

## Northern Ireland Housing Executive Response to Department of Finance Draft Budget 2022-2025

As the strategic housing authority for Northern Ireland, and a landlord at scale with responsibility for 85,000 homes, this response to the draft Northern Ireland Executive budget has been prepared to enable NIHE to advise on the potential implications of the budget for our services to customers. It has been informed by a rigorous analysis led by the organisation's Finance Team and aims to inform a final NI Executive budget and departmental allocations in due course.

The draft budget presents an extremely challenging three-year financial outlook for the Northern Ireland Housing Executive, and will require significant contraction across a number of programmes. Effectively, it would reduce the organisation's capacity to invest in capital and resource programmes, and will result in the reduction of housing services in many areas, with implications for customers, and the wider community. The wider impact will also be felt in the health and social care sector and the local construction industry.

While the implications of the draft budget will exert pressures across a number of public services, the areas of particular attention are:

- Homelessness
- Affordable Warmth and Energy Efficiency
- Social Housing New Build Programme

### Background

The Executive's Draft Budget 2022-25 was announced by the Finance Minister on 10 December 2021. The Draft Budget 2022-25 provides the proposed Resource and Capital funding allocations to all departments for the three year period, 1 April 2022 to 31 March 2025.

The announcement of the draft Budget has triggered the commencement of a Department of Finance led public consultation on the Draft Budget, the closing date for which is 7 March 2022.

There are two main sources of financing for public services, as follows:

- a) Departmental Expenditure Limits (DEL) – provided from the NI Block Grant funding received under the Barnett formula
- b) Annually Managed Expenditure (AME) – managed and provided for from HM Treasury

As the NI Executive does not have any discretion over AME funding, the draft Budget 2022-25 is concerned primarily with the allocation and prioritisation of DEL funding only. Within DEL funding, there is a clear separation between **Resource DEL** and **Capital DEL**.

## Proposed NI Funding Allocations (2022-25)

At a NI level, the overall level of DEL funding available from the Spending Review is as outlined in the table below.

Table 1: NI Spending Review Allocations

<b>Financial Allocations</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>
Resource DEL	12,484.9	12,583.9	12,788.7	12,982.3
Conventional Capital DEL	1,610.9	1,686.2	1,784.7	1,759.2
FT Capital DEL	73.6	162.8	66.4	62.2
	<b>14,169.4</b>	<b>14,432.9</b>	<b>14,639.8</b>	<b>14,803.7</b>

Source: Tables 3.2 & 3.3 of consultation document

As noted, the growth in the NI Resource DEL funding allocation is marginal from year to year and presents considerable service delivery challenges across the wider public sector when considering reported CPI growth of 5.4% at the end of December 2021.

Capital DEL allocations look more favourable during the first two years of the planning period, but reduce in Year 3.

## Proposed DfC Funding (2022-25)

The following summarises DfC funding proposals for the same period.

Table 2: Proposed DfC Resource DEL Budget

<b>Resource Allocations</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>
Baseline Allocations	876.3	839.1	838.5	840.4
% Change		-4.2%	-0.1%	0.2%

Source: Table 5.3 of consultation document

\*2021/22 figure reflects 2021/22 allocated budget

Importantly, the proposed budget allocation for 2022/23 reflects a cut of 4.2% when compared to the budget outcome for 2021/22. Importantly it does not include any additional funding in support of continuing Covid-19 response measures beyond March 2022. Beyond 2022/23, the proposed budget allocation remains largely static meaning that this is likely to represent a budget reduction in real terms.

Table 3: Proposed DfC Capital DEL Budget

<b>Capital Allocations</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>£m's</b>	<b>£m's</b>	<b>£m's</b>
Baseline Allocations	<b>214.1</b>	<b>231.5</b>	<b>185.3</b>
% Change		8.1%	-20.0%

Source: Table 5.14 of consultation document

Capital funding allocations look favourable for Years 1 & 2, although Year 3 indicates a sizeable cut (20%) in funding availability.

## Analysis of Projected Impact for NIHE Budget

A review of the funding proposals has been undertaken to highlight key considerations for the Housing Executive, details of which are outlined below.

