

Welsh Government Draft Budget 2026-27

December 2025

1. Introduction

1. This report sets out the Local Government and Housing Committee's views on the Welsh Government's draft budget 2026-27 in relation to the policy areas within our remit.
2. Along with the Finance Committee's report, and those of other Senedd Committees, this report is intended to inform the Senedd's debate on the draft budget, which is scheduled for 16 December 2025.
3. We would welcome a response to our report and recommendations.

The Welsh Government's draft budget 2026-27

4. The Welsh Government published its outline draft budget proposals for 2026-27 on 14 October 2025, and published its detailed draft budget proposals for 2026-27 on 3 November 2025.
5. The provisional local government settlement was published on 24 November 2025. Given the timetable for scrutiny we were unable to hold an evidence session with representatives of local government on the settlement.
6. The budget documentation stated that 98.6 per cent of the total budget had been allocated with around £380 million unallocated funding to be agreed ahead of the Final Budget in January 2026. On 9 December, the Welsh Government announced that it had reached a budget agreement with Plaid



Cymru (“budget agreement”) which would allow the budget to pass. The budget agreement allocates almost £300 million of the unallocated funding to the local government and health and social care budgets.

7. We scrutinised the draft budget proposals in relation to the budgets within the Housing and Local Government Main Expenditure Group (“MEG”).

The Committee’s approach to scrutiny

8. On 13 November 2025, we heard oral evidence from representatives of the Welsh Local Government Association (“WLGA”).

9. On 20 November 2025, we held a scrutiny session with the Cabinet Secretary for Housing and Local Government (“the Cabinet Secretary”) on the housing, regeneration and land allocations in the draft budget.

10. On 26 November 2025, we held a scrutiny session with the Cabinet Secretary on the allocations for local government and the provisional local government settlement.

11. Lindsay Whittle MS attended the meeting on 20 November as a substitute for Siân Gwenllïan MS. Mike Hedges MS and Cefin Campbell MS attended the meeting on 26 November as substitutes for Lee Waters MS and Siân Gwenllïan MS respectively.

2. Local Government

Local government financial context

Context

12. Local authorities in Wales have received some significant uplifts in their budgets in the last few years after more than a decade of austerity, rapid inflationary pressures and the Covid-19 pandemic. Despite this, the WLGA, in its response to the Finance Committee’s consultation on the Welsh Government Draft Budget 2026-27, described the current financial settlement for 2025-26 as one that was “better than anticipated”, but “still not enough”. It left local authorities facing significant financial shortfall and difficult decisions to make over which services to prioritise.

13. The UK Government’s decision to increase employer National Insurance contributions has caused additional pressures on public bodies. Despite funding

from the UK and Welsh Governments to reimburse local government, this only covered around 85 per cent of the additional cost, leaving local authorities to fund the gap.

14. While NI contributions had a “considerable impact” on local authority budgets this financial year, it is demand-led service pressures that cause the biggest financial challenge to the sector.

Overall Welsh Government approach

15. The overall Welsh Government Draft Budget for 2026-27, the last from the current Welsh Government has been described as a “business-as-usual” budget by the Cabinet Secretary for Finance and Welsh Language.

16. The Outline Draft Budget 2026-27 report sets out the approach to allocating funding to departments, which has been to take the revised baseline and add:

- an uplift of 2.2 per cent to fiscal resource that is provided for the public sector pay elements within each department.
- 2 per cent uplift for non-pay fiscal resource, general capital and Financial transaction capital.

17. According to the budget documentation, 98.6 per cent of the total budget (£27.6 billion) had been allocated leaving around £380 million unallocated funding. This comprised £231 million in fiscal resource, £136 million in general capital, and £13 million in financial transactions capital.

18. In his statement on the Outline Draft Budget 2026-27 in Plenary, the Cabinet Secretary for Finance and Welsh Language stated that “this draft budget is the starting point of the budget process” and that “there is a more ambitious budget, therefore, that could be agreed in January.”

19. The Welsh Government’s budget agreement allocates an additional £112.8 million of the unallocated funding to local authorities. This provides an overall 4.5 per cent increase to the local government settlement and ensures a minimum uplift of 4 per cent for all local authorities.

Spending pressures and financial resilience

20. The financial resilience of local authorities has been brought to the fore in recent years. In its report, Financial sustainability of local government published in December 2024, Audit Wales states there are:

“significant risks to the sustainability of local government finances which are likely to increase over the medium term without action to mitigate them.”

21. It goes on to state that many councils require a “step-change in approach”, moving beyond simply setting an annually balanced budget, and that longer term planning is required.

22. The WLGA states in its consultation response to the Senedd's Finance Committee that much of the shortfall has been “shifted onto Welsh households, with average Council Tax having increased by more than 22%” over the previous three years. This, it notes, is “unsustainable for hard-working families who understandably complain of paying more whilst receiving less service”.

23. The WLGA's consultation response highlights budgetary pressures of an estimated £560 million in 2026-27 and states that for Welsh Government to meet local authorities' total budget pressures for 2026-27, it would require a spending increase of 9 per cent in net revenue.

The provisional local government settlement

Aggregate External Finance (AEF)

24. The Welsh Government published its provisional local government settlement for 2026-27 on 24 November 2025. After adjusting for transfers, overall provisional core funding (Aggregate External Finance (AEF) which includes the Revenue Support Grant and Non-Domestic Rates) for local government in 2026-27 is £6.443 billion. At the time of publication, this represented an average increase of 2.7 per cent, or £167 million, on a like for like basis against the current financial year.

25. The adjusted AEF takes account of in-year funding and transfers, such as additional funding towards workforce pay deals, employer National Insurance contributions, pensions or specific schemes such as funding to prevent homelessness. This provides the baseline for comparison with the 2025-26 settlement.

26. The below table illustrates the changes to the local government settlement from the 2025-26 final settlement, as published on 24 November:

	2025-26 (£s) (final settlement)	2025-26 (£s) (adjusted for transfers)	2026-27 (£s) (provisional settlement)
RSG Budget	4,994,976	5,129,240	5,251,889
Floor funding	8,238	8,238	14,107
NDR share	1,135,863	1,135,863	1,176,822
Total AEF	6,139,078	6,273,341	6,442,817
percentage change in relation to 2025-26 settlement (as adjusted for transfers)			2.7 per cent

27. The overall percentage increase of 2.7 per cent was substantially lower than the increase in the settlement for 2025-26 of 4.3 per cent, or £257 million, leaving local authorities with a significant budget shortfall. This was subsequently increased to 4.5 per cent following the Welsh Government's budget agreement.

28. In her statement on the provisional settlement, the Cabinet Secretary states that local authorities will need to find that money from elsewhere:

"The setting of budgets, and in turn council tax, is the responsibility of each local authority and authorities will need to take account of the full range of sources of funding available to them."

29. On raising council tax to help fund local services, Councillor Mary Ann Brocklesby, Leader of Monmouthshire County Council, told us:

"We cannot keep increasing it (council tax); it is not fair on our residents. It's not the way to run a council when we have to be dependent on the resources of our residents who are already facing other costs in rent, in mortgages, in food, prices that continually go up."

30. In response to a question about whether the draft budget and provisional settlement reflects the challenges facing local authorities, the Cabinet Secretary told us that her priority is "to protect jobs and front-line services."² She

¹ Local Government and Housing Committee, 13 November 2025, ROP paragraph 15

² Local Government and Housing Committee, 26 November 2025, ROP paragraph 21

recognised the pressures local authorities are facing and stated that an additional £134 million pounds has been added to the settlement for “employers' national insurance contributions, teachers' pay and other pay pressures.” She went on to say:

“...this part of the draft budget is, really, at the start of the process rather than the end. I hope and I'd like to see a lot of change between now and the final budget in January.”³

Revenue Support Grant

31. The revenue support grant (RSG) is the Welsh Government's un-hypothecated grant distributed to local authorities via a needs-based formula. The grant supports local authority services in general (as opposed to specific grants for specific purposes). The total grant funding support available to local authorities in 2026-27 was £5.252 billion. An additional £112.8 million has been provided following the budget agreement.

Non-Domestic Rates (NDR)

32. Non-domestic rates (NDR) (commonly known as business rates) form a significant chunk of the core revenue funding (AEF) that the Welsh Government allocates to local government. This, along with the RSG, is distributed to the 22 local authorities via the funding formula.

33. For 2026-27, £1.18 billion in redistributed NDR was available. This is slightly higher than the NDR level for 2025-26 (£1.14 billion).

Floor Funding

34. The decision on the funding floor is one taken by the Cabinet Secretary based on the outcome of the funding formula.

35. The Cabinet Secretary in her [evidence paper](#) noted that £8.6m had been included when the Draft Budget was published “to give a floor with the aim of no authorities having an increase below 2.3%”. The Cabinet Secretary's statement on the provisional settlement stated that an additional £5.5 million (on top of the £8.6 million already allocated) had also been included to ensure no authority received less than 2.3 per cent. This provided a total of £14 million in floor funding for 2026-27.

