

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB_26-27 11: Ymateb gan: Ffederasiwn Adeiladwyr Cartrefi | Response from: Home Builders Federation (HBF)



Home Builders Federation (HBF) response: Welsh Government Draft Budget 2026-27 consultation

The Home Builders Federation (HBF) is grateful to the Senedd Finance Committee for the opportunity to provide evidence to inform scrutiny of the upcoming Budget.

HBF is the principal trade association for the home building industry in England and Wales. Our membership of more than 400 companies builds around 80% of all new homes built in England and Wales, and encompasses both private developers and Registered Social Landlords (RSLs). HBF's members range in size but the majority are small or medium-sized companies (SMEs).

In this submission, HBF will address in general terms our views on the upcoming Welsh Government Draft Budget. In particular, we will outline the main steps we think the Welsh Government should take in the upcoming Budget to support the delivery of housing of all tenures and to maximise the socio-economic benefits of home building for local communities.

KEY ASKS OF THE WELSH GOVERNMENT

HBF has recently released [a blueprint](#) for the Welsh Government ahead of next year's Senedd elections, outlining 12 key asks to increase housing supply of all tenures in Wales.

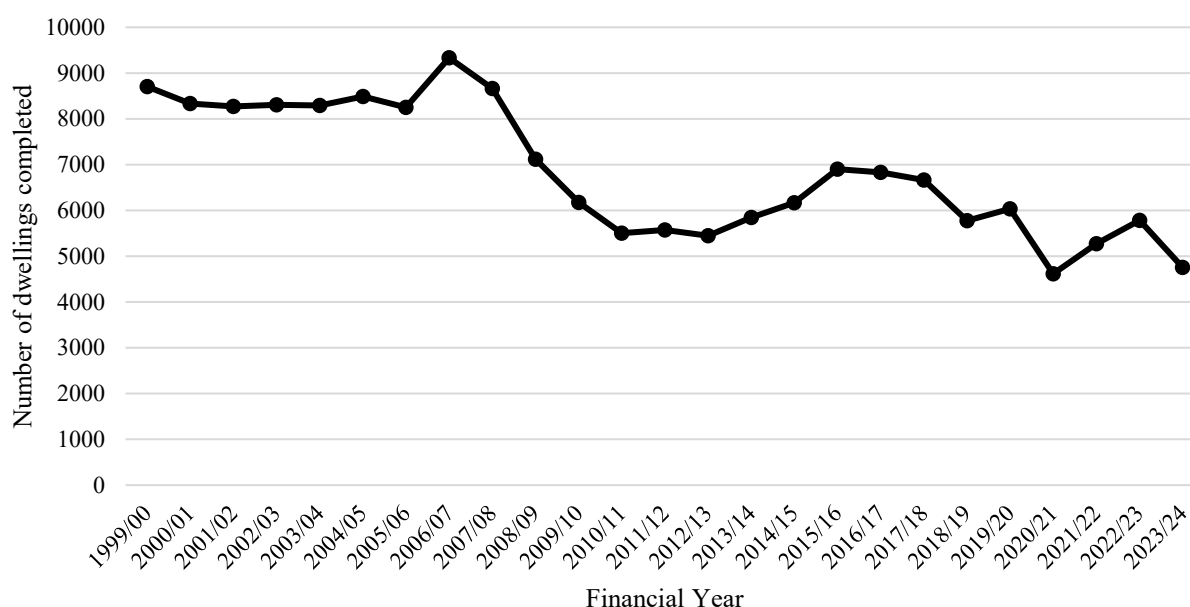
These asks include:

- Provide sufficient resources for Local Planning Authorities, SuDS Approval Bodies (SABs), statutory consultees and other key stakeholders in the planning process.
- Implement the recommendations of the Welsh Government's SuDS review.
- Extend the Help to Buy Wales scheme beyond September 2026.
- Ensure there is complete Local Development Plan coverage across Wales.

BACKGROUND: HOUSING SUPPLY AND THE SOCIO-ECONOMIC BENEFITS OF HOME BUILDING

The upcoming Draft Budget takes place in a particularly challenging environment for the home building industry. The latest Welsh Government housing supply statistics show that 4,631 new dwellings were built in the 2024/25 financial year - the second-lowest year of housing delivery on record, and 3% down from 2023/24. Concerningly, the number of starts for new homes was down by 26%, suggesting further falls in supply in the years ahead.

