

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

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A call for information – Welsh Government Draft Budget proposals for 2024-25

**‘THE RIGHT TO ADEQUATE HOUSING IN WALES’**

Finance Committee | November 2023

**Submitted jointly by ‘Back the Bill’ partners Tai Pawb, CIH Cymru and Shelter Cymru**



*This response is submitted jointly by the ‘Back the Bill – the right to a good home’ coalition partners, namely Tai Pawb, CIH Cymru and Shelter Cymru. ‘We’ and ‘our’ refers to the partner organisations.*

**Tai Pawb** works to advance equality and social justice in housing in Wales. We imagine a Wales where everyone has the right to a good home | [www.taipawb.org](http://www.taipawb.org)

**CIH Cymru** supports housing professionals to create a future in which everyone has a place to call home. We’re the professional body for people who work in housing, the independent voice for housing and the home of professional standards | [www.cih.org](http://www.cih.org)

**Shelter Cymru** exists to defend the right to a safe home. We help thousands of people each year in Wales by offering free, independent advice | [www.sheltercymru.org](http://www.sheltercymru.org)

## **Key evidence**

### **The Right to Adequate Housing: evidence base (including the cost of inadequate housing), December 2021**

- [Executive summary \(English\)](#)
- [Executive summary \(Cymraeg\)](#)
- [Full report \(English\)](#)
- [Full report \(Cymraeg\)](#)

### **The Right to Adequate Housing: cost-benefit analysis, July 2022**

- [Full report \(English\)](#)
- [Full report \(Cymraeg\)](#)

## **1. Introduction**

- 1.1 The Back the Bill campaign welcomes this opportunity to engage with Senedd Cymru's Finance Committee on the draft budget proposals for the year 2024/2025, in relation to the right to adequate housing in Wales.
- 1.2 Since 2019, we've campaigned to secure housing as a human right and built the evidence base on incorporating the right to adequate housing in Wales which, according to an opinion poll, is supported by **77% of people in Wales surveyed in 2020.**
- 1.3 Housing in Wales is in crisis with record numbers of people in Temporary Accommodation, extended social housing waiting lists, the increasing unaffordability of the Private Rental Sector and a younger generation for whom home ownership is increasingly out of reach. Exacerbated by the rise of second homes and Air BnB, too many people are struggling to find a safe, suitable home they can afford.
- 1.4 Our submission to the Committee should be seen against a backdrop of significant and ongoing challenges. We recognise the difficult budgetary environment within which the Welsh Government is operating. Evidence from the recent Housing Matters campaign highlights the pressures faced by maintaining services in the current climate. While our campaign may primarily be seen as a human rights or housing campaign, housing is such a cross cutting issue that it impacts on many areas of the budget (i.e, health, local government, police) and cross-pollinates almost every public policy area – it is that permeation that highlights housing as a key driver of positive societal change and an opportunity to 'invest to save'.
- 1.5 We believe there is an evidence-based alternative to this constant pressure of service delivery and diminishing budgets, one which can in the long-term deliver a solution to our housing crisis whilst also saving valuable money for other areas of public spending.
- 1.6 Further in this response, we present evidence, highlighting how the right to adequate housing can be delivered under an **invest to save** model – delivering significant social and economic benefits, while also saving money.

## **2. The cost of inadequate housing**

- 2.1.1 The figures presented in this section are a summary of sections of [research](#) undertaken by Alma Economics, "The right to adequate housing in Wales: The evidence base." It's estimated that the annual cost of homelessness in the UK was estimated at around £24,000 to £30,000 per

person, and £1 billion overall (Department for Communities and Local Government, 2012).

