

**To: Local Government and Housing Committee members**

16 January 2024

Dear Committee members,

In advance of your evidence sessions with the Minister for Finance and Local Government and the Minister for Climate Change, I am writing to highlight key points from our previously submitted written evidence and to provide you with **new data** relating to the Housing Support Grant (HSG).

### **Key points from our written evidence**

Our written evidence outlined how a multitude of factors are increasing pressure on homelessness services in an environment of unsustainable resourcing.

- The HSG funds the vast majority of homelessness and housing support services in Wales.
- Demand for these services has increased, as has the complexity of people's support needs.
- The HSG is worth £24 million less in real terms than it was in 2012.
- The HSG budget has remained at £167 million since 2021/22, and has not been increased in the Draft Budget for 2024/25, despite huge inflationary pressures.
- The cost of running HSG services has increased by an average of 11% since last year.
- 75% of providers are currently running services at a deficit, subsidising costs that should be covered in full by the HSG.
- 52% are using their reserves to subsidise these services. This is completely unsustainable, particularly for charities with limited reserves.

### **The Draft Budget 2024/25: impact on services**

We asked homelessness and housing support providers what would happen to their services if there is no increase in HSG funding, as in the Draft Budget for 2024/25:

- 77% said they were likely to have to reduce service capacity – when demand is greater than ever.
- 40% would be likely to have to hand back existing contracts – leaving local authorities without critical services for people experiencing or at risk of homelessness.
- 67% would be likely to not bid for new or re-tendered contracts – potentially leaving local authorities unable to award contracts for vital services.
- 48% would be likely to make staff redundant.

### **New data: Support worker wages**

Since we submitted our written evidence to your committee, we have gathered further data from support providers in relation to the wages paid to staff funded by the HSG. This has not yet been published, but we are sharing it with you to aid your scrutiny of Ministers on Thursday.

Out of our sample of over 3,000 workers funded by the Housing Support Grant:

- 41% are currently being paid below the upcoming (April 2024) minimum wage of £11.44/hr.
- 67% are currently being paid below the 2023/24 RLW of £12.00/hr.

With no increase to the HSG in the Draft Budget for 2024/25, it is going to be incredibly difficult for support providers to uplift salaries to the new minimum wage, never mind the RLW.

- One provider has told us that increasing support worker salaries to the RLW during 2024/25 will cost them an extra £250,000.
- Another has told us that increasing salaries to the minimum wage will cost them £112,000, excluding on-costs. Increasing wages to the RLW will cost them £400,000, as it will impact on the wider salary structure.
- A further organisation has told us that increasing the wages of the lowest paid workers to minimum wage would cost them £562,640. Increasing wages to the RLW would cost them £1,146,120.

You will also be aware that organisations need to maintain pay differentials with the staff above the lowest paid workers, who carry more responsibility. This would cost some organisations an additional £300,000 next year on top of the pay increases for the lowest paid staff.

These not-for-profit organisations simply do not have the funds to pay for this. If there is no increase in the HSG in the Final Budget for 2024/25, these providers are going to have to make staff redundant, reduce services and hand back contracts to local authorities.

### **Welsh Government commitment to Fair Work and the Real Living Wage**

The Welsh Government has placed fair work and the Real Living Wage at the heart of their policy commitments and we were assured that homelessness and housing support workers would be included in the commitment to pay care workers the RLW. There has been no additional funding since the last Senedd election to fund this – the HSG budget has remained the same since 2021/22.

It is unacceptable that workers who do such complex and skilled jobs are paid so little. They support people during acute crises, through homelessness, domestic abuse, mental health and substance use issues. They provide critical support while being exposed to significant trauma from witnessing and/or listening to accounts of abuse, exploitation, suicide and overdoses. They delivered vital, life-saving services during the pandemic and continue to play a key role in preventing and responding to homelessness during this housing crisis.

We would be extremely grateful if you could consider the evidence outlined above and utilise it in your scrutiny of Ministers during the Draft Budget evidence sessions this week.

Yours sincerely,



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