New dwellings completed in Wales, 1999-2024



The [Welsh Government's Future Wales: National Plan 2040](#) estimated that an average of 7,400 additional homes would be required per year from 2019-20 to 2023-24 to meet additional housing need, with the majority of these new homes required for market sale or rent. However, the average number of homes completed over these years was just 5,498. Therefore, housing delivery is not currently meeting the needs of the population - exacerbating the affordability crisis and making it harder for younger generations to access home ownership.

It must also be noted that a fall in the supply of market housing will in turn lead to a decline in affordable housing delivery. This is because the private sector delivers a significant proportion of all affordable housing in Wales via planning obligations (Section 106 Agreements). [Stats Wales Housing Completion data](#) shows that 45% of Affordable Homes were delivered via Section 106 agreements between 2021/22 and 2023/24 when not including acquisitions, contributing to the Welsh Government's 20,000 social homes target during this Senedd term.

If the Welsh Government is to deliver on its affordable housing ambitions, it must place greater emphasis on how it can support increased housing supply more broadly in the upcoming Budget, given the link between market housing and affordable housing delivery.

Alongside delivery of new homes, home building delivers a broad range of socio-economic benefits for communities across Wales. For instance, in 2024/25 the home building industry in Wales is estimated to have:

- Supported around 16,000 jobs, and generated over £1 billion of economic activity
- Generated around £123 million in tax and £9 million in council tax
- Led to investments of over £4 million in open spaces and leisure facilities, and over £13 million in new and improved schools
- Enabled a £320 million spend on industry suppliers.

However, with levels of house building expected to drop this year overall, these benefits to local communities will be reduced. The upcoming Welsh Government Draft Budget should focus on reversing the downward trend in housing supply to address Wales' chronic housing shortage and maximise the benefits of new development for local communities.

IMPACT OF 2025-26 BUDGET

Some aspects of the 2025-26 Welsh Government Budget were welcomed by the home building industry, particularly the ongoing commitment to support the Help to Buy Wales equity loan scheme up to September 2026. [Recent HBF research](#) has estimated that the Help to Buy Wales scheme supported 4,400 jobs and generated £240 million in economic activity every year on average since the scheme was introduced in 2014. The scheme is particularly vital

to support the industry at this time of ongoing high interest rates, as well as high deposit requirements and limited mortgage availability. It is worth noting that the scheme, given that it involves an equity loan, has made returns to the Welsh Government of over £40 million with further repayments due in the years ahead, and thus is a net benefit to the Welsh Government's financial position.

A second aspect that was welcomed by the home building industry in Wales is to increase planning fees as outlined in the Welsh Government's planning consultation in January. While, of course, this will require the industry to pay more for planning services, these services have been significantly over-stretched for many years. This has caused significant delays to decisions on planning permission, thus delaying housing delivery. The industry hopes that the increase in fees will go some way to improving performance and speed of decision-making, although this should be closely monitored by the Welsh Government. The 4.5% increase to local government budgets in 2025-26 is below the increases allocated in 2023-24 (7.9%) and would be unlikely to improve planning service performance alone, without the concurrent increase in planning fees.

The rest of our response will outline ways in which the upcoming Draft Budget can support increased housing delivery.

SUSTAINABLE DRAINAGE SYSTEMS (SUDS) AND SUDS APPROVAL BODIES (SABS)

An issue that has risen fast up the agenda for the industry is the implications of the introduction of mandatory SuDS in Wales in 2019. The industry has supported this change and is committed to making the current system work through collaboration with the Welsh Government. However, there have been various implementation issues which have meant that the system is not working as well as intended, adding significantly to delays and costs.

HBF's members in Wales unanimously agree that delays caused by SuDS Approving Bodies are a barrier to increasing housing delivery. These delays are primarily caused by a lack of resources, unclear guidance and the need to submit full technical details in advance of planning in many cases.

