



## Call for information: Welsh Government Draft Budget Proposals

### Questions

#### 1. What, in your opinion, has been the impact of the Welsh Government's 2021-22 budget including funding related to COVID-19?

Through the 2021/22 budget Welsh Government and its delivery partners have protected vital services through Covid-19 pressures, but also begun to make accelerated progress on systemic issues, such as tackling Wales' housing crisis and the supply of affordable homes. We were also pleased to see the Welsh Government's Covid recovery plan recognise the important role of housing in supporting the recovery across Wales.

The data shows that we need between 3,400-5,200 market homes in Wales and 3,300 – 4,400 social homes and that we are not building enough social housing to meet this need<sup>1</sup>. We were therefore pleased to see record investment in social housing grant - nearly £300 million allocated - in the 2021-22 final budget. This investment will support housing associations to continue to build at pace and scale within challenging economic circumstances.

There was also a much needed rebalancing of investment in the Housing Support Grant that reversed 10 years of real terms cuts to housing-related support funding through an additional investment of £40 million that represents a 32% increase on investment in 2020/21. Post Covid homelessness transformation funding was also an important investment to support a transition to rapid rehousing in the immediate aftermath of the public health crisis.

Wider investment choices made through the 2021/22 budget also played an important part in tackling the housing crisis such as £32m for building safety, and £40m capital for the integrated care fund.

Finally, we know that Wales has some of the oldest and least thermally efficient housing stock in the UK and Europe. 32% of the Welsh housing stock was built before 1919 and homes in Wales are responsible for 27% of all energy consumed and 15% of all demand-side greenhouse gas (GHG) emissions. Decarbonising our existing stock is an important part of tackling the climate emergency. The Optimised Retrofit Programme has provided a welcome opportunity to understand the combination of building fabric improvements, low and zero-carbon technologies, and intelligent operational controls which will help us collectively plan how to take each home to its lowest achievable carbon footprint.

For social care, a number of important investment announcements have been taken outside the formal budget cycle, such as the continuation of Covid-19 social care

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<sup>1</sup> <https://gov.wales/estimates-housing-need-2019-based>



funding, the and social care recovery funding (£40m for 2021/22 announcement in September 2021). This funding has been vital for providers and ensured they are able to maintain high quality care at a time when both cost pressures have escalated and income has been squeezed.

## **2. How do you think Welsh Government priorities for 2022-23 should change to respond to COVID-19?**

The 2021/22 budget provided much needed investment in critical areas that we need to see protected and built upon in the investment choices for 2022/23 and beyond.

Covid-19 exposed, rather than created, cracks in delivery of public services. Our collective focus should be on a long-term balanced investment programme that allows public services and their delivery partners to reorient public services away from crisis towards prevention, and to make every pound work hard to provide an economic boost, as well as benefiting the health and wellbeing of the whole nation and future generations.

The UK Government's recent comprehensive spending review gave the Welsh Government the power to set out its spending plans over a 3-year period, until 2024/25. For the first time, the Welsh Government has some medium-term certainty about its budgets and we urge them to seize this opportunity to provide certainty to delivery partners to ensure that we can maximise the value delivered for each pound of investment.

### Capital investment

Capital investment should be prioritised and measured according to the impact it can have on future generations to support a shift to an economy that is founded on wellbeing principles. This should include the following priority spend areas for the coming years:

- A multiyear investment programme to support the delivery of the 20,000 new energy efficient social homes for rent promised in the programme for government. This should equate to an annual investment of at least £300m capital in social housing grant.

Building 20,000 social homes will support over 7,000 jobs and 3,000 wide ranging training opportunities across Wales and produce almost £2bn of economic output. Housing associations will match government investment in new homes under the new grant framework blending private borrowing with government investment to make public investment stretch further.

- A long term commitment to a 10-year, £4bn stimulus package, backed by a mix of public and private funding, to retrofit social homes. Investing to make existing homes more energy efficient homes will provide a local economic boost. Refurbishing half of housing association homes in Wales, over the next term of government, could support over 12,000 jobs, 3,000 training



opportunities and create £2.5bn in economic output<sup>2</sup>. We would like to see the government commit to a long term stimulus package based on the new Welsh Housing Quality Standard and learning from Optimised Retrofit to support social landlords to deliver the decarbonisation of existing homes.

### Rebalancing spend towards prevention

Despite the efforts of many, organisations often miss the opportunity to collaborate. This is often attributed to the overwhelming challenge of ‘today’, the constant need to ‘fire-fight’ problems, risk aversion and culture - helped along by rigid, competitive and time-limited funding and commissioning arrangements which can leave limited time to develop sustainable partnerships.