The Draft Budget 2022-25 sets out funding proposals for a 3 year period (2022-25) representing a move away from an annual budget cycle as has been the case in recent years. This is a welcome move and provides NIHE better opportunity to plan, design and deliver services in a more strategic manner -albeit within an envelope of funding that is extremely challenging and will require a reduction in services.

Page | 3

In the document, it is proposed that funding of Health & Social Care (HSC) services be deemed a priority during 2022-25. In this scenario this sector is to be allocated funding which is significantly above the relevant Barnett Consequential level of funding. In order to fund this, it is proposed that all Departments take a 2% resource reduction in their baseline funding allocations to divert resources to HSC services.

The Housing Executive welcomes the priority that the draft budget gives to HSC. Throughout the pandemic, the Housing Executive and our partners in the housing sector, have seen the wider health and wellbeing impacts of COVID-19, including worsening mental health issues, addictions and offending behaviours, along with financial hardship and rising unemployment. This has been especially prevalent in our engagement with those who have found themselves homeless, those in housing need and those struggling with housing costs.

However, the proposed approach fails to recognise the public services which are complementary to health. Under investment in housing will contribute to increased demands being placed on the health sector both immediately and in the medium term (e.g. the provision of homelessness and supported accommodation services).

## Impact for Resource Budget

### Homelessness

- Demand for temporary accommodation more than trebled between 2018/19 & 2020/21 and has continued to increase further during 2021/22.
- It is estimated that by the end of the current financial year 6,109 people will be living in 4,249 temporary accommodation units (of which 2,649 units are funded through the Homelessness Programme).
- As detailed in the NIHE Homelessness Reset Plan, the impact of COVID-19 on the homeless system and the wider housing system will be long lasting and in some cases permanent, and will result in a general increase in homeless demand even once restrictions have been relaxed and the vaccine programme further extended.
- Accommodation demands continue to grow as new households present in need of assistance and as a result of reduced 'throughput' due to insufficient supply of permanent/longer-term housing solutions.

- The level of constraint on the homelessness budget in recent years, coupled with rising demand, has meant we have operated in 'crisis management' mode, funding responsive services at the expense of strategic programmes such as homelessness prevention and tenancy sustainment. Investment, over time, in strategic approaches to homelessness has been proven to yield greater outcomes for people, reduce pressure on other budgets (including health budgets) and drive greater public value overall.

In 2021/22, an opening allocation of £11.3m was provided, with additional non-recurrent funding of £2.7m. However, thanks to additional budget being provided via Monitoring Rounds to fund the programme, expenditure will likely finish at £15.1m for the year, in addition to £9.3m spend allocated to meet demand specifically arising due to Covid-19. Total spend on homelessness in 2021/22 will therefore be in the region of £24.4m.

**The total homeless programme funding requirement for 2022/23 is presently estimated at circa £28.3m plus circa £0.7m for additional staffing aligned to Strategic Project initiatives.**

This includes an estimated £18.3m in relation to providing temporary accommodation services alone. This is compared to an opening budget allocation of £11.3m for the entire homeless programme in 2021/22. CPI growth for the last 12 months (presently 5.4%) will likely put further pressure on homeless programme costs into 2022/23 given accommodation supply shortages.

The proposed reduction to resource allocation across DfC gives cause for concern that the funding requirement for 2022/23 may be at risk. Furthermore, NIHE is extremely concerned that programmes that prevent homelessness, and therefore reduce demand for homelessness and health budgets could be at risk.

Accordingly there is a need for funding of homeless services to be re-prioritised within the proposed DfC funding allocation to address homeless need and prevent the potential for further pressures being placed on the HSC sector.

**NIHE is extremely concerned that given levels of demand for homelessness services, we will be unable to meet our statutory obligations to provide temporary accommodation to people experiencing homelessness, given the risks outlined above.**

### **Covid-19 Measures (Resource DEL)**

The budget fails to recognise that a number of emergency measures implemented by NIHE (as highlighted above) in response to the pandemic will require continued financial support during 2022/23 (and possibly beyond).