Other issues with the process include:

- The cost and inconsistency of SAB commuted sums, which vary from £2,000 to £12,000 and are rarely understood until after site acquisition.
- No standard legal forms to provide clarity and structure in the adoption process.
- Conflict between the requirements of SABs, planning officers and highways officers, who are not working together to ensure consents can be issued at the same time and that conditions are not duplicated.

The Welsh Government's 2023 SuDS review and 2025 Affordable Housing Taskforce report identified many of these issues and industry has supported its recommendations. However, while the Welsh Government continues to engage extensively with HBF and other stakeholders, including through its Community of Practice (CoP), progress in implementing the recommendations has been slow.

The Welsh Government should prioritise implementation of the review's recommendations, including greater consistency in commuted sums, ensuring SuDS applications run alongside planning applications, and providing sufficient resources for SABs. An immediate and sustained increase in resourcing is needed in the Budget to implement the SuDS review's recommendations.

CAPACITY AND RESOURCES OF OTHER PUBLIC BODIES INVOLVED IN THE PLANNING PROCESS

As mentioned earlier in this submission, a lack of resources within local planning authority (LPA) departments is a key barrier to housing delivery. In 2022 the Wales Audit Office found that:

- In real terms, authorities' net planning expenditure has fallen by 50% since 2008-09.
- The average time taken to determine major planning applications is increasing and above Welsh Government targets.
- 70% of stakeholders responded to the survey said that LPAs were not engaging effectively with them.

Added to the ever-increasing complex nature of the planning process and the need to consider more and more issues, this is resulting in significant delays at all stages including preapplication, application and discharge of conditions. These staff shortages and limited resources also extend to other key participants in the planning process, such as highways agencies, Natural Resource Wales and SuDS Approval Bodies (SABs) (discussed above).

Multiple reviews and reports have made clear that capacity in LPAs is a critical issue slowing down housing delivery of all tenures and affecting the morale of planners. Most recently, the 2024 Competition and Markets Authority's Housebuilding Market Study and a report from Audit Wales have highlighted the issue, with the latter criticising the Welsh Government for '*a lack of a collective and coherent approach to addressing capacity constraints in local planning services*', something which reflects the experience of HBF members.

The HBF welcome the Welsh Government's appointment of an officer responsible for planning resources and many of the suggestions in the recent consultation, 'promoting a resilient and high performing planning service'. Following this consultation, the Welsh Government confirmed in June that it will shortly increase planning application fees. While this should help to ameliorate the pressures within LPAs, it is vital that the Welsh Government closely monitors improvement in performance. The Welsh Government should be prepared to provide a further injection of central resources to LPAs in order to speed up planning decisions if necessary.

Furthermore, LPAs are not the only key stakeholders involved in the development process - under-resourcing and understaffing is a problem for many other public bodies. As well as SABs (outlined above), there should be an immediate and sustained funding increase for Natural Resources Wales (NRW), Planning and Environment Decisions Wales (PEDW) and other statutory consultees.

We would also welcome a focus on how to grow the planning profession, such as Welsh Government support with Level 7 apprenticeships.

HELP TO BUY WALES

The current Help to Buy Wales scheme is due to expire in September 2026. While we understand a decision on the future of the scheme is likely to be deferred until after next year's elections, we hope that the Welsh Government will consider extending the scheme in the upcoming Budget given the benefits the scheme provides for first-time buyers, taxpayers, the industry and local communities.

Economic context

The current challenges facing both first-time buyers and the home building industry make Government support for prospective homeowners more vital than ever.

The past few years have seen a significant rise in interest rates, severely limiting mortgage availability and affordability. In turn, it has become much harder for prospective homeowners to get their foot onto the housing ladder, continuing a trend of increased housing unaffordability for first-time buyers over many decades, with an increasing proportion of young adults living with parents for longer and a growing reliance on family wealth to meet deposit requirements.

The closure of the Help to Buy Wales scheme would make access to high Loan-To-Value (LTV) mortgages even more challenging at a time when mortgage affordability is already extremely limited for first-time buyers. Inflation and interest rates have also had a detrimental impact on housing delivery in recent years, as the latest Welsh Government housing delivery statistics (outlined above) show.