We would like to see:

- A three year indicative funding settlement for the Housing Support Grant (HSG), which increases by at least inflation each year, from a baseline of £166 million. The Homelessness Action Group recognised the importance of housing related support and called for the HSG budget to be increased in its major report about how to end homelessness in Wales<sup>3</sup>. This will become even more important as Wales makes the transition to rapid rehousing. Last year’s Housing Support Grant budget was increased in recognition of the importance of funding support services.

To build on the efforts made to reduce homelessness during the pandemic, it is critical that it is protected and increased further, at least in line with inflation in future budgets. Another compelling reason to protect and increase the HSG is to enable services to receive enough funding to pay their staff a fair wage and provide them with the support they need. They have saved and transformed lives during the pandemic - but are some of the lowest paid workers in Wales and frequently experience vicarious trauma as a result of the work they do. It’s time that they received the reward, recognition and support they deserve - or we risk losing a highly skilled and passionate workforce.

- Funding in the 2022/23 budget to enable local authorities to continue to providing much needed emergency accommodation and support to people experiencing homelessness. The Welsh Government took critical action at the start of this pandemic, announcing £10 million for emergency accommodation and support that enabled people to come off the streets and stay somewhere safe. As Covid-19 continued to place strains on people’s lives, relationships and finances, thousands of people have presented to local authority homelessness services during this pandemic.

Unfortunately, structural factors such as the absence of enough truly affordable housing has meant that thousands of people have remained in

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<sup>2</sup> <https://hereforhomes.org.uk/uploads/resources/Home-CHC-ActionPlan-ENG-FINAL.pdf>

<sup>3</sup> <https://gov.wales/homelessness-action-group>



emergency accommodation, despite considerable efforts to help them into permanent homes. There are currently over 6,500 people in emergency accommodation, with approximately 1,000 people presenting to local authority homelessness departments every month.

The Welsh Government has committed to providing funding to local authorities for the remainder of this financial year - but due to the lack of truly affordable housing we know that people will continue to need emergency accommodation as we enter the next financial year. It is critical that the Welsh Government's draft budget includes funding for local authorities to enable them to continue to secure emergency accommodation.

- Transition funds to support the shift to a preventative approach. This builds on the approach to homelessness transformation funding from the Welsh Government and should include a 3-year transition fund to transform the way we alleviate homelessness based on rapid rehousing and Housing First in line with recommendations from the Homelessness Action Group.
- A funding road map to provide long-term fair funding for social care. We would like to see a clear plan set out alongside this first Budget of the sixth Senedd for Care. This should include work to develop an evidenced national fee methodology that meets the true cost of delivering high quality care and enables providers to pay at least the Real Living Wage, as part of work to develop a National Commissioning Framework

### **3. How financially prepared is your organisation for the 2022-23 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?**

There is a big opportunity for this budget to provide a multiyear funding package. The environment within which housing associations are delivering services and building new homes has never been more challenging. We are seeing cost pressures across the piece and certainty plays an important role to manage down risk.

This should be accompanied by a pragmatic approach to the discharge of grant programmes to respond to rapidly changing times. The new approach to allocating Social Housing Grant based on a standard viability model should provide scope to do this and we urge the Welsh Government to keep the model and assumptions within it under review. For example, a recent CIH Cymru report<sup>4</sup> found that almost 90% of respondents to their research across housing developers and social landlords are having significant or moderate issues with supply chains for building new homes, day to day maintenance and retrofitting and that prices are increasing across the piece with access to timber has seen the most significant impact but items needed for all aspects of building homes, and carrying out maintenance/repairs have been affected to one extent or another.

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<sup>4</sup> <https://www.cih.org/media/4hwfxjq2/shocks-in-the-supply-chain-final-eng.pdf>



**4. Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?**

Changes to ensure that effective scrutiny takes a longer term view is essential and in line with the ambitions and goals of the Future Generations Act.

We believe that the Budget should clearly link to well-being outcomes from the Programme for Government to enhance the transparency over spending decisions.

Finally, we would like to see greater scrutiny over the Welsh Government's work to rebalance spend away from crisis to long-term prevention over the next Senedd term, and provide the necessary transition funds to support the long-term shift to a preventative and public health based approach. One important way that this could be achieved is via an annual report to the Public Accounts Committee setting out the proportion of spend directed towards preventative services and its plans to shift that proportion over time.

**5. Does the Fiscal Framework adequately reflect the impact of the public health emergency in Wales compared to other UK countries and do you support increasing the annual and/or overall limits, £150 million and £1 billion respectively, to current Welsh Government capital borrowing within this Framework?**

No comment on this issue.

**6. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2022-23 budget?**

- **How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.**

We know that the Welsh Government will have difficult trade-offs to make. We will need a balanced investment programme that makes every pound work hard to provide an economic boost, as well as benefiting the health and wellbeing of the whole nation and future generations. Capital investment should be prioritised and measured according to the impact it can have on future generations to support a shift to an economy that is founded on wellbeing principles.

