

# **Senedd Finance Committee Consultation**

## **Welsh Government Draft Budget 2024-25**

### **A response from Cymorth Cymru**

**November 2023**

## **1. Introduction**

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- 1.1. We are grateful for the opportunity to respond to the Finance Committee’s consultation on the Welsh Government’s Draft Budget for 2024-25.
- 1.2. Cymorth Cymru is the representative body for providers of homelessness, housing and support services in Wales. We act as the voice of the sector, influencing the development and implementation of policy, legislation and practice that affects our members and the people they support.
- 1.3. We are extremely proud to represent approximately 90 organisations that provide homelessness, housing and support services across Wales. This includes third sector support providers, housing associations and local authority teams. Our members deliver a wide range of services that support people to overcome tough times, rebuild their confidence and live independently in their own homes. This includes people experiencing or at risk of homelessness; young people and care leavers; older people; people fleeing violence against women, domestic abuse or sexual violence; people living with a learning disability; people experiencing mental health problems; people with substance use issues; and many more.
- 1.4. This consultation response focuses on three areas of the Welsh Government budget:
  - **Housing Support Grant** (page 2)
  - **Learning Disability Supported Living Services** (page 9)
  - **Increasing and improving social housing supply** (page 11)

## 2. Housing Support Grant

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- 2.1. Everyone has the right to a safe and stable home. Housing support services play a vital role in preventing and alleviating homelessness, helping tens of thousands of people every year to recover from trauma and to live safely and independently in their home. However, services have been under constant pressure over the last decade, with funding constraints, huge growth in demand, and an increase in complexity of support needs, all pushing the sector closer and closer to breaking point.
- 2.2. Over the last few weeks we have been collecting evidence from providers of homelessness and housing support services in Wales. We received data from 32 organisations, including small charities operating in one or two local authorities, larger charities operating regionally or nationally, and housing associations. These organisations provide the majority of homelessness and housing support services in Wales and we are therefore confident that our data is representative of the sector.
- 2.3. The information we have collected evidences the significant pressure and challenges facing services and organisations following the real terms cut to the Housing Support Grant budget for 2023/24. It also provides an incredibly concerning insight into the likely impact of any further cuts (real terms or cash terms) next year.
- 2.4. **As the Welsh Government makes key decisions about its budget for 2024/25, the message from the homelessness and housing support sector is clear: The Housing Support Grant must be increased or there is a real risk of system collapse.**

### The importance of the Housing Support Grant

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- 2.5. The Housing Support Grant (HSG) funds the vast majority of homelessness and housing-related support services in Wales, including tenancy support, supported accommodation, domestic abuse refuges, Housing First, and much more.
- 2.6. It plays a key role in preventing homelessness, helping people who are at risk of eviction to overcome challenges and remain in their home. It also provides a range of emergency and supported accommodation for people who are homeless or fleeing abuse and violence. These services are critical to helping local authorities to respond to people's needs and meet their legal obligations to provide accommodation and support.
- 2.7. Housing support services are critical to ending homelessness. The recently published Ending Homelessness White Paper sets out a series of legislative reforms that will improve the prevention of, and response to, homelessness in Wales. However, the Expert Review Panel that recommended these reforms has been very clear that an increase in housing support services will be required to support implementation. This has been echoed by key stakeholders across Wales since the publication of the White Paper.
- 2.8. Housing support services reduce pressure on other public services. In addition to preventing homelessness, the Housing Support Grant also reduces pressure on a myriad of public services, by reducing hospital admissions, supporting people's mental health, avoiding social services interventions and preventing people from going to prison.
- 2.9. [Research](#) conducted by Cardiff Metropolitan University found that every £1 invested in HSG services delivers £1.40 net savings to public services in Wales, including health, social care and criminal justice services. The Housing Support Grant is an excellent example of an invest-to-save intervention.

