

Welsh Government Draft Budget 2024-25

February 2024

1. Introduction

1. This report sets out the Local Government and Housing Committee's views on the Welsh Government's draft budget 2024-25 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 6 February 2024.
3. We would welcome a response to our report and recommendations.

The Welsh Government's draft budget 2024-25

4. On 19 December 2023, the Welsh Government published its draft budget proposals for 2024-25. The provisional local government settlement was published on 20 December 2023.
5. The Main Expenditure Groups ("MEG") that fall within our remit are Finance and Local Government and Climate Change. The specific investment areas within these MEGs which are relevant to our remit are Local Government and Housing.



The Committee's approach to scrutiny

6. On 18 January 2024, we heard oral evidence from representatives of the Welsh Local Government Association (“WLGA”) and the Minister for Finance and Local Government in relation to the provisional local government settlement and aspects of the draft budget relating to local government. We also heard evidence from the Minister for Climate Change in relation to aspects of the draft budget relating to housing.¹

7. Adam Price MS attended the meeting on 18 January as a substitute for Luke Fletcher MS. Mabon ap Gwynfor MS attended the meeting on 31 January as a substitute for Luke Fletcher MS.

2. Local Government

Local government financial context

8. The pressures of the sudden and unprecedented rise in energy, goods and material costs on public service providers, which we noted in our report on the Welsh Government’s draft budget for 2023-24,² are on-going. These add to the challenges which include wage inflation, high demand for high cost services (such as social care) and trying to recover from the pandemic.

9. The WLGA’s evidence paper notes that a full survey of councils and fire and rescue services carried out in August / September 2023 confirms a budget pressure of £720 million in 2024-25, which would require “a spending increase of nearly 10% in net revenue expenditure”.

10. The WLGA’s evidence paper states:

“Cumulatively, the pressures building up in the system, and the resulting budget gap, means that the outlook is extremely bleak and the options for many local services will be unpalatable.”³

11. A statement from the Minister accompanying the local government settlement noted:

¹ Local Government and Housing Committee, [18 January 2024, Record of Proceedings \(RoP\)](#)

² Local Government and Housing Committee, [Welsh Government Draft Budget 2023-24, February 2023](#)

³ Local Government and Housing Committee, 18 January 2024, [Paper.1](#)

“We have worked closely with local government throughout the year, and understand the pressures local government is facing. I am proud of the working relationship Welsh Government and local government share in Wales and we will continue to engage closely through the WLGA.

Demand for services, alongside cost pressures, caused by persistently-high inflation, means local authorities will need to make difficult decisions about services, efficiencies, and council tax as they set their budgets.”⁴

12. WLGA representatives emphasised the challenges, describing the current situation “like no other we have faced”. Councillor Dyfrig Siencyn told us:

“... this is a crisis, and I do think that, if there is no change in the funding for public services, then there will be fewer public services being offered, certainly, in future.”⁵

13. Councillor Jane Gebbie warned that decisions would need to be made between what constitutes statutory and non-statutory services, meaning important work such as early intervention and prevention may be at risk, and Councillor Charlie McCoubrey said:

“I don't mind making difficult choices, but we're actually being asked to make bad choices, choices that will have an impact in the long term.”⁶

14. The Minister acknowledged the difficulties facing the sector:

“I know that there would be things that local government would want to do more in the preventative space that they're just not going to be able to do because they are so busy responding to the existing need that is right there before them now, in terms of the pressures on social care, and so on. But I think, until we get the funding that we need to be able to meet

⁴ Welsh Government, [Written Statement: Provisional Local Government Settlement 2024-25](#), 20 December 2023

⁵ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 17

⁶ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 23

⁷ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 28

all of those service pressures, then there will be these really tough trade-offs, unfortunately.”⁸

Financial resilience

15. The financial resilience of local authorities has been brought to the fore in recent times, with various councils in England declaring themselves ‘bankrupt’ through the issuing of section 114 notices. Local authorities cannot technically go bankrupt, but to issue a section 114 notice means an authority cannot balance its books, and that no new expenditure is permitted except for statutory services.

16. Audit Wales, in its 2021 report *Financial Sustainability of Local Government – COVID-19 Impact, Recovery and Future Challenges*, notes that in Wales:

“Overall, most councils show a favourable and stable liquidity ratio (the ratio of current assets to its current liabilities) which suggests that those councils are in a good position to meet their current liabilities.”⁹

17. However some Welsh councils show a relatively low liquidity ratio according to Audit Wales, stating that this in itself “is not a particular problem”. Nevertheless, were levels of reserves to become low and savings not achieved by councils, this could, taken together, “indicate a lack of resilience”.

18. The WLGA notes that over the past few months there’s been “renewed interest in the financial resilience of local authorities”. The WLGA adds that “According to CIPFA, the causes of failure can be complex with a single event tipping some to issue s114 notices”. While there is currently no suggestion that any Welsh local authority is close to such a ‘tipping point’, the WLGA confirmed that:

“There is growing awareness and interest among our own membership in the issue and what can be done to prevent financial failure.”¹⁰

19. Separately, a briefing note from Wales Fiscal Analysis states that local authority finances appear to be on an “unsustainable path”, even if local

⁸ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 181

⁹ Audit Wales, *Financial Sustainability of Local Government - COVID-19 Impact, Recovery and Future Challenges*, September 2021

¹⁰ Local Government and Housing Committee, 18 January 2024, Paper 1

authorities use reserves, apply higher than 5 per cent council tax increases, and receive further funding from the Welsh Government.¹¹

20. The Minister agreed that “we should all be mindful and we should be concerned about resilience in councils”, but noted that issuing a section 114 notice would not:

“open up a separate pot of money—there is no pot of money—so it doesn’t solve any problems in that sense. What we should be looking to do is make sure that local authorities take advantage of the improvement funding that we have available and to take advantage of the other ways in which Welsh Government can support.”¹²

Our view

21. Local authorities in Wales are facing one of the most challenging budget settlements in recent times, during a period of increased spending pressures on public finances.

22. It is concerning to hear that local authorities are in the position of knowingly having to make not only difficult decisions, but “bad choices”, which will undoubtedly have an impact on the longer term sustainability of services. Long-term planning is made particularly hard as local authorities focus their attentions on managing the challenges facing them in the short term. We realise that local authorities need to respond to immediate pressures, but we are concerned that directing resources at dealing with short term interventions restricts their ability to fund the longer term preventative work, including the need to meet the Welsh Government’s well-being goals.

23. We are aware that some local authorities are facing stretched budgets with limited reserves as a safety net. We agree that additional pressures, at times as a result of decisions made by public bodies in other sectors, could easily lead to a “tipping point”.

24. We note that the Minister and her officials are in regular dialogue with local government, which we welcome. It is essential that this work continues and the Welsh Government should monitor very closely the situation in individual authorities which may be less financially resilient than others. The Welsh

¹¹ Wales Fiscal Analysis, [The medium-term fiscal outlook for local government in Wales](#), October 2023

¹² Local Government and Housing Committee, 18 January 2024, RoP, paragraph 176

Government should also have in place a clear plan to provide early support to any authority in the position of having to consider issuing a section 114 notice, to prevent such action being taken.

Recommendation 1. The Welsh Government should continue to work closely with local government and develop a clear plan to provide early support to any local authority experiencing particular financial difficulties, with the aim of preventing the need to issue a section 114 notice.

The provisional local government settlement

Aggregate External Finance

25. The Welsh Government published its provisional local government settlement on 20 December 2023.¹³ After adjusting for transfers, overall core funding (Aggregate External Finance (AEF)) for local government in 2024-25 is £5.69 billion, an increase of 3.1 per cent on a like-for-like basis compared to the current financial year (2023-24). This equates to an additional £169.8 million in overall funding for local authorities.

26. In 2023-24, the overall increase in AEF was 7.9 per cent on a like for like basis, equating to £403 million, while the increase was higher still in 2022-23 at 9.4 per cent.

27. In a statement accompanying the settlement, the Minister noted that the Welsh Government has:

“prioritised protecting core frontline public services as far as possible; supporting the hardest hit households and prioritising jobs, where we can.”¹⁴

28. The Minister’s paper highlights the wide range of public services delivered by local authorities, and notes that this is often “to the most vulnerable in our society or those who are economically disadvantaged”. The paper notes that the Welsh Government has therefore “protected the local government settlement... by maintaining the planned 3.1% increase between 2023-24 and 2024-25”.¹⁵

¹³ Welsh Government, [Local government revenue and capital settlement: provisional 2024 to 2025](#), December 2023

¹⁴ Welsh Government, [Written Statement: Provisional Local Government Settlement 2024-25](#), 20 December 2023

¹⁵ Local Government and Housing Committee, 18 January 2024, [Paper 2](#)

Revenue Support Grant

29. The revenue support grant (“RSG”) is the Welsh Government’s un-hypothecated grant distributed to local authorities via a needs-based formula. The total grant funding support available to local authorities in 2024-25 is £4.551 billion. This includes £1.3 million in top-up funding to ensure no authority receives less than a 2 per cent increase. The equivalent figure for 2023-24 is £4.504 billion.

