

Jayne Bryant MS, Cabinet Secretary for Housing and Local Government

cc. Emma Williams, Director Housing and Regeneration

cc. Sarah Rhodes, Deputy Director Housing Policy

cc. Bev Luchmun, Head of Homelessness Prevention

15th November 2024

Subject: Impact of the increase in employer National Insurance contributions on homelessness and housing support providers

Dear Cabinet Secretary,

We are writing on behalf of the homelessness and housing support sector to raise serious concerns about the impact of the increase in employer National Insurance contributions announced by the UK Chancellor in the Autumn Budget.

As you are aware, homelessness and housing support providers are already under significant financial pressure, with our recent survey of support providers showing that 81% are running services at a deficit due to insufficient funding from the Housing Support Grant. Looking to next year, the survey suggested that a failure to increase the Housing Support Grant would result in 74% of providers being likely to reduce service capacity, 61% being unlikely to bid for new or re-tendered contracts and 47% being likely to hand back existing contracts.

This survey was conducted before the UK Government Autumn Budget, and there are now significant concerns that the increase in National Insurance contributions has the potential to push these support providers over the edge. It poses a huge risk to the sustainability of high-quality services, which could leave local government without the tools they need to prevent and alleviate homelessness. Most crucially it could result in people who are experiencing or at risk of homelessness being unable to access the housing and support they desperately need.

The following examples from five providers indicate the scale of the additional costs resulting from the changes to employer NI contributions (increase in percentage and threshold change):

- £429,000 (third sector)
- £245,000 (third sector)
- £500,000 (third sector)
- £620,000 (housing association)
- £94,000 (housing association)

We sincerely hope that the UK Government listens to the representations made by national third sector bodies such as NCVO, ACEVO and WCVA, and takes the decision to exempt the not-for-profit sector from the increase in employer National Insurance contributions. However, we are writing to ask for your assurances that the Welsh Government will step in, if this does not materialise.

If the UK Government does not exempt not-for-profit sector services, we are asking the Welsh Government to:

- Provide additional funding in the Welsh Government's budget for 2025/26 to cover the additional National Insurance costs facing Housing Support Grant and other Welsh Government-funded homelessness and housing support services in Wales.
- Work with local government and providers to ensure that the required funding reaches providers at the start of the financial year.

We would be extremely grateful if you could confirm your intentions at the earliest opportunity, to provide much needed reassurance to homelessness and housing support providers across Wales. If helpful, we are happy to collect further evidence from our members and meet with you to discuss the impact of this issue.

Real Living Wage

As previously discussed, the sector warmly welcomed the £13million increase in the Housing Support Grant and the clear direction from the previous Cabinet Secretary that this additional funding this should be used to increase frontline worker wages. At the time, the sector and the Welsh Government recognised that this was the first step on the journey towards achieving the Real Living Wage across the sector, and anticipated the need for further increases to be directed at frontline worker wages in future years.

Our recent provider survey shows that 91% of respondents are paying the Real Living Wage. However, only 21% are able to pay for this wholly using HSG funding. The remaining 79% are having to use reserves, fundraising or other income to top up their HSG funding in order to pay the Real Living Wage. They are doing this because they want to recognise and reward their excellent staff for the complex and challenging work they do, but having to subsidise this using non-HSG funding is unsustainable.

While the increase in employer National Insurance contributions is causing the most significant fear about financial sustainability within the sector, we want to emphasise the importance of the Welsh Government's commitment to the Real Living Wage and continuing the journey to ensure this is fully funded through the Housing Support Grant.

Yours sincerely,



Katie Dalton
Director
Cymorth Cymru



Stuart Ropke
Chief Executive
Community Housing Cymru