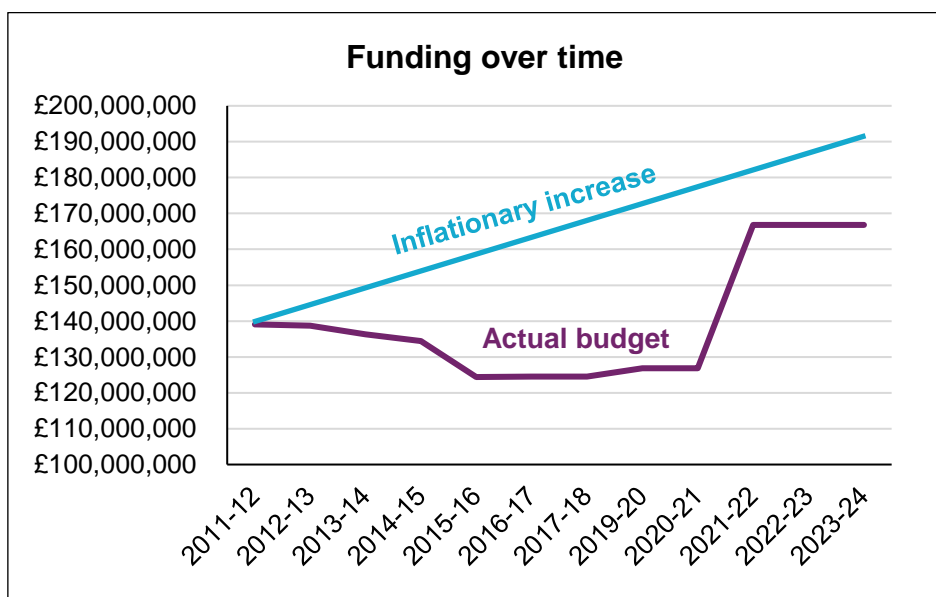
## Increased demand and complexity

- 2.10. The pressure on the homelessness and housing support system has never been greater. Welsh Government [statistics](#) show that 135 people were sleeping rough and 11,228 people were in temporary accommodation on 30 September 2023. Many of these people will need support to leave the streets, help them cope in temporary accommodation, and then move into a settled home. Housing support services are also playing a key role in preventing even more people from entering temporary accommodation.
- 2.11. Evidence we have collected from support providers demonstrates that demand for homelessness and housing support services has increased over the last year, as well as the complexity of people's support needs.
- **81% said demand for their services had increased since last year**
  - **94% said the complexity of support needs had increased since last year**

*"The freeze in grant last year was a disaster. We are currently operating in an environment where Local Authorities are struggling to deal with the demands of homelessness. At the same time, we have seen an increase in complex mental health issues which our Health Board is unable to deal with. I am seeing a rise in safeguarding incidents / referrals and the whole system is on the brink of collapse. Unless services are funded properly, providers will start walking away as we need to ensure services are safe for residents and staff."*

## Decreasing budgets and increased costs

- 2.12. In 2011/12 the Supporting People budget was £139million. During a decade of austerity, it endured a series of cuts and was reduced to £124million in 2015/16. In 2018, it was merged with two other grants to form the Housing Support Grant, with a total budget of £126million. During the pandemic it was increased to £167million to reflect the increased pressure on services as a result of the 'everyone in' approach. It has remained at that level ever since.
- 2.13. In real terms, the budget has reduced by £24million since 2012. Once inflation is considered, £139million in 2012 equates to approximately £191million today. The current Housing Support Grant budget is £24million less than this - and we know that pressure on services has increased significantly over the last decade.



## Increased costs of delivering services

- 2.14. The data collected from support providers shows that the cost of delivering homelessness and housing support services has increased by an average of 11% since last year. This includes higher rents, utility costs and wages – with many support providers having to deliver unfunded wage increases to meet minimum wage requirements.

## Subsidising services due to funding shortfall

- 2.15. **A shocking 75% of providers told us that their HSG services are running at a deficit.** The funding they receive from local authorities is not meeting the cost of delivery. They are desperately trying to keep services running because they care about the people they support, but this is putting extreme pressure on organisations and is simply unsustainable.
- 2.16. The following table shows the proportion of providers currently subsidising their housing support services from other sources, including 52% which are doing so from their reserves.

Have you had to subsidise your HSG services from any of the following sources?	
Fundraising revenue	28%
Reserves	52%
Cross-subsidy from other HSG contracts	17%
Cross-subsidy from other parts of the organisation	52%
Cost savings from last year	38%

- 2.17. Support providers are clear that this is not sustainable. Most organisations cannot afford to subsidise services in the future and will need to hand back contracts if the funding deficit is not resolved. The Boards of these organisations are becoming increasingly concerned about these deficits and some have told their staff to hand back contracts if this continues.

