Homes & Places	0986	Health & Housing	60,500	0	60,500
	0950	Warm Homes	35,000	2,500	37,500
<b>Total Homes &amp; Places</b>			<b>95,500</b>	<b>2,500</b>	<b>98,000</b>
Achieve Quality Housing	1061	Major Repairs Allowance and Dowry Gap Funding	108,000	0	108,000
	1065	Residential Decarbonisation & Quality	92,000	3,000	95,000
<b>Total Achieve Quality Housing</b>			<b>200,000</b>	<b>3,000</b>	<b>203,000</b>
Increase the Supply and Choice of Affordable Housing	0982	Social Housing Grants (SHG)	330,000	107,250	437,250
	0989	Land for Housing - Repayment	0	-1,000	-1,000
<b>Total Increase the Supply and Choice of Affordable Housing</b>			<b>330,000</b>	<b>106,250</b>	<b>436,250</b>
Building Safety	2255	Building Safety	127,670	0	127,670
<b>Total Building Safety</b>			<b>127,670</b>	<b>0</b>	<b>127,670</b>
Increase the Supply and Choice of Market Housing	0987	Market Housing and Other Schemes	25,000	57,000	82,000
	0987	Market Housing and Other Schemes - Repayment	0	-3,260	-3,260
	0980	Homebuy	4,000	0	4,000
<b>Total Increase the Supply and Choice of Market Housing</b>			<b>29,000</b>	<b>53,740</b>	<b>82,740</b>
Land Division	6410	Land Release Fund	25,000	0	25,000
	6410	Land Release Fund - Repayment	0	-9,128	-9,128
<b>Total Land Division</b>			<b>25,000</b>	<b>-9,128</b>	<b>15,872</b>
Regeneration	4151	Regeneration	40,000	0	40,000
<b>Total Regeneration</b>			<b>40,000</b>	<b>0</b>	<b>40,000</b>
Local Government General Capital Funding	1675	Local Govt General Capital Funding	200,000	30,000	230,000
<b>Total Local Government General Capital Funding</b>			<b>200,000</b>	<b>30,000</b>	<b>230,000</b>
Fire and Rescue Services and Resilience	1265	Fire & Rescue Services	1,250	-350	900
	1697	Fire and Rescue Service - Communication Systems	210	0	210
	1698	Community Fire Safety	1,000	0	1,000
<b>Total Fire and Rescue Services and Resilience</b>			<b>2,460</b>	<b>-350</b>	<b>2,110</b>
Ystadau Cymru	1576	Ystadau Cymru	1,000	-1,000	0
<b>Total Ystadau Cymru</b>			<b>1,000</b>	<b>-1,000</b>	<b>0</b>
<b>HOUSING &amp; LOCAL GOVERNMENT - TOTAL CAPITAL BUDGET</b>			<b>1,071,630</b>	<b>192,512</b>	<b>1,264,142</b>

RESOURCE BUDGET - AME					
Action	BEL No.	BEL Description	2025-26 Revised Baseline	2025-26 Draft Budget December 2024	2025-26 Draft Budget December 2024
Increase the Supply and Choice of Market Housing	0981	Market Housing - AME	-5,398	4,823	-575
	<b>Total Increase the Supply and Choice of Market Housing</b>			<b>-5,398</b>	<b>4,823</b>
Funding Support for Local Government	0870	Non-Domestic Rates Distributable Amount - AME	1,079,000	-2,000	1,077,000
	0865	Bad Debt Provision - AME	227		227
<b>Total Funding Support for Local Government</b>			<b>1,079,227</b>	<b>-2,000</b>	<b>1,077,227</b>
Fire and Rescue Services and Resilience	1699	Fire Service Pensions - AME	38,328	-1,177	37,151
<b>Total Fire and Rescue Services and Resilience</b>			<b>38,328</b>	<b>-1,177</b>	<b>37,151</b>
<b>HOUSING &amp; LOCAL GOVERNMENT - TOTAL RESOURCE AME BUDGET</b>			<b>1,112,157</b>	<b>1,646</b>	<b>1,113,803</b>