



CHC Response to the Finance Committee's Budget Consultation

November 2024

About Community Housing Cymru

Community Housing Cymru is the voice of housing associations in Wales. We represent and support 33 housing associations and community mutuals. Our members provide almost 174,000 homes to 10% of the Welsh population.

Summary of our response

The Welsh Government's Final Budget 2024-25 allocated over £1bn for housing priorities, across capital and revenue. 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 providing the high quality homes and support social housing tenants across Wales rely on, the Welsh government's 2025-26 budget must protect this 2024-25 investment and respond to inflationary increases. As well as protecting the quantum of investment in homes and support a balanced investment programme, multi-year certainty and flexibility of funding are needed to make sure we deliver as much value as possible for the citizens of Wales.

We need:

- **A sufficiently funded Housing Support Grant**



This is the primary revenue stream that prevents and responds to homelessness, and helps people maintain their homes. Without an investment at least in line with inflation to pay front-line workers fairly, services will be reduced. This is not sustainable at a time when demand is increasing. Only 16% of providers said last year's final budget settlement was sufficient to cover all of the costs of running a high quality, well-staffed service.

The Welsh Government's Final Budget for 2024-25 saw an uplift of £13 million (7.8%) for the HSG to help address inflationary pressures in housing support services, particularly in respect of pay and helping the sector to meet our aspirations around Fair Work and the Real Living Wage (RLW). This should now be the new floor for investment for 2025-26. Additional funding is required each year to enable the Real Living Wage to be delivered in all HSG funded services.

Our members, particularly those who deliver HSG funded services and social care, are concerned about the impact of the increase to employer National Insurance announced in the Autumn Statement. This is on top of existing financial pressures to meet Real Living Wage commitments.

There are now significant concerns that the increase in National Insurance contributions has the potential to push support providers over the edge. It poses a huge risk to the sustainability of high-quality services, which could leave local government without the tools they need to prevent and alleviate homelessness. Most crucially it could result in people who are experiencing or at risk of homelessness being unable to access the housing and support they desperately need.

The following examples from four providers indicate the scale of the additional costs resulting from the changes to employer NI contributions:

- £429,000
- £245,000
- £500,000
- £620,000

If the UK Government does not exempt not-for-profit sector services, we need Welsh Government to:

- Provide additional funding in the Welsh Government's budget for 2025/26 to cover the additional National Insurance costs facing Housing Support Grant and other Welsh Government-funded homelessness and housing support services across Wales.
- Work with local government and providers to ensure that the required funding reaches providers at the start of the financial year.
- **Capital funding for more homes through Social Housing Grant (SHG) and the Transitional Accommodation Capital Funding Programme (TACP)**

Capital investment needs to be protected and enhanced for inflationary increases, centred on an agile and pragmatic approach to funding. Housing associations are set to deliver over 70% of all new affordable homes this Senedd term, making a significant contribution towards Welsh Government's 20,000 homes target.



Where new developments have not progressed at the pace and scale required, the TACP creates additional accommodation capacity through remodelling, conversion, and modular accommodation. This scheme has allowed housing associations to develop housing capacity and maximise the use of existing homes. If funding is protected, TACP is forecast to deliver approximately 2000 additional homes by the end of the Senedd term. Welsh Government will release the latest affordable housing provision statistics for 2023/24 on 11th December.

- **Protection of emergency support such as the Discretionary Assistance Fund (DAF)**

The Welsh Government must protect the funding of the Discretionary Assistance Fund (DAF) which has been a lifeline for those struggling through the cost of living crisis. The system must also be improved so that it can continue to quickly, fairly and reliably provide urgent assistance to those in need. The Welsh government should consider how preventative measures can be integrated into the fund for example through stronger referral arrangements to holistic financial support services provided by housing associations or independent support services.

- **Funding to mitigate the impact of the Additional National Insurance and Real Living Wage costs facing social care services across Wales**

One care-providing housing association has estimated that it will cost them over £660,00 to meet the increase on top of a further £680,000 to meet the rise in RLW. On top of the significant financial difficulty social care providers are already experiencing, these changes have the potential to push critical services over the edge.