30. The Minister notes in her evidence paper that there’s a “reduction of £37m to the baseline for RSG”, but that a corresponding increase in Non-Domestic Rates forecast means there is “no impact on the overall un-hypothecated funding (AEF) available to local authorities”.¹⁶

Non-domestic rates

31. Non-domestic rates (“NDR”), commonly referred to as business rates, form a significant part 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.

32. For the past three years, the Welsh Government froze the non-domestic rates multiplier. The multiplier is an integral part of determining ratepayers’ bills. For 2024-25, the NDR multiplier will increase by 5 per cent for all businesses that pay rates in Wales. An additional £18 million has been allocated to the overall settlement to cap the increase, instead of setting it in line with the Consumer Price Index (CPI) at 6.7 per cent.

33. On 1 April 2023, a new non-domestic rating list came into force. A revaluation of non-domestic properties usually takes place every five years. At each revaluation, all properties are assigned a new rateable value based on up-to-date rental values to ensure liability is spread fairly between ratepayers.

34. The Minister had allocated £113 million in 2023-24 to help ratepayers with transitional relief for those whose liability was increasing by more than £300 as a result of revaluation. This ensured that ratepayers paid 33 per cent of their additional liability in the first year, and 66 per cent in the second year. For 2024-25, £38 million has been allocated to support ratepayers during the transitional period.

¹⁶ Local Government and Housing Committee, 18 January 2024, paper 2

35. The Minister has also allocated £78 million to support the retail, leisure and hospitality sector with their non-domestic rates bills, providing a 40 per cent rate relief. This is the fifth year rate relief support has been provided to this specific sector, however, this is significantly lower than the £143.9 million allocated in 2023-24, which provided 75 per cent rate relief.

36. The indicative Budget Expenditure Line (BEL) allocation for rates relief in 2024-25 was due to reduce to £27.7 million, but an allocation of £60 million in consequential funding has boosted rates relief for this coming year. £51 million of consequential funding went directly to the rates relief BEL, while £9.27 million was transferred out to the Valuation Office Agency and Valuation Tribunal for Wales BELs. This, according to the Minister, was to establish a “sufficient funding baseline” for these bodies for future years and will:

“... support the VOA and VTW in implementing the Local Government Finance (Wales) Bill, particularly the provisions relating to regular or more frequent revaluations for council tax and non-domestic rates.”¹⁷

Council tax

37. WLGA representatives all pointed to having made the difficult decision to increase rates of council tax to help fund services, and the public “backlash” as a result. Councillor McCoubrey said:

“People are being asked to pay more in council tax for fewer and fewer services, and not surprisingly they're very, very unhappy about it.”¹⁸

38. The Minister noted that raising council tax “is a really important local decision” and added that:

“even with the difficult settlements that we've had lately, council tax still remains, on average, lower in Wales than in England. I think that speaks to the relative priority that we've given to local government in recent years in terms of our settlements.”

39. The Minister highlighted the council tax reduction scheme (“CTRS”) to support people on low incomes with their council tax bills, but noted that “there

¹⁷ Local Government and Housing Committee, 18 January 2024, Paper 2

¹⁸ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 27

is still a large number of people who are eligible for council tax reduction support but don't claim it".¹⁹ She explained:

*"this is an important part of the work that the Minister for Social Justice is leading in terms of the benefits charter. [...]working alongside local government to make sure that people are getting everything that they're entitled to, but, more importantly, even, or as importantly, doing so in a way that is simple for the individual and that doesn't mean that people are falling through gaps because they aren't aware of the support."*²⁰

40. The Minister wrote to us on 29 January with further detail around recent work to promote council tax support, which included targeted adverts and awareness slips to include in council tax reminder letters and summonses.²¹

Our view

41. As we set out in our report on the draft budget 2023-24, we acknowledge that making decisions around council tax is challenging for local authorities in light of wider pressures being felt by households. The balance of raising council tax to secure funding for the delivery of essential services whilst ensuring rises are affordable for taxpayers is always challenging, but particularly when finances are stretched. We recognise that, given the pressures currently faced by local authorities, council tax rises are inevitable. However, we also recognise that council tax rises this year could be significantly higher than previous years, placing additional burden on council tax payers. How sustainable such rate increases are in the long-term for hard pressed households is of real concern to the Committee. Ensuring that councils are transparent with their residents in their decision making around council tax increases is important in order to retain trust and provide robust local accountability.

Recommendation 2. The Welsh Government should work with local authorities to assess the long-term impact of high council tax increases on households and whether it is a sustainable funding model for the future.

42. We note that the funding provided by the Welsh Government for the Council Tax Reduction Scheme in 2024-25 has, once again, not been increased, thereby remaining at the same level for a decade. As we have stated in previous

¹⁹ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 148

²⁰ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 151

²¹ Local Government and Housing Committee, 7 February 2024, [Paper.1](#)

years, it is concerning that not all those who are eligible for support with their council tax claim that support. We recommended in our report on the draft budget for 2023-24 that the Welsh Government should undertake a review of its campaign to increase awareness of benefits available for residents to access, including the Council Tax Reduction Scheme, to assess its effectiveness in reaching eligible residents. Given that the benefit is still not being claimed by a large number of eligible people, it is clear that further work is needed to raise awareness.

43. We welcome the work being carried out by the Minister for Social Justice on the Welsh Benefits Charter, published in January 2024, and note that all local authorities in Wales have signed up as partners. However, we would welcome more detail on how the Welsh Government and partners will ensure that awareness of the CTRS is raised through this work. We believe that monitoring the effectiveness of the Charter will be key, and note that an evaluation framework will be developed. We are aware that the Minister for Social Justice and Chief Whip is due to make a statement to the Senedd on 20 February on the Welsh Benefits System and Charter and hope this will provide further detail. We hope that the Charter will achieve its aim of raising awareness and recommend that the Welsh Government provide an update to the Committee on its effectiveness. We would expect to see an increase in the number of eligible people claiming CTRS when scrutinising next year's budget.

Recommendation 3. The Welsh Government should provide this Committee with an update on the Welsh Benefits Charter, in particular feedback from the steering group and on the work being done to ensure that all those entitled to support with their council tax bills receive it. This update should be provided by the end of the summer term.

Floor funding

44. Better than anticipated funding allocations over the last few years have negated the need for a funding floor. However, with the local government settlement increasing by an average of 3.1 per cent, some local authorities were at risk of seeing minimal increases.

45. To avoid any authority receiving less than a 2 per cent increase in their funding, the Minister allocated an additional £1.3 million to the RSG. The decision on the funding floor is one taken by the Minister, based on the final outcome of the funding formula.

46. Councillor Lis Burnett advocated the use of the floor:

*"I think the one thing that we all agree on is that we need to use the floor more regularly, because there are situations where, for some disparate reason, a local authority is adrift of everybody else in terms of funding, and so that needs to be part of the process to make sure that they are not at a level below which they can sustainably deliver services."*²²

47. The Minister told us that it is "quite rare" for the Welsh Government to even consider providing a floor at a time when budgets are increasing but that the "exceptional circumstances" this year led them to re-think. In terms of arriving at the figure of 2 per cent, the Minister explained:

"When we ran the numbers and saw that there were a couple of authorities under 2 per cent, that did seem that it was going to be far too challenging for those authorities, and that made the decision, really, to increase the funding by £1.3 million.

*We did look at other options, and ultimately we have to consider what's affordable to the Welsh Government. If we were to increase it to 2.5 per cent, that would have cost £5.7 million. So, this £1.3 million came from the work that we did to reduce budgets across all main expenditure groups."*²³

Local authority distribution

48. Local authorities will receive an average increase of 3.1 per cent as part of this settlement. This is significantly lower than the overall increase of 9.3 per cent received in 2022-23 and 7.9 per cent received in 2023-24.

49. The authorities receiving the biggest uplifts in the next financial year will be Newport (4.7 per cent) and Cardiff (4.1 per cent). Monmouthshire, who had been the biggest beneficiary of the previous budget round (9.4 per cent 2023-24) will receive a 2.3 per cent uplift this time around.

50. Two authorities (Conwy and Gwynedd) have been supported with the additional funding of £1.3 million via the funding floor.

