

Communities and Culture Committee

CC(3)-14-09 - Paper 1 – 14 October 2009

Scrutiny of Welsh Government draft Budget 2010-11 – Evidence from Deputy Minister for Housing

1. Introduction

This paper provides comments and information to the Committee regarding the future programme budget proposals for the Housing Directorate as outlined within the draft budget which was laid on 5th October 2009. It outlines those areas covered by the remit of the Communities and Culture Committee, namely Housing.

2. Budget Overview

Baseline budgets

The published baseline budget proposals for the Housing Directorate incorporate an additional allocation of £3.446m in 2010/11 compared to 2009/10. This consists of an increased revenue allocation of £5.446m, and a capital reduction of £2m.

The following summary financial table shows the overall effect on the Housing Departmental Expenditure Limit (DEL) baseline budget.

£000s	2009/10 adjusted	2009/10 changes	2010/11 baseline
capital	364,441	-37,000	327,441
revenue	153,169	5446	158,615
total	517,610	-31,554	486,056

This does not include Annually Managed Expenditure (AME) which is outside the Welsh Assembly Government's Departmental Expenditure Limit.

Adjustments to the baseline

The following adjustments will impact on these baseline budgets.

Capital budgets -

£40m of Social Housing Grant has been brought forward from the 2010/11 budget - £12m into 2008/09 and £28m into 2009/10.

A budget consequential of £7m arising from the April 2009 UK budget is made available for Social Housing Grant in the current year, this will not be available in 2010/11.

£12m has been transferred from the Not for Profit Nursing Homes budget over the 2 years 2008/09 and 2009/10 ; £4m to Social Housing Grant Extra Care schemes ('Wanless' budget) in 2008/09 and £8m to Social Housing Grant main programme in 2009/10. This £12m will be reimbursed to the Not for Profit Nursing Homes budget in 2010/11.

Revenue budgets -

£465k has been transferred from the Stock Transfer Community Mutual Support budget to the Housing's management budgets (£219k to Management and Promotion, and £246k to Management and Advice) to support the Regulatory function of the Directorate. This will also be the case in 2010/11 and future years.

Resource Allocation Exercise

To address the overall budget savings necessary as a result of the UK Budget, Cabinet have agreed that all MEGs would find efficiency savings to deliver budget savings of 1.6% revenue and 4.6% capital.

For housing to deliver its proportion of the overall savings in the DESH MEG, savings of 1.46% from revenue budgets and 4.44% from capital budgets are necessary in 2010/11.

This will be achieved by a pro rata reduction of 1.46% across all revenue budgets in 2010/11, equating to a total reduction of £2.318m.

The reduction in capital grants will be achieved by a reduction of £13m in the Not for Profit Nursing Homes budget and a £1.362m reduction in the Specific Capital Grant for Renewal Areas.

There has however been a successful bid under the Resource Allocation Exercise for £1.05m for 2010/11 only, for specific projects to develop a range of initiatives aimed at increasing the ability of people, vulnerable to homelessness, to maintain their tenancies in the economic downturn.

Adjusted budgets

Taking the above adjustments into account gives the following revised budgets.

£000s	2009/10 baseline	2009/10 changes	2009/10 adjusted	2010/11 baseline	2010/11 changes	2010/11 adjusted
capital	329,441	35,000	364,441	327,441	-54,362	273,079
revenue	153,169	0	153,169	158,615	-1,268	157,347
total	482,610	35,000	517,610	486,056	-55,630	430,426

A breakdown of these budgets to BEL level is shown in table 1.

3. 'One Wales' Commitments

The Housing Directorate has a number of priorities to meet over the next year, primarily to deliver on its 'One Wales' commitments. I am confident that the proposals as set out in the Draft Budget will enable us to do so.

The resources we have been allocated will have to be used in the most effective way and this faces us with a number of challenges as we will continue to have to make careful and informed decisions where there are competing priorities. It is therefore extremely important that we continue to drive efficiency savings and maximise the impact of our resources.

The importance of the housing agenda has been magnified by the impact of the 'credit crunch' upon home-owners and the consequent impact upon housing development and ownership.

The allocations made to the Housing Directorate outlined below, reflect commitments highlighted in 'One Wales' which fall under the remit of the Communities and Culture Committee.

Supporting People budgets

An increase of £2,853,000 in 2010/11, making a total budget of £141,349,000. This equates to a 2.06% increase.

