



In-depth Briefing

Welsh Government Draft Budget

December 2015

Welsh Government announced its fifth and final Draft Budget of this Assembly term on 8th December 2015. The draft budget sets out the Welsh Government's spending plans for 2016/17 for devolved areas of responsibility, including health, education and housing.

The announcement follows the UK Government's Comprehensive Spending Review, published in November, which will lead to a real terms cut of 3.6% to Welsh Government's revenue budget over the course of the next Parliament (2015-2020), while capital funding increases by 4.7%. Welsh Government's overall budget for 2016-17 was set at £14.4bn; £13.1bn of revenue funding and £1.3bn of capital.

These proposals are currently in draft, but Welsh Government agreed a two year budget package with the Welsh Liberal Democrats for the 2015/16 and 2016/17 budgets which means this budget is likely to pass without any significant changes. The final budget will be tabled at the National Assembly for Wales for approval on Tuesday 1st March.

As part of the Community Housing Cymru Group's commitment to our members, we have worked to collate data from the Welsh Government Draft Budget, key statistics and our forecasts as to the potential impact of the various announcements on the Welsh housing sector. The measures announced in the budget which are of direct relevance to housing associations are summarised below, with further detail provided throughout.

Key headlines:

- Welsh Government budget published, with focus on the "priorities and services which mean most to the people of Wales"
- Funding for Supporting People Programme protected, alongside Communities First and Flying Start tackling poverty programmes
- An increase of £5m in Social Housing Grant
- £260m extra funding for NHS delivery, £30m of which goes to the Intermediate Care Fund
- Small increase in public health budget, protection for social services
- £26.3m to support Phase 2 of Help to Buy Wales



CAPITAL

| Programme | 2015/16 | 2016/17 | Increase/Decrease % |
|----------------------|------------------|--------------------|---------------------|
| Social Housing Grant | £63.8m | £68.8m | +7.8% |
| Regeneration | £65.7m | £73.5m | +11.9% |
| Help to Buy - Wales | £71m (Phase One) | £26.3m (Phase Two) | - 62.9% |

REVENUE

| Programme | 2015/16 | 2016/17 | Increase/Decrease % |
|-------------------------|---------|---------|---------------------|
| Supporting People | £124.4m | £124.4m | +/- 0% |
| NHS Delivery | £5.78bn | £6.03bn | + 4.3% |
| Intermediate Care Fund | £20m | £50m | +150% |
| Homelessness Prevention | £6.4m | £5.9m | -7.8% |

1. A £5m increase in the Social Housing Grant budget

Social Housing Grant (SHG) is the grant from Welsh Government which Registered Social Landlords use to provide additional affordable homes to the people of Wales. The budget for 2016/17 has been set at £68.8m. This is an increase of £21.7m on the baseline proposals of £47.1m from Welsh Government and represents an increase of £5m on the overall SHG budget of £63.8m which was allocated in 2015/16, alongside £10m for affordable land for housing.

Impact

This increase in funding is welcome and will allow housing associations to continue to provide more affordable homes to help tackle the housing crisis.

Figures by the Welsh Economy Research Unit show that housing associations in Wales have provided more than 7,600 additional affordable homes in this Assembly term, with a further 2,700 planned in 2015/16, and the sector is on course to exceed Welsh Government's 10,000 target.

However, Social Housing Grant levels have fallen over recent years. We will continue to make the case for investment in social housing while stressing that the provision of further homes is dependent upon a secure income for housing associations through their rental income. We are still awaiting confirmation of the rent settlement for 2016/17, with a rise of CPI + 1.5% previously agreed up to 2019 as part of the Housing Supply Pact signed by CHC and Welsh Government.



| Financial Year | Social Housing Grant Spend ¹ (£m) | Number of additional homes provided ² |
|----------------|--|--|
| 2011/12 | 96.9 | 1973 |
| 2012/13 | 101 | 1862 |
| 2013/14 | 83 | 1850 |
| 2014/15 | 70.7 | 1923 |
| 2015/16 | 63.8 | 2700 (planned) |

Finance Minister Jane Hutt reiterated Welsh Government commitment to social housing during the debate on the draft budget, highlighting the contrast with England, where she said social housing grant is 'gone'.