²² Local Government and Housing Committee, 18 January 2024, RoP, paragraph 59

²³ Local Government and Housing Committee, 18 January 2024, RoP, paragraphs 186-187

51. Overall, 14 authorities will receive on or below average increases next year.

52. The table below shows the provisional amount of AEF each local authority will receive in 2024-25, and the percentage difference compared to the current year.²⁴

Change in Aggregate External Finance (AEF) plus floor funding, un-adjusted for transfers, by Unitary Authority (£000)

Unitary Authority	2023-24 Final Aggregate External Finance	2024-25 Provisional Aggregate External Finance	Percentage difference	Rank
Newport	289,306	302,973	4.7%	1
Cardiff	594,712	618,959	4.1%	2
Swansea	417,588	433,590	3.8%	3
Denbighshire	187,785	194,744	3.7%	4
Merthyr Tydfil	118,886	122,923	3.4%	5
Torfaen	172,265	177,989	3.3%	6
Carmarthenshire	338,439	349,441	3.3%	7
Wrexham	224,722	231,963	3.2%	8
The Vale of Glamorgan	202,631	208,896	3.1%	9
Bridgend	250,557	257,978	3.0%	10
Powys	228,558	234,940	2.8%	11
Neath Port Talbot	276,915	284,624	2.8%	12
Rhondda Cynon Taf	471,049	484,112	2.8%	13
Ceredigion	129,341	132,715	2.6%	14
Blaenau Gwent	139,809	143,433	2.6%	15
Pembrokeshire	212,626	217,999	2.5%	16

²⁴ Welsh Government, [Local government revenue and capital statement \(provisional\) 2024 to 25, Table 1b](#). The table has been adjusted to display the percentage difference in rank order, from highest to lowest

Unitary Authority	2023-24 Final Aggregate External Finance	2024-25 Provisional Aggregate External Finance	Percentage difference	Rank
Isle of Anglesey	123,866	126,973	2.5%	17
Monmouthshire	122,561	125,355	2.3%	18
Caerphilly	340,037	347,726	2.3%	19
Flintshire	251,959	257,555	2.2%	20
Gwynedd	227,541	232,092	2.0%	21
Conwy	198,736	202,710	2.0%	21
Total unitary authorities	5,519,889	5,689,689	3.1%	

53. WLGA representatives were split in their views on the funding formula. Councillor Siencyn told us:

“The truth is that we need to increase the pot, not consider how we distribute that pot. [...] The finance sub-group considers the formula every year and adaptations are made. It's a discussion that we have relatively frequently within the WLGA: should we be looking at the formula in its entirety? There is an argument for doing that, but, of course, what we don't know is what the results of such a review would be. [...] That's the caveat there, isn't it? If you are going to review the formula, everyone will not be content with the results.”²⁵

54. He noted that there are annual reviews, and that a recent decision by members of the WLGA is that they “won’t undertake a full review of the formula”, but that they will “keep a closer eye on these annual reviews”.

55. Councillor McCoubrey concurred that “the pie isn’t big enough”, but argued that there’s:

“frustration about the actual formula itself—whether it was fit for purpose back in the day, compared with the situation that we're facing now. There's frustration about the data that goes into that funding formula and, fundamentally, I would just like

²⁵ Local Government and Housing Committee, 18 January 2024, RoP, paragraphs 61-63

somebody to explain to me why it costs 15 per cent more to deliver services over the border in Denbighshire than it does in Conwy.”²⁶

56. Councillor McCoubrey acknowledged that there’s “never a perfect formula”, but that “you have to look at the answer it produces”. He suggested that the “Scottish model” could be looked at as an example, saying:

“The Scottish funding formula has about 200 lines in it, which are mostly needs based; the Welsh one has 70. I think it’s a very crude way of distributing money.”²⁷

57. A Welsh Government official told us:

“Some of this is sometimes about misunderstanding. There is some data in the formula that is 2001, but, actually, the stuff that drives most of it is updated annually.[...] the formula provides an unhypothecated total, so a local authority can choose to devote its resources how it needs to, reflecting its local needs. The formula is derived from measures of what the local authorities have spent.”²⁸

58. The official added that the Welsh Government had previously undertaken an exercise on the impact of the different indicators. She explained:

“We ranked the indicators by the difference they made to the formula, and at the time, a good few years ago now, actually, I was suggesting that we should cut off the number of indicators, because when you get to the last 10 per cent of indicators, they distribute very small amounts of money, so having lots more indicators wouldn’t necessarily make big differences to the way the formula operates and the distribution. The bulk of it is distributed by client measures, and those things are the ones like the numbers of school kids, numbers of people claiming, numbers of people in different age bands. Road lengths is also another client measure. So, I don’t think increasing the number of indicators would necessarily help.”

²⁶ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 66

²⁷ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 66

²⁸ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 189

59. The official added, however, that Welsh Government officials were shortly due to speak with Scottish Government counterparts and that “we'll take the opportunity to have a discussion there”.²⁹

Specific Revenue Grants

60. The Welsh Government has allocated £1.374 billion in specific revenue grants for 2024-25 in the draft budget. This is similar to the allocation in the draft budget for 2023-24 (£1.367 billion), which then increased to £1.417 billion by the Final Budget.

61. The outturn figure for specific grants in 2023-24 was just over £1.46 billion on a like for like comparison, suggesting significant in-year additional funding.

62. A summary of grants by Ministerial portfolio is provided below. Specific grant values will fluctuate from year to year, dependent on the policy initiative and whether it is time sensitive. Indicative grant values are not complete, as the future of some grants are still under consideration.³⁰

List and estimated amounts of Grants for total Wales (£000)

Portfolio and Grant Name	2023-24	2024-25
Total Education and Welsh Language	619,582	620,735
Total Climate Change	380,077	346,954
Total Health and Social Services	280,110	250,501
Total Finance and Local Government	130,382	79,530
Total Mental Health and Wellbeing	42,063	44,063
Total Economy	31,593	24,489
Total Social Justice & Chief Whip and Social Partnership	6,947	6,537

²⁹ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 197

³⁰ Welsh Government, [Local government revenue and capital statement \(provisional\) 2024 to 25, Table 7](#).

Portfolio and Grant Name	2023-24	2024-25
Total Rural Affairs & N.Wales, & Trefnydd	1,090	1,014
Total Arts, Sport & Tourism	199	379
All Grants	1,492,042	1,374,201
All Grants excluding TBC and RSG transfers (for like-for like comparison)	1,466,021	

Transformation and legislation

63. The transformation and legislation BEL has seen a slight reduction in its allocation for 2024-25 of shy of £1 million. This BEL supports the delivery of new legislation.

64. The Minister confirmed in her paper that the reduction to this BEL will impact on the delivery of council tax and non-domestic rates reform, including the implementation of the Local Government Finance (Wales) Bill, if passed. The Minister also confirmed that the reduction could impact on the implementation of aspects of its Local Government and Elections (Wales) Act 2021 work programme, and that some elements could be delayed as a result.

65. The Minister’s paper noted that “the effect of the reductions will be managed to minimise their impact.”³¹ However, the Minister told us that, as yet, the Welsh Government has not “fully worked through” what the impacts will be.³²

Our view

66. It is clear that frustration continues to exist around the funding formula. We note the Minister’s explanation for the setting and use of the funding floor, and we acknowledge the need to balance budget demands among departments. We welcome the Minister’s decision to set a floor and believe this is crucial to ensure that all authorities receive a minimum level of increase in funding. We are aware that the Welsh Government is likely to receive consequential funding in

³¹ Local Government and Housing Committee, 18 January 2024, Paper 2

³² Local Government and Housing Committee, 18 January 2024, RoP, paragraph 218

light of the UK Government making an additional £500 million available for social care in England, and would like the Welsh Government to consider whether that new funding should be allocated, in full or in part, to setting the funding floor at a higher level, thereby ensuring more local authorities would benefit.

67. It is important, that all those involved with budget decisions and financial planning in local government fully understand the funding decisions that have been made. We note that minutes for the Distribution Sub-Group, which advises on how much revenue funding each local authority receives, have not been published since May 2022. This should be updated as soon as possible and updated regularly. In addition, the Welsh Government should be fully transparent about the decisions it is making in partnership with local government. We believe that a simple explainer, which sets out how the funding outcomes for each settlement have arisen from the formula, should be made available and accessible to all.

Recommendation 4. The Welsh Government should publish a simple explainer which sets out how the funding formula is calculated. This should be communicated to local government and updated annually to explain how any changes in data sets have impacted the formula.

Recommendation 5. The Welsh Government should ensure that the minutes of the Distribution Sub-Group meetings are published regularly to ensure complete transparency.

68. We also note that Welsh Government officials will be holding discussions with counterparts in the Scottish Government about their funding formula, and we would like to be kept informed of any outcome to these discussions.

Recommendation 6. The Welsh Government should report back to this Committee on any discussions held with the Scottish Government about its funding formula.

Spending pressures

69. As noted earlier, local authorities continue to face exceptional cost pressures, all of which make it more challenging to address some of the longer-term issues, despite the substantial increase in the settlement over the past two years.

70. Wales Fiscal Analysis notes:

“We estimate that spending pressures have outstripped the growth in local government revenues over the last two years, despite significant nominal terms increases in funding from the Welsh Government.”³³

71. However, under its assumptions for local government funding from the Welsh Government over the coming years (2025-2028), it is “set to fall slightly in nominal terms (by an average of -0.2% per year)”. This would mean a 4.3 per cent real terms reduction over three years.

72. As a result, overspend has become a regular occurrence and “particularly acute” in some authorities according to the WLGA, with social care accounting for up to 50 per cent of the overspend across Wales. High cost children’s care and demand for adult social care account for most of the overspend. And while inflation (including pay inflation) has impacted significantly on local authority spending over the past year, it only accounts for just over a third of projected overspend (c.£72 million). A significant proportion of in-year pressures “arise from unanticipated demand”, particularly in social care.