*“We have committed to funding the shortfall from reserves but this will be unsustainable past 2025.”*

*“There is a real risk to us as an organisation and our ability to remain a going concern. We have always had healthy reserves, but this has been decimated as a result of us having to prop up HSG services.”*

*“As part of the budgets for this year we have used reserves to breakeven, hence no reduction in service delivery / redundancies, however we do not have the financial capacity to continue to subsidise HSG contracts.”*

## Impact on service delivery in 2023/24

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- 2.18. We asked support providers about the impact of the cash-flat Housing Support Grant budget for 2023/24 and whether it had affected service delivery, contracts and staffing.
- 2.19. **45% said they had chosen not to bid for a new or re-tendered contract since the HSG budget was confirmed for this year.** This is predominantly down to local authorities not being able to provide enough funding to cover the true costs of delivering services. As outlined above, support providers are seriously considering the financial risk to their organisation of continuing or starting new services. They have also told us they are not prepared to put safety and quality at risk by bidding for contracts that do not cover the true costs of running a high-quality service. Local authorities have told us that they are seeing fewer providers bidding for contracts and are becoming increasingly concerned about not being able to award contracts.

*“We are due to have our supported housing contract cut and looking to re-tender for a new contract we will have to give serious consideration to costings and will be unlikely to deliver what we have done in the new contract proposal due to inflation, cost of living, energy prices, staff retention and training requirements.”*

*“We have one service coming up for retender, with that and tight budgets in our services generally, having to give a non-consolidated pay rise was hard - we had to balance viability v, jobs and services. Our hostels and projects are also costing a lot more to run with increases in expenditure across the board, utilities, repairs and other services.”*

- 2.20. **27% of providers said they have had to reduced service capacity.** The reduction in service capacity is very concerning at a time when demand for services is increasing. This means that people have to wait longer to access support, hindering efforts to prevent homelessness or make it brief and unrepeatable.

*“We have already removed most non-essential costs from the budget in previous years so now it is a case of reducing the number of units/hours delivered or making people redundant.”*

*“Following the funding freeze, we have already seen a reduction in the number of hours we have been allocated with some of the people we support losing funding. Going forward, unless there is a real terms increase in funding, our services will be squeezed and there will be a gap between the hours individuals are assessed as needing and the funding available for those hours.”*

- 2.21. **66% of support providers are having to operate waiting lists.** If people are not able to access help immediately, their crisis will worsen and they become at greater risk of becoming homeless or remaining homeless for longer.
- 2.22. **27% had undertaken a recruitment freeze or left vacant staff positions unfilled.** Recruitment freezes and leaving vacant staff positions unfilled is likely to increase the workload of the remaining staff, who are already under huge pressure. This poses a further risk to the retention of staff when the sector desperately needs to increase capacity. It is also likely to result in people receiving fewer support hours, as individual staff members are supporting greater numbers of people.

### **Cuts to ‘non-essential’ service delivery**

- 2.23. 50% of providers said that the real terms cut to the HSG had led to cut backs in ‘non-essential’ elements of service delivery that would be recognised as preventative, good practice or beneficial to people using services. This includes:
- Activities and engagement opportunities for people using services
  - Therapeutic services for people using services
  - One-to-one support for people using services
  - Support to help people move into independent accommodation
  - Specific work with marginalised groups
  - Embedding psychologically informed environments
  - Clinical supervision for staff
  - Staff training, development, accreditation and qualifications
- 2.24. It is very concerning to see cuts to valuable support for people using services, as well as support and training to help staff to develop their skills and resilience.

## Staff pay, recruitment and retention

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- 2.25. In January 2023, Cymorth conducted surveys with service providers and frontline homelessness and housing support staff. The data revealed that 29% of staff working in services funded by the Housing Support Grant were being paid below the upcoming minimum wage, which would apply from April 2023. The lack of additional funding for the Housing Support Grant in 2023/24 means that the majority of service providers have had to increase staff wages without receiving additional funding to cover this cost.
- 2.26. In our survey of providers in September 2023, **91% said their HSG funding had not been increased by enough to cover the necessary increase in staff wages**. Some providers have quoted additional costs of £600,000 to fund staff pay increases this year.
- 2.27. The UK Government's recent announcement of a 10% increase to the National Living Wage will provide further financial challenges for support providers if HSG funding is not increased by the same rate. The majority want to pay at least the Real Living Wage, but some will struggle to uplift salaries to the National Living Wage without further funding.