³ Local Government and Housing Committee, 26 November 2025, [ROP](#) paragraph 22

36. The Welsh Government's budget agreement allocating an additional £112.8 million to the local government settlement, ensures that all authorities will now receive an uplift of at least 4 per cent.

37. It is unclear at present whether a funding floor has been applied to ensure that no authority now receives less than 4 per cent.

Specific Revenue Grants

38. The Welsh Government has also allocated £1.3 billion in specific revenue grant funding in the 2026-27 settlement, although many grant lines are still to be confirmed. These include notable grants such as the Violence Against Women, Domestic Abuse and Sexual Violence grant (previously allocated £3.65m), the Sustainable Waste Management Grant (previously allocated £16.4m) and the Retail, Leisure and Hospitality Rates Relief (previously allocated £76.3m).

Capital funding and borrowing

39. The General Capital allocation in the Draft Budget for 2026-27 is marginally higher (£204m) than the allocation in the 2025-26 Final Budget (£200m). Whilst the General Capital Funding element has increased by £4 million on the 2025-26 allocation, we heard from local government that general capital allocations have not kept up with inflation over the last few years.

40. The WLGA states in its consultation response to the Finance Committee that despite inflation returning 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."

41. Whilst general capital funding has not kept pace with inflation, we heard of a Welsh Government initiative, in partnership with local government, to unlock £120m in capital for highway maintenance. This innovative approach to local authority capital borrowing, launched in March 2025, provides an additional £10m of revenue funding for local councils, enabling them to unlock an additional £120m of capital funding to accelerate the process of fixing local roads and pavements. This initiative was welcomed by the WLGA who said it would support highway maintenance in the current year and next financial year.

Our View:

42. We note the small increase to the General Capital allocation for 2026-27, however it is concerning that it has not kept pace with inflation, leaving core capital budgets effectively static. We welcome the Welsh Government's approach to unlocking additional funding for highway maintenance through the local government borrowing Initiative and would like to see more efforts to develop innovative approaches to local authority funding.

Conclusion 1. We would encourage innovation in other areas to enable local authorities to fund improvements in schools, local infrastructure and other core areas of capital expenditure.

Funding Formula

43. The funding formula used to determine local authority distribution is a perennial theme in budget scrutiny. As highlighted in our report last year, and again in evidence received this year, there is growing demand to review the formula, the dataset and how the settlement is calculated.

Local authority distribution

44. Local authorities in Wales were to receive an overall increase of 2.7 per cent as part of this provisional settlement (£6.4 billion in core funding). However, following the Welsh Government budget agreement, this has now increased to a minimum of 4 per cent. This is distributed to the 22 local authorities via the local government funding formula and is based on the standard spending assessments (SSAs). The SSAs are a notional calculation of what each council needs to spend to provide a standard level of service. The table below shows the provisional amount of Aggregate External Finance (AEF) each local authority would have received in 2026-27, and the percentage difference compared to 2025-26, at the time we undertook scrutiny.

Change in Aggregate External Finance (AEF), plus floor funding, adjusted for transfers and taxbase, by Unitary Authority (£000) as published on 24 November 2025

Unitary Authority	2025-26 Final Aggregate External Finance	2026-27 Provisional Aggregate External Finance	Percentage difference	Rank
Newport	335,794	350,132	4.3%	1
Swansea	477,963	494,124	3.4%	2
Blaenau Gwent	157,793	162,970	3.3%	3
Merthyr Tydfil	135,774	139,987	3.1%	4
Wrexham	255,584	263,295	3.0%	5
Torfaen	196,544	202,428	3.0%	6
Rhondda Cynon Taf	532,221	547,512	2.9%	7
Bridgend	283,206	291,089	2.8%	8
Denbighshire	220,048	226,092	2.7%	9
Caerphilly	382,163	392,045	2.6%	10
Neath Port Talbot	312,756	320,767	2.6%	11
Cardiff	688,140	704,228	2.3%	12
Isle of Anglesey	138,802	141,994	2.3%	13
Gwynedd	253,573	259,405	2.3%	13
Conwy	224,223	229,380	2.3%	13
Flintshire	282,352	288,846	2.3%	13
Powys	256,731	262,636	2.3%	13
Ceredigion	147,283	150,670	2.3%	13
Pembrokeshire	238,825	244,318	2.3%	13
Carmarthenshire	384,776	393,626	2.3%	13
The Vale of Glamorgan	230,231	235,526	2.3%	13
Monmouthshire	138,560	141,747	2.3%	13
Total unitary authorities	6,273,341	6,442,817	2.7%	

45. Newport City Council received the biggest uplift in 2026-27 in terms of percentage increase across all local authorities at 4.3 per cent. This was significantly higher than its nearest council in the table, Swansea, that saw an uplift of 3.4 per cent.

46. Most of the other authorities received an uplift broadly similar to each other (within a percentage point), with 11 of the 22 local authorities receiving a 2.3 per cent uplift in their budgets.

47. Ten authorities benefited from the additional £14 million in floor funding for 2026-27. Monmouthshire (£3.25m) and Flintshire (£2.8m) received the biggest share, while Powys and The Vale of Glamorgan received in excess of £2m each.

48. The authorities in receipt of top-up funding were almost identical to those authorities that received floor funding in 2025-26 (Carmarthenshire being the addition in 2026-27).

49. It is also worth noting that Monmouthshire Council would have received a 0.4 per cent decrease in its provisional settlement without floor funding.

Funding Formula – quantum and floor

50. The WLGA's evidence emphasises that the overall size of the local government finance settlement—the quantum—is the most critical issue facing councils. Without a significant increase in the settlement, it notes, local authorities will be unable to meet rising demand and growing pressures in areas such as Additional Learning Needs, children's services, and social care.

51. In our evidence session with representatives of the WLGA, Councillor Nia Jeffreys, Leader of Gwynedd Council said:

"We're always speaking of overspends; what we're truly talking about there is underfunding, the underfunding of these basic services that people depend on day to day."⁴

52. In response to a question about the minimum increase that would be acceptable, Councillor Mary Ann Brocklesby told us:

"We recognise the constraints we're all under, but to start really sustaining our services, but also doing that preventative, early intervention work, we need to look at a figure of around 4 per cent or more."⁵

53. Councillor Jake Berriman, Leader of Powys County Council stressed the need for parity, particularly for rural authorities facing unique challenges. He told us that "sparsity of population and distance between service centres is a huge issue for us"⁶ and supported the call for a funding floor of around 4%.

54. When asked about the high number of local authorities in receipt of floor funding this year, a Welsh Government official explained that it was as a direct result of the low quantum of the overall increase and that a larger quantum would reduce reliance on the funding floor. They explained that:

"...this year, in particular, with a budget that is being set at the level it's set and to protect, then a 2.3 per cent floor was a choice, but it also means that more authorities are in that lower band than would normally be expected."⁷

⁴ Local Government and Housing Committee, 13 November 2025, [ROP](#) paragraph 74

⁵ Local Government and Housing Committee, 13 November 2025, [ROP](#) paragraph 86

⁶ Local Government and Housing Committee, 13 November 2025, [ROP](#) paragraph 88

⁷ Local Government and Housing Committee, 26 November 2025, [ROP](#) paragraph 127

55. In response to a question about how the Government is going to balance the need for a sustainable and resilient local government, with the current system which seems to be allowing some authorities to fall unless they have a floor to keep them going, the Cabinet Secretary said:

“...there's no evidence to suggest that any authority with particular geographical or social characteristics is being disadvantaged through the funding formula. But I think, again, it is really important that we bring up to date the data.”⁸

Our View

56. Our scrutiny was based on the provisional local government settlement published on 24 November. As we have already stated, the budget agreement published on 9 December, has provided additional funding to local government. We are concerned that we have not been provided with any detailed information on the revised settlement yet and urge the Welsh Government to make this available as soon as possible.

57. We welcomed the Welsh Government's commitment in the provisional settlement to providing a funding floor to ensure no authority received less than a 2.3 per cent increase. However, we were concerned that almost half of Welsh local authorities were reliant on the floor to ensure they received a minimum level inflationary uplift.

58. We welcome the additional general revenue funding allocated into the RSG following the budget agreement which will now ensure that all local authorities receive a minimum uplift of 4 per cent. This in fact, was the minimum we would have recommended to ease some of the budgetary pressures on local authorities. Whilst this additional funding is welcome, we are concerned that local authorities remain in a vulnerable position and still face the prospect of needing to increase council tax, make cuts to services and the risk of job losses.