The One Wales commitment was to increase the support already given to those helped to lead an independent life through the Supporting People funding. The additional funding will ensure that more people suffering homelessness or the threat of it, domestic abuse, substance misuse problems or trying to lead an independent life with learning disabilities will be supported in Wales in the future.

First Time Buyers

£500,000 per annum between 2008 and 2011 to help support first time buyers meet their housing needs, was allocated in the 2008/09 and 2009/10 budgets, and is not altered in the 2010 draft budget.

As a One Wales commitment, we are currently piloting a scheme providing grants up to a maximum of £5,000 for first time buyers in declared renewal areas. The grants are used for energy efficiency measures. £500,000 has been allocated to 10 local authorities for 2009/10.

Affordable Homes in Wales

The One Wales commitment is to increase the supply of affordable homes by 6,500 over 4 years. £47.6m of the £51m is expected to produce up to 550 additional affordable homes which include general needs, supported and extra-care housing. The balance of £3.4m will provide adaptations for tenants with disabilities.

The budgetary increase has enabled programmes to be accelerated to meet the One Wales target but has also supported the construction and supply industries by stimulating building and development, thereby maintaining jobs in the economic recession.

The Welsh Economic Research Unit (WERU) has indicated that 3,252 affordable homes have been delivered by housing associations over the last two years. We are still on target to deliver the 6,500. However, this may be more challenging than previously planned because of a smaller private sector contribution due to the credit crunch.

There is a substantially reduced budget in 2010/11 compared to 2009/10. This is due to £40m of funding being brought forward from 2010/11 into the 2 previous years, and a reduction of £13m to achieve the necessary Resource Allocation Exercise savings. However the brought forward figure is not a baseline reduction, so the level of funding will recover in future years.

Community Land Trusts

£100,000 per annum funding between 2008 and 2011 to further support the development of Community Land Trusts, was allocated in the 2008/09 budget, and is not altered in the 2010 draft budget.

The need for affordable housing is at its most acute in our rural communities and all support that can be provided is welcomed by those communities. This funding will help to develop the 'bottom up' approach required for sustainable homes to be built in the areas where they are needed most.

Not for Profit Nursing

Budget provision of £18m over 3 years from 2007/08 for Not for Profit Nursing Homes was made in response to a One Wales commitment. This commitment was given in the knowledge that we have an aging population and the requirement for nursing care is outstripping supply rapidly.

No spend has been realised in the first two years, and therefore funds were transferred to Extra Care Schemes for 2007/08 and 2008/09, with an agreement to reprofile budgets and return the funds (£12m) to Not for Profit Nursing Homes in 2010/11.

Officials from Health, Housing and Social Care are now developing a "Resource Centre Model" with a limited spend of £5m, which will take forward the not for profit nursing home principle into a new community model.

This will allow £13m of savings to be realised from these budgets, while continuing to take forward the One Wales commitment.

4. Other Allocations

Mortgage Rescue Scheme

£9.5m has been allocated to the Mortgage Rescue scheme in 2009/10. No provision has been made in 2010/11 budget for this scheme, however Housing officials are in discussion with colleagues in Finance to explore avenues for the continuation of this important scheme.

A revised Mortgage Rescue Scheme was introduced in August 2008. Up to the end of August 2009, 165 approvals have been issued, of which 78 properties have been purchased to enable people faced with repossession to remain in their own homes. The remainder are in the process of being purchased. Revised Guidance on the operation of the scheme was issued in July 2009 to provide more flexibility on eligibility.

SCIF

Strategic Capital Investment Funding for the Social Housing Grant programme has been awarded at a level of £11m in 2010/11. This is the third and final year of the award, totalling £42m, for the provision of an additional five-hundred-plus affordable homes.

Home Improvement Agencies

There will be a net increase of £426k in 2010/11 for the running of Care and Repair. This service helps keep older people in their own homes in comfort, safety and security, by preventing older people going into residential care or being hospitalised.

Homelessness Grant

There will be an extra allocation of £1.05m for 2010/11 only.

This will be for specific projects to develop a range of initiatives aimed at increasing the ability of people, vulnerable to homelessness, to maintain their tenancies in the economic downturn.

Rapid Response Adaptation Programme

There will be a modest drop of £7k in the revenue element of this programme designed to meet adaptation needs for Care and Repair. This is a cost-effective service, and helps mitigate delayed transfers of care, by providing small scale adaptations for those leaving hospital or care. However this is against a background of a significant increase of £101k in the combined capital and revenue elements in 2008/09.

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