This should include a focus on the role that good quality housing can make to create jobs, support local businesses and have a multiplier effect on the economy. We know that good housing can stimulate and extend economic activity locally. For every 1 person employed full time by a housing association, another 1.5 good quality jobs are supported elsewhere in the economy.

Investing in 20,000 energy efficient social homes could:

- Support over 7,000 jobs and 3,000 training opportunities across Wales



- Produce almost £2bn of economic output.<sup>5</sup>

Housing associations are keen to play their part to complement public investment:

- In 2018/19, housing associations invested £4 million to provide training for their tenants, with 8,000 people receiving employability and skills development<sup>6</sup>.
- 85p in every pound spent by a housing association in Wales, stays in Wales and we have ambitions to increase this proportion of local spend to 90p by the end of the Senedd term.
- As independent organisations that exist for social purpose, housing associations have access to £3bn of private borrowing which they use to make public investment go further<sup>7</sup>.

### **To what extent alleviating climate change should be prioritised in supporting economic recovery**

We would see this as a complementary activity. Investing to make existing homes more energy efficient homes will provide a local economic boost: Refurbishing half of housing association homes in Wales, over the next term of government, would support over 12,000 jobs 3,000 training opportunities and create £2.5bn in economic output<sup>8</sup>

### **How resources should be prioritised to address the pressures felt in sectors that need to “catch-up”, such as Health and Education**

#### **Welsh Government policies to reduce poverty and gender inequality.**

We know that resources are under strain and that the COVID -19 crisis means the government has had to respond to the very immediate public health and economic crisis. This has inevitably tipped the balance of spend even further towards reactive and acute interventions. We must use this Senedd to reverse this shift.

The effects of the COVID-19 pandemic have not been felt equally by people and communities across Wales. Housing has proved to be a key determinant of health, wellbeing and safety, and ‘Home’ has never meant more. Somewhere safe, comfortable and secure. Somewhere adaptable to our changing needs. Somewhere connected to our work, education, public services - and to each other. Where we live has never been more important to how we live.

Whilst the appropriate quantum of funding is crucial we also need to bring our collective resources together in a focused, coordinated and shared effort if we are to

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<sup>5</sup> [https://chcymru.org.uk/cms-assets/legacy/2018\\_Economic\\_Impact\\_of\\_Welsh\\_HA\\_sector\\_Report\\_FINAL.pdf](https://chcymru.org.uk/cms-assets/legacy/2018_Economic_Impact_of_Welsh_HA_sector_Report_FINAL.pdf)

<sup>6</sup> [https://chcymru.org.uk/cms-assets/legacy/2018\\_Economic\\_Impact\\_of\\_Welsh\\_HA\\_sector\\_Report\\_FINAL.pdf](https://chcymru.org.uk/cms-assets/legacy/2018_Economic_Impact_of_Welsh_HA_sector_Report_FINAL.pdf)

<sup>7</sup> [https://chcymru.org.uk/cms-assets/legacy/2439\\_CHC\\_Global\\_Accounts\\_2019\\_v4.pdf](https://chcymru.org.uk/cms-assets/legacy/2439_CHC_Global_Accounts_2019_v4.pdf)

<sup>8</sup> <https://hereforhomes.org.uk/uploads/resources/Home-CHC-ActionPlan-ENG-FINAL.pdf>



reduce health inequalities and support people to live well and independently for longer. Alongside efforts to rebalance funding we would also wish to see the Welsh Government bridge the gap between policy and delivery and bring people together to tackle health inequalities by providing a cross government, whole-sector response to physical and mental health inequalities to create the economic, social, natural and home environment that supports positive wellbeing throughout the life-course for all people in Wales and reduces inequalities for the next generation.

**Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)**

**How evidence is driving Welsh Government priority setting and budget allocations**

We would welcome the budget being presented in a form which makes this investment visible, accessible and transparent so we can monitor progress. This should include ensuring that the budget allocations are also mapped against the well-being outcomes in the Programme for Government and an annual report on the work to rebalance spend from crisis to prevention to the Public Accounts Committee.

**What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act)**

“Stay home!” is a phrase we have heard again and again during the pandemic. Never before have our homes taken such prominence; many of us spent so much time within them and so many aspects of our lives revolved around them.

We know that the next Government of Wales will have difficult trade-offs to make. We will need a balanced investment programme that makes every pound work hard to provide an economic boost, as well as benefiting the health and wellbeing of the whole nation and future generations. Investment should be prioritised and measured according to the impact it can have on future generations to support a shift to an economy that is founded on wellbeing principles.

What has been clearly demonstrated by the pandemic is that investment in a warm, safe and appropriate home is fundamental to our collective ability to improve our health and prosperity and should be at the centre of any proposals to build back better.