We need the Welsh Government's assurance that they will step in to protect the social care sector if a solution is not delivered by Westminster. Specifically, we need the Welsh government to provide additional funding in the Budget for 25/26 to cover the NI and RLW costs facing the commissioned care sector, ensure that funding is clearly ringfenced so that commissioners and providers have clarity and assurance that enough funding has been provided to cover these costs and work with local government, the NHS and provider representative groups to make sure that the required funding reaches providers at the start of the financial year.

1. What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

Prevention of homelessness and hardship for individuals

Homelessness and housing support

While housing associations warmly welcomed the additional £13m for the Housing Support Grant in the Welsh Government's final budget for 2024-25, recent evidence collected by CHC and Cymorth Cymru suggests that the increase was not enough to cover all costs:

- Only 16% said the final budget settlement was sufficient to cover all of the costs of running a high quality, well-staffed service.



- 66% are having to use income from other parts of the organisation (e.g. rental income, training income) to subsidise services.

The impact of increased demand and complexity, coupled with restricted funding has had significant impacts on staff, with 91% of providers stating that there had been a negative impact on staff wellbeing, sickness and burnout over the past year. In addition to this, turnover for staff remains high with 50% of respondents of providers stating that there had been an increase in staff turnover over the last year.

When asked about the likely impact if there is no increase to the Housing Support Grant in Welsh Government's budget for 2025-26:

- 74% of providers will likely need to reduce service capacity / support hours.
- 52% of providers will likely make staff redundant.
- 47% of providers will likely need to hand back existing contracts.

The increase in the need for preventive interventions over the past couple of years means that housing association's support resources are already stretched to their limit. This is anticipated to become an even larger key driver of costs with the Welsh Government's Ending Homelessness White Paper proposals. An increasing focus on homelessness must be supported by the financial support it needs.

Increasing the supply of affordable housing

Building new homes

Housing associations have welcomed the £330m allocated for Social Housing Grant (SHG) and £50m for Transitional Accommodation Capital Programme (TACP) allocated in the 2023/24 budget. This 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 in recent years which has slowed the pace of delivery against Welsh Government's 20,000 homes target. 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:

- High levels of inflation and cost increases. As a result, investment in social housing does not stretch as far as previously. A recent Audit Wales report states that Welsh Government will need between £580 million and £740 million in additional capital to deliver all projects in its pipeline by March 2026.
- Supply chain disruption, and their impact on the construction market in Wales.
- Retention and recruitment challenges, leading to lack of skilled specialists and other core staff across planning, environmental management and construction.



- Misalignment between environmental management approvals and the planning system.

Despite these challenges, housing associations are unlocking progress and are set to deliver over 70% of affordable homes this Senedd term. We need to stay the course and safeguard the pipeline of homes we are building.

The planned Social Housing Grant capital spend should be uprated to account for cost increases in line with recommendations from Audit Wales, so that housing associations can build the new, low-carbon affordable homes that people in Wales so urgently need. In addition, continuing indicative multi-year settlements and taking this approach to TACP would provide the sector with the security needed to continue investing.

The Transitional Accommodation Capital Programme has been invaluable in increasing available homes at pace, and we would urge the government to continue funding this programme and consider ways to enhance its delivery, such as:

- Considering the structure of the programme 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 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 2025-26, 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. We welcome the creation of the Affordable Housing Taskforce which will be an invaluable mechanism to identify short-medium term solutions to improve delivery. Investment continues to be vitally needed in 2025/26 and beyond to increase capacity in the planning and consenting system and to improve environmental management infrastructure.

Financial support for individuals

In the 2024-5 budget, multiple measures were announced to support a series of crises, including:

- Maintaining the Discretionary Assistance Fund (DAF) at £38.5m
- Protecting support for advice services and the budget for the Single Advice Fund
- Maintaining £35m for the Fuel Poverty Programme



- Maintaining £25m for the Welsh government Energy Service.

These investments have been welcome and vital for people experiencing financial hardship, however our June 2024 report '[A Deepening Crisis](#)' highlights that the cost of living crisis isn't over for social tenants in Wales.