59. We are concerned that repeated use of the funding floor is indicative of structural problems with the formula that risks allowing some authorities to become unsustainable unless temporary safeguards such as the funding floor are maintained, threatening the long-term resilience of local government. Given the formula operates as a zero-sum system, the Welsh Government should focus on increasing the overall quantum of funding available in the settlement and

⁸Local Government and Housing Committee, 26 November 2025, [ROF](#) paragraph 134

ensuring the formula is equitable. This would negate the need for a floor at all in our view.

60. The Cabinet Secretary was clear that she expected the final budget to look different from the draft. The additional funding for local government from the budget agreement will help alleviate some of the financial pressures local authorities face, minimise the burden on council tax payers already struggling with a cost-of-living crisis, and reduce the risk of redundancies for hardworking public sector workers. However, during our scrutiny we noted that an uplift of 4 per cent in overall funding would only address nearly half of identified budget pressures for 2026-27, and our view was that this should be the minimum considered.

61. We are aware that the Welsh Government will receive additional funding following the UK Autumn Budget in the region of £186 million in resource DEL and £14 million in Capital DEL. We urge the Welsh Government to earmark some of this funding for targeted preventative services provided by local authorities in areas of high-demand and high-cost, such as adult and children's social services.

Recommendation 1. The Welsh Government must publish the revised local government settlement with indicative figures as soon as possible, and before the Final Budget is published in January. This would provide local authorities with certainty and enable them to plan budgets accordingly.

Funding Formula - Datasets and Indicators

62. It is clear that frustration continues to exist around the funding formula and in particular the use of outdated data.

63. The WLGA in its consultation response highlighted an “increasing concern about how out of date some of the data are and whether the indicators remain the correct ones and are weighted appropriately”. In particular, it says that datasets underpinning both sparsity and deprivation are outdated and a “cause of frustration” for local authorities.

64. While the WLGA's collective view is that the overall size of the local government finance settlement is the pressing issue, on data, it states in its consultation response to the Finance Committee:

“The Welsh Government could make better use of data to anticipate future service demands, particularly in modelling projections around demographic and population change. It is

also imperative that data are used to model possible scenarios for future growth in pressures around ALN, children's services and social care."

65. It was clear from our evidence session with the WLGA that local authorities in rural areas are concerned about the data and indicators on the sparsity element of the formula with Councillor Nia Jeffreys, telling us:

"...there is an additional cost to provide services in rural areas. The cost of having to provide transport for children to go to schools and so on is an additional pressure on us in more rural areas."⁹

66. The Cabinet Secretary explained that the funding formula continues to be kept under review, on an annual basis, by the Distribution Sub-Group (DSG). While recognising concerns that some of the data used is outdated, she emphasised that:

"Over 80 per cent (of data) are updated annually, so we have that good amount of up-to-date data, and we have agreed a programme of work to assess and update data inputs and associated weightings."¹⁰

67. In relation to the 'programme of work' or review, a Welsh Government official told us that this would ensure "that the data we use is the most up-to-date available and that it is the right set of data."¹¹ They went on to confirm that "the 20 per cent of data that is not updated annually is part of that review.

68. The Cabinet Secretary acknowledged that calls for a review have existed for many years, and a Welsh Government official explained that timing and resource constraints such as during the 2011 census and periods of budget pressure had delayed the review:

"...because of the timing of the censuses, when we had the 2011 census, it was in a period where budgets were quite severely constrained, and there was less appetite then to create the churn that a change of that data would have caused."¹²

⁹ Local Government and Housing Committee, 13 November 2025, **ROP** paragraph 27

¹⁰ Local Government and Housing Committee, 26 November 2025, **ROP** paragraph 23

¹¹ Local Government and Housing Committee, 26 November 2025, **ROP** paragraph 109

¹² Local Government and Housing Committee, 26 November 2025, **ROP** paragraph 108

69. They added that extra staff are now assigned specifically to reviewing the data to address this overdue work.

70. Despite the out of date data, the Cabinet Secretary told us that:

“...there's no evidence to suggest that any authority with particular geographical or social characteristics is being disadvantaged through the funding formula.”¹³

Our View

71. We note the frustration that continues to exist around the funding formula and in particular the use of outdated data. While 80 per cent of the data used in the formula is updated annually, we are concerned that the remaining 20 per cent, particularly indicators related to “sparsity and dispersion-type data--the geographical ones” as described by a Welsh Government official, remains linked to sources as old as the 1991 census.

72. We were encouraged to hear that a review of the data underpinning the formula is underway which is welcome. However, we are disappointed that this work has not been undertaken sooner considering its importance in the distribution of local authority funding. The reliance on outdated datasets undermines confidence in the fairness and effectiveness of local authority budget allocations. It is disappointing that the Welsh Government did not review this data after the 2011 census, and that countless budgets have passed with little action in this area.

73. The Welsh Government must now prioritise its review of the data and indicators to ensure that future settlements are based on the most current information that accurately reflect the needs of Welsh communities. We would like the Welsh Government to provide clarity on the scope of the review and any timescales attached. We would also like to see greater transparency around decisions being taken on the funding formula so that local authorities have confidence in the process and in how allocations are calculated.

Recommendation 2. The Welsh Government must prioritise the review of the data and indicators that underpin the funding formula so that future settlements are fair and accurately reflect the needs of Welsh communities. It should also provide us with the scope of the review outlining what data and

¹³ Local Government and Housing Committee, 26 November 2025, [ROP](#) paragraph 134

indicators are being assessed, any timetable attached, actions taken and keep us updated on progress.

Prevention and innovation in local government

74. Local authorities have long advocated for greater investment in “early intervention and prevention” particularly in high-demand, high-cost services such as social care. However, the WLGA point out that despite an increasing recognition of the importance of prevention within Welsh Government policy and strategies, “this is not reflected in resource allocations.”

75. The WLGA asserts that councils need a “fundamental shift in resource allocation in order to invest confidently in preventative approaches” and that “investing in local government services can have a significant preventative impact”:

“Investment in areas such as youth services, social care, education, active travel and public transport, leisure facilities, social housing, local business support etc all have wider benefits, for example in relation to improving health (reducing pressure on the NHS), reducing anti-social behaviour (easing pressures on the police), and reducing absenteeism in the workforce (improving business productivity).”

76. In our evidence session with WLGA representatives, Councillor Nia Jeffreys, emphasised this point:

“...we will never be able to solve the problems of the health service with, for example, waiting lists until we fund local government fairly. We in local government are stopping people going through the front door of the health service, with all of the preventative work that has been outlined already, and it's us as well who are there at the back door when people leave hospitals.”¹⁴

77. As in previous budget evidence sessions we heard that local government needs a longer term view of how to deliver services and how those services are funded. Councillor Mary Ann Brocklesby told us:

¹⁴ Local Government and Housing Committee, 13 November 2025, ~~ROP~~ paragraph 115

“We do collectively have to realise that we cannot expect the transformations we want without shifting resources to prevention. Historically, any prevention work has been overtaken by crisis, particularly in getting people out of hospital as quick as possible.”¹⁵”

78. Councillor Jane Gebbie, Deputy Leader of Bridgend County Borough Council raised concerns about the impact of an ageing demographic on the demand for services:

“When we look at the population needs assessment across all regional partnership boards, it’s clearly indicating that we’ve got a lower birth rate, we’ve got lower economic activity for younger people, and we also know that we’ve got an ageing demographic with really complex health conditions, some of which could be addressed earlier with an early intervention and prevention strategy. If we could stop them going into crisis, that would assist us.”¹⁶”

79. A recent Audit Wales report states the Well-being of Future Generations (Wales) Act 2015 is “not driving the system-wide change that was intended”. It continues by noting that:

“Accelerating progress under the Act starts with prioritising prevention. Without a more systematic shift towards prevention, budgets will be exhausted, and outcomes will likely be worse. The longer it takes the worse things are likely to get.”

80. One of the Report’s recommendations called on the Welsh Government to:

- build on work to embed prevention in the budget process, considering, for example, opportunities to bring funding together across different parts of the system to support prevention; and to
- incentivise and protect preventative spend at a local level.