73. The WLGA highlighted that the 3.1 per cent increase in the settlement will “cover just over a quarter of the pressure in the financial year”.³⁴

Education and schools

74. Until now, schools have been relatively protected within each budget round. But with projected pressures of £164 million in 2024-25, which the WLGA says represents a “5.6% increase on budgeted net revenue expenditure for 2023-24”, and further pressures of £134m (2025-26 and 2026-27 respectively) expected, schools may not be “given the same support in the future given the scale of funding gaps”.³⁵

75. Some schools, like local authorities, may have some reserves at hand. However, the WLGA states that schools are “beginning to burn through reserves at such a rate that they are seeking loans to cover shortfalls”.

76. While there is a system of Licenced Deficit Agreements between authorities and schools, one local authority has said that the majority, if not all of their other schools “will fall into deficit”. A number of authorities have reported that there is

³³ Wales Fiscal Analysis, [The medium-term fiscal outlook for local government in Wales](#), October 2023

³⁴ Local Government and Housing Committee, 18 January 2024, Paper 1

³⁵ Local Government and Housing Committee, 18 January 2024, Paper 1

“significant risk of redundancy for support staff and teachers”, with some schools “unable to meet recommended pupil/teacher ratios”.³⁶

77. Councillor Burnett noted that:

“The Association of Directors of Education in Wales are already forecasting that the number of schools with irretrievable budget deficits is going to increase.”³⁷

78. Councillors McCoubrey, Gebbie and Burnett agreed that the COVID pandemic has put increased pressure on schools. Councillor McCoubrey said:

“I don't think you can underestimate the damage COVID has done to our young people. I think the effects will be long lasting; you can see that in attendance figures. The work that schools have to do to get those young people back engaged is expensive and it's difficult to do, but we are seeing an increase in need at all levels, so we really should be putting more money into schools, not less.”³⁸

79. Councillor Burnett noted “the complexity of need that is being experienced in our schools” following COVID, and Councillor Gebbie added that more funding was needed for early intervention and prevention work with children as a result of the pandemic.³⁹

80. The Minister pointed to work being carried out by the Minister for Education:

“to look right across the whole range of grants provided to local government by the education department and to consolidate them down into just four funding streams, and I think that that has been warmly welcomed by local government as a potential tool to help them manage their budgets better and have greater flexibility to address those local priorities.”⁴⁰

³⁶ Local Government and Housing Committee, 18 January 2024, Paper 1

³⁷ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 88

³⁸ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 89

³⁹ Local Government and Housing Committee, 18 January 2024, RoP, paragraphs 83 and 101

⁴⁰ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 228

Teachers' pay

81. A particular area of concern for local authorities is teachers' pay awards. In October last year, the WLGA stated that it became aware that teachers' pay awards for 2023-24 would not be funded on a recurrent basis from 2024-25. This it notes will put an:

*"... additional unfunded pressure of £21.3 million on next year's budget despite an assurance that it was fully funded in the Minister's letter of 9th March 2023."*⁴¹

82. The Autumn Statement by the UK Government also "signalled an increase in employer contributions for the teachers' pension scheme of 5%" from April 2024. This would, according to the WLGA, cost an additional £64.3 million. This has apparently been based on "no increase to pay for 2024/25 academic year".⁴²

83. The WLGA asserts that if the pension contributions are funded but the pay pressures are not, the cumulative funding gap could potentially be £1.29 billion by 2027. Local authorities, the WLGA notes, will need to take "drastic" measures to address the gaps.⁴³

84. On teachers' pensions, the Minister told us:

*"it's something that we're aware of and local government has raised with us. We're still waiting for clarity from the UK Government on this, but I have said that in relation to any consequential funding that comes for the pensions issue, we will pass that on to local government."*⁴⁴

85. She added that she would be writing, alongside the Deputy First Minister of Scotland, "to the Chief Secretary to the Treasury on this point, asking for urgent clarity".

Our view

86. The lack of clarity around funding for teachers' pensions is disappointing. We urge the Minister to press the UK Government for clarity as to whether there will be consequential funding available to fund the commitment. We recognise that funding the increased contribution would be a significant pressure for local

⁴¹ Local Government and Housing Committee, 18 January 2024, Paper 1

⁴² Local Government and Housing Committee, 18 January 2024, Paper 1

⁴³ Local Government and Housing Committee, 18 January 2024, Paper 1

⁴⁴ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 231

authorities, therefore, we welcome the Minister's commitment to passing any consequential funding on to local government. The Minister should keep this Committee informed of the response from the UK Government in relation to teachers' pensions and any impact on funding decisions this may have. We have written to the Senedd's Children, Young People and Education Committee to inform them of the evidence we received on this matter.

Recommendation 7. The Minister should press the UK Government for clarity on consequential funding for teachers' pensions and keep this Committee informed of the outcome of those discussions and any impact on funding decisions this may have.

Social care

87. Social care accounts for 36 per cent of local government spending pressures in 2024-25 (£261 million), and councils "continue to be extremely concerned about the current pressures facing social care" notes the WLGA.

88. In-year budget pressures of £109 million, which is around 4.7 per cent of budgeted net revenue expenditure, were identified by the Society of Welsh Treasurers during a survey of local authorities in September 2023. The pressures for the next financial year (£261 million in 2024-25) represents an 11.3 per cent increase in current budgets. One of the biggest contributors to the spending pressures is commissioning costs and pay inflation (£180 million) while the remainder is demand-led pressures.

89. The WLGA noted that the above combined with:

"... increasing demand, complexity of need and workforce shortages this has resulted in higher costs and therefore increased expenditure for councils to meet the increasing costs of placements across both adults and children's services. Local authorities have flagged this as a significant risk."

90. Among the risks identified are reductions in quality of care and choice available.

91. Local authorities also raised issues in relation to access to Continuing Healthcare, with councils "continuing to have to fund the majority, if not all, of these care packages rather than health".⁴⁵

⁴⁵ Local Government and Housing Committee, 18 January 2024, Paper 1

92. Councillor Gebbie noted that local authorities “have significant debates with the health board now about who's picking up what of each package of care”, and Councillor Dyfrig told us:

“Betsi Cadwaladr has commissioned work to look at how they can put more pressure on councils by shifting care from health to councils, which is very concerning”⁴⁶

93. The Minister acknowledged that “there is a danger of tensions starting to emerge between two very important parts of the public service”, and noted that she was “mindful” of potential discrepancies in pay between health and local government.⁴⁷

94. The Minister confirmed that:

“the Minister for Health and Social Services meets regularly, alongside the Deputy Minister for Social Services, with local government colleagues, particularly those who hold the social services portfolio”

95. However, the Minister confirmed that she had not been directly involved in those discussions.⁴⁸

Social Care Workforce Grant

96. One notable reduction in the local government settlement is the funding to support recruitment in social care via the Social Care Workforce Grant. The Welsh Government has reprioritised £11 million from this grant, which the Welsh Government’s draft budget narrative states will “result in impacts on local authorities and social care partners”.

97. The Minister accepts in her paper that due to the spending and demand pressures on local authorities there is “likely to be pressure on staff numbers”.⁴⁹

98. Councillor Siencyn noted that the reduction in the Social Care Workforce Grant was indicative of “the weakness of the grant system that comes from Welsh Government”. He explained:

⁴⁶ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 117

⁴⁷ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 199

⁴⁸ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 209

⁴⁹ Local Government and Housing Committee, 18 January 2024, Paper 2

“When we have a settlement, we know that we get 3.1 per cent. But somewhere hidden in the system, we see a cut of 20 per cent in the social care workforce grant. So, we need to look at this grant system, and they are annual, and we don't know if they're continuing from one year to the next. So, I do think that that's a particular weakness, certainly in the funding regime—we are overly dependent on grants from the Government on specific issues.”⁵⁰

Children's services

99. Another significant area of pressure is children's care services, with the WLGA noting “unprecedented levels of emergency placements for residential placement”. The cost-of-living crisis, according to the WLGA, has been highlighted by local authorities as a leading factor in the rising pressure on families and increasing the numbers of children entering the care system.⁵¹

100. The cost impact on local authorities is considerable, with one authority reporting that its children's services budget has increased by £11 million (56 per cent) over the last 3 years. The end result of such pressures is that local authorities in some circumstances have established “bespoke placement arrangements for children and young people that operate without registration”.

101. As a response to the pressures, councils are “seeking to create their own in-house provision”, which takes time and resource to establish, both of which are currently limited.

102. Councillor Gebbie noted that:

“We are seeing increased numbers of children coming in and needing placements. At a minimum, that's normally £0.5 million a year for each child. If we can keep them at early intervention and prevention—. And that's all the stuff that we will cut, because we can't do it; I will need to focus on that sharp end. The impact for those young people, their life chances, the opportunities that are going to come forward for them are so significantly limited, that's detrimental to Wales.”⁵²

⁵⁰ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 115

⁵¹ Local Government and Housing Committee, 18 January 2024, Paper 1

⁵² Local Government and Housing Committee, 18 January 2024, RoP, paragraph 100

Our view

103. It is clear that tensions between local government and health over the funding responsibility and delivery of social care packages are exacerbated further in times of extreme budgetary pressure. We note that the Minister for Health and Social Services meets regularly with local government but we consider it important that, given her remit, the Minister for Finance and Local Government also joins these discussions with a view to addressing concerns and seeking potential solutions.