- 2.1.2 Poor housing conditions and homelessness can have adverse effects on individuals' physical and mental health, increasing use of the NHS, worsening self-reported health and reducing life expectancy. In a 2019 report, Public Health Wales estimated that poor housing costs the health service in Wales £95m per year. According to the authors, investing £1 in improving warmth in vulnerable households can generate £4 savings due to reduction in hospital admissions for circulation and lung conditions. Spending £1 in adaptations to make houses accessible for older and disabled people can also result in £7.50 savings due to reduction in tenants' falls. Similar results were found by Care & Repair Cymru; investing £1 in the Rapid Response Adaptation Programme, which facilitates home adaptations to enable hospital patients to return home safely, can generate £7.50 savings in health and social care budgets. Recent evidence suggests that repairing and renovating inadequate houses can result in enhanced health.
- 2.1.3 Palacios et al. (2020) explored the impact of housing conditions on health outcomes using data on 25,000 individuals (in Germany) over 25 years. The authors found that poor housing conditions can have adverse effects on physical and mental health, increasing doctor visits by 11%.
- 2.1.4 A recent study by Tieskens et al. (2021) explored the impact of energy retrofits on paediatric asthma, based on US data on health outcomes of children in low income families. The authors found that improving energy efficiency and increasing ventilation in existing affordable houses could have positive effects on health outcomes and generate healthcare cost savings of an average of more than US\$200 per person per year.
- 2.1.5 Housing Support 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 (Fury, Montes, Taylor, 2020).
- 2.1.6 Living in inadequate or unaffordable housing is associated with poor educational outcomes for children. Households with access to affordable housing have more available income that can be used for nutrition, further helping children to perform better at school (Thomas, 2017). There is evidence that improving housing adequacy is associated with higher levels of productivity and economic activity (see e.g. Diamond, 2020 or Wiesel, 2020). A lack of affordable and adequate housing is associated with increased contacts with the criminal justice system (PWC, 2018).

2.1.7 Crisis found that the cost for using drug and alcohol dependency treatment services would be around £300 per homeless household per year (Alma Economics, 2019; PWC, 2018). The costs for contacting mental health services and using NHS services for mental health would be £500 and £1,000, respectively. Healthcare and mental health services for children in homelessness would cost approximately £200 and £300 per child per year, respectively.

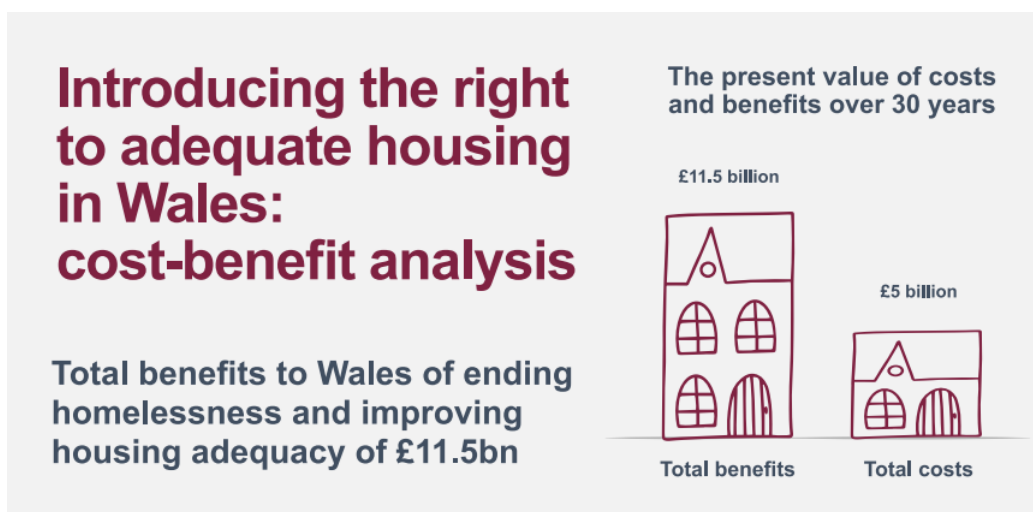
2.1.8 Reducing homelessness can generate savings in the criminal justice system. According to Crisis research (PWC, 2018) as well as an Alma Economics (2019) study commissioned by Crisis, the average cost of contact with the criminal justice system for a homeless household was estimated to be £2,439. The same studies suggested that children being in homelessness would cost £57 per child per year to the justice system. Programmes supporting homeless people or people at risk of homelessness, such as the Housing Support Grant, can generate an estimated savings of around £50 million to the criminal justice system annually (Fury et al., 2020).

### 3. COST-BENEFITS

We commissioned Alma Economics to independently undertake a second phase of research, namely a cost-benefit analysis of introducing a right to adequate housing in Wales.

#### Key findings

Alma Economics **identified benefits to the public purse worth £11.5bn against overall costs of £5bn over a 30-year period.** It is projected that those benefits could start to outweigh costs after just six years.