81. However, the recommendation was rejected by the Welsh Government. Giving evidence to the Senedd’s Finance Committee, the Auditor General said:

¹⁵ Local Government and Housing Committee, 13 November 2025, ROP paragraph 106

¹⁶ Local Government and Housing Committee, 13 November 2025, ROP paragraph 41

"It's disappointing that it's been rejected, because it seems so fundamental, and we consciously drew up that recommendation in a way that I felt enabled it to be readily taken on board and acted on."¹⁷

82. In response to a question about why the Welsh Government had rejected the Auditor General's recommendation to embed prevention in budgets, the Cabinet Secretary told us:

"...hypothecating funding would reduce the ability of institutions to manage their own budgets, and I think that that is something that we need to be aware of. And that, again, would potentially prevent any of that innovation that we've talked about this morning. So, it is really difficult to isolate funding for prevention, again, in a way that's effective and fair."¹⁸

83. Councillor Mary Ann Brocklesby shared an example of preventative work in Monmouthshire which she believes could be shared across other local authorities if funding was available:

"We are seeing, in some of our enablement work, trends that are allowing people to stay in their community for as long as possible. That could be accelerated across all local authorities if the funding was shifted to prevention and community-based medical services, because, of course, we need to work with GPs, but there are constraints around that as well."¹⁹

84. The Cabinet Secretary told us that unhypothecated funding gives flexibility to local authorities to respond to the needs of their population. She said:

"Again, leaders really made that important point to me on Monday when I met them about those unhypothecated grants, having that flexibility, and they stressed to me that when additional funding went into the settlement, it went to areas of priority, for example, directly into school budgets."²⁰

¹⁷ Finance Committee, 5 November 2025, ROP paragraph 196

¹⁸ Local Government and Housing Committee, 26 November 2025, ROP paragraph 98

¹⁹ Local Government and Housing Committee, 13 November 2025, ROP paragraph 107

²⁰ Local Government and Housing Committee, 26 November 2025, ROP paragraph 96

85. The Cabinet Secretary also noted that there are numerous specific grants that also support preventative services, which are not within her portfolio:

“Some of the prevention is funded, in whole or part, through specific grants, from not just me, but my colleagues, for example, on the transformation of waste services across Wales, or work that develops a regional and national fostering and adoption service across Wales.”²¹

Our view

86. We recognise that local government is lacking any certainty around budgets and is clearly struggling. Multi-year settlements would be of assistance if we want to see local authorities planning for the medium and long-term, but they also need more strategic direction from the Welsh Government.

87. We understand that when there is pressure on budgets, preventative work is often cut, to prioritise funding for short term needs and/or statutory services. However, as we highlighted in our 2025-26 draft budget report, such pressures should actually be used as a driver for transformational change. Investing in innovative initiatives and programmes, particularly in high-cost and high-demand services such as social care, can deliver efficiencies and help local government in the long-term. We believe that a fundamental shift in resource allocation to preventative services is needed. Investing in local government services such as youth services, leisure services and more funding for our schools can have a significant impact, improving health, reducing pressure on the NHS, and easing demands on other resources.

88. The Welsh Government told us that it is committed to the prevention agenda, however this is not, in our view, reflected in draft budget allocations or the settlement. We are concerned that unless prevention is embedded in the budget setting process, services will remain reactive, and opportunities for innovation will be lost.

89. Effective prevention and early intervention require strong leadership. While we acknowledge that local government has regularly called for more of its funding to be included within the unhypothecated revenue support grant, there is also a strong case for specific, earmarked funding where the Welsh Government has assessed that such funding will help drive change. This is particularly the case in high-demand, high-cost areas such as social services.

²¹ Local Government and Housing Committee, 26 November 2025, [ROP](#) paragraph 89

However, local authorities also have a responsibility to work within existing resources to seek to transform services and collaborate in order to unlock efficiencies. We have heard of some good examples across Wales of authorities collaborating on preventative and innovative initiatives, but it is unclear the extent this is happening. We believe more could and should be done to collaborate and share good practice.

90. The Welsh Government has a role to play in encouraging progress on preventive services and innovation, whilst also facilitating collaboration between partners in the sector. We are concerned that such strategic direction and oversight is currently missing.

Conclusion 2. In the absence of sufficient funding, we believe that leadership from the Welsh Government is crucial in providing clear strategic direction and guidance to local authorities. The Welsh Government need to assist the sector in removing barriers to innovation and ensuring effective sharing of good practice. We are disappointed at the lack of emphasis on future planning and limited focus on innovation and partnership work. The Welsh Government should provide clear direction, priorities and support for local authorities, enabling them to adopt proven, innovative approaches to preventative services. Local authorities should be required to provide justification if these services are not implemented.

Recommendation 3. The Welsh Government should embed prevention in the budget setting process and acknowledge that there is a need for a fundamental shift to resourcing preventative services.

Recommendation 4. The Welsh Government should provide local authorities with strategic leadership and set a clear pathway for adopting good practice and innovation around preventative services, while also encouraging them to adopt or justify their decisions.

3. Housing and regeneration

Overall funding for Housing and Regeneration

91. The overall Welsh Government draft budget for 2026-27 allocates around £27 billion, excluding Annually Managed Expenditure and non-fiscal resource. This is around “98.6 per cent of all funding available”. There is £380 million unallocated funding, comprising £231 million fiscal resource, £136 million general capital and £13 million financial transactions capital.

92. The Outline Draft Budget 2026-27 report sets out the approach to allocating funding to departments, which has been to take the 2025-26 revised baseline and add:

- An uplift of 2.2 per cent to fiscal resource that is provided for the public sector pay elements within each department.
- A 2 per cent uplift for non-pay fiscal resource, general capital and Financial Transaction Capital.

93. As a result, the highest increase in fiscal resource allocations is for Housing and Local Government (2.21 per cent) and the lowest is for Social Justice (2.02 per cent). The impact to the full academic year of teachers' pay is reflected in the Housing and Local Government department, which is why this is over 2.2 per cent.

94. The total in the 2026-27 draft budget for housing and regeneration is £1.299 billion, representing 4.85 per cent of the Welsh Government's total draft budget expenditure:

- In terms of revenue the draft budget is £238.5 million, which is £4.7 million (2.01 per cent) more than the baseline budget.
- In terms of capital the draft budget is £1.06 billion, which is £101.7 million (10.6 per cent) more than the baseline budget.

95. The Cabinet Secretary's written evidence said this draft budget reflects "our continued drive to deliver more homes, particularly through social housing, which we know can reduce poverty, improve physical and mental health, drive economic growth – and crucially end homelessness".

96. Some responses to the Finance Committee's consultation referred to the 2022 research by Alma Economics on the preventative value of government expenditure on housing. This research found that every £1 invested in providing adequate housing in Wales could realise £2.30 in benefits to other areas of spending including health, criminal justice and local government.

97. In our report on the previous draft budget (2025-26), we recommended that the Welsh Government should commission an updated analysis of the cost benefits of investing in housing and regeneration on wider public spending. We said that the updated analysis should be used by the Welsh Government to identify spending priorities and to inform Cabinet discussions on allocating

resources to housing and regeneration. The Welsh Government accepted this recommendation and agreed that “an updated analysis is required”. The response to our report noted that Welsh Government “officials will seek to commission a review of existing work and an updated analysis of this”.

98. In response to our request for an update on progress in taking this work forward, the Cabinet Secretary stated that the “benefits of investment in housing on wider public spending are well established and evidenced” and referred to a report recently published by Savills this month which assessed the impact of housing associations in Wales across key themes, such as people, economy and public services and to an evaluation of the Transforming Towns programme which has been commissioned to evaluate the impact of investment for supporting regeneration projects in Wales.

99. The Cabinet Secretary told us that she will always be “pushing for more investment” for housing and regeneration and emphasised that the “draft budget is very much the starting point and not the end of the process”. In acknowledging that “there are areas, including housing and regeneration, where additional investment could make a difference”, she told us that she “will continue to push on that within the Cabinet”, and that she expects that the final budget “will look very different”.²²

Our view

100. We understand the competing pressures and demands on the draft budget, but as stated in recommendation 3, we believe the Welsh Government should embed prevention in the budget setting process and acknowledge the need for a fundamental shift to resourcing preventative services. In previous years, we have called on the Welsh Government to increase the housing allocation as a demonstration of the Welsh Government’s commitment to realising the preventative benefits of housing expenditure for health and other services, as well as meeting the housing needs of future generations.

101. We recognise the Cabinet Secretary’s commitment to continue to press for increased investment in housing and regeneration and understand the challenges in competing for resources to fund the range of government priorities, however we are disappointed that the total budget allocation for housing and regeneration is 4.85 per cent, which demonstrates a slight decrease in the percentage since last year.

²² Local Government and Housing Committee, 20 November 2025, paragraph (p)14

102. The Cabinet Secretary was clear that she expects the final budget to look different from the draft, therefore we believe she should use every opportunity ahead of the final budget to secure additional funding for housing and regeneration. As it is widely acknowledged that investing in housing delivers savings to other public services, we repeat our view expressed over many years that housing should be prioritised for any further funding made available ahead of the Welsh Government's final budget.

Recommendation 5. The Welsh Government should prioritise housing, as an essential preventative service, for receipt of any further funding made available ahead of the final budget.

103. It is disappointing that, despite accepting our recommendation last year for an updated analysis of the cost benefits of investing in housing and regeneration on wider public spending, it appears that little progress has been made in delivering on this commitment. While the Cabinet Secretary referred to other evaluation work being undertaken, neither of those exercises are to specifically assess the cost benefits of investing in housing and neither contributed to consideration of allocations for this draft budget.