Recommendation 8. The Minister for Finance and Local Government should join discussions between the Minister for Health and Social Services and local government representatives to address tensions around the funding and provision of adult care packages, and to address challenges with funding children’s social services.

104. We are concerned that reducing the Social Care Workforce Grant, which supports a key statutory service delivered by local authorities, will add to the existing pressures in the sector. In our report on the draft budget 2023-24 we expressed our concern that the situation relating to the recruitment and retention of staff to work in the social care sector had not improved, and it is clear that the same is true again. At the time we noted that recruiting and retaining staff to work in the social care sector should be a priority for the Welsh Government.⁵³

105. Increased pressures such as those caused by the reduction of the Social Care Workforce Grant could too easily form a trigger for a “tipping point”, as discussed earlier in this report, and therefore it is important that the Welsh Government assesses the risk of reducing a grant such as this.

106. We are aware that the Senedd’s Finance Committee has recommended that the Minister for Finance and Local Governments explains why reductions have been made to the Social Care Workforce Grant, given the significant financial pressures facing social care and its staff, and that this should include the Welsh Government’s assessment of the impact of this decision. We agree with this position and endorse the Finance Committee’s recommendation.

Recommendation 9. The Welsh Government should accept the Finance Committee’s recommendation, which calls for an explanation as to why

⁵³ Local Government and Housing Committee, [Welsh Government Draft Budget 2023-24](#), February 2023

reductions have been made to the Social Care Workforce Grant and the Welsh Government's assessment of the impact of that decision.

107. The pressures experienced by local authorities to deliver the increased need for children's services is another area of significant concern to us. Ensuring that children's services are delivered safely and are sufficiently resourced to ensure they are appropriate to meet the needs of children and young people is crucial. We have written to the Senedd's Children, Young People and Education Committee to inform them of the evidence we received on this matter.

Capital funding and borrowing

108. Local government general capital funding remains unchanged at £180 million in 2024-25, with an additional £20 million for decarbonisation. Wales Fiscal Analysis, in its Welsh Budget Outlook 2022, noted that Welsh Government capital budgets, without any increases in UK Government funds, were set to fall by 8 per cent in real terms by 2024-25.⁵⁴

109. Add to this inflationary costs and volatility in construction costs, the WLGA notes that local authorities have had to re-prioritise schemes and scale back where possible. For example, in relation to Twentieth Century Schools programme, a number of authorities are "reporting a reduction in the number of schemes that are now affordable against what was anticipated". Councils are now considering the sustainability of servicing borrowing costs moving forward.

110. The primary source of borrowing to undertake capital projects outside of Welsh Government capital funding is via the Public Works Loan Board, although they can borrow from other financial institutions too. The WLGA note in their paper that current long-term rates on borrowing are around 5 per cent, although it states there is a lot of volatility in the markets. The rate is significantly higher than what was available when capital programmes were being set in March 2022, which the WLGA says "carries significant risk to affordability and sustainability".⁵⁵

111. Councillor Burnett told us:

"I think that we can all talk about the increased costs of our capital programmes. Again, in the last couple of years, whether that be high levels of inflation, COVID or whatever, we've been

⁵⁴ Wales Fiscal Analysis, Welsh Budget Outlook 2022, December 2022

⁵⁵ Local Government and Housing Committee, 18 January 2024, Paper 1

seeing tenders double the level that we were seeing, and I think we've been really grateful for some of the support we've had in terms of house building"

112. She warned that while her authority had prioritised capital,

*"There will come a time when it stops, because there will come a time when we won't be able to afford to develop things; we'll have to focus on revenue costs."*⁵⁶

113. The Minister acknowledged the real terms cut to the capital budget, and noted:

*"Of course, inflation means that local government is, just as we are and everyone else is, able to deliver less as a result. I suppose that that, really, just means that local government will have to do some important prioritisation work in terms of how they deploy their capital funding. And a flat budget, I know, will be challenging for them in that regard."*⁵⁷

Sustainable local government

Decarbonisation and Net Zero

114. Local authorities have made a number of commitments to contribute towards the target of Net Zero by 2030, which requires significant capital investment in, for example, low carbon vehicles and retrofitting council property to ensure energy efficiency. The WLGA notes that a "wide range of funding streams will be required to make the sort of changes needed at the pace required".⁵⁸

115. The Welsh Government has allocated £20 million in capital funding for 2024-25 for local government decarbonisation programmes. There is also some revenue funding within the Improvement and Support BEL and Ystadau Cymru BEL, with the Minister noting in her paper that it will "assist with plans to decarbonise both the Local Government and Welsh Government estates".⁵⁹

⁵⁶ Local Government and Housing Committee, 18 January 2024, RoP, paragraphs 121 and 123

⁵⁷ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 236

⁵⁸ Local Government and Housing Committee, 18 January 2024, Paper 1

⁵⁹ Local Government and Housing Committee, 18 January 2024, Paper 2

116. The WLGA also highlighted other areas of concern, including procurement. Councils are required to reduce ‘scope 3’ emissions (which accounts for around 70 per cent of an organisation’s carbon footprint). This includes purchased goods and services.

117. The WLGA notes however that at times of financial pressures, “it will be challenging for councils to ‘do the right thing’ as opposed to choosing the most affordable option”. This could bring about the deferral of schemes that “should be prioritised to ensure... maximum potential impact”.⁶⁰

118. The Minister told us:

“The £20 million is additional to the unhypothecated funding that we’ve talked about. So, it does have that particular focus on decarbonisation, and the work of the decarbonisation panel, which advises local authorities in this space, is really important in helping to identify particular projects that might be suitable candidates for that. Again, that’s something that we would want to be able to provide more money for, but, unfortunately, we can’t. I think local authorities don’t have to just decarbonise with that money; they can be decarbonising with the rest of their funding as well.”⁶¹

119. The Minister noted that other capital grants are available for work in this field, and also pointed to the work being carried out by Ystadau Cymru.

Ukrainian refugees and the Gypsy, Roma and Traveller community

Ukrainian refugees

120. Over 7,000 Ukrainian refugees have arrived in Wales via the Homes for Ukraine scheme. The 2023-24 budget allocated £40 million to support Ukrainian refugees, reducing to £20 million in 2024-25. In the ‘Draft Budget narrative’ document, the Minister for Finance and Local Government states that £15.5 million has been reprioritised from the Ukraine programme due to a reduction in arrivals and describes steps taken to support Ukrainian people with accommodation, including that the Welsh Government will receive a

⁶⁰ Local Government and Housing Committee, 18 January 2024, Paper 1

⁶¹ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 238

proportionate share of a UK Government £120 million Homelessness Prevention Fund in 2024-25.⁶²

121. In October 2023 the Minister for Social Justice confirmed the Welsh Government had received £8.2 million from the UK Government. The Minister set out how this funding had been allocated, including £3.85 million to local authorities in Wales to help address funding gaps (£2 million was allocated to move on related activity and a further £1.95 million was allocated to local authorities through a discretionary fund). Referring to the allocation, the Minister explained it was considerably less than what it previously received via other refugee and resettlement schemes:

122. The Afghan Scheme's tariff is £6,000 per person for year 2 which, if applied to the number of Homes for Ukraine arrivals in Wales, would equate to £42.1 million.

123. The Minister for Equality and Social Justice told us in October 2023 that "local authorities have been in a very difficult situation as a result of the loss of that tariff".⁶³

124. The Minister for Finance and Local Government's paper noted that:

"The budget reduction is not reflective of a change in policy and is not expected to have any significant impacts on individuals as the remaining amount should be sufficient to deliver all the key elements of the programme and continue to support Ukrainian people to move to longer term accommodation as part of their local communities."⁶⁴

125. The Minister confirmed:

"at last year's budget, which was set for this year, we allocated £40 million for this year and £20 million for next year. At that point, we had to base it on what was probably a worst-case scenario in terms of the pressures that might be arising. Actually, what we have seen is a reduction in the number of people coming from Ukraine and the success of the programme in terms of move-on."

⁶² Welsh Government, [Welsh Government Draft Budget 2024-25](#), December 2023

⁶³ Local Government and Housing Committee, 5 October 2023, RoP, paragraph 86

⁶⁴ Local Government and Housing Committee, 18 January 2024, Paper 2

126. The Minister added that the funding:

“still allows us to have that kind of wraparound support for individuals who are arriving, it allows us to ensure that we work with local authorities to support the move-on work, so it doesn't reduce the support that we're able to provide. It also allows us to provide that increased level of support of £500 for the host families. So, we're still able to do the work that we did; it's just the numbers of people who we're supporting have decreased significantly.”⁶⁵

Gypsy, Roma and Traveller Community

127. Allocations for the Gypsy, Roma and Traveller community sit within the Social Justice MEG. This budget supports the development of new sites, site extensions and refurbishment projects at local authority owned sites. The allocation for the Gypsy Traveller Sites Grant in 2024-25 is £3.44 million, which the Minister notes remains unchanged from the indicative budget in March 2023.⁶⁶ It was £3.19 million in 2023-24.

