



In-depth Briefing

Welsh Government's Final Budget – 2018/19

On 19th December 2017, the Cabinet Secretary for Finance and Local Government, Mark Drakeford AM, published the Welsh Government's final budget for 2018/19. The budget was passed by the Assembly on 16th January 2018.

The total budget for this financial year is £15.3 billion, an increase of £250 million from the previous year. The budget clearly sets out the Welsh Government's spending plans in the devolved areas of responsibility, including health, housing and education. This is the first budget in which the Welsh Government can also take into account the two newly devolved areas of taxation and borrowing, meaning the Welsh Government can gain revenue from these to directly fund Welsh public services.

Following an agreement with Welsh Labour, Plaid Cymru has agreed to support Labour's plans for the budget under the prerequisite that several of their own policies will be funded, including that there will be no cuts to the Supporting People budget.

As part of Community Housing Cymru's commitment to our members, this briefing will summarise the information given in the Welsh Government's Budget, including key statistics and our forecasts as to what the potential impact of the various announcements will be on the Welsh housing sector. The key measures in the budget are highlighted below, before further detail is given on those aspects that will have a direct impact on the housing sector.

Key Headlines:

- An additional £230m in 2018–19 and £220m in 2019–20 for NHS Wales
- Protection for social care and education funding
- No cuts to the Supporting People grant: an additional £10m will be allocated in each year to maintain 2017-18 levels
- Investing £70m over two years for the flagship childcare offer that offers 30 hours free, government funded childcare for working parents of 3 and 4 year olds
- An extra £10m to tackle homelessness in each year
- The Finance Secretary's decision to introduce a Land Transaction Tax in place of the Stamp Duty will proceed, but with changes to initial proposals following the UK Government's decision to scrap stamp duty for first time buyers.



Key Budget Changes:

Capital Budget Line	2017/18 Funding	2018/19 Funding	% Change
Increase the supply and choice of affordable housing	£103.7m	£221m	+113%
Increase the supply and choice of market housing	£103.3m	£88.7m	-14%
Regeneration	£17.5m	£21.9m	+25%

Revenue Budget Line	2017/18 Funding	2018/19 Funding	% Change
Supporting People	£124.5m	£124.5m	+/- 0%
Homelessness Prevention	£5.9m	£9.9m	+67.7%

Detail on funding announcements:

1. Affordable Housing

The 2018/19 budget commits an additional £340m of capital to deliver on Welsh Government's commitment to their target of 20,000 homes, working in partnership with key stakeholders. The Minister recognised the impact of good housing on general health and wellbeing, which links into CHC's Housing Horizons vision. This funding will focus on delivering social housing, as well as increasing the proportion of low-cost homes available for purchase.

The 2018/19 budget is the second year of the Housing Finance Grant 2 programme which, in addition to providing funding to housing associations, will provide support to local authorities in their delivery of their housing proposals. This scheme intends to boost investment in the housing sector by £250m, helping to deliver the government's commitment to build 20,000 new affordable homes by the end of this Assembly term. This



budget will increase the Housing Finance Grant 2 by £3.7 million in 2018/19 and a further £1.7 million in 2019/20.

Impact:

Housing associations are essential to delivering the Assembly's pledge of 20,000 affordable homes during this assembly term, therefore this increase in funding is going to be an integral part of ensuring that this happens. Community Housing Cymru welcomes this funding and will continue to work with partners in Welsh Government and the Welsh Local Government Association in order to ensure that we have the right environment in which to deliver the target. This will involve building, land acquisition and regeneration.

This budget makes several acknowledgements towards the significance of ensuring the delivery of appropriate housing solutions for diverse needs of communities and individuals across Wales. It recognises the importance of providing secure, affordable housing in order to support vulnerable individuals to stay in their homes for longer and continue to play a part in their communities. CHC recognises that this is an integral part of the role housing associations play and will continue to reiterate this to Assembly Members to ensure that they support these development schemes and housing associations within their constituency.

2. Supporting People Programme

Following a deal between Welsh Labour and Plaid Cymru, the Supporting People funding has been protected for the 2018/19 budget. However, the following year (2019/20) it has been proposed that it will be merged with a number of other grants that are paid to local authorities to create a single grant (the new Early Intervention, Prevention and Support Grant). This follows a letter to local authorities in 2017 announcing a funding flexibilities pathfinder, which will allow seven local authorities to trial full flexibility across a number of funding streams including SP, Families First and Flying Start.