Conclusion 3. The availability of an updated cost benefit analysis could have been useful to the Cabinet Secretary in securing a higher percentage of the overall budget for housing and regeneration and we are disappointed that our recommendation from last year has not been taken forward, despite having been accepted by the Welsh Government. The Welsh Government should press ahead with progressing an updated cost benefit analysis of the impacts of investing in housing and regeneration on wider public spending.

Homelessness and housing support

Homelessness

104. The latest statistics show that at 30 September 2025 there were 10,876 people in temporary accommodation, a 4 per cent decrease from 30 September 2024. 2,555 of these were dependent children aged under 16, a decrease of 11 per cent from 30 September 2024. The Cabinet Secretary told us although the numbers in temporary accommodation “can seem rather static”, “actually so many people are being moved out into permanent homes”.

105. The draft budget for Homelessness Support & Prevention is £223.9 million, which is £4.7 million (2.1 per cent) more than the baseline figure. Most of this

budget (£208.4 million) is for the Housing Support Grant, which receives a £4.1 million (2 per cent) inflationary uplift. The remaining additional funding within the BEL in 2026-27 will be used to provide a 2 per cent inflationary uplift to homelessness prevention projects including Youth Innovation projects, the Housing First programme and advice services. It will also fund the development of new guidance and training to support implementation of the Bill.

106. We recently reported on the general principles of the Homelessness and Social Housing Allocation (Wales) Bill as part of the Senedd's scrutiny of the Bill. Resources for local authority homelessness services and Housing Support Grant-funded services, as well as capital investment in social housing supply, have been consistently highlighted by witnesses as critical to the success of the legislation. The Welsh Government estimates the costs of the Bill as £325.8 million over a 10 year period (2026-27 to 2035-36), comprising:

- £15.3 million in transitional costs, split across Welsh Government (£0.4 million), local authorities (£2.4 million), housing associations and the wider public sector (£12.5 million); and
- £310.6 million in recurrent costs, the majority of which will fall to local authorities (£302.4 million). The remaining amount is split between the Welsh Government (£1.5 million) and housing associations and the wider public sector (£6.6 million).

107. The RIA estimates financial benefits of £1.195 billion over a 10 year period due to the expected improvement in homelessness prevention and relief as a result of the Bill. The Cabinet Secretary's paper notes that an additional £2.3 million will be allocated to the Revenue Support Grant to support local authorities with pre-implementation costs. This will meet the £2.5 million estimated costs to local authorities, together with £0.2 million from the BEL.

108. The Cabinet Secretary told us that the budget delivers the RIA commitment for funding this year to help local authorities prepare for the Bill, which in her view is "sound". She emphasised that the purpose of the funding is for work during the pre-implementation period.

109. The WLGA's response to the Finance Committee's consultation on the draft budget says that in 2025-26 local authority spending on homelessness rose to £100.8 million, up from £86.8m in 2024-25. The paper says that Welsh Government housing and homelessness grants are making a contribution to these costs, and welcomed that £21.32 million was moved from Homelessness

Prevention Grant into the Revenue Support Grant in 2025-26. However, it says the increase in demand remains ‘relentless’, outstripping the funding provided by the Welsh Government or recoverable from the DWP.

110. In last year’s draft budget, we recommended that the Welsh Government “continue to put pressure on the UK Government to substantially increase the amount of Local Housing Allowance that local authorities can claim for temporary accommodation.” This recommendation was accepted by the Welsh Government and the Cabinet Secretary outlined to us attempts made by herself and Cabinet colleagues to urge the UK Government to reconsider LHA rates.

Housing Support

111. The Housing Support Grant (“HSG”) is the Welsh Government’s principal funding stream for preventing homelessness and supporting independent living. Research conducted by Cardiff Metropolitan University found that every £1 invested in HSG services delivers £1.40 net savings to public services in Wales.

112. We undertook a short inquiry on housing support for vulnerable people in spring 2025 and our report highlighted problems including workforce pressures and insufficient funding of services leading to Real Living Wage shortfalls. Given the importance of the HSG in supporting vulnerable people to secure housing and, particularly in light of the net savings proven to be achieved by investing in it, our report on the Homelessness Bill called for a significant increase to HSG for 2026-27. Our recommendation was accepted in principle.

113. The HSG has been uplifted by £4.1 million (2 per cent) to £208.4 million, which the Cabinet Secretary’s paper says will support a pay uplift for staff.

114. Llamau’s response to the Finance Committee’s consultation on the draft budget said:

“It is essential that HSG continues to receive a year-on-year percentage increase to enable charities and support providers like Llamau to continue to fund RLW increases, which in turn will support recruitment and retention in the sector... We have always strived to deliver high-quality, effective support services, but it is difficult to see how services can be maintained at the current level without an increase in funding via the HSG.”

115. Llamau also highlighted that it is facing an additional £500,000 in annual costs due to increased employer National Insurance Contributions. We

highlighted in our report on the previous draft budget our significant concerns at the potential impact of the increased contributions on the housing support sector and the ability of organisations to continue to deliver its vital services.

116. The Cabinet Secretary told us it is difficult to quantify the impact of increased National Insurance contributions but referred to “some internal high-level analysis of the likely impact of the changes to the employer national insurance contributions in respect of HSG-funded services”, which was conducted by the Institute for Fiscal Studies. However, she added that “there are significant limitations to our analysis as there are lots of different factors within that in terms of staffing compositions with individual organisations and salary ranges”.²³

Our view

117. As we have highlighted in various reports, the number of people living in temporary accommodation is an issue which has caused significant concern over recent years. Despite a gradual reduction in the number of dependent children living in temporary accommodation, and the Cabinet Secretary’s assurance that people are being moved to permanent homes, the number remains too high. It is clear that the demand on temporary accommodation continues to put pressure on local authorities.

118. We have recently reported on the general principles of the Homelessness and Social Housing Allocation (Wales) Bill, which in the longer term aims to prevent people from needing temporary accommodation or limiting stays to shorter periods, however that legislation will not be implemented for several years and in the meantime local authorities need to be able to cover the costs of providing this for thousands of people.

119. We understand the importance of local authorities being able to recover amounts they can claim back from the Department for Work and Pensions to offset the rental costs of temporary accommodation and this was described to us during our recent scrutiny of the Homelessness Bill as one of the biggest things that could make a real difference to the affordability of temporary accommodation to local authorities. We appreciate that the Cabinet Secretary agrees with us and has made representations to the UK Government, but it is disappointing that, despite the efforts of the Welsh Government, the rate at

²³ Local Government and Housing Committee, 20 November 2025, [RQP](#) paragraph 54

which local authorities can claim LHA from the UK Government has not increased since 2011.

Conclusion 4. We believe the Welsh Government should be more proactive in pushing for an uplift to the rates of Local Housing Allowance that local authorities can claim to offset the costs of temporary accommodation. The Welsh Government has written to the UK Government, but we believe more robust efforts are needed.

120. It is disappointing that our recommendation to significantly increase the HSG in this draft budget was not accepted in full and, we are concerned that the 2 per cent increase is insufficient. Although the draft budget has allocated funding for pre-implementation work related to the legislation, we believe the HSG warrants a higher percentage increase in light of the benefits investing in the fund bring to wider public services, and crucially to those in receipt of support services.

Conclusion 5. Housing Support Grant is a key area of preventative spending and should be prioritised for additional funding in line with recommendation 5.

121. We remain concerned at the impact of increased National Insurance contributions on service providers and their ability to meet support need in light of this additional financial pressure. We realise that the HSG received a £21 million uplift in the last budget, but the Cabinet Secretary made clear at the time that this was to enable providers to pay their staff the real living wage. We hope the sector was able to use the funding for its intended purpose, however we remain unclear as to whether part of this was needed to cover the National Insurance costs. We are interested in the analysis work referred to by the Cabinet Secretary on the impact of National Insurance contributions on HSG funded services and would be grateful for more information on this, including whether or how it was used to determine the level of HSG increase in this draft budget.

Recommendation 6. The Welsh Government should publish the Institute of Fiscal Studies analysis of the impact of Employers' National Insurance Contributions changes on services funded by the Housing Support Grant, as well as any other analysis of wider impacts of these changes across the third sector and other providers.

Housing supply

New affordable homes

122. The Programme for Government includes a commitment to build 20,000 new low carbon social homes for rent. The latest affordable housing provision statistics were published on 13 November 2025, showing that 13,399 homes had been delivered towards the 20,000 target by March 2025. This figure includes 936 ‘void’ social housing units brought back as a result of TACP funding, following a recommendation by the Affordable Homes Taskforce.

