



CHC's Response

Welsh Government Draft Budget Proposals for 2018-19

About Us

Community Housing Cymru (CHC) is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members provide over 158,000 homes and related housing services across Wales. In 2015/16, our members directly employed 9,109 people and spent nearly £2bn (directly and indirectly) in the economy, with 89% of this spend retained in Wales. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

Our objectives are to:

- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.
- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

1) What, in your opinion, has been the impact of the Welsh Government's 2017-18 budget?

In 2016, Community Housing Cymru signed a tripartite housing pact with Welsh Government and the Welsh Local Government Association to work together to help deliver Welsh Government's 20,000 affordable housing target. The pact commits to continuing to 'invest in affordable housing through sufficient Social Housing Grant capital funding, regeneration grant and support for innovative finance schemes, such as Housing Finance Grant to enable the target to be achieved'.



In line with the pact, we welcome the continued investment in Social Housing Grant (SHG) in Welsh Government's 2017-18 budget, as the social housing sector worked towards the 20,000 target.

This investment is essential for housing associations to build the homes needed to tackle the housing crisis in Wales. However, CHC believe that there is a need for longer term planning of grant programmes such as Social Housing Grant across the Assembly term, as opposed to annually, to allow housing associations to invest the capital more strategically, and to plan their development pipeline more effectively. Further to this, the Cabinet Secretary for Communities and Children's announcement earlier this year that £20m would be available for innovative housing projects was widely welcomed by the sector, and the sector is currently in the process of bidding for the first round of projects.

The 2017/18 budget also saw the protection of funding for the Supporting People programme, which was greatly welcomed by CHC and our partners on the Let's Keep on Supporting People campaign.

The Supporting People Programme supports 60,000 people each year to live independently and avoid homelessness. The programme delivers wide-ranging benefits to a number of policy areas and public services. It prevents homelessness, reduces use of health and social care services, prevents violence against women, improves community safety, and supports people back into education, training and employment.

Studies have shown that the Supporting People Programme saves £2.30 of public money for every £1 invested in the programme¹. These savings were seen within health, housing, social care and community safety due to a reduction in GP visits, criminal behaviour and hospital admissions (amongst others), and it is vital that the programme is protected again in 2018/19.

Following the publication of the 2017/18 budget, CHC raised some concerns over the significant cuts to funding for regeneration projects.. The budget was cut from 2016/17's budget of £83.5m to £17.5m for 2017/18², a reduction of 80% in funding for projects that work to improve town centres, coastal regions and Community First areas, with a focus on reducing poverty. Although this

¹ <http://arlein.sirgar.gov.uk/agendas/eng/HOSC20111019/REP05.HTM>

² <http://gov.wales/funding/budget/final-budget-2017-18/?lang=en>
<http://gov.wales/funding/budget/final-budget-2016-17/?lang=en>



coincided with the end of the funding period for the Vibrant & Viable Places scheme, we are concerned about the long term future funding of regeneration projects, particularly as this runs alongside uncertainty over the future of European funded regeneration, and we would welcome clarity from Welsh Government on this issue, and a significant increase in regeneration funding reflected in future budgets.

The 2017/18 budget also saw £60m of funding for Health and Housing projects over the four years to 2020-21, and we welcome this funding which we believe will encourage collaboration between health and housing partners and allows for significant development in this area. We believe the continuation of this funding in the long term will reinforce the importance of the link between health and housing, and allow for long term cost savings in the NHS.

2) What expectations do you have of the 2018-19 draft budget proposals? How financially prepared is your organisation for the 2017- 18 financial year, and how robust is your ability to plan for future years?

Affordable Housing

CHC has welcomed Welsh Government's affordable housing target of 20,000 homes across this Assembly term, and we are working closely with Welsh Government to ensure housing associations can deliver on this through the tripartite housing pact. This target must be matched with investment, as we have seen this year, in order to allow Housing Associations to continue to build affordable homes, and we would expect to see continued investment in affordable housing in the 2018-19 budget as previously indicated.