*"There is also a continued and increasing risk to our ability to attract the right people into the workforce as salaries are increasingly left behind. We are committed to the Real Living Wage, but even meeting the National Living Wage is becoming harder to do."*

- 2.28. Low wages are having a worrying impact on frontline workers, with many facing the same challenges as the people they are supporting. Data collected from frontline homelessness and housing support workers in January 2023 showed that:
- 86% were not putting on the heating in order to save money
  - 56% were struggling to pay bills
  - 18% were struggling to pay their rent
  - 12% were feeling at greater risk of homelessness
  - 9% were using food banks
- 2.29. Many frontline workers said they were skipping meals and taking on additional jobs on top of their full-time support roles, due to the low pay. Some were considering leaving careers they love because they can no longer make ends meet, with several people highlighting better paid jobs in retail and delivery services which came with much less stress.

### Impact on recruitment and retention

- 2.30. In our recent survey of support providers, 72% said the lack of an inflationary increase this year had a negative or very negative impact on their ability to recruit and retain staff.

*"The lack of increased funding in HSG services over the past 5 years has made recruitment and retention of staff extremely difficult in this area of work. The knock-on effect in terms of staff satisfaction and morale is also evident."*

*"Recruitment and retention is dire in the sector because contract values are so low."*

*"Recruitment has been a significant challenge and we're seeing increased turnover of staff due to the cost of living crisis, where colleagues cannot afford to continue working in the sector. Ever changing teams has a huge impact on the quality of services and pressure on managers."*

*"Colleagues are sometimes needing to work 2 jobs in order to meet their financial commitments [...] We are asking for skilled, experienced, compassionate workers but we are not able to pay for their expertise."*

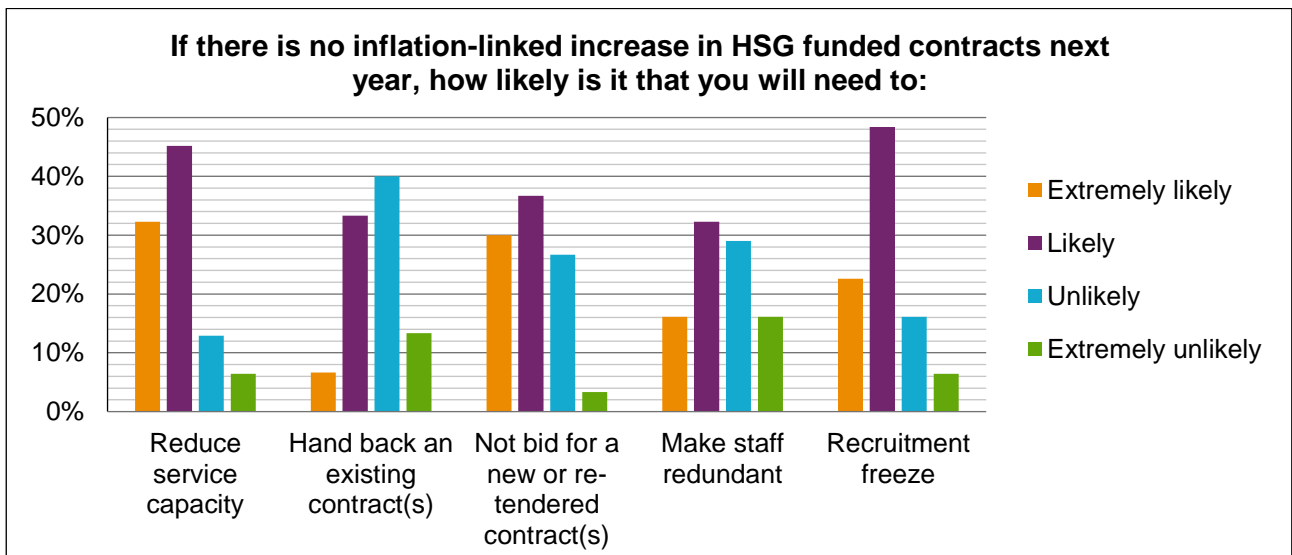
## Looking to the future: HSG budget 2024/25

2.31. The evidence outlined above is extremely concerning. However, the impact of continued funding restrictions next year could make the situation significantly worse. We asked support providers to consider the impact of two potential scenarios for 2024/25.

