

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

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| Response from: Chartered Institute for Housing (CIH) Cymru





CIH Cymru response to the Finance Committee's consultation on Welsh Government Draft Budget 2024-25

Introduction

The past twelve months have seen the impact of the economic crisis being felt in all areas of Wales. Not least Welsh Government having to find £600m to balance the books. Monies that have come from departmental underspends or delaying some projects. These financial constraints and ongoing uncertainty come at a time of rising homelessness, decreasing supply of affordable homes and expectations on Registered Social Landlords (RSL's) and Local Authorities (LA's) to ensure they not only continue to develop additional homes but undertake work on existing homes to meet decarbonisation targets.

CIH Cymru believes that housing is a foundation mission for Government as a suitable, secure, and affordable home will improve health outcomes, reduce poverty, and increase economic activity throughout Wales. Despite this, the Welsh Government budget for 2023/24 saw only 4.6 per cent of the total budget allocation, based on DEL expenditure lines, committed to housing. Furthermore, since 2006, the average percentage of the Welsh Government budget spent on housing has been just 2.2 per cent¹ per annum, which CIH Cymru does not believe reflects the seriousness of the housing crisis that we are currently navigating as a nation. These monies were to develop new affordable homes, provide support so households could maintain their home, and for RSL's and LA's to decarbonise existing homes as part of meeting net zero targets. With rising homelessness fuelled by a lack of affordable housing and the financial pressures faced by RSL's

¹ UK Housing Review - <https://www.ukhousingreview.org.uk/ukhr23/tables-figures/pdf/23-057.pdf>



and LA's due to ongoing inflationary landscape, it has never been more vital to increase the investment into housing.

We have set out in this paper some of the ongoing impacts of the ongoing financial crisis here in Wales, together with our priorities for the 2024/25 budget. These priorities set out the expectation that, as a minimum, existing funding levels are retained but ideally are increased if we are to ensure that homelessness is rare and non-repeated as well as ensuring we can meet net zero targets.

Ongoing impact of the cost-of-living crisis.

Inflation in the UK remains high with the current rate being 4.6 per cent compared to 2.9 per cent in the Eurozone² Yet this is not the whole picture with food inflation at 10.1 per cent, and even though this has eased slightly 50 per cent of adults are spending more than they usually would on their weekly shop with some now buying less food as a direct result of rising prices³. The Bevan Foundation in their latest snapshot found that 15 per cent of households in Wales are going without essentials, 26 per cent of households are eating smaller meals or skipping meals and 13 per cent of households are in arrears on at least one bill⁴. Though it is not just those households who are in receipt of benefits who are struggling with rising costs. The latest hunger in Wales report found that 19 per cent of people seeking help are currently in employment⁵.

We welcome the additional £18.8 million allocated to the discretionary fund in 2023-24 to help mitigate some of the impacts of the current cost of living crisis. As

² Inflation in the euro area. [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Inflation in the euro area](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Inflation_in_the_euro_area)

³ Cost of living insights: Food.

<https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food#:~:text=Food%20inflation%20continues%20to%20ease&text=This%20was%20down%20from%2012.2,see%20for%20over%2045%20years.>

⁴ A snapshot of poverty in summer 2023. <https://www.bevanfoundation.org/wp-content/uploads/2023/08/Snapshot-of-poverty-in-summer-2023.pdf>

⁵ Hunger in Wales.

<file:///C:/Users/Cerys%20Clark/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/LYD8KZHO/2023-Hunger-in-Wales-report.pdf>



the crisis continues, we ask Welsh Government that this level of investment is maintained to help support low-income families mitigate the ongoing impact.

Some of the other levers that can be used to mitigate the impact of the cost-of-living crisis are not devolved to Wales. Yet we ask Welsh Government to work with the UK Government to ensure that welfare benefits can always cover the essentials for a household. We also ask them to work with UK Government to implement a social energy tariff so those households on a low income can access affordable heat this winter. Both these asks are also part of the Chartered Institute of Housing's Homes at the Heart a Strategy for housing⁶.

The supply of social/affordable homes

There is an ongoing strong commitment to the provision of additional affordable homes here in Wales, with £375m committed to the Social Housing Grant for 2024/25 to ensure ongoing progress to meet the 20,000 new homes at social rent target for this Senedd term. The need for social housing has never been so great with 11,000 individuals currently in temporary accommodation and a shortage of affordable private rent properties. Whilst we welcome the unfreezing of Local Housing Allowance in the Autumn Statement there are still considerable issues with affordability in the private rented sector with the latest rent rise figures being 9.6 per cent rent for newly available homes in the Private Rented Sector.

