



In-depth Briefings

Welsh Government Draft Budget

21st December 2020

Summary

Today the Welsh Government has published its Draft Budget for 2021/22. The budget sets out the Welsh Government's spending plans for the 12 months from April 2021 in the devolved areas of responsibility.

The proposals are currently in draft form, with a debate due to be held in the Senedd on 9 February 2021.

As expected, the Budget focuses on the continued response to Covid-19 and is designed to protect the NHS and social care, the economy, build a greener future and create change for a more equal Wales.

The measures announced in the budget which are of direct relevance to housing associations are summarised below, with further detail provided throughout.



Key headlines

The Finance Minister has outlined new funding allocations of £749m revenue and £573m capital as well as providing an initial package of £77m of COVID-19 funding.

More specifically:

- £200m Social Housing Grant (£37m increase)
- £32m for building safety
- £40m increase for Housing Support Grant
- £4m COVID specific increase for Homelessness Prevention
- £10m additional for social care workforce grant
- £40m capital for Integrated Care Fund

Detail on funding announcements

Funding for affordable homes

The Budget provides an additional £37m on top of existing funding to achieve the Welsh Government's target of 3,500 affordable, primarily social homes each year. This equates to an overall capital investment of £200m in Social Housing Grant (SHG) for 2021-22. Community Housing Cymru welcomes the increase in capital funding that will enable housing associations to continue to build affordable housing for the next financial year.

By comparison, today's investment is nearly three times the £67m committed to Social Housing Grant in the last Draft Budget before the 2016 election.

This investment, which will be delivered from April 2021, will be the last Social Housing Grant funding delivered through the current grant framework at the fixed rate of 58%, as plans for the new framework and the Standard Viability Model are developed with Welsh Government. A small proportion of the funding announced



today will be ring-fenced and made available for local authorities, delivered through the Standard Viability Model.

Building safety

This year the Welsh Government made £10m available for building safety programmes on high rise buildings. The Welsh Government has today announced £32m (£20m general capital and £12m financial transaction capital (FTC)) for the 2021-2022 financial year to help address building safety concerns. This will cover building defects, the installation of sprinklers, and evacuation alert systems in a number of affected high rise buildings.

Homelessness

Following joint lobbying between CHC and Cymorth Cymru, significant investment has been made in the area of tackling homelessness and supporting independent living. Following the circa £50m investment in emergency accommodation and transforming supported housing during 2020/21, funding for the Housing Support and Homelessness Prevention Grants have been increased by £40m and £4m respectively for 2021/22. This represents a 32% and 22% increase on 2020/21, and follows a five year freeze on the Housing Support Grant budget.

This signals a clear continuing intention from Welsh Government to prevent homelessness and provides increased scope for the delivery of the Homelessness Action Group recommendations, particularly investment in rapid rehousing and Housing First.



Health & social care

The Health and Social Care budget remains by far the biggest allocation of the Welsh Government draft budget, at just under half the total spend. In its top line draft budget, the Welsh Government has prioritised investment in the social care workforce as well as integration between services. The Social Care Workforce Grant has been increased by £10 million to a total of £50 million. Investment in the Integrated Care Fund (ICF) has been maintained at £89million, and there is an additional £40million capital contribution in addition.

There is no detail in the draft budget on any future extraordinary Covid-19 Adult Social Care Funding. CHC is a member of the Welsh Government's Covid-19 Adult Social Care Funding reference group and has input heavily into the design of the current funding guidance. This group will meet in the new year to discuss funding requirements for the next financial year. We have written previously to our members who provide registered social care services to confirm that both local authority and local health board Covid-19 funding to support care providers has been confirmed until the end of this financial year.

Other Tax & Funding announcements

Town centre regeneration

This Budget provides an additional £5m of financial transactions capital in 2021-22 to support the Welsh Government's wider regeneration activities through their Town Centre Loans programme. With a specific focus on the changes to public spaces as a result of the pandemic, the fund will be a catalyst to bring vacant and underutilised buildings back into use in the town centre, redeveloping them as shops, homes, and leisure facilities.



Decarbonisation

The Welsh Government will allocate nearly £80m in additional capital funding to directly support activities that promote decarbonisation and further enhance our rich biodiversity, alongside the actions they are taking as part of our wider investments.

In addition to this, the Budget has allocated an additional £20m (£15m capital and £5m revenue) on top of existing budgets to the Welsh Government's fuel poverty and renewable energy programmes, taking the total investment in these programmes in 2021-22 to £40m.

However, as expected, there is no additional housing-specific decarbonisation funding identified within the budget. Work on programmes such as Optimised Retrofit continues, and we will continue to make the case for long term investment in the decarbonisation of existing homes through our election campaign and beyond. It is worth noting that over £100m of capital funding remains unallocated in the draft budget, providing opportunities for further investments in-year.

Taxation

The Finance Minister has made a number of announcements in relation to devolved areas of taxation, including Land Transaction Tax (formerly Stamp Duty).

From 22nd December 2020, the threshold for the tax on non-residential property purchases will increase by 50%, and businesses will pay no tax on purchases up to £225,000.

On the residential element of Land Transaction Tax, a number of changes have been confirmed. Firstly, the Finance Minister confirmed that the measures put in place for the main rate of Land Transaction Tax during the pandemic to encourage the housing market to continue moving will stay in place until 31st March 2021, before reverting to the previous levels as set out below.



Price Threshold	LTT Rate (up to 31st March 2021)	Price Threshold	LTT Rate (from 1st April 2021)
£0 to £250,000	0%	£0 to £180,000	0%
		£180,001 to £250,000	3.5%
£250,001 to £400,000	5%	£250,001 to £400,000	5%
£400,001 to £750,000	7.5%	£400,001 to £750,000	7.5%
£750,001 to £1,500,000	10%	£750,001 to £1,500,000	10%
£1,500,001 +	12%	£1,500,001 +	12%

Secondly, for those who already own one or more residential property, the rate of tax payable on a new home purchase will increase to raise £13m which has been used to increase the Social Housing Grant budget. The new rates will apply from 22nd December 2020 on second and multiple home purchases, and are set out below.



Price Threshold	LTT Rate (Residential Higher Rate)
£0 to £180,000	3%
£180,001 to £250,000	6.5%
£250,001 to £400,000	8%
£400,001 to £750,000	10.5%
£750,001 to £1,500,000	13%
£1,500,001 +	15%