

## **The Welsh Government's Draft Budget 2023/24**

Evidence submitted to:

- Senedd Finance Committee
- Senedd Local Government and Housing Committee

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

**1<sup>st</sup> February 2023**

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## 1. About Cymorth Cymru:

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- 1.1 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.
- 1.2 Our members provide 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 misuse issues and many more.
- 1.3 We are committed to working with people who use services, our members and partners to effect change. We believe that together, we can have a greater impact on people's lives. We want to be part of a social movement that ends homelessness and creates a Wales where everyone can live safely and independently in their own homes and thrive in their communities.

## 2. Introduction

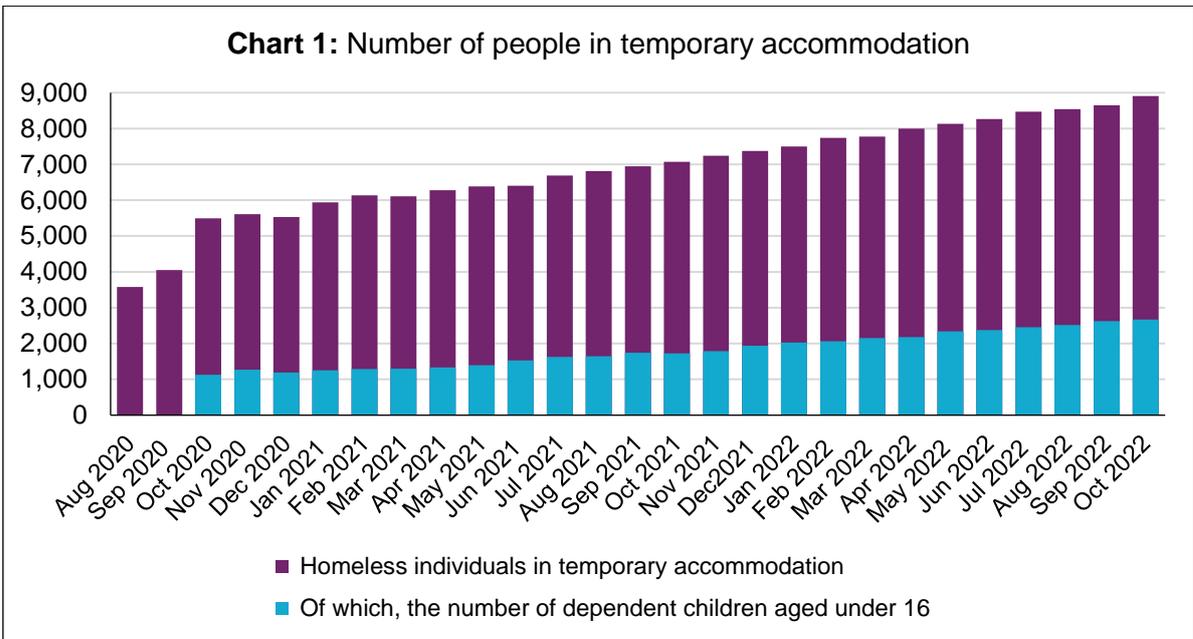
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- 2.1 We welcome the opportunity to submit evidence to the Senedd Finance Committee and the Senedd Local Government and Housing Committee about the Welsh Government's Draft Budget for 2023/24.
- 2.2 This evidence focuses exclusively on the **Housing Support Grant**, which funds the vast majority of homelessness and housing support services in Wales.
- 2.3 The Welsh Government has allocated £166.7 million to the Housing Support Grant (HSG) in its Draft Budget for 2023/24. This is the same as the amount allocated to the HSG in 2022/23 and in 2021/22.