For every £1 spent on the right to adequate housing, the paper highlights £2.30 in benefits (and each of the categories referenced below are explored in greater detail in the report). It will:

- save **£5.5bn** in improved well-being;
- save **£2bn** from local council budgets;
- save **£1bn** for the NHS; (likely an under-estimate and in addition to savings derived from existing Welsh Government housing-based policies)
- save **£1bn** for the criminal justice system; and
- generate **£1bn** in additional economic activity;

One of the main assumptions is that the right to adequate housing (RTAH) is progressively realised over a 10-year period, meaning that new policies are introduced over 10 years to support people to access adequate housing. However, in practice, the progressive realisation of the RTAH might take more or less time to achieve. This means that the costs and benefits of introducing the RTAH will materialise at a slower or faster rate, but the ratio of benefits to costs would not be expected to change substantially (and is inflation adjusted).

Although the RTAH is progressively realised over and fully implemented in 10 years, the impact of the costs and benefits of introducing the RTAH stretch over 30 years. The model estimates costs as well as tangible and intangible benefits compared to a 'business as usual' scenario, that is, a scenario in which the RTAH is never introduced. On the other hand, if Wales was hypothetically and fully on the path toward universal adequate housing under current policies, introducing the RTAH would not generate any additional costs or benefits, instead it would only reinforce the commitment to achieving adequate housing for everyone in the country.

### **Costs of introducing the right to adequate housing in Wales**

The model includes costs relating to homebuilding, securing suitable accommodation for homeless households, such as through deposit payments or rent arrears payments, as well as rents paid. The model also assume that all households exiting homelessness will continue receiving housing support to maintain their accommodation. Alma Economics also take into account the costs of adapting houses to residents' needs. All figures in the modelling, including all estimates of benefits which are discussed in the following subsection, were inflation-adjusted and represent constant 2025 (real) values. If inflation is higher or lower than expected, real prices remain unaffected.

### **Benefits of introducing the right to adequate housing in Wales**

The key findings suggest that the specific scenario modelled for progressive realisation of the RTAH in Welsh law would generate socio-economic benefits that *significantly outweigh the costs*. Incurring costs of £5 billion for the RTAH to be progressively realised over ten years is expected to generate £11.5 billion in economic and social benefits over a 30-year period. The discounted net present value (i.e., discounted total benefits minus discounted total costs) is equal to £6.5 billion, and the Benefit-Cost Ratio (BCR) is equal to 2.3, meaning that each £1 of spending to provide adequate housing in Wales would generate around £2.30 in benefits. This is additional to significant benefits already included in the business-as-

usual scenario of only pursuing policies that have already been announced. Under the business-as-usual scenario, assuming that all people in Wales will live in a house of EPC rating A by 2050, we estimate that decarbonisation policies will generate health and wellbeing benefits of over £30 billion. The benefits of the introduction of the RTAH will be additional to the benefits generated by policies to tackle the climate emergency, in particular supporting and boosting the decarbonisation agenda.

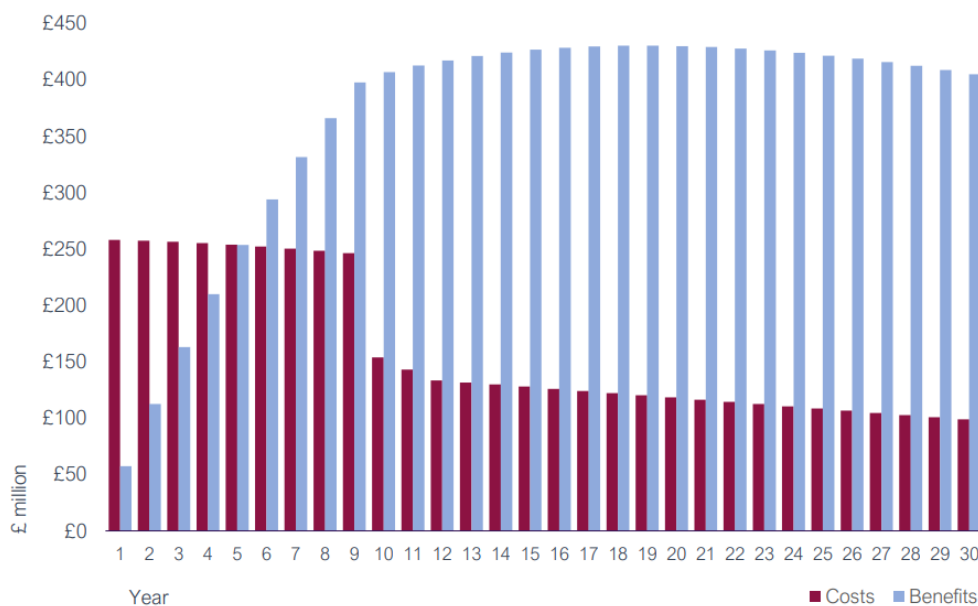
Figure 1 below shows the present value of costs and benefits generated over a 30-year period following the introduction of the RTAH in Year 1. Most costs relating to homebuilding and housing adaptations are generated over Year 1 to Year 10. Homebuilding continues from Year 10 until Year 30, as we assume that after Year 10 there are 500 newly homeless households per year which are supported to rapidly exit homelessness by being provided with newly built houses (this is in addition to the 20,000 homes to which Welsh Government has already committed in this Senedd term). Other costs relating to the provision of housing support to households exiting homelessness, rents and costs of securing suitable accommodation continue until Year 30. Benefits, including savings to the public and private sector as well as wellbeing gains, start materialising from Year 1, during which a proportion of homeless households exit homelessness and housing stock begins to be adapted at a faster rate than under current policies. In year 6 and beyond, benefits start outweighing the costs. This means that before Year 10, the year in which the RTAH will be fully realised, the introduction of the RTAH will generate more benefits than costs. The sum of the present value of costs and benefits depicted in the figure below is equal to £5 billion and £11.5 billion, respectively.