2. Protection for the Supporting People budget



Following the year-long 'Let's Keep Supporting People' campaign, run jointly by Community Housing Cymru and Cymorth Cymru, the Finance Minister announced yesterday that the budget for the Supporting People Programme would be protected in cash terms. This means that the budget for the programme will remain at £124.4m, as in 2015/16.

Impact

The Supporting People programme helps around 60,000 people per year in Wales to sustain tenancies, avoid homelessness, and lead independent lives.

Supporting People funding provides housing associations with the means to run a variety of projects for the benefit of some of the most vulnerable members of the communities in which they operate. The budget for Supporting People was cut by £10m in Welsh Government's budget for 2015/16, and any further reductions in funding would have placed severe pressure on these vital support services. The protection for funding will mean that housing associations, and other support providers, will continue to be able to help the most vulnerable in their communities and provide them with opportunities to lead

¹ N.B. Spend will often be higher than original allocations due to extra funding received in-year

² Welsh Economy Research Unit, 2015



independent lives in stable accommodation and reduces homelessness.

3. £260m extra funding for the Welsh NHS

The Finance Minister announced that the Welsh Government would allocate a further £260m to the Welsh NHS:

- £200m to support core NHS delivery
- £30m for older people and mental health services
- £30m for the Intermediate Care Fund

Impact

Further funding for the NHS means that Welsh Government now spends 48% of its revenue budget on health. With a reducing revenue budget and increased pressures on health services, this is likely to increase and place further pressure on other revenue budgets. However, £30m of the additional funding has increased funding for the Intermediate Care Fund for 2016/17 by more than double, and there is a slight increase in the budget for public health funding.

Community Housing Cymru's manifesto for the 2016 Assembly elections has called for strengthened partnerships between health and housing, with £50m of funding available, through the housing department, for health and housing initiatives.

4. Funding for phase two of Help to Buy – Wales

The draft budget allocated £26.3m of financial transactions funding to support Year 1 of the second phase of Help to Buy – Wales. The first phase received £170m in funding and allowed people to purchase a new-build home, up to a value of £300,000, with as little as 5% deposit, through a shared equity loan.

Impact

The first phase of the Help to Buy – Wales scheme allowed 1,200 first-time buyers to purchase a new home. Further details are expected to be announced on Phase 2 of the scheme by the Minister for Communities and Tackling Poverty in due course.

The first phase of the scheme was supported by over 170 homebuilders, and credited by Welsh Government with an increase in housing supply. Further support for Phase 2 is likely to result in increased housebuilding and opportunities for housing associations, and for some tenants who are looking to move from social housing into owner occupation.



5. Increased funding for the Intermediate Care Fund

As part of the £260m further funding for health services in Wales, £30m has been added to the Intermediate Care Fund, bringing the total budget for 2016/17 to £50m. This additional funding brings investment in the Fund back to the level it stood at in 2014/15 and is aimed at strengthening primary and community based care, as well as helping older and vulnerable people to maintain their independence in their own home, prevent hospital admission and facilitate early discharge from hospital.

Impact

The key objectives of the Intermediate Care Fund are to:

- Improve care coordination between social services, health, housing, third and independent sectors, to focus on preventative care and to avoid unnecessary hospital admission or delayed discharge for older people, particularly the frail elderly;
- Promote and maximise independent living opportunities (including ensuring increased provision of timely home adaptations) in response to referrals from health and care services;
- Support recovery and recuperation by increasing the provision of reablement services (at home or through the provision of step-down / convalescence beds in the community setting).

This extra funding will provide housing associations and partners with opportunities to strengthen the work they are already doing to improve the health of the communities in which they work. Welsh Government has indicated that this fund is expected to be deployed fully in partnership with local authority social services, using the new partnership arrangements which have been put in place through the Social Services and Well-being (Wales) Act.

