

Welsh Government budget priorities

CIH Cymru briefing

This briefing provides an overview of the key housing issues from a cross-tenure perspective, highlighting key opportunities to support overcoming these in practice through Welsh Government budget support.

Introduction

The past twelve months have seen the impact of the economic crisis being felt in all areas of Wales. Not least the nearly £1bn Welsh Government budget deficit seen as a result of on-going inflationary pressures with the certainty of further cuts to services and programmes in Wales to bridge the gap. These financial constraints and ongoing uncertainty come at a time of rising homelessness, decreasing supply of affordable homes and expectations on registered social landlords (RSLs) and local authorities (LAs) to ensure they not only continue to develop additional homes but undertake work on existing homes to meet decarbonisation targets.

CIH Cymru believes that housing is a foundational mission for government as a suitable, secure, and affordable home will improve health outcomes, reduce poverty, and increase economic activity throughout Wales. Despite this the budget for 2023/24 saw just around 4.6 per cent of the total budget allocation, based on DEL expenditure lines on housing. Furthermore, since 2006, the percentage of the Welsh Government budget spent on housing has been 2.2 per cent¹ per annum, which CIH Cymru does not believe reflects the seriousness of the housing crisis that we are currently navigating as a nation. These monies were to develop new affordable homes, provide support so households could maintain their home and

¹ UK Housing Review - <https://www.ukhousingreview.org.uk/ukhr23/tables-figures/pdf/23-057.pdf>

for RSLs and LAs to decarbonise existing homes as part of meeting net zero targets. With rising homelessness fuelled by a lack of affordable housing and the financial pressures faced by RSLs and LAs due to ongoing inflationary pressures it has never been more vital to increase the investment into housing.

We have set out in this paper our priorities for the 2024/25 budget. These priorities set out the expectation that as a minimum existing funding levels are retained but ideally are increased if we are to ensure that homelessness is rare and non-repeated as well as ensuring we can meet net zero targets.

The supply of social/affordable homes

There is an ongoing strong commitment to the provision of additional affordable homes here in Wales, with £375m committed to the Social Housing Grant for 2024/25 to ensure ongoing progress to meet the 20,000 new affordable homes target for this Senedd term. The need for affordable housing has never been so great with 11,000 individuals in temporary accommodation and a lack of affordable private rent properties. The local housing allowance continues to be frozen resulting in just 32 properties being available at local housing allowance levels in February. Yet this situation is likely to be much worse now against the backdrop of a 9.6 per cent rent rise for newly available homes in the private rented sector.

It is therefore vital that there are sufficient levels of funding for the development of affordable homes to rent in Wales. We have calculated the level of annual investment needed for just those households seeking assistance to prevent or relieve their homelessness in 2022/23² as £391 million per annum based on the

² Households for which assistance has been provided by outcome and household type.
<https://statswales.gov.wales/Catalogue/Housing/Homelessness/Statutory-Homelessness-Prevention-and-Relief/householdsforwhichassistancehasbeenprovided-by-outcome-householdtype>



current Acceptable Cost Guidance³. This is lower than the current level of investment. The £391 million per annum is also likely to be lower than the total investment needed as not everyone on housing waiting lists will seek assistance to prevent or relieve homelessness.

We have also heard from our members that the increasing cost of borrowing is now impacting financial viability assessments for proposed developments. At the same time, it is also costing significantly more to ensure existing homes can meet EPC "A". There is a risk that development will slow down or there will be a delay in meeting EPC "A" targets as finances continue to be squeezed and difficult decisions need to be made as to whether new homes are developed. So as a minimum we would like to see the current level of capital investment into social housing grant maintained but there is a need to increase this funding to ensure we have enough affordable homes to meet the rising need here in Wales and to overcome the current housing crisis.

Funding for WHQS 2023

We are still awaiting the final detail of what will be needed to meet WHQS 2023. What we do know is that housing organisations were largely supportive of the new standards but wanted to know what the funding arrangements would be to help them meet the new standards. Whilst the budget does contain a funding commitment to help decarbonise existing social homes there are concerns from our members that these monies will not be sufficient to meet all the proposed new standards. If housing organisations are to meet these new standards, then we need to ensure that there is a sufficient level of investment by Welsh Government.

Funding for frontline services

³ acceptable cost / on costs for use with Social housing grant funded housing in Wales.

<https://www.gov.wales/sites/default/files/publications/2023-07/costs-included-in-social-housing-grant-guidance-for-social-landlords.pdf>

Our latest sector snapshot survey undertaken by Housing Futures Cymru⁴ found that housing professionals working in frontline services do not have sufficient resources and services are suffering as a result. Whilst we welcome the commitment in the 2023/24 budget to provide an additional £227 million to LAs and another £268 million in 202/25 inflationary pressures and the ongoing cost of living crisis have left many LAs with significant budget deficits.