The scenario for progressive realisation of the RTAH in Wales is also expected to generate some offsetting fiscal benefits. Based on findings from Phase 1, ending homelessness and making housing adaptations can generate around £1 billion in cost savings for NHS Wales over a 30-year period due to reduced use of drug and alcohol treatment and reduced need for mental health services, as well as benefits due to a reduction in accidents in the home. The introduction of the RTAH in Wales will support current plans toward a Healthier Wales and contribute to putting NHS Wales onto a sustainable path. Supporting homeless households to move out of unemployment could generate additional economic output of around £900 million over 30 years. Regarding cost savings to the criminal justice system, the report estimates that around £1.3 billion could be saved. Additionally, access to adequate housing can lead to reduced crime, thus fewer victims of crime and enhanced community safety (Alma Economics, 2021). Due to a lack of quantitative evidence, the study also qualitatively discusses the expected positive impacts of housing adequacy on educational outcomes, using the evidence base described in our Phase 1 report.

The model also includes benefits for local authorities due to reduced use of homelessness services, which are estimated to be around £2 billion. The report also considers the improved wellbeing of households due to moving from homelessness into secure housing as well as due to reduced housing hazards as a result of housing adaptations (£5.5 billion). The model also includes the rental value of newly built houses, which is estimated to be around £1 billion.



Figure 1. Present value of costs and benefits of the RTAH over 30 years



On health and well-being, for example, the report projects that the improved quality and suitability of homes would lead to less hospital admissions; equally, with a gradual increase in the number of suitable homes available, there would be less reliance on council and other homelessness support services, resulting in further savings to the public purse.

In their report, Alma Economics further highlight ways in which the proposed legislation would support important priorities for the Welsh Government and the people of Wales, such as decarbonising the housing stock across Wales by 2050 and providing homes suitable for an ageing population. Additionally, a right to adequate housing would drive action to tackle inequalities by reducing overcrowding and better supporting disabled people to access homes that meet their needs.

#### 4. Conclusion

4.1 We welcome Welsh Government's commitment to introducing a right to adequate housing through its Programme for Government and the Co-operation Agreement with Plaid Cymru.

4.2.1 As Back the Bill partners, **we believe radical reform of the system is required in Wales if we are to properly address the housing crisis and the poor outcomes faced by too many people** – whether that be inappropriate accommodation, insecurity of tenure or homelessness for example. **A human rights approach to housing can be a driver for positive and sustainable change.**

The current financial situation for the Welsh Government is extremely challenging. Against this backdrop, services are facing cuts, and it may seem

counter intuitive to increase individual rights for fear of not being able to meet them. **We believe our evidence challenges this narrative**, highlighting an invest to save model. Investment in the right to adequate housing makes financial sense with significant savings across areas such as health, local government and police.

Moving forwards, **we believe it is vital that Welsh Government begins to think differently about this invest to save model** (and others). The backdrop of austerity, continued financial challenge and increased proportion of the Welsh Government spending on health means that invest to save models can, in the long run, bring about positive, sustainable change. Not only does this make moral sense, it makes financial sense; moreover, it improves outcomes for those accessing housing and housing-related services while reducing the pressure and financial burden on other areas of the public sector.