128. Our report on the Welsh Government's draft budget for 2023-24 highlighted our concerns about underspend of the Gypsy and Traveller Site Capital Grant.⁶⁷ Together with the Equality and Social Justice Committee, we called for the Welsh Government to set out how it planned to work with local authorities to ensure take up of this important fund. In response, the Minister for Social Justice acknowledged that “active engagement and championing by Welsh Government is important in moving things forward”, and noted:

“... officials are in the process of meeting representatives of the communities and Local Authorities across Wales to assess need and scope to take up the grant.”⁶⁸

129. We wrote to the Minister for Social Justice on 20 October 2023 seeking an update on the current funding policy in relation to Gypsy and Traveller sites, however we have yet to receive a response to our questions.

⁶⁵ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 248

⁶⁶ Local Government and Housing Committee, 18 January 2024, Paper 2

⁶⁷ Local Government and Housing Committee, Welsh Government Draft Budget 2023-24, February 2023

⁶⁸ Written response by the Welsh Government to the report of the Local Government and Housing Committee on the 2023-24 Draft Budget, March 2023

130. During scrutiny for the 2024-25 draft budget, the Minister for Finance and Local Government told us that she expected spend from this year's grant to be zero, as "there were no suitable applications coming through for that fund".⁶⁹ This was further confirmed during the Equality and Social Justice Committee's scrutiny of the Minister for Social Justice, who told that Committee that she had been meeting local authorities over the last six months to consider their Gypsy and Traveller accommodation assessments. She explained:

*"We're looking at the drafts, we're clarifying issues and updates. So, it did result in no applications for capital funding in this financial year, but the key thing is that we've got this allocation for the next financial year. And as I've been meeting authorities—and some of those authorities have been the ones, from north to south, with perhaps the most challenging issues in terms of those accommodation assessments—I am urging them to get their proposals ready for access to this sites grant for the next financial year, and have protected that capital budget."*⁷⁰

Our view

131. We remain deeply concerned at the underspend in the Gypsy Traveller Site Capital Grant allocation; despite assurances from the Minister for Social Justice about her work with local authorities, it is extremely disappointing to be in the same position as last year in terms of our scrutiny. It is vital that the Welsh Government continues to work with the local authorities and communities involved to ensure awareness of the grant and to provide clear guidance on applications.

132. We agree with the Senedd's Equality and Social Justice Committee that the Welsh Government should give a full account of the reasons why capital funding allocated to develop and maintain Gypsy, Roma and Traveller sites has not been spent. It is unacceptable, in our view, that no funding has been awarded via the Capital Sites Grant for the whole of the 2022-23 and 2023-24 financial years. As we have stated previously, we are aware from our work on the provision of sites for Gypsy, Roma and Travellers that some local authority sites are in urgent need of maintenance or refurbishment. We are therefore extremely surprised and

⁶⁹ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 244

⁷⁰ Equality and Social Justice Committee, 22 January 2024, RoP, paragraph 118

disappointed that this crucial grant remains unspent and funds re-allocated to other areas reserves for a second consecutive year.

Recommendation 10. The Equality and Social Justice Committee and the Local Government and Housing Committee jointly recommend that the Welsh Government should give a full account of the reasons for the unacceptable situation whereby the Gypsy and Traveller Site Capital Grant has resulted in no funding being awarded to local authorities for the whole of the 2022-23 and 2023-24 financial years. This account should set out the reasons for this failure and how the Welsh Government intends to address them. We expect this to be available ahead of the debate on the Final Budget scheduled for 5 March 2024.

133. In addition, we believe that, given her remit, the Minister for Finance and Local Government should work closely with the Minister for Social Justice to keep abreast of the discussions taking place and to monitor whether suitable applications are coming forward.

Recommendation 11. The Minister for Finance and Local Government should work closely with the Minister for Social Justice to keep abreast of the discussions taking place on applications for funding via the Gypsy Traveller Site Capital Grant, and to monitor whether suitable applications are coming forward.

3. Housing

Overall funding for Housing and Regeneration

134. The total in the 2024-25 draft budget for Housing and Regeneration is £1.12 billion. This is £45.4 million less in cash terms than the final budget for 2023-24, and £71.1 million less than the indicative budget figure published in February 2023. In terms of revenue, the draft budget total is £222.3 million, which is £27.3 million less than the 2023-24 final budget, and £33.8 million less than the indicative figure. In terms of capital the draft budget total is £903 million, which is £18.6 million less than the 2023-24 final budget, and £37.3 million less than the indicative figure.

135. The Minister's written evidence said that the draft allocations:

*"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."*⁷¹

Homelessness and housing support

136. The Minister told us that the Welsh Government worked very hard to protect most of the homelessness budgets, noting that the Housing Support Grant ("HSG") had remained flat and that other core budgets for homelessness have been protected.⁷²

Homelessness

137. The 2024-25 draft budget sees additional revenue funding of £2 million for homelessness prevention, this is lower than the £5 million increase allocated in the indicative draft budget, published in February 2023. The Minister's paper says this reflects "the incredibly challenging budget setting round this year".⁷³

138. A further change is that the HSG BEL has been merged with the Homelessness Prevention BEL, to a combined total of £214.9 million in a new Homelessness Support and Prevention BEL. The Minister's paper says:

⁷¹ Local Government and Housing Committee, 18 January 2024, [Paper 3](#)

⁷² Local Government and Housing Committee, 18 January 2024, RoP, paragraph 279

⁷³ Local Government and Housing Committee, 18 January 2024, Paper 3

“We have brought together funding previously split across two BELs (Housing Support Grant and Homelessness Prevention) to provide a single fund with a common theme of preventing homelessness and supporting the statutory duties of Local Authorities in this regard. Bringing the BEL lines together supports our policy intention to support progression toward prevention and Rapid Rehousing. As well as the HSG the BEL supports funding for temporary accommodation as we transition to rapid rehousing; support for Local Authorities to fund posts to coordinate homelessness activities and a range of flexible approaches to prevent homelessness.”⁷⁴

139. The latest statistics show that at 31 October there were 11,273 people in temporary accommodation, 65 more than at 30 September; 3,403 of these were dependent children aged under 16.

140. As highlighted in our recent inquiry into homelessness, local authorities are facing severe pressures as they seek to ensure temporary accommodation is provided to those who need it. The WLGA’s response to the Finance Committee’s consultation on the draft budget stated that a:

“sustained increase in homelessness presentations to Councils in the period since the pandemic means that core homelessness services are overwhelmingly now dealing only with crisis and unable to work to prevent homelessness.”⁷⁵

141. Also in response to that consultation, Llamau noted that they are being told by commissioners that:

“early intervention, prevention, and floating support services are under threat as they focus efforts on crisis services.”⁷⁶

142. We asked the Minister whether the funding in the draft budget to enable local authorities to meet the continuous demand for temporary accommodation is sufficient. The Minister told us that she “would love to give them more” but that the Welsh Government is trying to direct resources towards preventing homelessness as “putting spend into the preventative agenda is really efficient” and referred to the HSG as a means of doing so. The Minister told us:

⁷⁴ Local Government and Housing Committee, 18 January 2024, Paper 3

⁷⁵ Local Government and Housing Committee, 18 January 2024, Paper 1

⁷⁶ Local Government and Housing Committee, 7 December 2023, Paper 4

“The local authorities, of course, want us to put more money into the sticking-plaster end, for obvious reasons, because they're dealing with the immediacy of that, but they have funding for that inside the revenue support grant, as well as just the grants that we give them.”⁷⁷

143. A Welsh Government official acknowledged that “it’s a difficult balance” and told us that they are working with local authorities to get a balance between relieving the immediate homelessness demand and directing resources towards prevention.⁷⁸

Housing Support Grant

144. In 2021-22 the Welsh Government uplifted the HSG allocation from £126.7 million to £166.7 million. It remained at £166.7 million in 2022-23 and 2023-24, and remains the same in the draft budget for 2024-25.

145. The Minister’s paper says:

“Despite the extremely challenging overall budget position we have protected the HSG and maintained our investment in the services it supports. Our support will ensure we have a system which places the right people in the right homes in the right communities with the right support, in order for people to succeed and thrive.”⁷⁹

146. In November, Cymorth Cymru and Community Housing Cymru published results of a survey which found that 75 per cent of providers are running at a deficit and 40 per cent are likely to hand back existing contracts if HSG remains frozen in 2024-25. In a letter to us dated 16 January 2024, Cymorth Cymru told us that the HSG is worth £24 million in real terms than it was in 2012 but that the cost of running HSG services has increased by an average of 11 per cent since last year. Cymorth noted that 52 per cent of service providers are using reserves to subsidise these services, which they emphasise as being “completely unsustainable”. Cymorth also noted that 77 per cent of providers were likely to have to reduce service capacity at a time when demand is greater than ever and that 48 per cent would be likely to make staff redundant.⁸⁰

⁷⁷ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 304

⁷⁸ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 310

⁷⁹ Local Government and Housing Committee, 18 January 2024, Paper 3

⁸⁰ Local Government and Housing Committee, 25 January 2024, Paper 9

147. In addition to Cymorth Cymru, the call to increase HSG in 2024-25 was a theme in a number of other responses to the Finance Committee’s consultation, including from Llamau, Gorwel (the business unit of Grŵp Cynefin housing association), the Chartered Institute of Housing Cymru, Welsh Women’s Aid, and an individual with experience of working in the housing sector.