123. There were 3,530 affordable units delivered towards the target in 2024-25, and an additional 370 void units were brought back into use. This includes 2,921 social rented units, 344 intermediate rented, 162 shared ownership units, and a further 103 delivered by other providers.

124. In a written statement published on 13 November, the Cabinet Secretary said:

“By May 2026, we are forecast to have delivered 18,652 low-carbon homes for rent within the social sector – and the pipeline of delivery that we have established is expected to deliver a further 1,652 units by the end of 2026, bringing the total to 20,304.”

125. Social Housing Grant (SHG) is the Welsh Government’s main capital grant supporting the development of social and affordable housing by local authorities and housing associations. TACP was introduced in 2022-23 to support projects that bring housing forward quickly in a flexible way, including through acquisitions, remodelling, and modern methods of construction. Acquisitions may be for permanent or longer-term temporary ‘meanwhile’ accommodation. TACP does not have its own budget line but is combined with SHG.

126. Our report on social housing supply, published November 2024, recommended that the Welsh Government increase the allocation for SHG at the earliest opportunity. Our Stage 1 report on the Homelessness and Social Housing Allocation (Wales) Bill also called for the Welsh Government to significantly increase SHG for 2026-27, and find innovative ways of raising finance.

127. Following publication of the Affordable Housing Taskforce recommendations in May 2025, the Welsh Government announced in June that

it had **accepted all recommendations** and will put in place an implementation group.

128. The 2026-27 draft budget increases SHG by £8.22 million (2 per cent) against the baseline figure of £411 million, and allocates an additional £26.775 million in Financial Transaction Capital (FTC) to support RSL Development Loans (compared to £26.25 million of FTC allocated in 2025-26).

129. The Cabinet Secretary's paper says the increase in core funding will deliver more homes while the loan funding "is intended to remedy a current market failure due to the housing sector facing several difficult challenges including significant tender increases due to material cost rises and contractors pricing in higher risk, rising inflation and interest rates and higher bad debt and void rates."

130. The Cabinet Secretary and officials told us they are confident that the 2 per cent uplift in the Social Housing Grant is sufficient to deliver the Welsh Government's target of 20,000 by the end of 2026.

Our view

131. We have previously noted our concern at the Welsh Government's ability to meet its target of 20,000 new affordable homes by the end of this Senedd term. We welcome the assurance provided by the Cabinet Secretary that this target will be met by the end of the 2026 calendar year, albeit a slight delay of the original target. The Cabinet Secretary expressed confidence that the 2 per cent uplift provided for the Social Housing Grant in this draft budget is sufficient to deliver the remaining homes. We believe that as inflation and building costs remain high, this could prove challenging.

Conclusion 6. In light of the upward revision of inflation following the UK Government's Autumn Budget Statement, we note that the Welsh Government's success in achieving 20,000 homes by the end of 2026 depends on a series of assumptions that are going to be challenging to reach.

Private rented sector

132. Leasing Scheme Wales supports local authorities to take out long-term leases on privately rented homes, making them available to discharge their homelessness duties. The scheme was launched in January 2022 and runs for five years, to January 2027. The budget has had a 2 per cent uplift to £3.57 million.

133. Written evidence from the National Residential Landlords' Association called for a rebate of the 5 per cent Land Transaction Tax levy on additional residential properties where they are let through Leasing Scheme Wales, to incentivise more landlords to join the scheme.

134. The Cabinet Secretary confirmed that Leasing Scheme Wales is now operating in all 22 local authorities. The Welsh Government aims for 1 per cent of the PRS stock (equivalent to around 2,000 properties) to be in the scheme by the end of 2027. We heard that 486 properties that have been brought onto the scheme and that a further 600 are in the pipeline. The Cabinet Secretary told us she is "confident that, with continued promotion and support, we will achieve the target of 1 per cent of the PRS sector by the end of 2027".

Our view

135. We remain supportive of Leasing Scheme Wales, and want to see it succeed. We welcome the confirmation that all 22 local authorities are now participating in the scheme, which is an outcome we have been calling for. We welcome the update provided on the number of properties brought into the scheme and note the Cabinet Secretary's confidence that the target of approximately 2,000 homes by the time the scheme comes to an end in 2027 will be met. Despite such optimism, we are sceptical as to whether this is achievable given that current figures show that almost a further 1,000 homes will need to be brought in during 2026-27. We hope that this target is achieved and encourage the Welsh Government to continue with efforts to raise awareness of the Scheme among letting and estate agents.

Market housing

136. The draft budget includes a capital allocation of £83.63 million to support market housing and other schemes. This includes £25.5 million for the Empty Homes Grant, in line with last year. In 2025-26 there were 22,558 empty homes in Wales chargeable for council tax, which is 76 less than in 2024-25.

137. During scrutiny of last year's draft budget in January 2025, the Cabinet Secretary told us that the Welsh Government was 'reviewing' the scheme to look at any barriers there are to the uptake of the scheme. We recommended that the Welsh Government should provide details about how much Empty Homes Grant was spent in 2023-24 and a projected spend for 2024-25. In response the Welsh Government said that £1.7 million was spent in 2023-24, and £5-6 million was forecast to be spent in 2024-25. This investment had enabled 184 homes to

be brought back into use. The Welsh Government published its evaluation of the Empty Homes Grant scheme between April and September 2025 on 20 November, the same day as our scrutiny session.

138. Using data up to April 2025, the evaluation report noted that the scheme received 2,692 applications, of which 1,058 were considered valid. 582 properties had been approved for the grant, and the total value of the grants approved was £13.2 million (an average grant of over £22,500). 241 properties had reached the point of completion, and had received £5.4 million in EHG. This equates to 12.1 per cent of the 2000 home ambition for the grant scheme, and was achieved with 10.8 per cent of the grant scheme's £50 million funding.

139. The draft budget proposes £58.14 million in Financial Transactions Capital to extend the Help to Buy-Wales scheme for a further year. During last year's budget scrutiny the Welsh Government said that it was working with stakeholders to consider possible reforms to the scheme in light of an evaluation published in July 2024. We heard from the Cabinet Secretary that in the first quarter of 2025-26, there were 159 purchases using the scheme, and more than 50 developers, mostly small and medium-sized enterprises, are signed up and are "benefiting from those new customers".

140. We concluded in our report last year that the Welsh Government should consider whether the threshold for properties purchased through the scheme may be too high at £300,000; whether it should be restricted to first time buyers; and whether the scheme should continue at all. The Welsh Government accepted this conclusion. The Cabinet Secretary explained that the price cap is reviewed at intervals and was increased back up to £300,000 in 2023 having been lowered to £250,000 in 2021.²⁴

141. Evidence from the Home Builders' Federation called for Help to Buy-Wales to continue, citing its own research which found that the scheme had supported 4,400 jobs and generated £240 million in economic activity each year on average since it was introduced in 2014. They also called for an increase on the price threshold to £350,000, since the average sale price for a new build home in Wales is above £300,000.

142. The evaluation of the Wales scheme concluded that Help to Buy-Wales is popular with purchasers and has helped to support housebuilders, although "does not tackle the most pressing cases of public need". The evaluation noted

²⁴ Local Government and Housing Committee, 20 November 2025, ROP paragraph 158

that it was “unusual” that Help to Buy-Wales is not restricted to first-time buyers, unlike in other schemes supporting home ownership across the UK.

143. The Cabinet Secretary told us that in her view “the scheme is needed” but that “officials have been considering all potential changes for the scheme, particularly things like the price cap”. She added that it “is available to those who need it”, but that since April 2022, 85 per cent of those people who have used it have been first-time buyers.²⁵

Our view

144. We note that this draft budget includes £25.5 million for the Empty Homes Grant. It is disappointing that the Welsh Government’s evaluation of the Grant was not available until the day of our scrutiny session, therefore preventing us from being able to consider its conclusions in advance and discuss those with the Cabinet Secretary. However, we note that the evaluation found there were some delays in grant approval and that there was a lack of clarity on the eligibility criteria for the scheme, which has led to confusion and disappointment for applicants.

145. Empty properties affect communities across Wales and are a wasted resource, and as we have previously emphasised, it is important that all local authorities use every available tool to tackle this issue. We are therefore concerned at the slow progress in spending the £50 million which was originally allocated towards the EHG scheme. This grant stream has been consistently underspent over a number of years. We are concerned that the Welsh Government is not dealing with the issue of empty homes urgently enough.

Recommendation 7. The Welsh Government should publish a plan of action showing how they will speed up the reduction in the number of empty homes and address the issues raised in the evaluation of the Empty Homes Grant scheme.

146. We continue to support the aims of the Help to Buy – Wales Scheme and recognise that it has helped many people to purchase their first home. Although we are surprised that the maximum value of properties purchased through the Scheme remains as high as £300,000, we appreciate that house prices vary across Wales. While we support the principle of the scheme, we believe it should

²⁵ Local Government and Housing Committee, 20 November 2025, [ROP](#) paragraph 157

be supporting those in greatest need, and are concerned that evaluation found that it does not do that.