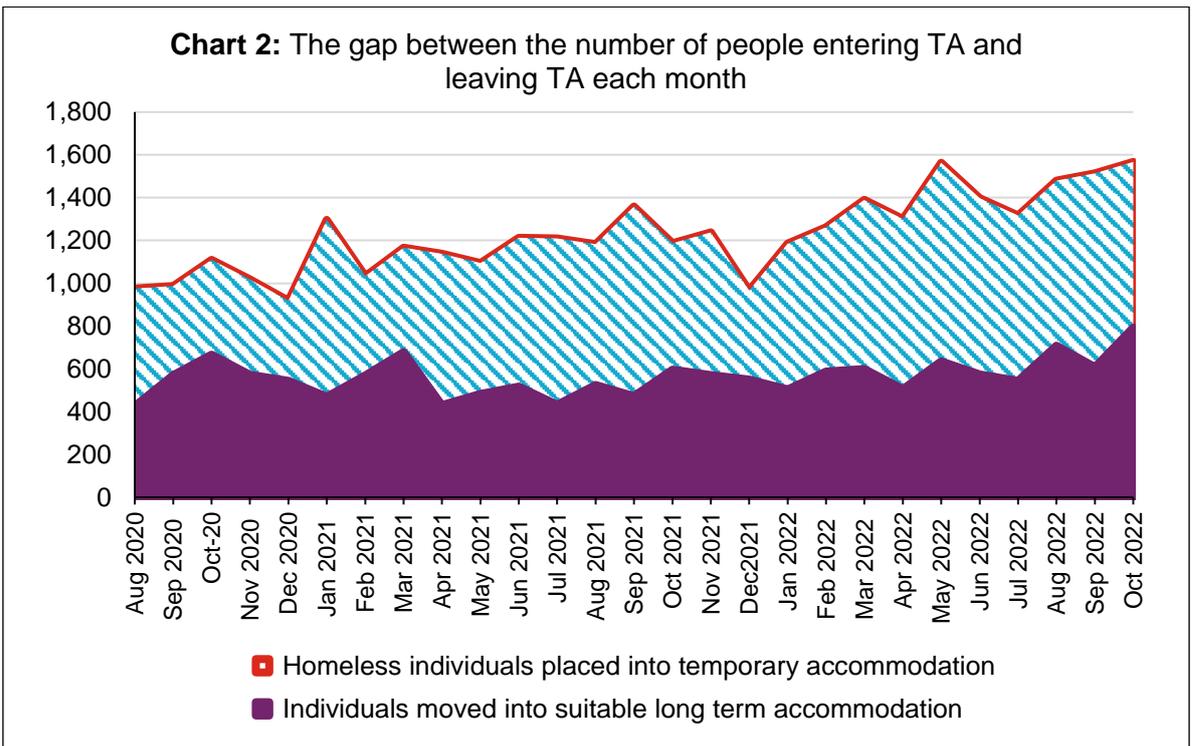
## 3. Context

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- 3.1 The Housing Support Grant funds the vast majority of homelessness and housing support services in Wales, supporting over 60,000 people every year, through the provision of:
  - Tenancy support that prevents homelessness and keeps people in their homes.
  - Supported accommodation for a range of client groups, including refuge for survivors of violence against women, domestic abuse and sexual violence.
  - Housing First projects that support people with a history of repeated homelessness to access and maintain a tenancy.
- 3.2 Throughout the pandemic, these services continued to provide critical support to thousands of people, despite the very real health risks posed to frontline workers and their families. They did extraordinary work to keep people safe from COVID-19, to prevent homelessness, to bring thousands of people into emergency accommodation, and to provide vital support to people who were struggling with domestic abuse, mental health problems and other crises during a very difficult time.
- 3.3 At the present time, the homelessness sector is under more pressure than ever. The most recent Welsh Government [statistics](#) show that 8,906 individuals were in temporary accommodation as of 31<sup>st</sup> October 2022, of which 2,672 were dependent children under the age of 16 (Chart 1), a number that has been increasing steadily for the past two years.



3.4 Over the last two years, an average of 1,225 people have been placed in temporary accommodation (TA) every month. The average number of people moving out of TA and into suitable long-term accommodation is only 561 per month (Chart 2).