148. Gorwel noted in its response that:

“Without a significant increase in the Housing Support Grant, we will need to consider re-modelling plans, preventing an inflationary increase in colleagues' salaries for 2024/25, disposing of offices and safe spaces for survivors, making colleagues redundant, and returning some existing contracts to commissioners.”⁸¹

149. The WLGA asked that the current level of funding be maintained “if additional funding is not available”.⁸²

150. The challenges in retaining staff and covering wage increases were raised by stakeholders. Gorwel stated:

“Due to the instability of funding and the lack of wage inflation, the recruitment and retention of experienced staff with expertise in this area is extremely challenging.

Because staff turnover is high, additional resources are needed to train new staff. Eighteen members of frontline staff terminated their employment at Gorwel in 2022/23. Ten members of Gorwel's frontline staff have terminated their employment up to quarter 2 of 2023/24. They have taken up roles in the statutory sector, which offers more favourable wages and employment conditions.”⁸³

151. A similar message was conveyed by Llamau, who noted:

“Flat line budgets have led to wage deflation, and this is the primary cause of the recruitment and retention issue in the sector.”⁸⁴

⁸¹ Local Government and Housing Committee, 7 December 2023, Paper 5.

⁸² Local Government and Housing Committee, 18 January 2024, Paper 1

⁸³ Local Government and Housing Committee, 7 December 2023, Paper 5

⁸⁴ Local Government and Housing Committee, 7 December 2023, Paper 4.

152. Cymorth noted in its letter that out of its sample of over 3,000 workers funded by the HSG, 41 per cent are paid below the upcoming (April 2024) minimum wage of £11.44 per hour and that 67 per cent are currently paid below the 2023/24 Real Living Wage of £12 per hour. Cymorth warned that:

“With no increase to the HSG in the Draft Budget for 2024/25, it is going to be incredibly difficult for support providers to uplift salaries to the new minimum wage, never mind the RLW.”⁸⁵

153. The Minister acknowledged at the outset that she was:

“very well aware, in particular for the housing support grant, that a flat budget is an effective cut.”⁸⁶

Our view

154. We remain deeply concerned by the unprecedented number of people currently living in temporary accommodation in Wales and the severe resourcing pressures this causes support services. We raised these concerns in our report on homelessness and in reports on previous draft budgets, but it is clear that the demand on temporary accommodation continues to put pressure on local authorities. We understand the Minister’s rationale for emphasising the need to prioritise preventative services and we recognise the longer term benefits of this, however local authorities must be resourced to deal with the immediate pressures of securing temporary accommodation for those facing homelessness.

155. As we noted in our report on the draft budget for this financial year, maintaining the Housing Support Grant at £166.7 million actually resulted in a real terms reduction. We are therefore deeply concerned that the draft allocation remains unchanged again for the next financial year, which will effectively be a further reduction, on top of the reduction this year.

156. As we heard from stakeholders, services funded by this grant are critical to the prevention and alleviation of homelessness. The impact the further cut will have on these essential services is very concerning, particularly at a time when they are being relied upon to deliver for the increasing number of people presenting as homeless. We know that the sector is already facing significant challenges in being able to deliver services and meet the needs of vulnerable

⁸⁵ Local Government and Housing Committee, 25 January 2024, Paper 9

⁸⁶ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 280

people, and the message coming from those organisations is stark – without an increase to the Housing Support Grant, services and contracts will be withdrawn.

157. We are also very concerned by the impact this will have on staff working in the sector. The Minister rightly acknowledged their hard work and dedication to their role and we would like to add our gratitude for their invaluable work. Maintaining experienced staff in the sector is crucial, therefore ensuring they are remunerated fairly is key. The evidence around possible redundancies and not being paid the Real Living Wage is very troubling.

158. We note the Minister’s assurance that combining the Housing Support Grant and the Homelessness Prevention BEL will not impact the ringfencing of the fund. We hope that the Minister’s aim of reducing bureaucracy will result in efficiency savings for the sector.

159. We appreciate the challenges facing the Minister in setting this draft budget, however research has demonstrated that investing in the Housing Support Grant provides excellent value for money. Research conducted by Cardiff Metropolitan University found that every £1 invested in HSG services delivers £1.40 net savings to public services in Wales. The Housing Support Grant is therefore a key area of preventative spending, which we believe should be prioritised for additional funds.

160. We realise that the Minister acknowledges the situation facing the sector and told us that she would have liked to increase the HSG. We understand the challenges faced by the Minister and Welsh Government in meeting greater financial demands and recognise that the Minister continues to scrutinise the budget for ways to increase allocations. Ahead of the final budget, we would urge the Minister to explore all available avenues to increase the allocation for the HSG, especially given the importance of this essential fund during the cost of living crisis.

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

Housing supply

New affordable homes

161. The draft budget retains the Social Housing Grant (“SHG”) multi-year settlement announced in the 2022-23 budget, with an allocation of £325 million.

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

162. The Housing Finance Grant, which is the revenue stream supporting SHG with borrowing repayments, has been cut by £9 million, from £13.1 million to £4.1 million. The Minister explained:

“the finance grant budget remains at £13 million, and it's for contractual commitments to registered social landlords to support SHG, as we call it—the social housing grant. The budget line is offset by a £9 million income line from the Development Bank of Wales.”⁸⁷

163. Another capital grant bringing forward social housing is the Transitional Accommodation Capital Programme (“TACP”). This 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. In its first year, TACP supported local authorities and registered social landlords with £76.4m, to bring forward 936 homes. It is not a separate BEL line but has been funded through underspends and top-slicing SHG.

164. In its response to the Finance Committee, Community Housing Cymru commented that:

“Despite the record capital investment from Welsh Government in the first two years of this Senedd term, building new homes has never been more difficult.”⁸⁸

165. They called for investment to protect SHG in 2024-25, and to continue the ‘agile and pragmatic’ approach to funding demonstrated in the TACP and Optimised Retrofit Programmes. Cymorth Cymru also called for TACP to be preserved. The Minister emphasised the financial constraints in developing new affordable housing:

“We get about four houses per £1 million now as a result of the various inflationary increases that we've had, where we were getting somewhere between five and seven houses for that £1

⁸⁷ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 360

⁸⁸ Finance Committee, WGDB 24-25 26 Community Housing Cymru

million. It's been getting smaller the whole time I've been in this portfolio.”⁸⁹

166. A capital allocation of £60.5 million will deliver investment in the Housing with Care Fund and supports the Programme for Government commitment to support innovative housing development to meet care needs. The Minister’s paper notes:

“The majority of these units are likely to be Extra Care housing for older people, alongside smaller scale developments to provide supported living accommodation for adults with a learning disability. These are tenanted social housing units which will count towards the 20,000 low carbon social housing for rent target.”⁹⁰

Land

167. There is a capital allocation of £25 million and a revenue allocation of £2.25 million for the Land Release Fund BEL. The Minister’s paper notes that this will support the provision of ‘exemplar sites’ within the Land Division’s portfolio to “enable a steady stream of land to be realised over the next 5 years to deliver circa 2,600 quality affordable units”. The Minister told us that the budget for the land division has been protected because:

“we have 27 sites that could deliver around 6,000 homes on exemplar sites. So, we're very keen to make sure that we use Welsh Government land to show people what can be done.”⁹¹

168. The Minister told us that it was important to protect the funding for land release as:

“without it, we cannot deliver the 20,000 social homes for rent that we've committed to.”⁹²

169. A revenue allocation of £1 million will support the development of Unnos, a national construction company. The Minister’s paper notes in relation to Unnos that:

⁸⁹ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 360

⁹⁰ Local Government and Housing Committee, 18 January 2024, Paper 3

⁹¹ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 364

⁹² Local Government and Housing Committee, 18 January 2024, RoP, paragraph 364

“There is now broad agreement on the immediate work to be taken forward and the programme of work is being developed.”⁹³

Our view

170. The availability of affordable housing has consistently been raised as a challenge throughout our housing related policy and financial scrutiny work. We recognise the barriers to delivering new affordable homes, including material cost increases and supply chain and workforce issues.

171. We are grateful for the update provided by the Minister in her letter of 20 December 2023 on the progress made to deliver the Welsh Government’s commitment of 20,000 new social homes for rent. We note that 5,575 homes had been delivered towards the target by the end of the 2022- 23 financial year.

172. This will continue to be an issue of great interest to us and we remain committed to monitoring progress in achieving the Welsh Government’s target. We would therefore be grateful for a further update on progress made during the 2023-24 financial year. We have previously raised concern as to whether the target of 20,000 new homes is sufficient and will pursue this further when we undertake an inquiry into social housing supply later this year.

Recommendation 13. The Minister for Climate Change should, when the information is available, provide this Committee with an update on progress made during the 2023-24 financial year in delivering the Welsh Government’s target of 20,000 new social homes for rent.

