



Welsh Government draft budget 2022-23

CIH Cymru consultation response

This is a response to the Senedd's Finance committee's consultation which seeks views to inform its scrutiny of the Welsh Government's draft budget 2022-23.

1. Key points at a glance
 - COVID-19 has exacerbated inequalities between different population groups and people living in different housing tenures which need addressing with resources to provide support, advice and expertise.
 - Housing Support Grant funding should be protected and an area for further investment in light of these challenges in addition to mitigating some pressures of the affordability crisis facing many households.
 - The 20,000 low-carbon social housing target represents an ambitious step forward which will require the pattern of 'record-level' funding to continue in both the forthcoming and subsequent budgets.
 - Decarbonisation of existing homes, in line with the Government's ambition to address climate change, will need huge investment to support activity across all forms of housing tenure.
 - The realities of the operating environment in the form of supply chain pressures are increasing the real-time costs of building new social and affordable homes – these should be considered as areas to provide further resource into the sector.
 - Infrastructure and skills to deliver on a green vision for the housing sector in Wales requires clear funding stream to underpin delivery in practice.
2. Introduction
 - 2.1 Housing, particularly social housing has featured heavily in the new Welsh Government's programme for government and the subsequent Co-operation Agreement between Welsh Labour and Plaid Cymru. These combined put forward an ambitious vision for ending homelessness, exploring a right-based approach to housing, building 20,000 low-carbon social homes and improving the quality, affordability and safety of existing homes at pace and scale.
 - 2.2 We know that achieving that shared vision will require continued investment, not only in how the delivery of new social and affordable homes is underpinned in practice, but also how housing-related support continues



to play its ever-vital role in sustaining tenancies, preventing homelessness and helping people thrive.

- 2.3 Wider consideration should also be given to how the Welsh Government budget decisions serve to create communities that are well connected to infrastructure that can support people to thrive where they live – such as green and blue infrastructure.
- 2.4 We strongly welcome this opportunity to provide our views to aid the committee's scrutiny, particularly given the vital role housing does and must continue to play in meeting some of the most pressing challenges globally. Added to this, the pandemic has had a huge impact on the work of our members and the communities they serve. Many of the housing related issues that existed long before the pandemic started, such as homelessness, inadequate housing conditions and affordability will have been impacted by the conditions imposed on people's lives.
- 2.5 In the sections below we have included broad heading covering some key areas of housing policy/practice and highlighted issues the committee may wish to consider in its own scrutiny activity.

3. COVID-19 recovery and housing

Widening housing-related inequalities

- 3.1 The COVID-19 pandemic has brought into sharp focus what the impact of having an affordable, safe place to call home can have on people's ability to remain safe and well. The pandemic has already highlighted the stark differences in people's experiences that find their roots in their housing circumstances.
- 3.2 For some the pandemic has provided a chance to spend more time at home, save money, find a better work/life balance whilst enjoying a safe home environment. For others who live in poor housing conditions, in overcrowded homes or suffer domestic violence/abuse – being confined to their homes will have been a miserable experience, often making their circumstances even worse.
- 3.3 We recently led on the authoring of the Health Impact Assessment on behalf of Public Health Wales – 'No place like home? Exploring the health and well-being impact of COVID-19 on housing and housing insecurity' which sets out starkly how housing security has featured as a prominent issue in the lives of many, and what factors has had a bearing on people's circumstances in this context. Some of the highlights include:
- The economic impacts of the pandemic have had a negative effect on those on a low-income, women and young people. Reduced income



will have caused further hardship for those on a low-income, which could be exacerbated through their precarious living situation.

- Private renters are at increased risk of insecure housing due to housing being less affordable during an economic crisis. However, mitigation measures, such as the suspension on evictions and Tenancy Saver [REDACTED] by Government and other agencies will have helped many.
- Some women, children and young people have been at greater risk of harm from violence and abuse or exposure to this, through spending more time at home during the pandemic, and Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) has been exacerbated. There is also a lack of refuges where those at risk of VAWDASV can access support (particularly face-to-face support) and safe housing.
- The pandemic has highlighted the positive impact of housing and welfare COVID-19 support measures. For example, homelessness prevention schemes have provided temporary accommodation, however some risk becoming homeless again when support measures end.
- There has been an increase in neighbourhoods coming together to support one another. However, some individuals and population groups have been affected negatively, such as feeling isolated or being unable to access support.