Housing associations have become a vital safety net for those who have fallen through the gaps in our central welfare system and they provide crisis support. In the first three months of 2024, over 7,400 tenants reached out to their housing associations for support, an increase of 110 tenants from the same time period last year. During this time housing associations provided over 2,600 foodbank vouchers and energy advice to over 2,000 tenants. Housing associations also provided access to £1.3m in hardship relief in 2023-24.

In the 2025-26 budget, the Welsh Government must protect the funding of the Discretionary Assistance Fund (DAF). We would also like to see a commitment to improve the DAF system so that it can continue to quickly, fairly and reliably provide urgent assistance to those in need. The Welsh government should consider how preventative measures can be integrated into the fund for example through stronger referral arrangements to holistic financial support services provided by housing associations or independent support services.

Poverty, deprivation and destitution has been a longstanding issue for many communities in Wales. Therefore, alongside vital crisis support delivered by statutory services and third sector providers, we need effective partnership working to develop longer term solutions to supporting strong, resilient communities.

Decarbonisation

The Optimised Retrofit Programme and Welsh Housing Quality Standard

The Welsh Government provided £70m for the Optimised Retrofit Programme. This funding has allowed housing associations to continue testing and trialling measures that can retrofit homes to high energy efficiency standards.

Welsh Government also provided £18m for WHQS2023 for 2024-25. Housing Associations welcomed this fund however strongly felt that the period in which their allocated funding had to be spent (within a 7 months timeframe) was too short. This short window was not conducive to ensuring that social landlords are able to spend monies strategically. Furthermore, this funding, whilst welcome, is not sufficient to meet the challenge of retrofitting every home to WHQS2023 energy efficiency standards. We need a fully costed plan and a deliverable timetable and strategy which allows investment to be retained in Wales to support the local economy.

The social housing sector is still awaiting:

- a clear assessment of the full costs of meeting WHQS2023.
 - Welsh Government is currently undertaking work to understand the costs of the Affordable Warmth element only.



- a decision on the long term approach to the funding of WHQS2023.

Building safety

The budget reprofiled the building safety fund by releasing £37m of capital in 2024-25 for revenue funding. The total investment in Building Safety remained at £165m.

Our sector is committed to prioritising safety in our homes and we continue to welcome Welsh government commitment to building safety through provisions of funding to support housing associations in Wales to implement a whole building approach to fire safety. We are expecting the publication of the The Building Safety (Wales) Bill in 2025 which will have financial implications arising from its implementation.

Housing associations as social care providers

We welcomed commitments announced in the 24/25 budget which allocated £10,564m to improve social care through recruitment and retention of the professional workforce, maintained the Regional Infrastructure Fund at £60.5m and provided a 3.1% increase to the core local government settlement, which funds social care.

However, it is clear that these interventions have not been enough to address the significant pressures facing care providing housing associations. Along with partners, we have raised specific concerns about providers ability to deliver Real Living Wage commitments because of insufficient fee uplifts from commissioners. Many providers were left with massive financial shortfalls for their services in 24/25 which they had to subsidise using their reserves. For the 25/26 budget we urge the Welsh Government to improve the process of distributing this funding so that providers are not left in this position for another financial year. These pressures have been further exacerbated by recent increases in employers' National Insurance contributions.

Housing associations are excellent partners to deliver registered care services but at present they are experiencing pressures across the homes and services they deliver. These include, funding pressures, silo working preventing their full potential for being realised and challenging relationships with commissioners due to pressures on the system as a whole. Earlier this year, we carried out research with our care providing members and identified three areas in addition to increased investment that should be prioritised by the Welsh government these are:

- taking an enhanced role to convene stakeholders to inspire better collaboration,
- building a better understanding of the housing association finance and regulatory model so that government is better positioned to make policy decisions that incentivise housing associations to stay in the care market
- translating ambition into action through re-focussing on prevention over crisis.



2. How financially prepared is [are housing associations] (your organisation) for the 2025-26 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

Housing Associations retain a resilient financial position, however there are a number of factors that significantly impact on their ability to invest further with confidence.