### Scenario 1: A cash-flat settlement (no inflationary increase):

2.32. Our survey of support providers found that:

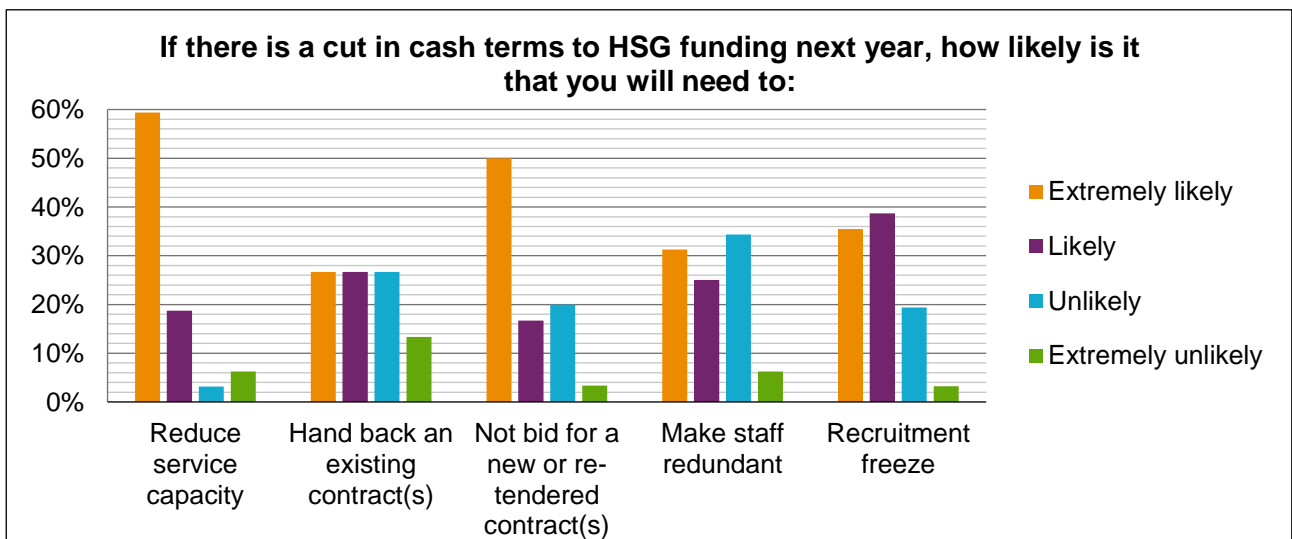
- 77% said they were extremely likely or likely to have to reduce service capacity
- 40% would be extremely likely or likely to have to hand back existing contracts
- 67% would be extremely likely or likely to not bid for new or re-tendered contracts
- 48% would be extremely likely or likely to make staff redundant
- 71% would be extremely likely or likely to have a recruitment freeze



### Scenario 2: A cut in cash terms:

2.33. Our survey of support providers found that:

- 78% said they were extremely likely or likely to have to reduce service capacity
- 53% would be extremely likely or likely to have to hand back existing contracts
- 67% would be extremely likely or likely to not bid for new or re-tendered contracts
- 56% would be extremely likely or likely to make staff redundant
- 74% would be extremely likely or likely to have a recruitment freeze



2.34. For each indicator, the percentage of respondents selecting 'extremely likely' in scenario 2 (a cut in cash terms) increased significantly compared to the cash-flat budget scenario.

*"Any cut will decimate service across Wales. There is no wriggle room for any providers, especially those who are charities."*

*"Ultimately if things continue as they are, ours are other similar services will have no option but to close."*

*"If the WG HSG budget is cut or not inflation-linked increased, [our] ability to assist the local authorities with their homeless prevention, accommodation and support duties will be severely impaired."*

*"As a landlord we work with a lot of managing partners, who are also struggling - the impact on them and us could be huge, from the point of view of buildings (which ideally we also need to invest in) and people."*

## Conclusion

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2.35. In order for the Welsh Government to achieve its ambition of making homelessness rare, brief and unrepeated, it must increase investment in the Housing Support Grant.