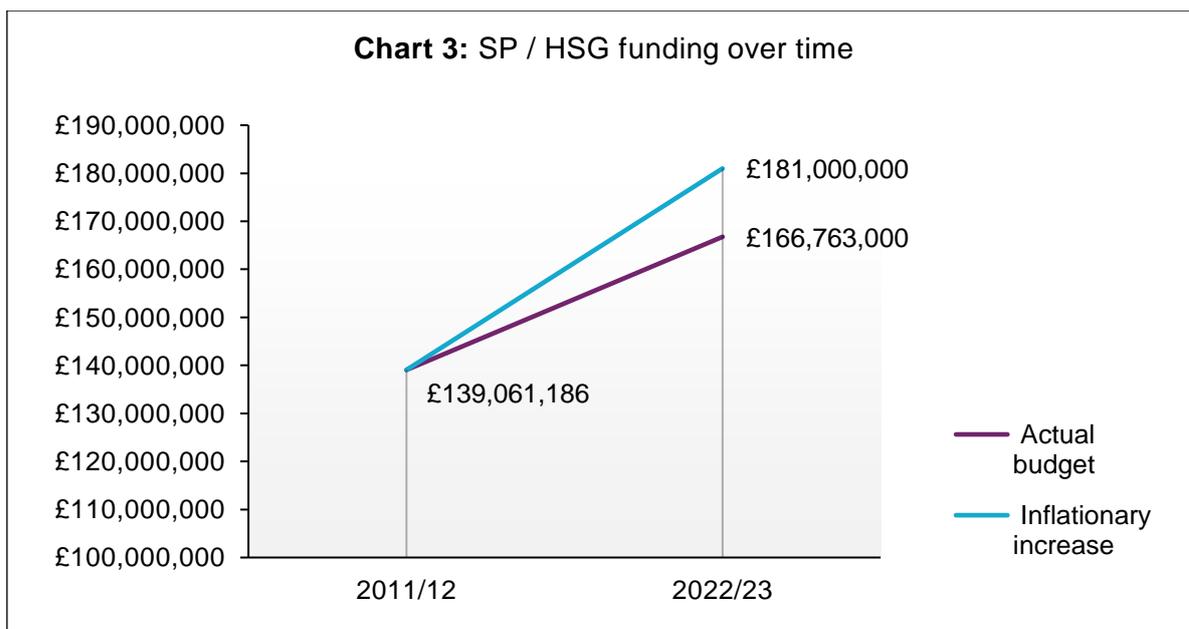


3.5 Support services are absolutely critical to helping people to cope with the trauma of homelessness and the stresses of living in temporary accommodation, as well as supporting people to find and move into a settled home and maintain that tenancy. It is clear that they are desperately needed to support local authorities at this time.

3.6 Looking to the future, HSG services are absolutely vital to the delivery of the Welsh Government’s ambitions to end homelessness, including the transition to [Rapid Rehousing](#) and the implementation of the [Ending Homelessness Action Plan](#). These services are key to making homelessness **rare** (tenancy support to prevent homelessness), **brief** (enabling people to move into supported accommodation or their own home) and **unrepeated** (by continuing to provide support that enables people to maintain their tenancy).

## 4. Funding over time

- 4.1 Over the past decade, Housing Support Grant funding (formerly the Supporting People Programme Grant) has reduced in real terms. In 2011/12 it was £139 million, which equates to £181 million in 2022, according to the Bank of England's [inflation calculator](#).
- 4.2 This means that the HSG budget has been cut by over £14million in real terms, even if the demand for homelessness services had remained the same.
- 4.3 In reality, demand has grown and services are under much more pressure than a decade ago. The temporary accommodation figures referenced above help to illustrate the increased pressure on services.