3.4 The issues and circumstances at play here will not be resolved instantly, and despite having their roots to some extent in the conditions of the pandemic, their impact will be long-lasting.

A looming affordability crisis

3.5 The ability to meet housing costs during the pandemic has been under significant scrutiny with a sharp increase in the numbers of people seeking help to meet these costs.

3.6 At March 2020 there were 154,948 UC claimants in Wales by May 2020 this had risen to 253,221 a 63% increase since March, far above the usual rate of organic growth in claimants¹. Coupled with this since March 2020, 26,000 fewer people are in paid employment and 280,000 people have fallen behind on household bills.² Between February 2020 and February 2021 the

¹ <https://stat-xplore.dwp.gov.uk/webapi/jsf/dataCatalogueExplorer.xhtml> (Accessed 04/08/21).

² <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Wales/Wales%20Policy%20and%20Campaigns/Benefits%20issues%20in%20Wales%20during%20CV-19.pdf> (Accessed 04/08/21).



number of households in Wales receiving the UC housing costs element increased 59% from 80,772 to 128,701 comprising of a 45% increase in social tenants and a 77% increase in private tenants. The number of private tenants and social tenants on UC in Wales is now roughly in balance (64,000 and 65,000 respectively).

- 3.7 We [REDACTED] the ending of the £20 uplift to Universal Credit, the temporary extension of the notice period for evictions ending in the new year and the wrapping-up of the furlough scheme there is a real risk that financial hardship will increase, reliance on the welfare system will become greater and for many the struggle to meet housing and other general living costs will become more pronounced.
- 3.8 The availability, access to and readiness of housing-related advice and support services is of concern given the volume of households who may need to seek support in the run-up to and over the winter months.

Local authority resources

- 3.9 The role of local authority housing departments is critical as part of the housing and support ecosystem that exists in Wales to prevent and alleviate homelessness in addition to other key functions, such as tackling empty homes, producing local housing strategies and planning the use of land. However, we know that local authority housing professionals and the departments they work within face significant pressures in carrying out their obligations in the face of substantial demand for services and support.
- 3.10 For example, [our own work in surveying local government housing professionals](#) found that managing the impact of the COVID-19 pandemic has placed considerable pressure on staff working in housing and homelessness services. Our research found:
- Almost a third (30%) felt that effort to house people experiencing homelessness to provide protection and limit the spread of COVID-19 was one of the key positive actions to come about as a result of the pandemic
 - A combined lack of housing stock, staff capacity and the need to manage the impact of COVID-19 on top of already busy day jobs combined represent the most significant pressures facing local government housing staff
 - More affordable housing and more staff were highlighted as solutions to those pressures in addition to an easing of the



pressure from the Welsh Government in terms of deadlines to put forward projects and apply for funding,

- Over 80% of respondents felt that if housing targets are to be met, land supply/availability and resources will be required to support their achievement
- In considering the strength of partnerships between the housing department and health and social care services, 86% of respondents had either some or no confidence in these arrangements

The role of housing support

3.11 In light of the conditions of the pandemic, the ongoing pressure on housing supply and the need to continue the progress made during the last 18 months in addressing homelessness, the role of housing related support services has never been so important.

3.12 The Supporting People programme, and subsequently the Housing Support Grant, provides support for a broad range of needs. Accommodation for older persons, for individuals with learning disabilities, for people fleeing domestic violence and for ex-offenders is provided through the HSG, as well as support for individuals experiencing homelessness in terms of hostel accommodation or floating support. Although a homogenous funding stream, the types of provision it finances, and the different client groups it supports are incredibly diverse.

3.13 Its ability therefore to negate the need for individuals to receive other more serious types of interventions within health or social care settings is significant. Its role as a key source of prevention and impact on demand reduction on other high-cost services cannot be underplayed and it is vital that we see further protection and investment in Housing Support Grant in the forthcoming budget round.