For example, our current Covid-19 Homeless response programme includes 869 units of accommodation that are presently being supported by separate funding, over and above our baseline budget (670 Single Lets, 128 External B&B's/hotels, 71 Other Accommodation). Whilst it is anticipated that over time these additional commitments will reduce, **the unavoidable cost of maintaining these services during 2022/23 is estimated at circa £7.2m.**

Similarly, within the Supporting People Programme, a range of measures were introduced to provide financial support to Providers, recognising the damaging impact Covid-19 has had on their financial viability (as a result of the need to operate with reduced levels of occupancy to mitigate risk of infection spread). There will be a requirement to provide further (albeit a reduced) support during 2022/23 of value circa £5.3m.

Whilst exact 2022/23 allocations are yet to be confirmed, it is without question that it will not be possible to fund these legacy Covid-19 costs from an almost static baseline allocation.

### **Supporting People (SP) Ring Fenced Allocation (Resource DEL)**

The budget proposes additional top-up ring-fenced allocations of £5.2m, £8.0m and £10.9m for SP during the planning period. These allocations are in addition to a baseline SP budget of circa £72.8m per annum.

Traditionally, whilst the baseline SP budget is not officially ring-fenced there has been limited flexibility in its alternate use.

Given the close ties between our Supporting People and Homeless programmes, there would be a benefit in having greater flexibility between the SP and Homeless budget allocations – potentially facilitating the development of a more holistic approach to homelessness and supported accommodation services.

### **Revitalisation**

The Department has not received an allocation for Revitalisation in the Draft Budget 2022-25. This will delay the progression of the revitalisation programme urgently needed to secure the long-term future of our housing stock for future generations and ensure that sufficient social houses are available to meet demand.

### **Capital Funding (Capital DEL)**

The proposed net capital allocations is highly likely to have a significant detrimental effect on the numbers of new social homes that can be built through the Social Housing Development Programme in years two and three. This is the means by which we seek to counter increasing waiting lists, which are currently at record levels. The target for this year is 1,900 starts, with increasing outputs expected year-on-year.

In the scenario that the split of the capital allocations across the different sectors supported by Department is in similar proportion to 2021-22, this represents a significant reduction against current spend/targets and the consequential impact for housing supply, our community, the construction industry and the local economy would be significant and unacceptable.

If new Social Housing is to be delivered within 80% of the total Departmental capital budget in Year 3, the numbers of new social housing could be as low as 600-800<sup>1</sup> units (current target 1900).

**The reduction in capital may also have an impact on the affordable warmth schemes, private sector grants (mainly disabled facilities and repairs) and urban regeneration schemes** – all of which are aimed at helping the most vulnerable in our community – again the impact of a reduction would be significant and unacceptable.

### **Inflationary Considerations**

With CPI reported as being 5.4% as at the end of December 2021, NIHE will continue to face significant inflationary pressures on service delivery in the short to medium term.

It is clear that the proposed level of Resource DEL funding during the planning period is highly unlikely to address inflationary pressures, meaning that future proposed allocations represent a real terms cut over the 3 year period. This may necessitate the introduction of priority-based services delivery in the event that funds are insufficient to support delivery of our wider programme remit.

### **Conclusion**

The Housing Executive plays a key role in the health, social and economic lives of tenants, communities and Northern Ireland as a whole. It is essential that we continue to add to new social housing supply to address our growing waiting lists to ensure that we progressively realise housing rights for those in housing need in Northern Ireland.

The draft budget poses significant risks for a number of strategic programmes across the NIHE's remit.

- It would immediately reduce the availability of hundreds of units of temporary accommodation at a time when demand is unprecedented
- It would put at risk NIHE's ability to fund many homelessness prevention services at a time when structural changes in our response to homelessness are essential
- It would have a significant detrimental effect on the social housing new build programme, potentially reducing housing output to between 600 and 800 homes in Year 3 of the budget
- Depending on the final capital allocation, it could also put at risk existing levels of funding for energy efficiency programmes

---

<sup>1</sup> based on averages, current costs, and a significant carry forward per year