- 4.4 In response to scrutiny of the Draft Budget, the Welsh Government has pointed to the increase to the HSG during the pandemic. While we warmly welcomed this investment at a time of crisis, it predominantly helped to fund additional services to meet growing demand, rather than providing financial support for existing services and staff pay.
- 4.5 And as Chart 3 demonstrates, the increase has not kept pace with inflation.
- 4.6 The Welsh Government has also highlighted the increase to the Homelessness Prevention Grant during this scrutiny process. Again, this is welcome, but it is important to point out that this will predominantly help local authorities to continue providing temporary accommodation. This increase has no impact on the vast majority of homelessness and housing support services in Wales, which are funded through the HSG, and will therefore not help to sustain these services or the HSG workforce.

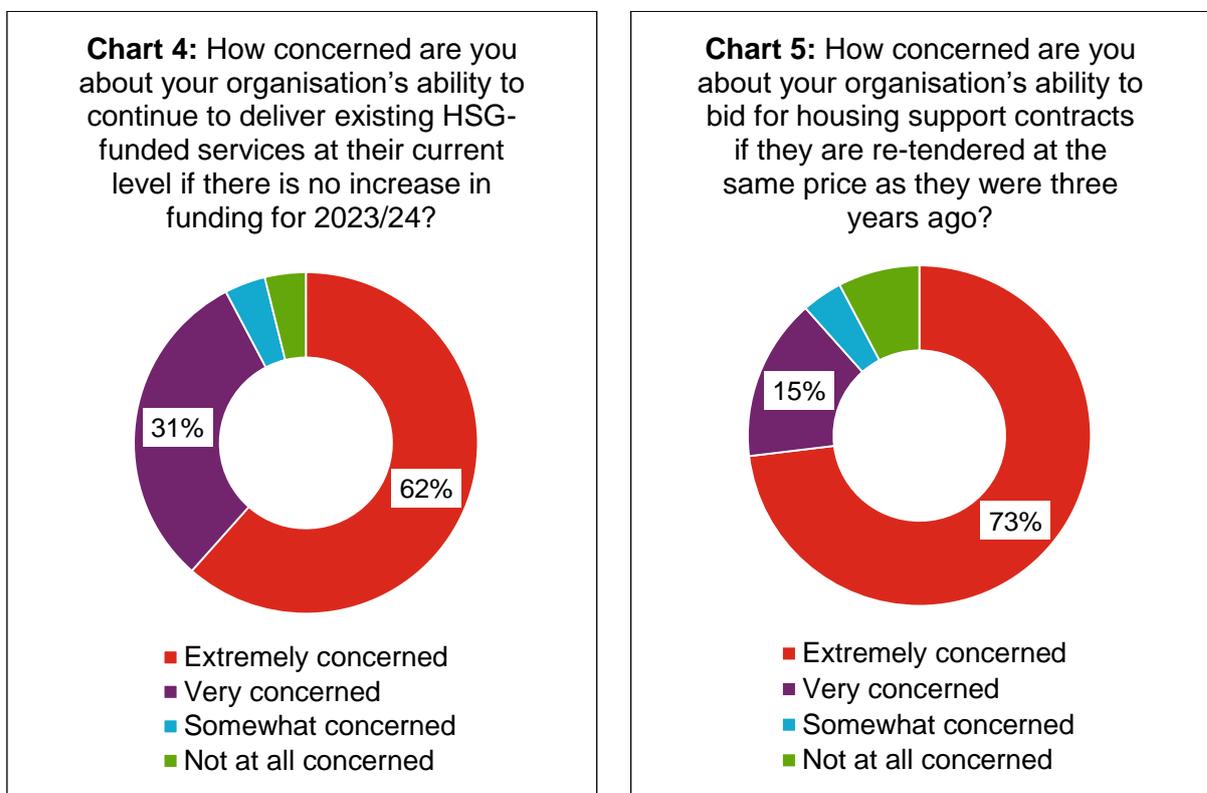
## 5. Risk to service delivery

- 5.1 The absence of any increase to the HSG budget means that service delivery is now at risk. Homelessness and housing support providers are increasingly concerned about the cost of running services and their ability to recruit and retain staff. Accommodation-based services such as supported accommodation are particularly affected by the increase in energy bills.
- 5.2 Some providers have told us they feel unable to bid for certain housing support contracts, as the funding offered does not cover the true cost of delivering the service. In some cases, the contract value is the same as a few years ago, with no inflationary increase to reflect the cost of running the service today.

