

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB\_24-25 26: Ymateb gan: Cartrefi Cymunedol Cymru (Saesneg yn unig) |  
Response from: Community Housing Cymru (CHC) (English Only)

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## Finance Committee Call for Information: Welsh Government Draft Budget 2024/25

### About Community Housing Cymru

Community Housing Cymru is the voice of housing associations in Wales. We represent and support 34 housing associations and community mutuals. Our members provide almost 165,000 homes to 10% of the Welsh population.

### Summary of our response

The Welsh Government's Final Budget 2023-24 allocated a total of £1bn for housing priorities. This funding has enabled housing associations in Wales to continue building new affordable homes, invest in existing homes and provide high quality support to their tenants, including through the cost of living crisis. To be able to continue to provide the high quality homes and support social housing tenants across Wales rely on, the Welsh government's 2024/25 budget must protect this investment and respond to inflationary increases.

As well as protecting the quantum of investment in homes and support, a balanced investment programme, certainty and flexibility of funding are needed to make sure we deliver as much value as possible for the citizens of Wales. Housing associations in Wales requires three things from the Welsh government budget in 2024/25:

- A long-term investment programme to deliver efficient and affordable homes for people in Wales.



- A more agile and pragmatic approach to funding so that we can be responsive to the dynamic and challenging environment we find ourselves in.
- A reinvigorated focus on prevention.

## **1. A long-term investment programme to deliver efficient and affordable homes for people in Wales**

Investing in new and existing homes helps tackle the housing crisis, reduce carbon emissions and support the economy in Wales by creating jobs and supply chains. 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. There is much to do to unblock the immediate barriers that are slowing down and halting development in some areas.

Yet, unless our approach to tackling the climate and nature emergencies is in lockstep with our efforts to tackle the housing crisis we will be trapped in a cycle of short term measures.

- We need a long term investment programme to support us to build new low carbon homes, to decarbonise existing homes, and to provide the infrastructure we need for environmental and nutrient management. To do this, capital funding for new, low carbon, affordable homes for social rent through the Social Housing Grant must be protected in the 2024/25 budget.
- 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 boost to our communities as well as warmer, more energy efficient homes for tenants.
- Investment is also needed now in local capacity to build a land, planning and environmental management system in Wales that has the delivery of affordable homes for people in Wales at its heart.

## **2. A more agile and pragmatic approach to funding so that we can be responsive to the dynamic and challenging environment we find ourselves in**

We have seen some real progress this Senedd term in establishing an agile and pragmatic approach to addressing the urgent challenges we face through the Transitional Accommodation Capital Programme and a move to programme funding via the Optimised Retrofit programme. We would like to see this flexible approach rolled out more widely to enable us to make the biggest difference to increasing the accessibility and quality of social housing.



It will be crucial to include funding for this within the 2024/25 Welsh Government Budget as part of a balanced investment programme that gets the most value for citizens out of every pound spent - both now and for future generations.

### **3. A reinvigorated focus on prevention**

We know this is difficult during a crisis. However, it is because we are in a crisis that we must invest in prevention. Proper upstream prevention through support and investment in existing homes improves outcomes for people and reduces pressures on the NHS and local government. Losing focus on this will result in devastating consequences for individuals and huge additional costs for the state for years to come.

We need the 2024/25 Welsh Government budget to provide:

- At least an inflationary increase to the Housing Support Grant, which funds the majority of homelessness and housing support services in Wales, helping tens of thousands of people every year to recover from trauma and to live safely and
- independently in their home.
- Adequate funding for social care providers that meet the true cost of providing quality care, helps them weather the storm of the cost of living crisis and pay their staff the Real Living Wage.

*We have provided more detail on our response in answer to the specific consultation questions below.*

### **Consultation questions**

**1. What, in your opinion, has been the impact of the Welsh Government's 2022-23 Budget, including funding related to the recovery of the pandemic? Have Welsh Government business support policies been effective as the economic outlook for 2024-25 continues to worsen?**

#### **Increasing the supply of affordable housing**

##### **Building new homes**

£330m Social Housing Grant (SHG) and an additional investment of almost £100m in the Financial Transaction Capital investment has been particularly welcomed. This substantial investment has allowed housing associations to continue to build new, energy efficient homes and contribute to making Wales a fairer and greener place.