Within this context, support for first-time buyers is vital because, while there is no shortage of demand for housing for new homes, housing supply is limited by the rate of effective demand – the ability of buyers to buy. The withdrawal of the support provided by Help to Buy Wales would place an additional constraint on effective demand and risk a further drop in housing delivery at an already challenging time for the industry, with knock-on impacts for economic growth and local communities. Conversely, an extension of Help to Buy Wales would support industry confidence for the years ahead and help it to deliver homes of all tenures in the years ahead.

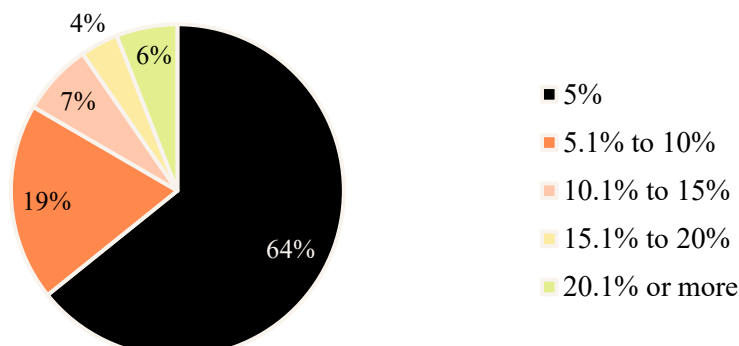
Impact of the scheme

In addition to the need for government support arising from the current economic context, it is clear that Help to Buy Wales has delivered on its key objectives over the last ten years as a whole.

Almost 15,000 households from across Wales have been supported to buy a home since 2014, 77% (11,300) of whom were first-time buyers. 64% of these households also provided a 5% deposit, with 83% providing a deposit of up to

10%, showing the scheme has successfully unlocked high Loan-To-Value (LTV) mortgages for first-time buyers which are otherwise hard to access for new build homes.

Help to Buy Wales completed purchases by deposit range



In addition, the Welsh Government commissioned its own report entitled Homebuyers Needs Research and the Place of Help to Buy Wales which supported the conclusion that the scheme has sustained housing delivery, particularly by smaller housebuilders, with no evidence of an impact on house price inflation. Indeed, a quarter of all

new homes in Wales since 2014 have been sold through Help to Buy Wales – an indicator that the scheme has boosted the industry’s confidence to invest in its housing pipeline. Overall, the Welsh Government’s evaluation of the scheme was very supportive, stating that ‘Across all the strands of the research, an overriding conclusion is that HtBW has been a success.’

In addition to meeting its stated objectives, recent research carried out by HBF shows that Help to Buy Wales has delivered a range of benefits to local communities and households across Wales. Our analysis outlines that:

- On average, Help to Buy Wales has led to investment of £420,000 for open spaces and a spend of £73 million in local shops every year.
- The scheme has also generated an average of £240 million in economic activity and supported over 4,400 jobs each year since 2014.

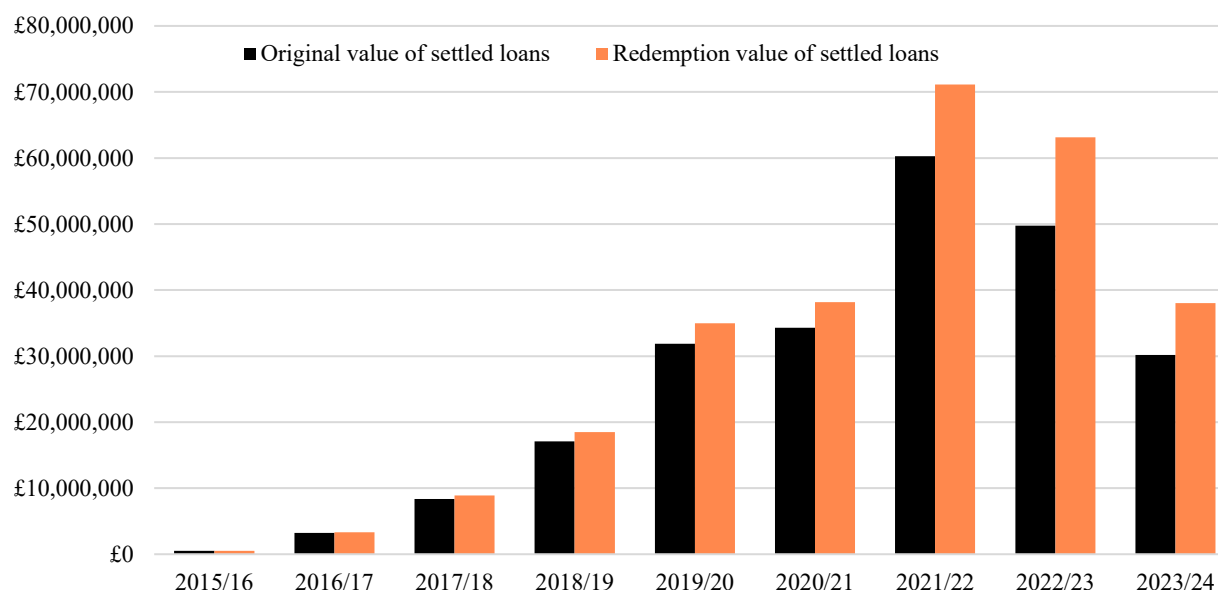
Therefore, we hope consideration will be given to an extension of Help to Buy Wales after March 2025 to ensure these benefits can continue to be provided for local communities in the years ahead.