5.3 As well as choosing not to bid for contracts, there is a risk that some providers may walk away from existing agreements or be forced to reduce service capacity. Service providers are increasingly concerned about their ability to deliver existing contracts if there is no increase in the HSG. Some may have to reduce the number of people they can support at a time when homelessness and housing support services are more important than ever. One support provider, which delivers services across a number of local authorities, told us:

*“We have made the decision that if we do not receive the required uplifts from commissioners in 23/24, we will not be tendering for new contracts and will be giving notice on some of our current contracts where we're struggling to retain staff and are seeing a financial deficit. We have given notice on a number of contracts in 22/23 for this very reason and we've seen that no other provider is prepared to step forward to take on these contracts. The demand for our services has never been higher and we will be unable to meet needs as providers will inevitably withdraw from existing contracts and not take the risk of bidding for new ones.”*

5.4 Our survey of HSG service providers showed that the majority of them are extremely or very concerned about their ability to continue delivering services without an increase in the HSG:



5.5 These concerns are being echoed by local authority commissioners, who are facing incredibly difficult choices if there is no increase to the HSG budget. One commissioner told us that the absence of any increase to the HSG means they will need to choose between cutting service capacity in order to afford a wage rise for frontline staff, or retaining service capacity and continuing to lose staff. This isn’t a choice at all, particularly with the huge numbers at risk of homelessness, in temporary accommodation and in need of support.

5.6 One support provider has told us:

*“Given the demand on service, the quality of service provided and the work/ life balance for staff (and pressures put upon them) it is concerning to hear that no extra funding is forthcoming for the new financial year. I believe that making no additional increase to the budget will stretch services to breaking point and no doubt impact the lives of the vulnerable people we support in our community. I believe the housing crisis will only be intensified if support services are stretched past capacity.”*

5.7 Another support provider told us:

*“The Supported Accommodation services that we deliver just about break even or make a very small surplus. Whilst we are very proud of the services, the increase in the living wage of 10.1 % (from April) coupled with a significant rise in utility costs, will put the schemes into deficit unless Local Authorities are given the additional funds required to cover the true cost of services. Unless this happens, as contracts are up for tender, we would have to consider whether we retender or walk away as the Group cannot afford to subsidise the cost of services.”*

## 6. Shortfall between wages and National / Real Living Wage

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6.1 Over the last two weeks we have collected data from homelessness and housing support providers about staff wages in their Housing Support Grant funded services. We received data from 21 support providers, including charities and housing associations, who provided information about the wages of 2,125 staff members working in HSG-funded projects. Due to the short timescale for responses, this is only a proportion of the staff employed by HSG services across Wales, but we believe it is representative of the wider sector.

6.2 This sample showed that:

- **28.8%** of staff working in HSG funded services are currently **paid less than the forthcoming National Living Wage (NLW)** of £10.41 per hour.
- **29.3%** of staff working in HSG funded services are currently **paid less than the new Real Living Wage (RLW)** of £10.90 per hour.

6.3 However, several of those who were paying above the RLW were keen to point out that this was due to them subsidising wages from other parts of the organisation, as they were not given enough funding from their commissioner to cover this through the HSG contract.

*“Providers often end up giving this pay rise through a cost to themselves and this isn't how we should run a business, but we want to do our best as preventing homelessness is of paramount importance to us. Year after year we stretch our budgets.”*

6.4 The average shortfall between the current wages of these staff and the NLW is £0.45 per hour, which equates to **£819 per worker per year**.

6.5 The average shortfall between the current wages of these staff and the RLW is £0.92 per hour, which equates to **£1,674 per worker per year**.