It is therefore vital that there are sufficient levels of funding for the development of social and affordable homes to rent in Wales. We have calculated the level of annual investment needed to build a sufficient number of affordable homes just to meet the demand from those households seeking assistance to prevent or

⁶ Homes at the heart a strategy for housing. <https://cih.org/publications/homes-at-the-heart-a-strategy-for-housing>



relieve their homelessness in 2022/23⁷ at around £391 million per annum based on the current Acceptable Cost Guidance⁸ and estimates of housing need⁹. This is lower than the current level of investment. The £391 million per annum is also likely to be lower than the total investment needed as not everyone on housing waiting lists will seek assistance to prevent or relieve homelessness.

We have also heard from our members that the increasing cost of borrowing is now impacting financial viability assessments for proposed developments. At the same time, it is also costing significantly more to ensure existing homes can meet the ambitious decarbonisation goals set out in WHQS 2023. There is a risk that development will slow down or there will be a delay in meeting the ambitious decarbonisation goals as finances continue to be squeezed for developing new homes together with increasing costs for retrofitting existing homes as part of meeting net zero. So as a minimum we would like to see the current level of capital investment into social housing grant maintained but there is a need to increase this funding to ensure we have enough affordable homes to meet the rising need here in Wales and to overcome the current housing crisis.

Funding for WHQS 2023

Social housing providers are already having to manage real-terms cuts to their budgets due to ongoing inflationary pressures. Welsh Government has committed to spending £70m in 2023/24 and £70m in 2024/25 on the optimised retrofit budget to help meet WHQS. There is also an additional £22.5 million over the next

⁷ Households for which assistance has been provided by outcome and household type.
<https://statswales.gov.wales/Catalogue/Housing/Homelessness/Statutory-Homelessness-Prevention-and-Relief/householdsforwhichassistancehasbeenprovided-by-outcome-householdtype>

⁸ acceptable cost / on costs for use with Social housing grant funded housing in Wales.
<https://www.gov.wales/sites/default/files/publications/2023-07/costs-included-in-social-housing-grant-guidance-for-social-landlords.pdf>

⁹ Estimates of Housing Need (2019-based) by Tenure, Variant and Year.
<https://statswales.gov.wales/Catalogue/Housing/Housing-Need/2019-based/estimatesofhousingneed2019based-by-tenure-variant-year>

2 years. Whilst these monies are welcome, they fall short of the total investment needed.



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According to the Future Generations Commissioner's Homes Fit for the Future: The Retrofit Challenge (carried out by New Economics Foundation) there's a £2.7bn funding gap in the amount needed to retrofit social housing and a £3.9bn gap to retrofit homes in fuel poverty in Wales. It goes on to say that the total investment needed over the next decade to retrofit social housing stock in Wales is £5.52bn (£4.82bn to retrofit homes in fuel poverty) with around £1.7bn of that to come from Welsh Gov and £3.6bn from Westminster¹⁰.

Whilst social housing providers are committed to decarbonising their stock and moving to net-zero, significantly more funding will be needed to support social housing providers to meet the new WHQS standards.

Funding for frontline services

Our latest sector snapshot survey undertaken by Housing Futures Cymru¹¹ found that housing professionals working in frontline services do not have sufficient resources and services are suffering as a result. Whilst we welcome the commitment in the 2023/24 budget to provide an additional £227 million to Local Authorities and another £268 million in 2024/25, inflationary pressures and the ongoing cost of living crisis have left many Local Authorities with significant budget deficits.

¹⁰ Homes fit for the Future: The Retrofit Challenge.
https://www.futuregenerations.wales/resources_posts/homes-fit-for-the-future-the-retrofit-challenge/

¹¹ Sector Snapshot. Survey of housing professionals in Wales.
<https://www.cih.org/media/1d0iaaeu/0361-survey-of-housing-professionals-in-wales-report-1-v1.pdf>



This is coupled with a doubling of the costs associated with providing temporary accommodation for homeless households, with some local authorities seeing a 1000 per cent rise¹². The latest data on homelessness showed a 7 per cent increase in the number of households becoming homeless¹³. If this trend continues it will increase the financial burden on Local Authorities due to ongoing provision of temporary accommodation. We ask that Welsh Government increases the funding available for Local Authorities to ensure that statutory frontline housing services can continue to provide high quality services to those facing or experiencing homelessness including the provision of temporary accommodation. We would also ask Welsh Government to ring fence any additional council tax income generated from second homes or empty homes to be invested into housing services. This is not currently the case but is a solution to the financial constraints many local authority housing, and homelessness services are facing currently.