Returns to the Welsh Government

Whilst acknowledging the considerable fiscal pressures the Welsh Government faces, it must also be noted that Help to Buy Wales makes a long-term return on investment due to the structure of the support for first-time buyers coming in the form of an equity loan. This means that the value of repaid loans is higher than their original value.

HBF’s analysis of Welsh Government figures showed that Help to Buy Wales equity loans have been repaid at a total value of £281.99 million as of 2023/24, compared to an original value of £239.79 million. This is a return of over £40 million to the Welsh Government. The average equity loan since 2013 has been £40,000, with equity loans generating an average return to the taxpayer of £6,500 per dwelling purchased. These returns will only increase as more loans are repaid in the years ahead.

Original vs. redemption value of settled loans (by year in which loan was settled)



Maximum purchase price

It is also worth noting that the current maximum purchase price of £300,000 is the same as when the scheme was introduced in 2014, despite the fact that the average price of new homes in Wales has now risen above £300,000. This partly explains the decline in take-up of the scheme in recent years.

Therefore, alongside an extension of the scheme, an increase in the price cap for properties purchased to at least £350,000 under the Help to Buy Wales scheme in certain areas would better reflect growing affordability pressures and support increased delivery and take-up of new Help to Buy Wales homes. For instance, the Welsh Government could consider regional caps to support greater availability in certain areas of Wales such as Monmouthshire and Vale of Glamorgan, where average new build prices for first-time buyers are above the existing threshold of £300,000.

GREEN MORTGAGES

A key advantage for purchasers of new build homes is that they are considerably more energy efficient than their predecessors. 95% of new build homes in Wales were rated with an EPC of B or above from July to September 2024 (the latest months for which data is available), while only 7.9% of existing dwellings reached the same standard.

HBF research has also found that found that new build homes emit 65% less carbon a year, making energy bills up to 65% cheaper and emitting just 35% of the emissions of the average older property. The average new build buyer in England and Wales saves almost £2,000 a year on energy bills, averaging at more than £130 a month.

Energy bill savings: New vs existing homes

	Existing properties	New build	Annual saving	% savings
All properties	£2615.43	£1041.38	£1574.05	60.2%
Houses	£3046.20	£1064.43	£1981.77	65.1%
Flats and Maisonettes	£1760.90	£888.58	£872.32	49.5%

However, despite an average saving of around £2,000 annually, buyers of new build properties are assessed against the same mortgage affordability criteria as those buying older properties. This is because projections on annual expenditure on energy bills are taken from national averages rather than offering a true picture of the running costs of the property being purchased.

Therefore, HBF would encourage the Welsh Government to work with the industry and lenders to try and establish

a proper market for green mortgages, and to ensure mortgage affordability assessments are reflective of the type of property being purchased. In turn, this would create further incentives for consumers to make more energy efficient and environmentally friendly decisions, which will also support the country on its journey towards net zero.

A thriving green mortgage market would also encourage the scale up of markets critical to the decarbonisation of both new build housing and the retrofitting of older properties, for example heat pumps, by making the necessary materials and skills more readily available and cheaper.