6.6 One support provider told us it will cost them an **additional £500,000** to pay their staff the RLW in the 2023/24. Another told us that it would cost them **in excess of £1million**.

6.7 This data illustrates the huge challenge for homelessness and housing support services in Wales: How are they supposed to pay staff the legally required NLW – never mind the Welsh Government's commitment to pay the RLW – if there is no increase in the Housing Support Grant budget?

6.8 One support provider has told us:

*“If there is no increase in the funding we risk losing experienced, trained, talented and knowledgeable colleagues from services and this will massively impact those who are accessing and need our services. We cannot attract or retain colleagues in roles if we cannot afford to pay them well. Inflation is running at 10% we have to be part of a solution for colleagues who are struggling to pay their bills and have some quality of life, work should not be exacerbating an already difficult situation. If we are not able to offer any increase to salary we cannot expect commitment or development from colleagues, if we cannot bid for new services how do we expand the offer of support to our communities.”*

## 7. Frontline workers: Cost-of-living crisis

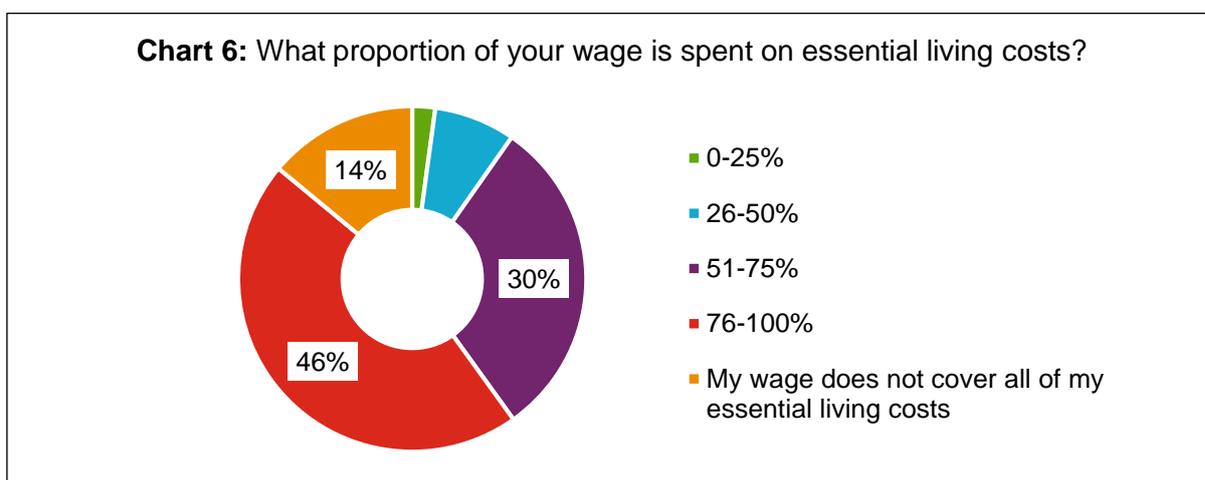
7.1 The cost-of-living crisis is having a significant impact on frontline homelessness and housing support workers in Wales. We have conducted two surveys about this issue - during the summer of 2022 (560 respondents) and in January 2023 (583 respondents).

7.2 One the most frustrating elements of the Draft Budget was the [reference](#) (page 33) to our statistics about the impact of low pay and the cost-of-living crisis on frontline homelessness and housing support staff – while failing to increase the HSG.

### Proportion of frontline worker wages spent on essential costs

7.3 The 50/30/20 rule suggests that people should spend 50% of their income on essential living costs, 30% on discretionary spending, and 20% on savings or paying off debt. We asked frontline homelessness and housing support workers to estimate what proportion of their wage is spent on essential living costs, such as rent / mortgage payments, bills, food, school, healthcare, childcare, and transport to work (Chart 6).

7.4 Worryingly, only 10% said that they spent the recommended 50% or less of their wage on essential living costs. A huge 46% said they spent 76-100% of their wage on essential living costs. A shocking 14% said their wage does not cover all of their essential living costs.