Uncertainty

At present there are a number of significant unknowns affecting Housing Associations finances and their ability to plan investment with confidence in the coming years:

- The unknown cost of meeting WHQS 2023. The work to develop evidenced costings is ongoing, but we do know that the energy efficiency element alone could cost at least £30,000 per home.
- The ongoing review of the social rent policy means social landlords have no clarity on future rental income beyond FY 25/26.
- Planned legislation on building safety and ending homelessness will place increasing responsibilities on social landlords, as has legislation such as the Renting Homes Act (Wales). At present, these costs are unknown.

Private finance

Housing Associations borrow private finance to support the provision of new affordable social homes, enhancing the value of every pound of public investment in new homes. The 2023 global accounts for housing associations in Wales show a total debt of £3.5 billion.

Housing association finances across the UK have been under severe external pressures over the past five years, and we are not immune from this in Wales. Increased investment in homes, safety and quality, combined with inflationary pressures and rising interest rates, have squeezed social landlords' financial position. For example, planned maintenance costs have almost doubled over the last five years.

Between 2021/22 and 2022/23, costs increased faster than turnover as the prices of works and goods increased. This has resulted in lower operating margins which, if prolonged, will impact Housing Associations' ability to leverage private finance, increasing their reliance on public funding and reducing the value that can be derived from each public pound.

3. What action should the Welsh Government take to:

- **help households cope with inflation and cost of living issues;**
- **address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?**



Welsh households, particularly those living in social housing, have been and continue to be significantly affected by the ongoing cost of living crisis. Even before the pandemic and the cost of living crisis, people in Wales were struggling to stay on top of bills, heat their homes and keep food on the table. Wales' poverty levels have remained largely stagnant for the last decade and it is clear that we must find a long term solution to these longstanding challenges.

Our most recent cost of living research '[Responding to the Relentless Crisis](#)' highlights the work housing associations do in Wales to build strong, resilient communities and help the Welsh Government achieve its ambition to create opportunities for every family. This includes supporting tenants into employment, building and maintaining safe, warm, energy efficient homes and going beyond their care purpose by providing preventative health and wellbeing initiatives.

We believe that the route out of this crisis is through strengthening our partnerships and working collectively. We have identified three areas we think should be prioritised in the immediate future.

- **Strengthen data sharing:** Welsh Government should urge the UK Government to revise the Memorandum of Understanding between DWPs and local authorities, to allow Housing Benefit teams within local authorities to share information with social landlords about who is claiming ESA. This would allow housing associations to take a targeted approach to supporting tenants with transitioning to Universal Credit. The Welsh Government should also encourage local authorities to signpost or refer individuals who receive an application for Council Tax Reduction to their housing associations financial well-being teams or other independent debt services.
- **Protect funding:** Welsh Government must protect the funding of the Discretionary Assistance Fund in their upcoming Draft Budget. It should call for reform of Universal Credit to ensure that claimants can pay for basic essentials as a minimum, in line with the Essentials Guarantee campaign steered by the Trussell Trust and Joseph Rowntree Foundation.
- **Improve delivery:** We would like to see improvements made to the Discretionary Assistance Fund (DAF) to ensure that it is fully aligned with the ambitions of the Welsh Benefit's Charter and can quickly, fairly and reliably provide urgent assistance to those in need. We would also like to see a stronger integration of preventive measures within the DAF system. We also urge Welsh Government to conduct a review of the Discretionary Housing Payment (DHP) system in consultation with stakeholders and recipients. This review should aim to explore ways to enhance access and effective use of the fund across all local authorities in Wales. A more streamlined and equitable DHP system would help ensure that support reaches those who need it most.

5. 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?

Long-term funding



Welsh Government's plans to green the social housing sector are ambitious, but as yet unfunded. The new iteration of WHQS which was launched in 2023 set an energy efficiency target of SAP 75 by 2030 and SAP 92 (EPC A) by a time that suits each home. Furthermore, all new homes have to be built to EPC A (or equivalent) standards.