To ensure that affordable homes can be developed in all parts of Wales, we would also like to see continued investment in Rural Housing Enablers in the upcoming draft budget, and guarantees over the funding in the long term. Rural Housing Enablers are a vital resource to ensuring that affordable homes can be built in rural communities, and long term certainty over their funding would secure jobs and allow them to develop long term strategies to tackle the rural housing crisis.

Supporting People

CHC believe it is essential that the Supporting People (SP) funding is protected in



the 2018/19 budget and are calling for this to be ensured in order to allow this programme to continue.

SP has been helping vulnerable people to live more independently in Wales since 2004. Since then, around $\frac{3}{4}$ of a million people have been able to turn their lives around because of SP-funded services, such as those with mental health problems, learning disabilities or substance misuse issues (among many others)³. A study into the impact of SP has found that those who access SP services report a decline in their use of statutory services such as health, social and criminal justice services⁴. This indicates that any reduction in SP funding is likely to result in increased usage of acute services.

It is vital to protect this preventative fund, but also to ensure there is a continued focus on prevention across the board. Welsh legislation on homelessness prevention has been attracting interest as an example of good practice from elsewhere in the UK, and across Europe⁵ and the Welsh Government should not jeopardise its important work by reducing other homelessness prevention funds.

The importance of protecting Supporting People is also heightened by the current uncertainty over the future of Supported Accommodation, which we have referenced later in the consultation, and will affect many of the same vulnerable groups.

Local Housing Allowance and Supported Accommodation

From April 2019, the UK Government have decided that all tenants living in the social rented sector will have their entitlement to Housing Benefit or housing costs in Universal Credit capped at the Local Housing Allowance (LHA). This policy will mean that many tenants will see a shortfall in the money they receive to pay their rent, and will have serious implications for social landlords if tenants are unable to pay their rent. While this is a non-devolved area, it could have serious implications for housing – an area devolved to the National Assembly for Wales – and we are working closely with Welsh Government to monitor, and where possible, mitigate the impact.

³ <http://gov.wales/topics/housing-and-regeneration/services-and-support/supporting-people/?lang=en>

⁴ <http://gov.wales/docs/desh/publications/150901-supporting-people-factsheet-en.pdf>

⁵ <http://www.walesonline.co.uk/news/wales-news/wales-homeless-legislation-sets-example-9830053>



This policy will also apply to supported accommodation, of which there are currently 38,500 units in Wales supporting older people, people with learning disabilities, those fleeing domestic abuse, and a range of vulnerable people with complex needs. The cost of providing this accommodation is significantly higher than General Needs housing, in part due to the specialist nature of the buildings and additional housing management, and thus reflected through higher rents and service charges, and the shortfall between the amount of benefit received and rent levels will therefore be much higher. To ameliorate this, UK Government propose to devolve a top-up fund to fund rent and service charges above LHA in supported accommodation to local authorities in England and Welsh Government in Wales. This is separate to funding for support, which is funded by local authorities in England and through the Supporting People Programme in Wales.

With the cap due to commence in April 2019, UK Government would usually be due to publish indicative budgets in it Autumn Budget later this year. However, with no decision yet taken over how the policy will work in England – a green paper was delayed due to the General Election – we have concerns that the lack of clarity from UK Government over the quantum of funding that will be devolved, and the time Welsh Government will thus have to prepare its own policy in this area. Additionally, rather than through a consequential, the UK Government proposes to calculate the size of the top-up fund devolved to Wales for financial year 2019/20 based on the housing benefit spend on supported accommodation in Wales as of March 2019, less the applicable LHA rates. This calculation will be undertaken through local authorities flagging housing benefit claims for supported accommodation, under the guidance of DWP, and submitting this information to UK Government.