However, like many other sectors, home builders have experienced significant headwinds this year. The impact of this has been a delay to social housing schemes despite the best efforts of



housing associations, working in partnership with Welsh Government and others, to solve problems and resolve barriers. The most significant contributing factors to this have been:

- Inflationary cost increases and supply chain disruption, and their impact on the construction market in Wales.
- Post Covid retention and recruitment challenges, leading to lack of skilled specialists and other core staff across planning, environmental management and construction.
- Lack of strategic oversight to tackle the housing crisis across key stakeholders that can influence the delivery of social housing development.
- Misalignment between environmental management approvals and the planning system.

It is imperative that the planned Social Housing Grant capital spend of £325m in 2024/25 is protected, so that housing associations can build the new, low carbon affordable homes that people in Wales so urgently need.

The Transitional Accommodation Capital Programme has also been invaluable in increasing available homes at pace, and we would urge the government to continue funding this programme going forwards and considering ways to enhance it's delivery, such as:

- Considering the structure of the programme going forwards to maximise delivery. This could be rolling application windows and alignment with financial years to ensure landlords can deliver the maximum number of additional homes;
- Considering longer term funding commitments to account for bringing acquired properties up to required standard standards;
- Reviewing requirements to ensure that properties acquired are given adequate time to meet WHQS standards, and include a recognition that some of the standards may not be met for properties acquired; and
- Considering increasing the funding available via TACP to support acquisitions as part of a broader programme to increase social homes. This should factor in on-costs and costs to bring properties up to standard.

In 2024/25, a holistic Welsh government strategy is required to bring together all of the positive work that is being done to increase the availability of social housing. This will help ensure that we are not duplicating activity or working at cross purposes. Investment continues to be vitally needed in 2024/25 and beyond to increase capacity in the planning and consenting system and to improve environmental management infrastructure.



## Prevention of homelessness and hardship for individuals

### Homelessness and housing support

In 2022/23, the Welsh government maintained the Housing Support Grant at a baseline of £166m for the next three years.

Unfortunately, the capacity of this investment to support services has been negatively affected by the cost of living crisis and the extreme inflationary environment. As a result, funding has not been sufficient to allow a meaningful increase in staff wages. Our [joint Housing Matters report with Cymorth Cymru](#), published in October 2023, provides evidence of the impact of budgetary decisions on homelessness and housing services in Wales. Due to increased costs and decreased budgets:

- 75% of support providers said their HSG services are running at a deficit
- 91% of support providers said that their HSG funding had not been increased by enough to cover the increase in staff wages
- 72% said the lack of an inflationary increase had a negative or very negative impact on their ability to recruit and retain staff

### Housing association social care providers

The considerations above are also pressing concerns for housing associations that provide social care and support services. Five housing associations provide services registered and regulated by Care Inspectorate Wales, while the majority of housing associations provide a wide range of non-registered support services. This support includes Extra Care housing for older people and those with disabilities, and supported housing for those at risk of homelessness.

Historical funding challenges are well-documented and the sector's resilience is now very low. Operating costs continue to rise while funding has not kept pace, and providers are not able to continue absorbing the shortfall each year. Contracts and services are likely to move further into deficit, risking provider exit.

Several non-profit providers have recently had to take the difficult decision to not re-tender for services they otherwise would have, given less challenging financial circumstances. This represents a significant risk to the ability of housing associations to continue to provide care and support services, and consequently an erosion of vital prevention provided close to home in the community.

As a priority, the Welsh Government must increase social care funding for local authorities to ensure:



- Fees cover the real cost of delivering high quality, person-centred care
- All care workers in Wales are paid at least the Real Living Wage, including pay differentials based on qualifications, skills and responsibilities.

## **Financial support for individuals**

In the 2023/24 budget, multiple measures were announced to support a series of crises, including:

- An additional £18.8m for the Discretionary Assistance Fund, increasing the total budget for 23/24 to £38.5m
- £35m for Fuel Poverty Programme
- £25m for the Welsh government Energy Service.

These investments have been welcome and vital for people experiencing financial hardship, however our [Ends Won't Meet report](#), demonstrates that the ongoing cost of living crisis continues to hit social tenants hard. Living costs are expected to remain high, at a time when previous UK and Welsh Government help in the form of the fuel support scheme and energy bill discount scheme has been withdrawn, meaning households will receive less support this year. One in four of the poorest households will face energy bills rising by more than £100 this winter.