This is coupled with a doubling of the costs associated with providing temporary accommodation for homeless households, with some local authorities seeing a 1000 per cent rise⁵. The latest data on homelessness showed a seven per cent increase in the number of households becoming homeless⁶. If this trend continues it will increase the financial burden on LAs due to ongoing provision of temporary accommodation. We ask that Welsh Government increases the funding available for LAs to ensure that statutory frontline housing services can continue to provide high quality services to those facing or experiencing homelessness including the provision of temporary accommodation. We would also ask Welsh Government to ring fence any additional council tax income generated from second homes or empty homes to be invested into housing services. This is not currently the case but is a solution to the financial constraints many local authority housing, and homelessness services are facing currently.

The current level of investment into Housing Support Grant

⁴ Sector Snapshot. Survey of housing professionals in Wales. <https://www.cih.org/media/1d0iaaeu/0361-survey-of-housing-professionals-in-wales-report-1-v1.pdf>

⁵ Temporary accommodation bill rises by over 1,000% in Welsh county. [https://www.insidehousing.co.uk/news/temporary-accommodation-bill-rises-by-over-1000-in-welsh-county-82241#:~:text=A%20county%20in%20north%2Dwest,over%20the%20past%20five%20years.&text=Gwynedd%2C%20the%20second%2Dlargest%20county,\(FOI\)%20by%20Inside%20Housing.](https://www.insidehousing.co.uk/news/temporary-accommodation-bill-rises-by-over-1000-in-welsh-county-82241#:~:text=A%20county%20in%20north%2Dwest,over%20the%20past%20five%20years.&text=Gwynedd%2C%20the%20second%2Dlargest%20county,(FOI)%20by%20Inside%20Housing.)

⁶ Homelessness in Wales, 2022-23. <https://www.gov.wales/sites/default/files/statistics-and-research/2023-08/homelessness-april-2022-march-2023-603.pdf>



The amount of revenue funding provided to the Housing Support Grant was increased during the Covid-19 pandemic to help support agencies navigate the impact the pandemic has on individuals who needed support. Yet the level of funding was frozen for 2023/24 against a backdrop of rising inflation. We have heard from members that some floating support services are being decommissioned due to rising homelessness levels in tandem with budgets being squeezed. There have been some increases to price bands to enable wage rises to combat cost of living pressures for support staff. This in turn has reduced the amount of support that can be provided. Though without the price band increases the scheme may not run due to a lack of staff. In addition, there are concerns around the allocation of the old s.180 funding redistribution which could leave some local authorities losing out on more funding, reducing the number of support schemes that could be operated as part of preventing and relieving homelessness. We ask for an increase to the revenue funding for housing support grant to safeguard the provision of floating support and supported accommodation. These services are needed more than ever as homelessness continues to rise as part of local authority efforts to ensure that homelessness is rare, brief and non-repeated.

The right of adequate housing

As previously outlined CIH Cymru believes that housing is a foundational mission of government as a lack of housing can increase poverty and worsen health and wellbeing outcomes. We need to ensure Wales has housing as its foundational mission by incorporation of the right to adequate housing into Welsh law.

Investment in the progressive realisation of the right to adequate housing will generate socio-economic benefits that outweigh the costs. Investing £5 billion in ending homelessness and improving housing adequacy can generate £11.5 billion in economic and social benefits over a 30-year period. In other words, spending £1 to provide adequate housing in Wales will generate £2.30 in benefits by:

- Saving £5.5bn in improved well-being.
- Saving £2bn from local council budgets.
- Saving £1bn for the NHS.

- Saving £1bn for the criminal justice system
- Generating £1bn in additional economic activity⁷

Enshrining the right will not only ensure individuals can access a safe, suitable, and affordable home but will also increase the monies available to invest in our public services improving our financial outlook and quality of life for generations.

Summary of asks

- Investment in Social Housing Grant is increased to ensure that the supply of affordable homes is at the right level to mitigate the current housing crisis and rising levels of homelessness.
- Ensure that the meeting of WHQS 2023 standards is properly financed.
- Reassess the level of funding provided to frontline statutory homelessness services due to increased demand. Also look at ensuring additional council tax raised to mitigate the impact of second homes is ring-fenced to be invested into statutory frontline housing services.
- Enshrine the right to adequate housing into Welsh legislation. The right will realise significant savings that can be used to further invest in public services coupled with increased economic activity. For every £1 spent on progressively realising the right to adequate housing, there will be £2.30 in benefits that can be invested into Welsh public services.
- 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.

⁷ The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics. <https://www.taipawb.org/wp-content/uploads/2022/09/Alma-Economics-Back-the-Bill-Final-Phase-2-report.pdf>

- The additional investment in Housing Support Grant should be sustained and further investment considered on the basis of potential demand across all housing tenures.



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About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

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