We are working closely with both UK and Welsh Governments on this issue, but the lack of clarity on funding, and the devolution process is causing significant uncertainty in the sector. We have also called on Welsh Government to gain a full understanding of supported accommodation units in Wales, and most importantly their cost, in order to understand whether the devolved fund calculated by UK Government is sufficient to fund existing units.

3) The Committee would like to focus on a number of specific areas in the scrutiny of the budget; do you have any specific comments on the areas identified below?

a) Financing of local health boards and health and social care services



The Supporting People Programme saves a significant amount of money for the health and social care budget, with every £1 spent saving £2.30 for other public services.

Every year the Supporting People Programme helps approximately 60,000 vulnerable people in Wales and this has resulted in a decrease in GP appointments, emergency hospital admissions and ambulance call-outs for those receiving support from the programmes⁶. It is vital within the context of the pressure on health services and the increasing pressures due to the ageing population and other factors, that funding for preventative services such as Supporting People, which save the health service money, are protected,

Further to this, the funding mentioned previously in the consultation, for Health, Social Care and Housing provides the stability and security that is necessary to build partnerships and deliver housing and health solutions that improve life chances for people across Wales. These partnerships are able to make significant savings for the public purse; therefore we believe that such a fund should be long term, and it is important to ring-fence such funding specifically for collaborative projects between each of the sectors which have clear outcomes to improve the health of people of Wales. Short term funding streams and short term bidding rounds act as a barrier to cross sector projects.

A joint health, social care and housing fund that operated across a longer term would support partnerships to discuss scope and unlock strategic developments. Successful bids would need to be aligned with local well-being assessments and population needs assessments, as well as Well-being of Future Generations (Wales) Act 2015, Social Services and Well-being (Wales) Act 2014. It would also be expected that they would be able to demonstrate their sustainability in the long term.

This type of collaborative funding would facilitate partnership working to help meet key Welsh Government objectives across a number of areas, for example preventing acute admissions, accelerating discharge from care and recovery, reducing out of county placement, supplying new accommodation and driving significant transformation to services.

- b) Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)*

⁶ <http://www.cymorthcymru.org.uk/en/supporting-people/supporting-people-faqs/>



CHC support the committee in the belief that there should continue to be a focus on preventative spending in the scrutiny of the budget, however, due to the ever increasing pressures on acute services there will inevitably be difficult trade-offs for the Welsh Government in this area. These pressures will increase sharply and significantly if there is not investment in preventative programmes with well-evidenced outcomes, such as Supporting People and homelessness prevention schemes.

The Supporting People programme helps over 60,000 people across Wales every year and has transformed over $\frac{3}{4}$ of a million vulnerable people's lives since its implementation in 2004⁷. It is an invaluable programme that works with a number of services supporting care leavers, families and individuals who are fleeing domestic abuse, people with learning disabilities, older people, people with mental health or substance abuse problems and vulnerable young people. Supporting People also funds housing-related support services such as homeless hostels, domestic abuse refuges, supported accommodation projects and home-support. These are invaluable preventative services and data shows a reduction in GP visits, hospital admissions and ambulance call outs when these services are available⁸. Anecdotal evidence also suggests local authorities spend less in benefit payments due to services providing support gaining and maintaining employment and stable accommodation.

Furthermore, investment in building quality affordable homes is both a key preventative measure and an important economic stimulus. Poor housing has been shown to cost the NHS in Wales at least £67m per year, with the wider societal cost reaching around £168m⁹. Therefore, investment in quality affordable homes is vital when continuing with a preventative agenda.

c) Welsh Government policies to reduce poverty and mitigate welfare reform

CHC welcomes this focus from the committee as welfare reform has had a severe and long lasting detrimental impact on thousands of housing association tenants across Wales. CHC believe that it is vital that the Welsh Government properly understands the impact of welfare reform and assists those in need where it can.