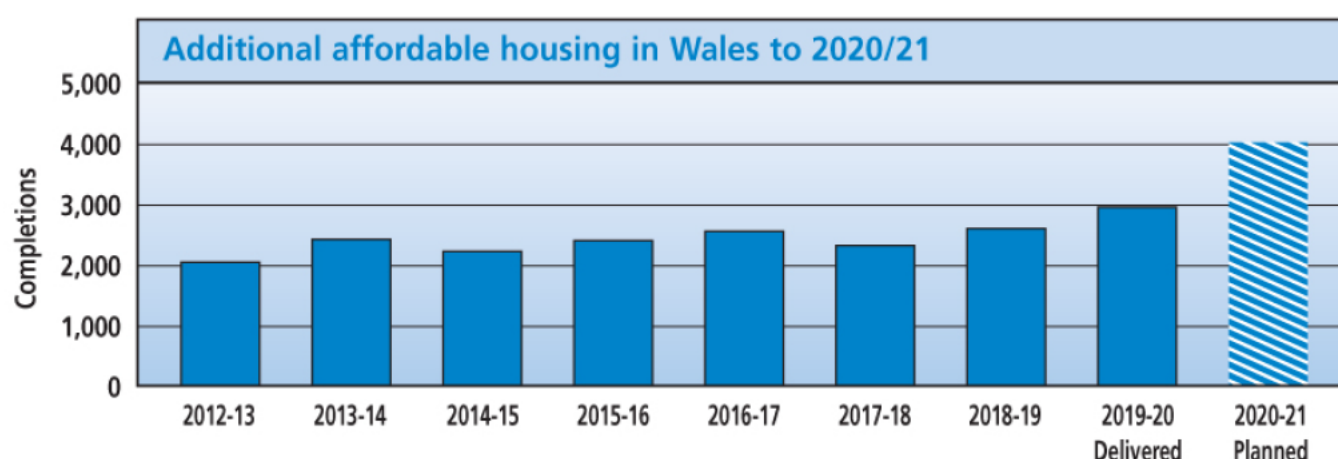
3.14 Research commissioned by Cymorth Cymru, carried out by a team from Cardiff Metropolitan University concluded that:

“This research shows that the costed benefits of HSG services, in terms of savings to other (high cost services) is clear. HSG services in Wales generate an estimated gross saving of £300.4m. When taking into consideration the annual spend of the HSG in Wales, this equates to an estimated net saving of £176.7m.”

4. Increasing the supply of social and affordable housing at pace and scale

4.1 Performance against the delivery of affordable homes (in relation to the pre-2015/16 period) continued to gain pace (see Figure 1.) – 2019/20 saw 2,942 affordable homes delivered – bringing the total to 19,000 over four years, with another year of delivery still to be reported. If the projection for 2020/21 is realised that could see an unprecedented 4,000 homes delivered, easily surpassing the 20,000 affordable housing target although caution is appropriate in relying on these forward projections. In 2021/22 investment in social housing by the Welsh Government will reach £250 million, almost four times the amount in 2015/16.

Figure 1. Additional affordable housing in Wales 2020/21



Source: Welsh Government affordable housing supply statistics.

4.2 Whilst record level of investment has been vital to the positive progress in remaining on course to meet the previous affordable housing target, the emphasis of the new Welsh Government target presents a number of challenges.

Funding

4.3 Social housing providers require long-term certainty on funding to help organisations effectively manage resources, plan developments, raise additional capital and mitigate ongoing risks around economic uncertainty.