### Impact of the cost-of-living crisis on people's lives

7.5 The survey last summer showed that most frontline workers were struggling with the impact of the cost-of-living crisis, but the results from January 2023 are much worse. 9% have used a foodbank, 18% are struggling to pay their rent, 56% are struggling to pay their bills, and over 85% are turning off heating, lighting and electrical appliances to reduce costs.

7.6 12% of frontline workers feel at greater risk of homelessness – which has doubled since the summer. These are the very people whose job is focused on preventing and alleviating homelessness – but increasing numbers of them are at risk of losing their home too.

Has the cost of living had any of the following impacts on you over the last 6/9 months?	Summer 2022	January 2023
I have needed to use a foodbank	7%	9%
I feel at greater risk of homelessness	6%	12%
I am struggling to pay my rent	10%	18%
I am struggling to pay my bills	44%	56%
I am not putting on the heating in order to reduce costs	79%	86%
I am turning off lighting or electrical appliances to reduce costs	86%	89%
I am not engaging in social activities in order to reduce costs	70%	72%

## Quotes from frontline workers

7.7 The following quotes from frontline workers illustrate the impact of the cost-of-living crisis:

*"I miss meals so that my child can eat."*

*"I have begun selling belongings of mine to make up costs."*

*"I have two children and the worry of putting the heating on the way prices are rising is a concern, I won't let them have a bath only a two-minute shower due to the rising costs."*

*"I love my job but my neighbour is on more money than me who works in Aldi behind a till."*

*"It is quite disheartening to learn that a Mcdonalds employee is now earning £2 more per hour."*

*"Eating only one meal a day."*

*"It has had a great impact on my well-being, increased my anxiety but have to put on a brave face during working hours."*

*"I have had to take on another job to keep my home running day to day, I now have to work an extra 25 hours per week on top of my fulltime day job just to keep on top of my bills."*

*"I have to work extra hours on a relief basis each month as my basic salary doesn't cover my bills."*

*"House issues due to not being able to put heating on. Damp / mould appearing in most rooms, unable to complete house repairs that is required to prevent further issues."*

*"I have a generalised sense of dread about everything - I'm worried about my clients and friends, as well as my own situation. More than anything I would like affordable housing with a decent heating system, no damp and a secure tenancy - this simply seems unattainable."*

*"In the past 6 months there have been times when I have been really cold in my house but I have not turned the heating up and as a 66 year old I never imagined I would have to sit wrapped in a quilt in the evening."*

## 8. Well-being of Future Generations

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8.1 The Draft Budget documents reference the Well-being of Future Generations (Wales) Act, yet the decision not to increase the Housing Support Grant (HSG) is not in line with the Act's focus on prevention. It also fails to balance both short-term and long-term needs, such as the significant numbers of people in temporary accommodation who need support now, as well the future goal of ending homelessness.

8.2 HSG services are important preventative services and [research](#) by Cardiff Metropolitan University and Alma Economics has demonstrated that they deliver a net saving of £1.40 for every £1 invested by the Welsh Government by preventing homelessness, easing pressure on health and social care, and reducing interaction with the criminal justice system.

8.3 One support provider has shared further evidence of the impact on public services:

*"HSG services are preventative, our SROI (Social Return on Investment) report demonstrated every £1 of investment, generates a saving of £5.77 in public services. Unless the importance of HSG services are recognised and adequately invested in, further demand will undoubtedly be put on other reactive services, which are already stretched."*

## 9. Conclusion

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9.1 As you can see from our evidence, the challenges facing homelessness and housing support services are stark and it is heart-breaking to hear that these incredible frontline workers are being pushed further into poverty. These services are critical to preventing and alleviating homelessness, but are at serious risk if there is no increase to the HSG budget.

9.2 We urge Members of the Senedd to consider this evidence and use their voices to raise these concerns in their scrutiny of the Welsh Government's Draft Budget for 2023/24.