The Welsh Government should urgently progress discussions with the UK Government to introduce a social tariff for the most vulnerable households. In the 2024/25 budget existing emergency funds should be protected and routes to support need to be accessible and targeted to those who most need it.

## **Decarbonisation**

This year we were pleased to see a continuation of significant funding for climate priorities, with £1.7bn total capital funding allocated. This included £92m for residential decarbonisation and quality. Last year's budget allocated £35m to test the use of new funding models through the Optimised Retrofit Programme (ORP). The 2023-24 budget allocated £72m to ORP funding. This funding, whilst welcome, however is not sufficient to meet the challenge of retrofitting every home to WHQS 2023 energy efficiency standards.

## **Optimised Retrofit Programme**

We welcome the move away from a competitive bidding process for the Optimised Retrofit Programme (ORP) that was announced in 2022/23; this brings much needed certainty and clarity for housing associations to invest in retrofitting their homes. This flexible approach to the programme is positive and represents a vote of confidence in the ability of the sector to determine the most effective approaches to retrofitting



homes.

It is a positive step that ORP 3 includes certain types of accommodation that were previously excluded, such as extra care housing, at a time when these types of housing are experiencing major cost increases, including communal energy costs that could render some unaffordable.

However, the social housing sector is still awaiting a decision on the long term approach to decarbonisation at scale. We need a fully costed plan and deliverable timetable and strategy which allows investment to be retained in Wales to support the local economy.

## **2. How should/could the Welsh Government support the economy and business following the pandemic, Brexit and inflationary and other economic pressures?**

### **Housing association contribution to the Welsh economy in 2024/25**

In 2024/24 we need a balanced investment programme that gets the most out of every pound spent and benefits the health and wellbeing of the whole nation - now and for future generations.

Housing associations are private businesses that exist for public good. In 2021/22, housing associations invested £395m in new homes in Wales and for every £1 received from the Welsh Government, housing associations brought just under £6 into the Welsh economy.

They are also major employers. In 2021/22, housing associations directly employed around 11,000 FTE jobs in Wales and this figure rises to around 27,000 if indirect sources of employment are also considered.<sup>1</sup>

To ensure housing associations are able to contribute maximum benefit to the economy in the 2024/25 budget, it is crucial that Welsh government should:

- Protect Social Housing Grant capital spend on building the new, low carbon affordable homes that people in Wales so urgently need.
- Reaffirm the agile approach to placing funding where it is most needed to end homelessness and provide sanctuary, through investment in the next stage of Transitional Accommodation Capital Funding programme.
- Bring pace and certainty to the development process by allocating additional funding:
  - To allow local authorities to invest in services that enable economic activity and investment, such as planning.
  - To significantly increase the speed of infrastructure to support environmental

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<sup>1</sup> CHC Global Accounts, 2021/22





- management, including nutrient management and flood prevention.
- Provide at least an inflationary increase to the Housing Support Grant to ensure vital services that prevent and alleviate homelessness are not lost.
- Commit sufficient funding to social care to allow commissioners to support providers in paying the Real Living Wage and meeting current huge inflationary cost increases to ensure these businesses remain viable.

### **3. What action should the Welsh Government take to help households cope with inflation and cost of living issues?**

#### **Increased support for social housing tenants experiencing financial hardship**

Social housing tenants in Wales are among those who have been hit hardest by inflation and the cost of living crisis. As food, fuel and energy prices have continued to rise, making ends meet has become a daily challenge. Two-thirds of those living in destitution in the UK are in receipt of Universal Credit<sup>2</sup>, demonstrating that our social security system is failing people who are facing hardship.

Housing associations take their responsibility for supporting tenants very seriously, and are directing a great deal of resources towards helping their communities through this extremely difficult time. In August 2023, we spoke to 24 housing associations who told us that:

- Tenants who have never needed financial support before are asking for help.
- Support provided by housing association staff resulted in tenant's income being maximised by over £1000 on average.
- 86% of housing associations offer a hardship fund, providing access to over £1.3m in hardship relief.

Housing associations help tenants navigate and access emergency support for housing costs, including help to apply for local authority Discretionary Housing Payments and Discretionary Assistance Funds. Unfortunately, our members tell us that the amount of funds available and the ease of the application process for tenants is often a postcode lottery.

Increasingly, housing association staff are reporting that they are reaching the limits of what they can do to help. We need the UK and Welsh government to take further action to support tenants who are being pushed further into poverty as a result of the cost of living crisis.