- 4.4 Within this same context, social housing providers are considering how to invest the levels needed to decarbonise existing homes and begin planning to adopt a new building safety regime (something that we strongly support). Investment in the sector would provide a stronger basis upon which to make progress in areas such as these. But the short-term nature of government funding at present can act [REDACTED] sector – greater long-term certainty on grant funding is needed.
- 4.5 The Welsh Government's 20,000 low carbon social housing target represents an ambitious step forward in the delivery of environmentally friendly social homes. If the anticipated housing output for 2020/21 is achieved, that will see 4000 affordable homes delivered, a sharp uptick on the average annual output. Whilst being a mark of progress in itself, that puts into sharp focus the scale of the challenge with the new target demanding that achievement annually, and more narrowly including social housing, whereas the previous target has been supported by a large proportion of Help to Buy and homes built at intermediate rent.
- 4.6 Whilst the delivery of new homes is rightly a key focus, we know that of equal importance is the activity and drive to decarbonise existing homes. Decarbonisation continues to anchor the ambition of the sector in building new social housing at an accelerated pace. A stark analysis for the Future Generations Commissioner indicated that £15 billion (of which social housing's share is £5.5 billion) would need to be spent to retrofit the Welsh housing stock over this decade. The Welsh Government's Optimised Retrofit Programme budget has been the focus of significant investment receiving a £150m boost – we hope that further resources will be considered to ensuring this funding stream continues to underpin how we scale-up methods of improving homes at the scale needed.
- 4.7 We believe therefore that the current trend of investing in, and achieving record-levels of funding to meet the 20,000 target and the raft of activity associated with improving existing homes will be needed in both this and subsequent government budgets approved during the sixth Senedd.

Funding innovation

- 4.8 Positive progress has been made in recent years to better understand how carbon neutral and low-carbon forms of housing can be delivered at pace and scale, supported by consecutive rounds of the Welsh Government's Innovative Housing Programme.



- 4.9 Modern Methods of Construction undoubtedly have a huge role to play and when implemented at scale could be transformative for the way we deliver energy efficient homes and have considerable benefits to the economic prospects of local areas. But with growth in the industries falling under the MMC banner –such as Off-Site Manufacturing still [REDACTED] there is a lack of market competition (decreasing incentives to drive down costs and hindering greater economies of scale). In tandem there is further activity needed to reassure lenders investing in homes built through MMC, and the public as consumers over the efficiency, and overall quality of homes produced in this way if we are to see meaningful steps taken to change how we deliver and live in our homes.

Realities of the operating environment

- 4.10 A perfect storm of factors including the COVID-19 pandemic and its impact on a range of industries, the re-opening of economies across the globe and the ongoing impact of Brexit are combining to create challenges in housing supply chains.
- 4.11 Our recent research ‘Shocks in the supply chain’ sets out the stark challenges faced by providers of social and affordable housing in accessing raw materials, products and expertise needed in delivering new homes, and in improving the quality, safety and efficiency of existing housing.
- 4.12 Our report highlighted that:
- Almost 90% are having significant or moderate issues with supply chains for building new homes, day to day maintenance and retrofitting
 - 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
 - Increased prices of 30%-40% were identified across a range of materials including timber, steel, concrete and fencing.
 - Over 75% of respondents told us that they thought issues in the supply chains had become more significant in the 6-month period leading up to August 2021
 - In addition to cost, 96% of respondents reported that one of the main impacts has been on time-delays



- Respondents cited the impact of COVID-19, Brexit and surges in demand at both a national and global level as some of the driving forces behind supply chain issues.

- 4.13 From a housing finance perspective, our recommendations included flexibility in grant funding to potentially account for the shortfall in funding realised as a result of rapid increases in cost during the construction period and an ongoing review of Acceptable Cost Guidance to account for cost inflation.
- 4.14 In practice, these conditions are compromising the viability of some housing developments or delaying major works. If the conditions underpinning the situation persist there is a real concern that without clear government intervention to address the financial pressures arising from supply chain issues that delivery of social and affordable housing will be compromised.

Infrastructure and skills

- 4.15 Whilst we agreed with the renewed focus on social housing there are some significant questions that anchor the sector's ambition and ability to meet this in practice.
- 4.16 The green skills gap also poses a huge challenge to the sector. At a time where the ambition is to increasingly build sustainably, using new technology/materials there is a shortage of skills needed to deliver, and service this activity – for both new and existing homes. Despite strong agreement with the vision set out in the programme for government, we do have concerns that a lack of information/data about the workforce (in its broadest sense, not only limited to construction), represents a significant challenge to the realisation of our housing ambition in Wales – hindering how investment can be targeted and used most effectively.

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.



Chartered
Institute of
Housing
Cymru

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.

Contact: [REDACTED] (policy and public affairs manager)

November, 2021