PLANNING SYSTEM

Alongside resource issues within LPAs, a significant barrier to delivery is the planning policy framework and various other issues with the operation of the planning system. This was highlighted by the Competition and Markets Authority's (CMA) house building market study, released in February, which found that the complex and unpredictable planning system is the primary cause of housing under-delivery in Wales.

While not direct budgetary measures, reforms to the planning system would have a direct positive impact on housing supply, economic growth and economic activity, thus helping to alleviate the fiscal situation the UK and Welsh Governments face.

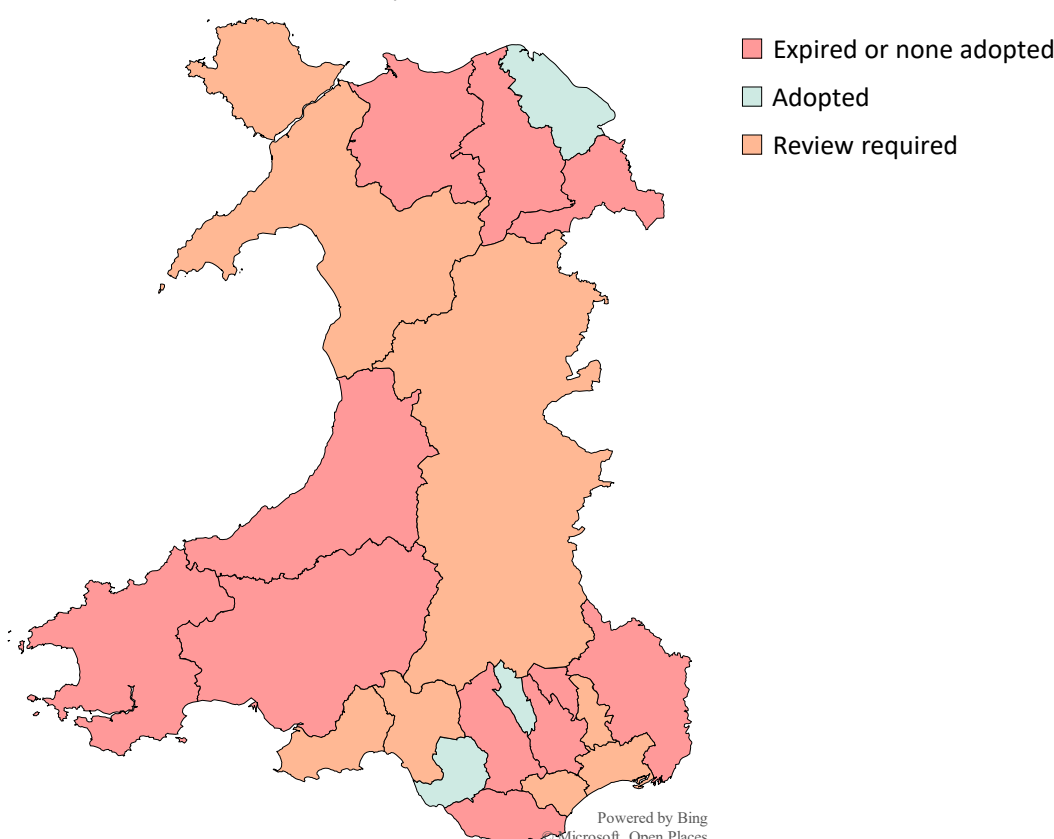
Local Development Plan coverage

HBF and its members are supportive of a plan-led system, as it is the best available mechanism to provide certainty and to enable developers to make long-term investment decisions for delivering much-needed homes. The plan-led system also provides local communities with more input into where housing is delivered, and a better understanding of longer-term future development plans for their area.

However, the system is not currently working as intended. When first introduced in 2005, it was envisaged that Local Development Plans (LDPs) would be replaced once expired and reviewed every four years. However, 11 out of 25 LDPs are now expired and so fail to provide an up-to-date assessment of development needs and how these should be met. Furthermore, progress on their replacements is extremely slow, with a number having decided after several years of work to start the process again, whilst others have been slowed down by interventions by the Welsh Government, such as in Monmouth, or legal judgements, such as in Wrexham.