The current level of investment into Housing Support Grant

The amount of revenue funding provided to the Housing Support Grant was increased during the Covid-19 pandemic to help support agencies navigate the impact the pandemic has on individuals who needed support. Yet the level of funding was frozen for 2023/24 against a backdrop of rising inflation. We have heard from members that some floating support services are being decommissioned due to rising homelessness levels in tandem with budgets being squeezed. There have been some increases to price bands to enable wage rises to combat cost of living pressures for support staff. This in turn has reduced the

¹² Temporary accommodation bill rises by over 1,000% in Welsh county. [https://www.insidehousing.co.uk/news/temporary-accommodation-bill-rises-by-over-1000-in-welsh-county-82241#:~:text=A%20county%20in%20north%2Dwest,over%20the%20past%20five%20years.&text=Gwynedd%2C%20the%20second%2Dlargest%20county,\(FOI\)%20by%20Inside%20Housing.](https://www.insidehousing.co.uk/news/temporary-accommodation-bill-rises-by-over-1000-in-welsh-county-82241#:~:text=A%20county%20in%20north%2Dwest,over%20the%20past%20five%20years.&text=Gwynedd%2C%20the%20second%2Dlargest%20county,(FOI)%20by%20Inside%20Housing.)

¹³ Homelessness in Wales, 2022-23. <https://www.gov.wales/sites/default/files/statistics-and-research/2023-08/homelessness-april-2022-march-2023-603.pdf>



amount of support that can be provided. Though without the price band increases the scheme may not run due to a lack of staff. In addition, there are concerns around the allocation of the old s.180 funding redistribution which could leave some local authorities losing out on more funding, reducing the number of support schemes that could be operated as part of preventing and relieving homelessness. We ask for an increase to the revenue funding for housing support grant to safeguard the provision of floating support and supported accommodation. These services are needed more than ever as homelessness continues to rise as part of Local Authority efforts to ensure that homelessness is rare, brief and non-repeated.

The right of adequate housing

As previously outlined CIH Cymru believes that housing is a foundational mission of Government as a lack of housing can increase poverty and worsen health and wellbeing outcomes. We need to ensure Wales has housing as its foundational mission by incorporation of the right to adequate housing into Welsh law.

Investment in the progressive realisation of the right to adequate housing will generate socio-economic benefits that outweigh the costs. Investing £5 billion in ending homelessness and improving housing adequacy can generate £11.5 billion in economic and social benefits over a 30-year period. In other words, spending £1 to provide adequate housing in Wales will generate £2.30 in benefits by:

- Saving £5.5bn in improved well-being.
- Saving £2bn from local council budgets.
- Saving £1bn for the NHS.
- Saving £1bn for the criminal justice system
- Generating £1bn in additional economic activity¹⁴

¹⁴ The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics. <https://www.taipawb.org/wp-content/uploads/2022/09/Alma-Economics-Back-the-Bill-Final-Phase-2-report.pdf>



Enshrining the right will not only ensure individuals can access a safe, suitable, and affordable home but will also increase the monies available to invest in our public services improving our financial outlook and quality of life for generations.

Summary of Asks

- **Investment in Social Housing Grant is increased to ensure that the supply of affordable homes is at the right level to mitigate the current housing crisis and rising levels of homelessness.**
- **Ensure that the meeting of WHQS 2023 standards is properly financed.**
- **Reassess the level of funding provided to frontline statutory homelessness services due to increased demand. Also look at ensuring additional council tax raised to mitigate the impact of second homes is ring-fenced to be invested into statutory frontline housing services.**
- **Enshrine the right to adequate housing into Welsh legislation. The right will realise significant savings that can be used to further invest in public services coupled with increased economic activity. For every £1 spent on progressively realising the right to adequate housing, there will be £2.30 in benefits that can be invested into Welsh public services.**
- **Continue to work collaboratively with housing providers to ensure a fair and equitable rent settlement that ensures rents are affordable for tenants whilst enabling social landlords to generate a level of income that can be invested in the delivery of core services and meet Welsh Government ambitions around development and decarbonisation.**
- **The additional investment in Housing Support Grant should be sustained and further investment considered on the basis of potential demand across all housing tenures.**



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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. 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.