147. We remain concerned that the scheme is not restricted to first time buyers, and note that the evaluation also found this to be unusual. We acknowledge that the majority of people helped through the scheme have been first time buyers, however if the aim is to help those in greatest need of help, we continue to question whether such a restriction should be placed on the scheme and suggest that the Welsh Government should consider this further.

Recommendation 8. The Welsh Government should give further consideration to whether the Help to Buy – Wales Scheme should be restricted to first time buyers, in particular whether such a restriction would ensure the scheme is focused on tackling the most pressing cases of public need.

Building safety

148. The Programme for Government contains a commitment 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. Building safety has a revenue allocation of £4.543 million, which is unchanged from the baseline budget, and a capital allocation of £130.224 million which is 2 per cent higher than the baseline.

Remediation works

149. Funding is provided through the Welsh Building Safety Remediation Programme to identify and address fire safety issues in medium and high-rise housing.

150. In March 2022 the then Cabinet Secretary Julie James MS announced £375 million over three years (2022-23 to 2024-25) to invest in repair work. The Welsh Government has not published a detailed breakdown of how the £375 million has been accounted for to date.

151. However, Welsh Government outturn reports provide figures for annual spend against each BEL, including the Building Safety revenue and capital BELs:

	Building safety revenue		Building safety capital	
	Budget £000s	Outturn £000s	Budget £000s	Outturn £000s

2021-22	5,545	1,522	20,000	26,680
2022-23	8,545	4,087	75,000	61,962
2023-24	3,900	2,810	90,000	8,697
2024-25	4,500	-	60,000	-
2025-26	4,530	-	55,670	-

152. The total that was allocated to building safety across the three years 2022-23 to 2024-25 was £241.945 million, comprising £16.945 million revenue and £225 million capital. This is £133.055 million less than the previous Cabinet Secretary pledged to make available over those three years.

153. For the last three years there have been mid-year reallocations from the Building Safety capital budget:

- In February 2024, the second supplementary budget for 2023-24 reduced the building safety capital BEL by £45m, from £135m to £90m
- In February 2025, the second supplementary budget for 2024-25 reduced the building safety capital BEL by £67.67m, from £127.67m to £60m
- In June 2025, the first supplementary budget for 2025-26 reduced the building safety capital BEL by £72m, from £127.67m to £55.67m.

154. We voiced concern in our report on the draft budget for 2025-26 at the size of the capital and revenue underspends for 2023-24 and asked the Cabinet Secretary to explain the reasons for these underspends and what proportion of the capital and revenue budgets she expected to be spent in 2024-25. We also requested an explanation as to whether the 2023-24 underspends were re-profiled, and if so, how.

155. As of September 2025, of the 459 buildings in the remediation programme, 44 per cent are either complete or works are underway. Works have been completed on 83 buildings and are underway on 119 buildings. Of the 163 buildings that developers are responsible for remediating, 33 per cent are either complete or works are underway. Works have been completed on 6 buildings and are underway on 48 buildings.²⁶

²⁶ Welsh Building Safety Programme, September 2025

156. The Cabinet Secretary told us that the building safety fund “is a demand-led programme” and that the reprofiling was done “according to the applications of support received and the project delivery profiles”. She added that the reprofiling meant that the Welsh Government was “able to deploy the balances to support delivery of more homes”, and that they “are committed to supporting remediation progress and making sure that we've got that pace”.²⁷

157. The Building Safety (Wales) Bill was introduced on 7th July 2025. The Cabinet Secretary’s paper says that the Welsh Government will continue to engage with local authorities and others “to understand the resource and workforce implications of the legislation.”

Our view

158. As highlighted in our previous reports, including our report on the Building Safety Bill, the pace of undertaking remediation work on high-rise residential buildings has long been a cause of significant concern to people living in the affected buildings and also for leaseholders who are landlords. We appreciate the Cabinet Secretary’s comments around wanting to see remediation work undertaken quickly, yet we continue to hear from stakeholders who remain frustrated at the pace of progress.

159. We remain concerned at the level of underspend in the capital BEL for building safety resulting in reprofiling of money from that fund to other budgets. We note that the amount of money re-profiled every year appears to be increasing, which is a particular concern. We acknowledge the Cabinet Secretary’s comments that the fund is demand-led, however given the scale of the remediation work which is still needed, we struggle to understand why the level of demand is low enough to result in such underspends.

Conclusion 7. Over several years we have raised the pressing need for the pace of remediation work on high-rise residential buildings to increase and we will continue to do so. Despite this, and despite the assurances given by the Welsh Government that undertaking the remediation work is a priority, we are deeply concerned that leaseholders continue to raise significant concerns with us at the lack of progress. The continued underspends from this fund are a demonstration that the current approach to remediation has not resulted in work being undertaken at the pace required. The Cabinet Secretary chose not to use the Building Safety (Wales) Bill to legislate for this work, which led us to recommend

²⁷ Local Government and Housing Committee, 20 November 2025, [ROP](#) paragraphs 164-165

that provisions for legally enforceable deadlines and sanctions in respect of remediation, and for penalties for failures by developers to address deficiencies, are brought forward.

160. We voiced concern in our report on the draft budget for 2025-26 at the size of the capital and revenue underspends for 2023-24 and asked the Cabinet Secretary to explain the reasons for these underspends and what proportion of the capital and revenue budgets she expected to be spent in 2024-25. We also requested an explanation as to whether the 2023-24 underspends were re-profiled, and if so, how. We repeat our call for this year and request that the Cabinet Secretary provides this same information for 2024-25 and 2025-26.

Recommendation 9. The Welsh Government should set out how underspends in the Building Safety Capital Grant for 2024-25 were reprofiled and how much of an underspend is expected for 2025-26.

Housing standards

Welsh housing survey

161. In May 2025 the Cabinet Secretary announced ‘a full Welsh housing survey’ for 2027-28, modelled on the English Housing Survey. The announcement said the survey would be in two parts, a social survey and a conditions survey based on physical home inspections.

162. The Cabinet Secretary told us that Welsh Government officials are “developing a detailed tender specification, so that a procurement exercise can commence by the end of 2025-26” which will enable field work to be carried out in 2027-28, with headline results available from 2028-29 and more detailed findings from 2029-30. We heard that the bulk of expenditure is expected to be incurred in the 2027-28 year and that estimated costs have been included for 2026-27 onwards.²⁸

Our view

163. We note the Cabinet Secretary’s assurance that estimated costs for the expenditure needed in 2026-27 in preparation for a full Welsh housing survey have been included in this draft budget.

²⁸ Local Government and Housing Committee, 20 November 2025, [ROP](#) paragraph 174

Decarbonisation and Warm Homes programme

164. The Programme for Government commits to decarbonise more homes through retrofit, delivering quality jobs, training and innovation using local supply chains. The Residential Decarbonisation & Quality BEL has a revenue allocation of £1.68 million, which is unchanged from the baseline budget, and a capital allocation of £96.9 million which is 2 per cent higher than the baseline.

165. The Cabinet Secretary's paper states that capital funding will predominantly be used to support decarbonisation in the social housing sector through delivery of the Optimised Retrofit Programme (ORP). Phase 3 of the ORP was originally set to run for the period 2022- 2025, but has now been extended to 2027.

166. According to Community Housing Cymru (CHC), the Welsh Government is intending to amalgamate the Optimised Retrofit Programme with funding to support implementation of the Wales Housing Quality Standard (WHQS 2023). As part of WHQS 2023, all social homes will be expected to meet EPC C standard by March 2030, and to achieve EPC A in the longer term.

167. CHC welcomed the move to bring these funding streams together to make them easier for housing associations to apply for, but said "it is vital we see an increase in this fund as well as continuing to explore innovative finance routes for funding decarbonisation at pace." They cited research commissioned by CHC which found the total investment needed to meet WHQS and achieve net zero is £130,000 per property.

168. The capital budget also includes £3.06m of Financial Transaction Capital to extend the Green Homes Wales scheme into 2026-27. The scheme provides retrofit loans to owner occupiers who are ready to invest in energy efficiency and low carbon heat but lack the upfront capital.

169. In October 2024, the Cabinet Secretary for Climate Change and Rural Affairs stated that a route map and an action plan for the decarbonisation of homes in Wales would be published shortly. In June 2025, the Cabinet Secretary for Housing and Local Government said the route map was being reviewed prior to finalisation, and that it would be published as soon as possible once these steps had concluded.