The Welsh Government suggests that this single grant would lift constraints and allow the funds to be determined locally as opposed to funding national programmes.

Community Housing Cymru has written to the Minister for Housing & Regeneration to raise our concerns over proposals to remove the ringfence from Supporting People and merge the fund with other non-housing related funds. We will continue to work with Welsh Government to influence their decision making on funding flexibilities and the future of SP.

Impact:

Although we are pleased that the Supporting People funding is being preserved for the 2018/19 financial year, there are concerns that, following this, the funding will not be protected as it will be merged with other grants. This is a significant concern for CHC as many housing associations rely on this funding to manage programmes that are proving very



successful. Community Housing Cymru is working with Welsh Government to ensure the best outcome possible for members and those who receive Supporting People services.

3. Homelessness

This budget announces an additional £10 million allocation to target homelessness, of which £6 million will be made available through the Revenue Support Grant in 2018/19 and 2019/20. This area was identified through the Government's Prosperity for All scheme and will target preventative measures. However, there are concerns about this due to the proposal to merge homelessness prevention funding into the new Early Intervention, Prevention and Support Grant, meaning that monitoring spending and outcomes will be more difficult.

The £340 million investment in affordable housing is also aimed at targeting the problem of homelessness as it is acknowledged that insecure, unsuitable housing significantly adds to the issue and can push vulnerable people onto the streets.

Impact:

Homelessness across Wales is a growing problem, therefore this additional funding is welcomed by CHC, as is the acknowledgement that there needs to be significant investment in preventative services alongside the reactive services. It is highlighted that these services work collaboratively to tackle the issue and ensure that those who are homeless are placed into safe and secure accommodation.

4. Regeneration

The regeneration budget has been allocated an additional £14.9 million, to be implemented over the next three years; £6 million in 2018/19; £4.5m in 2019/20 and £4.4m in 2020/21. This will support the regeneration of community facilities and will help to build resilient communities across Wales.

Another aspect of regeneration is ensuring that homes are reaching the targets for Welsh Housing Quality Standard. The target for all homes in Wales to be at this standard is by 2020, therefore achieving and maintaining these standards is supported by a budget allocation of £108 million.

5. Social Care

Despite a further reduced social care budget from the UK Government, the Welsh Government has committed to prioritising and protecting frontline services, particularly



schools and social care, in this two-year revenue budget. They have committed to investing £30 million in social care-specific grants, which will come from the Health, Well-being and Sport Main Expenditure Group.

The local government settlement includes funding for social care budgets to maintain the assumed Welsh Government's share of core spending at 2017-18 levels, in both 2018-19 and 2019-20. This equates to £42m in 2018-19, increasing to £73m in 2019-20.

There are plans to co-ordinate housing, health and social care capital programmes in order to target the areas that interlink these, for example, in mental health services. The Welsh Government has recognised that there is a significant need for innovative and affordable accommodation that provides easily-accessible care for vulnerable groups. They have committed to investing an extra £15 million over two years, starting with £5 million in 2019/20 then £10 million in 2020/21, in housing, health and social care capital programmes.

Impact:

The link between housing and social care is inarguable, and CHC welcomes any additional funding to the social care budget, particularly along with the acknowledgement that for social care to be successful it needs to work in conjunction with innovative accommodation, helping people to stay in their homes and avoid hospital admissions.

CHC will continue to work with housing associations that provide supported accommodation, highlighting their importance in the social care sector.

6. Discretionary Assistance Fund

The Minister for Housing and Regeneration has confirmed that the budget for the Discretionary Assistance Fund (DAF) will increase to £8.7 million for 2018/19. This is an extra £1 million per year.

Due to changes to the benefits system and the roll out of Universal Credit, this additional funding may go a short way to mitigating the damage that is caused by leaving people without payments for prolonged periods.

Impact:

Despite the extra funding, historically the DAF has been largely under-utilised so CHC would expect that, for this funding to be fully beneficial, it would be important that there is more research into why and how it has been under-utilised previously. This extra funding for emergencies will hopefully help to mitigate some of negative impact caused by the roll out of Universal Credit, working to prevent people getting into rent arrears and potentially becoming homeless.