173. We welcome the allocations for the Land Release Fund BEL and the Minister’s commitment to releasing land owned by the Welsh Government for exemplar site housing development.

Building safety

174. Building safety has a revenue allocation of £4.5 million in 2024-25, which is £1.5 million less than 2023-24, and a capital allocation of £127.67 million, which is £7.33 million less than 2023-24, and £37.33 million less than the indicative figure. The draft budget narrative said that this is:

⁹³ Local Government and Housing Committee, 18 January 2024, Paper 3

“not a reduction in budget commitment to these works but a change of budget profile which more closely reflects when payments will become due.

The timeline for these complex works can be long so the amended profile - releasing £37m of capital in 2024-25 for a switch to revenue - ensures we have the right amount of money in each year to meet the cost of completed works. We have been able to prioritise work to release £2m of revenue funding.”⁹⁴

175. The Minister re-iterated this to us, explaining that all residential buildings of 11 metres or over in Wales now “have a route to remediation” and that there are various financial programmes in place to assist that. The Minister confirmed that large building companies are required to undertake the work at their own expense and that the Welsh Government is funding social buildings, ‘orphan’ buildings and providing assistance to some smaller developers.⁹⁵ The Minister explained that it is not possible to undertake the remediation work needed across all buildings at the same time:

“We have neither the workforce nor the supply chain to do that. So, this is about making sure that the budget spend reflects over the years when those buildings are likely to go into remediation.”⁹⁶

176. The Minister told us that future budgets for “the next three to five years” would include allocations for building safety remedial work but emphasised that she was not “necessarily saying” that people living in the buildings would have to wait five years for the work to be undertaken, adding:

“as we work with the developers to bring those buildings forward, we’ll be able to give people a better understanding of where they are in the programme.”⁹⁷

Our view

177. We acknowledge that the Minister has consistently re-iterated her commitment to ensuring that remediation work is undertaken on all affected

⁹⁴ Welsh Government, [Welsh Government Draft Budget 2024-25](#), December 2023

⁹⁵ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 372

⁹⁶ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 373

⁹⁷ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 373

high-rise residential buildings across Wales and we welcome the funding in this draft budget and the work that has already taken place. However, we recognise that it continues to be a very worrying time for people living in the affected buildings and also for leaseholders who are landlords. The uncertainty faced by those affected remains a concern to us and we believe the Welsh Government should provide details on the position of remediation plans for high-rise residential buildings across Wales.

Recommendation 14. The Welsh Government should provide a comprehensive list of the current state of remediation plans for high-rise residential buildings and the progress of developers' remediation works. Details should also be provided as to how the Welsh Government expect the allocations for building safety in the draft budget to deliver remediation works in 2024-25.

Housing standards

Social housing standards and decarbonisation

178. The Welsh Government provides an annual capital allocation of £108m through its Major Repairs Allowance and Dowry Gap Funding BEL to support social landlords achieve and maintain the Welsh Housing Quality Standard (WHQS). That BEL has remained at the same level in cash terms for many years. However, the majority of WHQS work (65 per cent of costs) is funded by social landlords themselves.

179. Net Zero Wales sets out the Welsh Government's expectation that by 2025 around 148,000 houses across Wales will receive retrofit measures to reduce heat loss. For social housing the new WHQS 2023, published in October, raises standards in a number of areas including a requirement that all homes must meet EPC C by March 2030, and EPC A in the longer term.

180. CHC's response to the Finance Committee's consultation said that:

"the social housing sector is still awaiting a decision on the long-term approach to decarbonisation at scale."⁹⁸

181. The Welsh Housing Quality Standard 2023 demands ambitious energy efficiency improvements as well as increased requirements for flooring, biodiversity and water poverty. It is currently largely unfunded. The challenge cannot be met without an investment which in turn will provide an economic

⁹⁸ Finance Committee, WGDB 24-25 26 Community Housing Cymru

boost to our communities as well as warmer, more energy efficient homes for tenants.

182. Social landlords' income primarily comes from rents, and this is subject to the Welsh Government's Rent and Service Charge Standard which limits rent increases. For 2024-25 the Welsh Government has set the maximum rent increase at 6.7 per cent, having set it at 6.5 per cent for 2023-24. The five-year Standard is due to end in 2025, and the Welsh Government has not yet made an announcement about its successor.

183. The Chartered Institute for Housing Cymru's response to the Finance Committee consultation called for the Welsh Government to:

*"Continue to work collaboratively with housing providers to ensure a fair and equitable rent settlement that ensures rents are affordable for tenants whilst enabling social landlords to generate a level of income that can be invested in the delivery of core services and meet Welsh Government ambitions around development and decarbonisation."*⁹⁹

184. There is a capital allocation of £92 million and a revenue allocation of £1.67 million to support residential decarbonisation. The Minister's paper notes that this will predominantly be used to support the social housing sector through delivery of the Optimised Retrofit Programme (ORP), as well as funding the Housing Net Zero Performance Hub which provides technical support to the sector across all tenures.

185. The Minister emphasised the importance of striking a balance between "using the rental income of current tenants to build the houses of the future". The Minister added that the Welsh Government works with tenants' associations and housing providers to arrive at a rent settlement for 2024-25 and told us:

*"this is the balance between us making sure that the current housing stock is fit for those people to inhabit, and that they're getting a good return for their rent, if you like, and also that it's an investment in the future. So, we think we've hit the right balance there with the decarbonisation programme, the fuel efficiency programmes and the repair and maintenance programmes."*¹⁰⁰

⁹⁹ Finance Committee, WGDB 24-25 17 Chartered Institute for Housing Cymru

¹⁰⁰ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 385

186. In arriving at a maximum rent increase of 6.7 per cent, the Minister told us she was “very keen indeed to make sure that we weren’t causing people to be in unaffordable housing”, while ensuring that RSLs maintain their ability to meet their build programme requirements.¹⁰¹ The Minister emphasised that the maximum increase is “a ceiling; it’s not a target”, adding:

“We do not expect people to put the rent up automatically by 6.7 per cent.”¹⁰²

Adaptations

187. The Rapid Response Adaptation Programme (RRAP) receives a capital allocation of £19.5 million and a revenue allocation of £5.1 million in 2024-25, the same as 2023-24. This supports local authorities in delivering the Enable programme using discretionary assistance powers, rather than through the statutory Disabled Facilities Grant process. It also funds Care and Repair Cymru to deliver small adaptations and adaptations for housing associations.

188. In response to the Finance Committee’s consultation, Care and Repair Cymru welcomed the increased funding they received in 2022-23, which was maintained in 2023-24, and said that this enabled the expansion of RRAP to address increased demand. However the increased capital has been offset by inflation-linked rises in costs, and a survey of the 13 local Care and Repair agencies found that a further £859,000 would be needed to meet the current year’s demand.

189. Care and Repair said their staff regularly come across unfit homes and serious disrepair issues that remain unaddressed due to a lack of resource. They called for a “safety net grant” to rectify hazardous disrepair.¹⁰³ Age Cymru also raised the issue of disrepair, citing a survey of 1,200 older people across Wales which found that 25 per cent of older people said housing repairs were a challenge for them this year.

190. The Minister told us that the principle of a fund to rectify hazardous repair aligned with the principle of people living independently for longer, reducing pressure on support services.¹⁰⁴

¹⁰¹ Local Government and Housing Committee, 18 January 2024, RoP, paragraphs 389-390

¹⁰² Local Government and Housing Committee, 18 January 2024, RoP, paragraph 391

¹⁰³ Finance Committee, WGDB 24-25 28. Care and Repair Cymru

¹⁰⁴ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 402

Our view

191. The Minister was clear that social landlords should not automatically increase the rent for their tenants by the agreed 6.7 per cent maximum, however we recognise that due to inflationary pressures, it is possible that many will impose increases close to or at the maximum level. It would be useful for us to have a better understanding of rent increases across the social sector, however such information is not currently available or published in Wales. We would like to see data on social rent increases in Wales published as it is done in [Scotland](#).

Recommendation 15. The Welsh Government should make arrangements for data on social rent increases across Wales to be made publicly available.

192. We welcome the excellent work undertaken by Care and Repair Cymru to enable older people to live independently in their own homes. We are interested in the type of grant suggested by Care and Repair Cymru to rectify hazardous disrepair in people's homes and think there is merit in exploring the introduction of such a grant.

Recommendation 16. The Welsh Government should work with Care and Repair Cymru to explore the introduction of a grant to rectify hazardous disrepair to enable older people to live safely and independently and to prevent hospital admissions because of accidents at home.

Implementing and developing legislation

193. The Housing Policy Revenue BEL has been allocated £1.368 million, down from £6.471 million in 2023-24. This supports a number of legislative proposals, as well as support for the Dwyfor second homes pilot and Rent Smart Wales's anti-racism training for landlords. There are a number of legislative proposals within the Minister's portfolio.

194. The Minister told us that, so far, the money allocated is sufficient to bring forward the legislation, with the caveat that the legislation will not be brought forward until 2025-26 financial year.¹⁰⁵

¹⁰⁵ Local Government and Housing Committee, 18 January 2024, RoP, paragraph 411