6. Increased capital budget for regeneration

No specific announcements were made on regeneration or Vibrant and Viable Places funding in the government's budget. However, the capital budget for Regeneration has increased from its 2016/17 baseline of £60.7m to £73.5m, and increased by £7.8m from the 2015/16 budget of £65.7m.

Impact

We are awaiting further details of how this budget will be allocated to regeneration projects. There are likely to be significant opportunities for housing associations through this capital funding increase to continue their work in regenerating some of the most deprived communities in Wales.



7. Care & Repair

Welsh Government's budget did not contain details of Care & Repair's budget for 2016/17. Community Housing Cymru and Care & Repair Cymru are working with Welsh Government to confirm this budget and will keep members and stakeholders informed of any developments.

8. Protected funding for Communities First and Flying Start tackling poverty programmes

Communities First and Flying Start are two of Welsh Government's flagship tackling poverty programmes.

Communities First is a community focused programme aimed at alleviating persistent poverty. It works in fifty two 'clusters' across Wales, focusing on the most deprived 10% in Wales, according to the Welsh Index of Multiple Deprivation. It engages residents, community organisations, business and other key agencies, focusing on actions leading to long-term sustainability and the wellbeing of communities.

Flying Start is a programme for families with children under 4 years of age, living in disadvantaged areas of Wales. The programme provides a number of early years interventions, including free childcare and enhanced health visiting services.

Impact

Many housing associations work in areas covered by Communities First and Flying Start. The continued funding of both programmes provides opportunities for housing associations to continue working with their tenants to tackle poverty, continuing to link in with these schemes through signposting and the delivery of certain services.

9. Reduced funding for homelessness prevention

The budget for homelessness prevention in Welsh Government's budget has seen a reduction of £500,000 from the previous baseline for 2016/17 – a cut of more than 7%.

Impact

There have been concerns in the sector that a cut to homelessness prevention funding would be a threat to the delivery of new homelessness legislation contained in the Housing (Wales) Act 2014. However, in a session with the Finance Committee on 9th December 2015, Finance Minister Jane Hutt confirmed that



there was no reduction in homelessness prevention activity and the reduction displayed in the budget was a non-recurrent budget transfer.

Conclusions

Community Housing Cymru's manifesto for the 2016 elections to the National Assembly for Wales (http://chcymru.org.uk/uploads/general/Manifesto_WEB.pdf) has called for six actions from the next Welsh Government:

- Invest in infrastructure: Social Housing Grant for new homes
- Action on land: A first option for affordable housing
- A fair rent settlement: For tenants and landlords
- Action on rural housing
- Continue to Support People: Protection of Supporting People funding
- A prudent approach: funding for health and housing

This Welsh Government draft budget makes significant progress on a number of these priorities, and we are delighted to see the Welsh Government's commitment to Welsh priorities through their investment in social housing, as well as providing options for those who wish to buy their own home. Protection for Supporting People funding is a vital lifeline for many people to sustain tenancies and promote independence in a tough financial climate.

There are also concerns for the sector within the budget; the reduction in homelessness prevention funding, alongside changes made to welfare by the Chancellor's Autumn Statement, will make the delivery of the Housing (Wales) Act 2014 more challenging for Welsh Government and other agencies involved.

It is a priority for CHC to work with Welsh Government to confirm the previously agreed rent settlement which will provide the vital security of a consistent income stream to continue to deliver affordable housing, and a number of support services to help sustain tenancies and tackle poverty.

In the lead up to the election in May, we will continue to work with this Welsh Government to deliver their affordable housing target of 10,000 homes, with the housing association sector alone set to exceed this target. We will also continue our work to promote our Manifesto – *Delivering Homes for Wales* – to all the political parties and continue to campaign for *Homes for Wales* to ensure that housing remains a priority for the next Welsh Government.

HOMES
for **WALES**