170. In an update on the publication of the route map, the Cabinet Secretary told us that "any action we take in Wales is strongly influenced by UK Government policies in reserved areas", and referred to the UK Government's delayed Warm Homes Plan, which is now due to be published by the end of 2025. She admitted

that she “had hoped that the warm homes plan would be published by now” but given the “need to analyse the impact of the plan and our route-map” it “is likely that publishing the route-map will be a decision for the next Government”.²⁹

171. Capital funding for the Warm Homes Programme has increased by 2 per cent from £37.5m to £38.25m while the resource allocation remains unchanged at £3.73m.

172. The Welsh Government published its latest strategy for tackling fuel poverty in 2021. It set a target that, by 2035, no more than 5 per cent of Welsh households will be in fuel poverty and there will be no households in severe or persistent fuel poverty. The Welsh Government’s latest data update shows that as of October 2024 an estimated 25 per cent of Welsh households were living in fuel poverty with an estimated 5 per cent of households living in severe fuel poverty.

173. The latest iteration of the Warm Homes Programme commenced in April 2024 and in early 2025 the Senedd’s Equality and Social Justice (ESJ) Committee undertook a follow-up inquiry on fuel poverty.

174. Stakeholders told the ESJ Committee the level of investment in the Warm Homes Programme is “nowhere near what is required” and that at the current pace “work to reach all fuel poor households in Wales would not be completed until the year 2160”. The Welsh Government outlined that under the new scheme, the budget cap per household has increased. However it acknowledged that more expensive, deeper retrofits will affect the number of households supported - it anticipated supporting 1,500 households a year, compared with an average of 4,000 under the previous iteration of the scheme.

175. The ESJ Committee made a number of recommendations including that the Welsh Government should:

“commit to ensuring that any additional funding including any underspends, or Barnett consequential arising from increases in funding for tackling fuel poverty in England, is invested in the Warm Homes Programme.”

176. In its 2025 spending review, the UK Government committed £13.2bn for its Warm Homes Plan over the review period (2025-26 to 2029-30) “including Barnett consequentials”.

²⁹ Local Government and Housing Committee, 20 November 2025, RQP paragraph 182

177. On fuel poverty, the Cabinet Secretary acknowledged concerns raised by ourselves and the ESJ Committee, noting that the “draft budget is just the beginning of the process, and a lot could change between now and January”.³⁰ She told us that she does not yet have details of the consequential money as a result of investment in the Warm Homes Plan, but look forward to seeing those “and how they’ll be split between financial years”.³¹

Our view

178. It is disappointing that the Welsh Government has still not published the route map and an action plan for Wales despite issues with the decarbonisation journey having been raised by ourselves and the Climate Change, Environment, and Infrastructure Committee. We have previously raised concern that the budget allocated for the decarbonisation of social housing is insufficient, and given that the funding has only increased by 2 per cent this year, our concerns remain. Our report on social housing supply published in 2024 highlighted how the continued uncertainty over how decarbonisation will be funded is holding back the supply of social homes. Although our call for greater funding certainty was accepted in principle, yet again this budget does not deliver any further assurances that social landlords will be financially supported to achieve net zero.

179. We remain concerned that a route map and an action plan for decarbonisation have still not been published that that this will prevent the Welsh Government from meeting its own Net Zero objectives on decarbonisation of homes in Wales.

180. We note the small increase of £0.75 million in capital funding for the Warm Homes Programme. We are concerned that, in light of the evidence presented to the Equality and Social Justice Committee, this may be insufficient in tackling fuel poverty across Wales. We acknowledge that the Welsh Government is awaiting further details of an expected Barnett consequential to Wales as a result of the UK Government committing £13.2bn for its Warm Homes Plan in its 2025 spending review. While this may lead to consequential funding being allocated to the Warm Homes Programme, it is vital that the existing budget, and any additional budget, is used to best effect. We would like the Welsh Government to provide further information on the proportion of the Warm Homes budget allocation that was spent last year, and how much is expected to be spent this year

³⁰ Local Government and Housing Committee, 20 November 2025, [ROP](#) paragraph 191

³¹ Local Government and Housing Committee, 20 November 2025, [ROP](#) paragraph 195

Recommendation 10. The Welsh Government should publish figures showing how much Warm Homes funding was spent during 2024-25, and how much is expected to be spent in 2025-26.

Adaptations and hazardous disrepair

181. The Rapid Response Adaptation Programme (RRAP) supports adaptations across all tenures, through the Enable scheme, the Physical Adaptations Grant, and through Care & Repair agencies. It does not cover the Disabled Facilities Grant, which is funded from local authorities' own general capital resources.

182. The RRAP capital allocation receives a 2 per cent increase to £25.5 million, while the revenue allocation of £6.358 million remains at baseline level.

183. In written evidence Care & Repair Cymru said its RRAP service prevented nearly 3,700 older people from being admitted to hospital in 2024-25, saving the equivalent of just under 43,000 NHS bed days. It said that "We believe this makes for a strong case for investment by the Welsh Government to increase investment into the RRAP, particular in the face of pressures across public services both current and future stemming from an ageing, sicker population." Care & Repair Cymru reiterated their call for a safety-net grant to rectify instances of hazardous disrepair, stating that:

"There is a significant policy and funding gap for serious, urgent, emergency repairs for older people living in the owner-occupied sector who Care & Repair see daily, who cannot afford to get works done, and where there are no funding solutions available."

184. In our report on the 2024-25 draft budget report, we backed the call from Care & Repair for the introduction of a new grant. The Welsh Government accepted this recommendation in principle, stating that there was already a wide range of support funded through the Independent Living Programme.

185. In response to our question on whether the Welsh Government would support a hazardous disrepair grant, the Cabinet Secretary told us that she does not believe it would be appropriate to do so as "homes can be viewed as an asset to borrow against".³²

³² Local Government and Housing Committee, 20 November 2025, [RQP](#) paragraph 188

Our view

186. We note with some disappointment the Cabinet Secretary's reluctance to accept the call for a hazardous disrepair grant as this could prove useful for those who, despite owning their own home, are unable to afford the costs of undertaking work to repair hazards. We acknowledge the Cabinet Secretary's comments around a home being an asset but we note that this is not a barrier to providing grant funding in other circumstances, for example empty homes. We still believe there could be merit in exploring this further for those people most in need of financial support and welcome the Cabinet Secretary's commitment to continuing to work with Care and Repair on this.

Land

187. The Welsh Government's Land Division was launched in 2019 with a focus on identifying and using publicly-owned assets to support the delivery of social housing.

188. The Draft Budget allocates £25.5 million capital to the Land and Buildings Development Fund for 2026-27 which is 2 per cent (£0.5 million) higher than 2025-26. The Cabinet Secretary's evidence paper states that this is intended to de-risk land and buildings to advance development, including meeting costs such as asbestos removal and land decontamination.

189. The draft budget also allocates £-1.54 million revenue. The Cabinet Secretary's evidence paper states that this negative figure accounts for expected revenues from the sale of Welsh Government land.

190. The Cabinet Secretary told the Committee that the Land Division is "bringing sites forward in a range of ways", including promoting joint working between public sector bodies and identifying, purchasing and getting land ready for development.³³

191. Officials said that the Welsh Government expected to accrue £2.5 to £3 million income from the sale of land as that's consistent with historic land sales. Officials also stated that the Land Division has 27 sites already in ownership, covering 1,300 acres of land, and has conducted a piece of work to look for other potential site acquisitions across Wales. They argued that this supply was

³³ Local Government and Housing Committee, 20 November 2025, [ROP](#) paragraph 104

sufficient for the Land Division to achieve its objectives of bringing forward more land for social housing.

Our view

192. Our previous inquiry on social housing supply heard that making more public land available for social housebuilding is essential. We welcomed the establishment of a Land Division within Welsh Government and the work it is currently doing with developers and investors, but concluded that there was a need for larger-scale strategic development beyond the Land Division's current capacity. While we recommended that the Welsh Government should establish a development corporation, the Welsh Government rejected this recommendation, stating that "Ambitions for the delivery of large-scale strategic sites and supporting alignment of housing and regeneration efforts can, in our view, be delivered by the Place Division", of which the Land Division is part.

193. We note that the Affordable Homes Taskforce recommended that the Land Division should proactively identify land for affordable housing, and that land owned by the public sector should be made available at a discount if it is used for a significant number of social homes. The Welsh Government accepted all of the Taskforce's recommendations.

Conclusion 8. We are disappointed that this draft budget does not demonstrate any change in the Welsh Government's approach to land compared with previous years. Rather than relying on receipts from land sales at market rates, the Welsh Government should recognise that investment in public land, and the work of the Land Division, is a vital aspect of social housing supply and needs to be scaled up in order to develop the large-scale sites that Wales needs.

Recommendation 11. The Welsh Government should set out its plan on how it will meet its commitment to implement the Affordable Homes Taskforce recommendation to increase the delivery of land for affordable housing.