Further changes to welfare in the near future, such as the capping of Housing Benefit at Local Housing Allowance rates and the continued roll out of Universal

⁷ <http://gov.wales/topics/housing-and-regeneration/services-and-support/supporting-people/?lang=en>

⁸ <http://gov.wales/docs/desh/publications/150901-supporting-people-factsheet-en.pdf>

⁹ <http://www.walesonline.co.uk/news/wales-news/poor-housing-costs-nhs-wales-1839361>



Credit, are expected to have an impact on housing association tenants, as outlined earlier in our response.

d) The Welsh Government's planning and preparedness for Brexit

Following the UK's exit from the European Union there are likely to be significant changes which impact on housing associations in three principle areas; construction, social care, and funding.

In construction, in particular, there are concerns over the supply of materials following the UK's exit from the EU. Currently 59% of the UK's construction materials are imported from EU countries¹⁰. The construction industry in Wales has relied heavily on importing building materials from the EU, for example 85% of imported bricks came from the EU¹¹.

Meanwhile, both construction and social care are likely to face challenges recruiting following Brexit, with both industries already facing skills shortages and currently recruiting from the EU. Data on social care workers is limited, but but 4.3% of construction workers in Wales are EU citizens; however in some areas of the UK the figure is significantly higher, particularly in London¹². If EU citizens are not able to work in the UK, either directly through the restriction of the free movement of workers or due to a feeling of not being welcome, it is considered very likely that some Welsh construction workers would leave for projects occurring in London and the South-East of England (areas that would be experiencing significant labour losses so are likely to offer high wages and incentives), as occurred following the economic downturn in 2007/08.

If there are restrictions on the free movement of people this will be likely to significantly impact on social care services due to a significant proportion of the workforce in this industry being EU migrants. This will particularly impact on supported housing, where carers, support workers and nurses are a 24 hour presence.

CHC is working closely with our members to understand the impact changes to migration policy and future trading arrangements would have on both

¹⁰ <http://www.rics.org/uk/news/news-insight/comment/eureferendum-construction/>

¹¹ <http://www.newsandstar.co.uk/news/national/article/Brick-shortage-holding-up-housebuilding-process-from-beginning-to-end-report-99578748-4085-4ccf-b087-5f2442e5117a-ds>

¹² ONS (2017) JOBS02: Workforce jobs by industry



construction and social care, and we will look to work closely with Welsh Government on possible solutions, including construction skills training and investment in modern methods of construction.

Alongside the concerns over our future relationship with Europe and the potential impact we have discussed above, we have already begun to see some negative impacts on housing as a result of Brexit.

Earlier this year, Community Housing Cymru appointed The Housing Finance Corporation to negotiate a collective borrowing vehicle on behalf of Welsh housing associations, to match the funding received from Welsh Government's Housing Finance Grant.

Initial discussions with the European Investment Bank (EIB) proved productive, and investment from the EIB presented an attractive option with hundreds of millions of pounds potentially available to housing associations across all parts of Wales, at rates of interest much more competitive than anything else available on the market.

However, despite encouraging progress and positive negotiations and meetings with the bank, and a process that was proceeding through due diligence, the process was stalled to an effective stop in March following the triggering of Article 50. This is consistent with reports this summer that EIB, which has historically invested more than £5.5bn in social housing in the UK, had stopped funding future projects in the UK, and is likely to mean that housing associations pay millions of pounds in extra interest payments elsewhere.



e) How the Welsh Government should use new taxation and borrowing powers

We welcome the new opportunities taxation and borrowing powers will bring the Welsh Government. However, we are concerned that the ONS' decision last year to reclassify housing associations as public sector organisations for accounting purposes, and thus count future borrowing on Welsh Government's balance sheet from 2019 could have a negative impact.

Legislation is needed to return to housing associations to the private sector, and we welcome Welsh Government progress in this area following a consultation earlier this year. We would urge Welsh Government to bring this legislation forward at the earliest possible opportunity.

If legislation is not forthcoming, and housing associations remain classified as public sector bodies by the ONS, there is a danger that the sector's access to private finance, and therefore our ability to deliver the 20,000 homes target, would be restricted.