2.36. Services have faced significant increases in costs, despite the real-terms funding cut - from staff wage increases to meet minimum wage requirements, to increases in rent and energy costs for supported accommodation. At the same time, demand for services has increased, along with the complexity of support needs.

2.37. The impact on service delivery is clear from the evidence above, but it will get substantially worse if funding is not increased. A large proportion of organisations are running their housing support services at a deficit, subsidising them using their own reserves or other forms of funding. This is not sustainable, and the proportion of organisations having to hand back contracts or being unable to bid for contracts will increase if there is no additional funding for the HSG. There is a very real risk that this may lead to system collapse and people being unable to access the support they need.

2.38. This response outlines the direct impact on homelessness and housing support services, but we are in no doubt that continued cuts will have an impact on a wide range of public services. [Research](#) by Cardiff Metropolitan University shows that housing support services deliver an estimated net saving to health, social care and criminal justice services of £1.40 for every £1 invested in the Housing Support Grant.

*"We have been warning about the impact of no inflation increases for years. Our warnings [are] now becoming reality. Services will close, providers will fold and the impact on statutory services will be huge, because, as is well documented, HSG services keep people safe, well and prevent the need to access services such as A&E, reduce crime and ASB etc."*

2.39. It is critical that the Welsh Government increases the Housing Support Grant in the Welsh budget for 2024/25.



### 3. Learning Disability Supported Living Services

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- 3.1. Cymorth also represents our members who provide housing and support services to people with learning disabilities, including but not limited to Supported Living services. These are usually delivered alongside or with support from social housing providers.
- 3.2. It is important to note the differences between Supported Living Settings and Care Homes. Supported Living is, essentially, people with learning disabilities living either alone or with small numbers of other people with learning disabilities, in their own tenancies, with support of varying intensity depending on their needs. Some care is provided alongside support, but often the support is as much about enabling people in supported living to socialise, engage in hobbies, travel to work, etc, as it is about physical care. The model enables people to live in their own homes and live fulfilled lives, rather than being in more restrictive care settings.
- 3.3. The distinction between care and support can sometimes be blurred, but it is more relevant within supported living because some services are still funded through the Housing Support Grant, alongside social care funding. Many support providers receive both sets of funding which means having to report outcomes and comply with terms and conditions for both sets of commissioners.

### Real Living Wage

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- 3.4. The Welsh Government made a commitment in its Programme for Government to pay care workers the Real Living Wage (RLW), something that our members believe should be the bare minimum for the skilled work their staff undertake.
- 3.5. Some of our members have told us how the commitment to the RLW to date has ensured that their workforces have remained relatively stable compared to other nations. However, others recognise that despite the commitment to the RLW, many of these roles remain low paid and therefore looking after our most vulnerable people is still perceived as low value.
- 3.6. On the 24th October 2023 the Real Living Wage Foundation announced that the new RLW would be £12 per hour, and increase of more than 10%. Our members are very supportive of this increase, but are concerned about whether the Welsh Government will be able to fund it. If sufficient funding is not made available to providers, they will be unable to meet the commitment to paying the RLW, or will have to reduce capacity to pay higher wages.
- 3.7. Care and support providers want to see a clear commitment from Ministers that they will continue funding the uplift in care worker salaries in line with the RLW during 2024/25, and would like to see this extended this to non-registered services. Confirmation of this in the draft budget will enable services to plan appropriately for the next financial year, with many setting their organisational budgets over the coming weeks and months.
- 3.8. Any uplift to the social care budget must also address differentials within the structure of services. Maintaining an appropriate pay differential for managers is critical to recruiting and retaining people at manager level, especially with the responsibilities associated with management within registered services. There are sector wide challenges on recruiting and retaining colleagues, and whilst the RLW commitment is very welcome, the differentials within the structures are closing and there is limited room in the uplift to pass on increases to these roles. There will be long term challenges in recruiting managers and senior workers in an already challenging time if this is not addressed, and meeting the Welsh Government's desire for workforce planning will be extremely difficult.

- 3.9. With an ageing population and a rising demand for social care, Wales needs a sustainable social care workforce supported by a Real Living Wage that offers job security and recognition. The sector needs support to offer fair pay and terms and conditions in order to build sustainable services that can focus on quality and consistency of care.