In the 2024/25 Budget, Welsh government should continue to support individuals by:

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<sup>2</sup> JRF, [Destitution in the UK](#), October 2023



- Protecting existing emergency funds and ensuring that routes to support are accessible and targeted to those who most need it. This should include the Homelessness Prevention Grant, Discretionary Housing Payments and Discretionary Assistance Funds.
- Continue to fund vital initiatives that target fuel and food poverty, and that support higher rates of benefit take up.

### **Pressures on private rented sector tenants and homeowners**

Housing associations have welcomed an increase in Welsh government focus on keeping people in their home through mortgage and rent rescue during 2022/23. Funding for the continuation of this work in the 2024/25 financial year is vital to prevent rising mortgage rates and private landlord exit from the marketplace from driving an increase in homelessness.

### **Homelessness prevention and support services**

Increasing numbers of people in Wales are experiencing, or at risk of, homelessness. [Evidence we have collected from support providers](#) demonstrates that demand for homelessness and housing support services has increased over the last year, as well as the complexity of people's support needs.

- 81% said demand for their services had increased since last year
- 94% said the complexity of support needs had increased since last year
- 66% said they were having to operate waiting lists for their services

There has been an 11% increase in the cost of delivering services. Since 2011/2012 there has been a real terms cut of £24 million once inflation is taken into account. 75% of providers are now reporting they are running at a deficit. Many have had to reduce their service capacity, felt unable to bid for new or re-tendered contracts, and have had to leave staff positions unfilled. The impact on service delivery is clear, but it will get substantially worse if funding is not increased.

### **[Providers have reported that in the event a cash flat settlement in 2024/25:](#)**

- 77% are extremely likely or likely to reduce capacity
- 40% are extremely likely or likely hand back contracts
- 67% are extremely likely or likely not to bid for contracts

And in the event of a cut to existing funding:

- 78% are extremely likely or likely to reduce capacity
- 53% are extremely likely or likely hand back contracts
- 67% are extremely likely or likely not to bid for contracts



Providers have little resilience to withstand further cuts - actual or real-term -and maintain the high quality support people require. Support providers are clear that this is not sustainable. Most organisations cannot afford to subsidise services in the future and will need to hand back contracts if the funding deficit is not resolved.

In order to ensure that services are able to deliver vital services targeted at the prevention and alleviation of homelessness, the Welsh government must increase investment in the Housing Support Grant.

**4. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?**

**An aligned approach to achieve our shared ambitions on climate, nature and low carbon affordable homes**

At present, Welsh government strategies to address the climate and nature emergencies are working at cross purposes with strategies to end homelessness and tackle the housing crisis. This does not have to be the case.

In 2024/25 the Welsh government should target investment to build an environmental management infrastructure in Wales that has both people and nature at its heart. Housing associations are already delivering innovative work in Wales to ensure that new homes and communities can be built in a way that enhances the natural environment, has a positive impact on biodiversity, and reduces carbon emissions and pollution (e.g. through active travel options). However, the strategies of other stakeholders tasked with protecting the natural environment in Wales are not being developed with this in mind. This means that vital new homes for the increasing number of people who are homeless, seeking sanctuary, in unsuitable accommodation and in financial hardship are not being built. It also means that innovation is stifled, and new approaches and technologies that would contribute to the protection of the natural environment are not being developed quickly enough.

One example of this is the approach to ensuring phosphate levels for all river Special Areas of Conservation (SACs) across Wales are at appropriate levels. Guidance from Natural Resources Wales in the last two years has resulted in a complete cessation of social housing development in key areas of affordable housing need, such as Gwent, Monmouthshire and Wrexham.

We appreciate the focus that was provided on this issue by the First Ministers' River Summit in July 2022 and the subsequent action plan. This has seen some schemes able to start



moving again. However, at present, there is neither the clarity or capacity needed to unblock vital housing schemes in an environmentally sensitive way. Welsh Government should take all steps to remove these barriers as soon as possible (such as providing Welsh Water funding to invest in phosphates stripping capacity), and to ensure that future guidance e.g. on marine nitrates does not compound or expand the issue. capacity now rather than waiting for the next Asset Management Plan in 2025.

**6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively**

No comment on this question

**7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?**

We have provided our response to these points in our answers to the questions above.

Please contact [REDACTED] if you have any questions.