The cost of retrofitting a home to EPC A is substantial. Detailed work by the Welsh Government is ongoing to understand the current cost of decarbonisation. [2021 research showed that to achieve EPC A will cost at least £30k per property](#), however this research was conducted before the cost of living crisis and significant inflationary pressures and so the true cost is likely to be far higher. The £18mm that Welsh Government provided for all 34 housing associations and 12 stock retaining local authorities during 2024-25, even if replicated, will not be sufficient to support net zero requirements in housing.

Skills

In order to decarbonise housing, new and existing skills are going to be needed at scale. CITB modelling suggests that an additional 12,000 full-time equivalent (FTE) workers will be needed in Wales by 2028 primarily to deliver improvements to existing buildings to reduce energy demand. This represents an increase of around 11% on the current size of the workforce in Wales. It is also estimated that an additional 2,800 plumbers and heating, ventilation, and air conditioning (HVAC) workers will be required, primarily in the installation of heat pumps by 2028. Furthermore, just over 2,500 project managers will be required, which includes specific roles like Retrofit Coordinators.

The Friends of the Earth 'An emergency plan on green jobs for young people' report states that many apprenticeship standards do not yet exist, for example whole-house retrofits, whilst others need important updates and/or numbers to be expanded significantly, such as heat pump installers. The Construction Skills Network forecasts an annual recruitment requirement of over 2,000 wood-and-interior fit-out tradespeople and just under 2,000 plumbers and HVAC trades people across the UK up until 2023. Alongside these trades, the Federation of Master Builders additionally includes plasterers and roofers in its top six occupation in short supply.

IPPR's analysis shows that up for 750,000 construction workers could retire or be on the verge of retiring in the UK over the next 15 years. They state that not enough is being done to replace these workers, with just 20% of construction workers aged under 30.

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?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

We are supportive of the aims of the Welsh Benefit's Charter to increase the take up of Welsh Benefits, raise awareness of benefit entitlements, reduce the need for emergency aid and improve outcomes for children and young people in low income households. We understand that a work plan for implementation is currently being developed by the Streamlining Welsh Benefits Steering group. This



work must continue at pace. At present, there are too many individuals who are falling through the gaps of our welfare provision.

We believe that the route out of this crisis is through strengthening our partnerships and working collectively. We have identified three areas we think should be prioritised in the immediate future.

- **Strengthen data sharing:** Welsh Government should urge the UK Government to revise the Memorandum of Understanding between DWPs and local authorities, to allow Housing Benefit teams within local authorities to share information with social landlords about who is claiming ESA. This would allow housing associations to take a targeted approach to supporting tenants with transitioning to Universal Credit. The Welsh Government should also encourage local authorities to signpost or refer individuals who receive an application for Council Tax Reduction to their housing associations financial well-being teams or other independent debt services.
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Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

As mentioned above, we would like to see improvements made to the Discretionary Assistance Fund (DAF) to ensure it can quickly, fairly and reliably provide urgent assistance to those in need but also better incorporate preventive measures into the process. For example, considering how partnership working and stronger referral arrangements could ensure DAFs are provided alongside other holistic financial support provided by housing associations or other independent support services.

Our recent cost of living research also identified that the total spend on the Individual Assistance Payments (IAP) element of DAF has significantly decreased. Between April - June 2023 over £4.2m was spent across local authorities and in the same time period for this year that total has almost halved to £2.8m. The IAP element of DAF is the more preventative element allowing clients to buy furniture, white goods and other household items. We must see the Welsh Government protect the funding of DAF.



We also set out earlier in our response the stark picture facing support providers in the vital work that they do to respond to and prevent homelessness. Housing Support Grant funding continues to be at threat each year in Welsh Government processes - with increases being found often between draft and final budgets. It should not be this way. This annual uncertainty is not a position from which we can maintain good quality services with highly skilled staff delivering life-changing work.

We would like to see a sustainable funding solution to the Housing Support Grant to not only meet current demand for homelessness preventive interventions, but especially to facilitate the delivery of ambitions as part of ongoing homelessness reform.

For more information, please contact bethan-proctor@chcymru.org.uk