All this ultimately leads to fewer new homes coming forward, as many out-of-date LDPs contain unviable and undeliverable allocations, limiting the ability of house builders to bring new applications forward. Put simply, there is currently not enough deliverable land allocated in plans, making it very difficult for the plan-led system to deliver the number of homes required.

LDP status, Wales local authorities



Local authorities with an up-to-date LDP tend to have higher levels of housing delivery and make better progress towards delivering their housing requirements. This is why HBF is calling for the next Welsh Government to enable faster adoption of Local Development Plans (LDPs) by increasing the use of short-form reviews and introducing stronger statutory deadlines for adopting local plans once they expire. Without appropriate mechanisms to ensure LDPs are produced and adopted within appropriate timeframes, housing supply will continue to be stifled.

It was disappointing that the Welsh Government's response to the CMA's report did not accept many of their proposals for reform of the planning system, such as more effective monitoring and enforcement of local plans, and more effective use of housing targets.

Removal of Technical Advice Notice 1 (TAN1)

One recent Welsh Government decision that has had particularly consequential implications for house builders is the revocation of TAN1 in March 2020. TAN1 was a Welsh Government planning policy introduced in 2018 that required LPAs to maintain and demonstrate a 5-year supply of land for housing. If authorities couldn't demonstrate this 5-year supply, housing applications outside of the plan-led system received more weight in decision-making. Importantly, this offered an incentive for local authorities to adopt LDPs and maintain a housing land supply, which helped increase the delivery of new homes.

While the industry supports housing delivery within the plan-led system in the first instance, it is concerning that applications outside of the plan-led system can no longer be brought forward at the same time as many local plans have become out of date. This has had a direct detrimental impact on housing delivery.

Respondents to HBF's recent survey of its members are unanimous that restoring TAN1 should be an urgent priority. Without TAN1, there is insufficient accountability for LPAs that do not meet their housing targets, and reduced incentives for LPAs to adopt an up-to-date LDP.

SME home builders and availability of small sites

SME home builders are a vital part of the industry, encouraging competition and innovation, forging lasting links with local communities, and ensuring that a range of sizes and types of housing are delivered.

However, the number of SMEs in the home building industry has continued to decline. A 2019 Welsh Government

evidence paper estimated that the number of SME home builders in Wales fell by almost half following the financial crisis. In the years since, this number has likely reduced further still. This continues a long trend in industry concentration caused by inefficiencies in the planning process, higher costs, greater risks and a tightening of finance availability. All of this is made worse by the recent economic shocks we have seen and new causes of delay, such as SuDS approval.

One of the main issues facing SMEs is the lack of available land, with 47% of respondents to an HBF, Close Brothers and Travis Perkins survey across England and Wales citing it as a major barrier to growth, up from 44% in 2023. Furthermore, with demand outstripping supply and Registered Social Landlords (RSLs) often competing for land with SMEs in Wales, costs are rising, and 53% of SMEs cite the price of land as a major barrier to growth. The allocation of £7 million for the Stalled Sites Fund in 2024-25 was also welcome to support SME home builders, albeit of relatively limited impact.

Asks for the Welsh Government

In order to ameliorate some of the issues with the planning system highlighted above, HBF, in its recent blueprint for the Welsh Government, called for the following:

- An all-tenure, all-Wales housing target to sit alongside the affordable housing-specific target of 20,000 homes, which would incentivise open market housing delivery.
- Support SME home builders by requiring Local Development Plans (LDPs) to allocate sites of fewer than 50 units, setting a 50-unit threshold for major developments, and introducing a national scheme of delegation.
- Enable faster adoption of LDPs by increasing the use of short-form reviews and introducing stronger statutory deadlines for adopting local plans once they expire.
- Restore Technical Advice Note 1 (TAN1) and enable sustainable, policy-compliant sites to come forward outside of the plan-led system where there is a delay in plan review or a demonstrable shortfall in housing supply.

CONCLUSION

HBF hopes the Committee has found this a useful summary of the key barriers to housing delivery and HBF's key asks for this upcoming Draft Budget. We are more than happy to provide more detailed information on any of the key issues or asks raised in this submission.