## Day services

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- 3.10. The COVID-19 pandemic saw the closure of many day services in Wales and some of our members have raised concerns that these have not re-opened. Whilst day services are not for everyone, the absence of this provision has reduced the opportunities for some people to have social interaction, engage in activities and reduce social isolation.
- 3.11. Third sector support providers have had to try and fill the gaps left by the closure of day services and have created hugely engaging opportunities for people. However, this should be provided by the local authority. Our members believe that further investment must be made to properly consult on the re-opening of day service provision and co-produce alternative models where appropriate.

## Commissioning

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- 3.12. While the focus of this inquiry is on the Welsh Government's Draft Budget, it would be remiss of us not to mention the impact that restricted budgets can have on commissioning, and subsequently how this affects frontline services and whether the government's spending intentions can be realised.
- 3.13. A common concern among our members is that commissioning processes can often focus too heavily on cost at the expense of quality. When budgets are limited, the cost of a service can play a much bigger role in commissioning decisions, and this can sometimes be to the detriment of quality. Competitive tendering can drive prices down, particularly wages, and fail to recognise the value in employing well paid, skilled staff to deliver high quality services.
- 3.14. In addition, the monitoring and reporting requirements from commissioners can add burdens to frontline staff and organisations as a whole, when they would rather direct their limited resources to service delivery. Cymorth Cymru has regularly championed a more flexible approach to commissioning, as well as clear commitment from LAs and other commissioners to full cost recovery for providers. If providers need to be more efficient, then the demands from commissioners should reduce accordingly. However, if monitoring and reporting requirements are important for quality assurance, providers should be properly resourced to meet these demands.
- 3.15. There is a clear link between commissioning and workforce sustainability. Fair pay and competitive terms and conditions for social care workers are key factors in determining the future sustainability of the workforce, and it is also important to ensure differentials aren't eroded when improving terms and conditions for frontline staff. Funding and pay levels need to reflect the need to incentivise progression, continual professional development and engagement with accredited specialist learning.

## 4. Increasing and improving social housing supply

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- 4.1. We do not have enough truly affordable housing in Wales and it is imperative that the Welsh Government continues to invest in social homes.
- 4.2. At the end of September, over 11,000 people were in temporary accommodation. Around 1,500 people move into temporary accommodation every month, but only 500-800 moving into settled homes. This is due to the lack of affordable housing in both the social and private rented sectors. While the recent UK Government announcement regarding the increase in Local Housing Allowance rates should enable more people to find housing in the private rented sector, there will still be a considerable need for social homes.

### Social Housing Grant

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- 4.3. The Welsh Government must maintain the capital budget for social housing in line with the indicative budget for 2024/25 which was published last year. The cost of building new homes has increased hugely over the last few years, with Brexit, COVID-19 and high inflation causing a perfect storm for social housing developers. It is essential that the Welsh Government provides enough funding for local authorities and housing associations to meet the 20,000 social homes target in the Programme for Government.

### Transitional Accommodation Capital Programme

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- 4.4. The Transitional Accommodation Capital Programme (TACP) supports a wide range of projects by local authorities and registered social landlords to create much-needed extra housing capacity across Wales. In its first year, the Programme provided £76.4m to Local Authorities and Registered Social Landlords to bring forward 936 homes. Further funding has been [announced](#) for 2023/24.
- 4.5. Local authorities and social landlords have used the funding in a number of ways, including:
  - bringing unused and mothballed properties back into use
  - remodelling existing accommodation
  - converting buildings into good-quality accommodation
  - using modern methods of construction on development sites
- 4.6. We are very supportive of this programme, as it enables social housing capacity to be maximised while new social homes are being built. People need homes now, and the TCAP is a pragmatic solution that operates well alongside the social house-building programme, enabling local authorities to work with their partners locally to develop solutions to meet housing need. In our view, the Welsh Government should continue to invest in the Transitional Accommodation Capital Programme in 2024/25.

### Welsh Housing Quality Standards 2023

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- 4.7. We welcome the new Welsh Housing Quarterly Standards, which maintain the focus on improving standards for social tenants while introducing a firm commitment to decarbonisation. However, we know that implementing these standards will be challenging for the social housing sector, as the costs of maintaining existing homes and building new homes has increased. It is therefore of the utmost importance that the Welsh Government provides appropriate funding to help social landlords to meet these new standards.