

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 17: Ymateb gan: GYDAU LLYWODRAETH CYMRU | Response from:
Welsh Government



Consultation on the draft budget 2026/27

Introduction

CIH Cymru welcomes the opportunity to respond to the Senedd's finance committee's consultation on the draft budget 2026/25. Our response sets out our priorities for the 2026/27 budget. Our priorities set out as a minimum current funding levels are retained but are ideally increased to reflect inflationary price rises across the housing sector. It is vital that the right level of funding is seen for housing in Wales so we can meet the policy objectives of Welsh government. Sufficient levels of funding will also ensure we can move towards a Wales where everyone can afford the essentials. An equitable Wales where poverty is significantly reduced or eradicated. A Wales where everyone can access a secure, suitable and affordable home.

Our written response answers those questions that relate to our role as the professional body for housing.

1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

The 2025-26 budget provided welcome continued investment into the development of new social homes and the decarbonisation of our existing homes. There was £437 million in capital investment for the development of new homes in Wales and £95 million for residential decarbonisation and £108 million for the major repairs allowance. Yet despite this welcome investment into the housing sector the impact of high inflation which is now baked into supply chains, and the cost of development means this level of investment is not going as far as it once would have done.

[Construction costs have also increased by 33 per cent](#) since the pandemic and [the building cost information service \(BICS\)](#) is predicting that building costs will increase by a further 15 per cent over the next five years. [Interest rates for social landlords have increased](#) from 3.75 per cent in April 2022 to 5.5 per cent in June



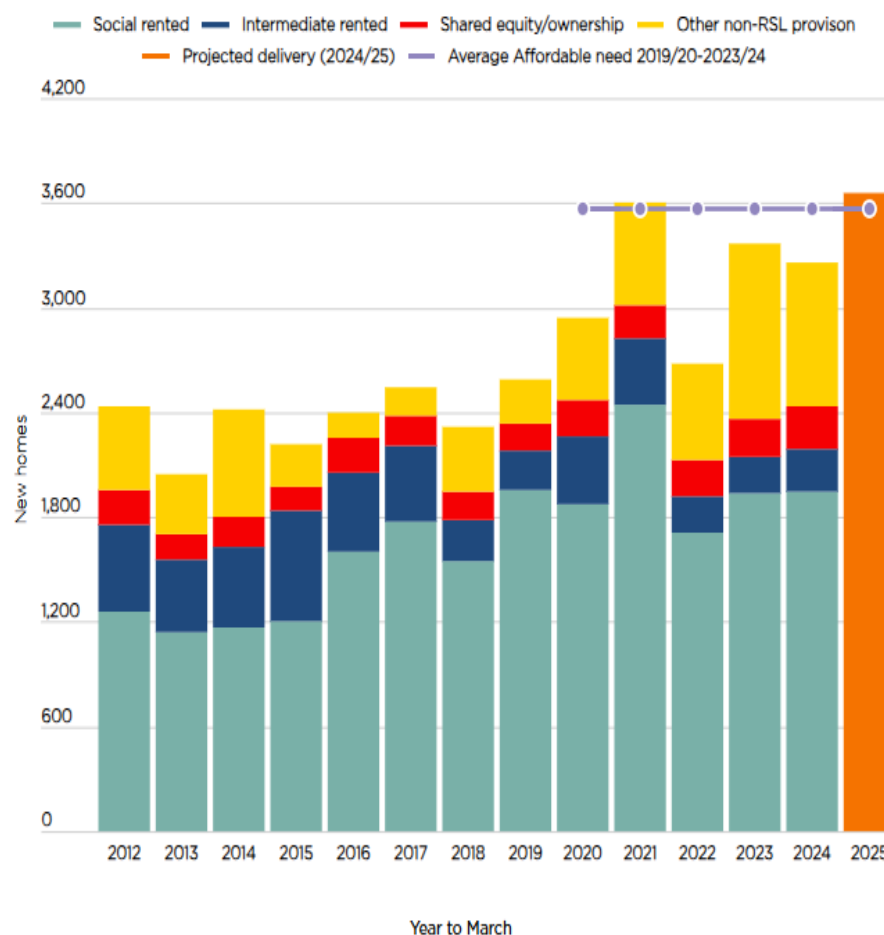
2023. For local authorities the rates rose from 2.5 per cent to 3.87 per cent over the same period. These cost pressures combined with new building standards have caused a [75 per cent increase, between 2020/21 and 2023/24, in the grant needed](#) to develop a new general needs social home.

[Audit Wales in their report on affordable housing delivery](#) in Wales outlined that the 20,000 low carbon social homes target is at risk without additional investment into social housing grant. The additional investment outlined was between £580 million to £780 million in addition to the monies already allocated in order to meet the 20,000 low carbon social homes target. Without this additional investment just 15,860 to 16,670 low carbon social homes would be delivered towards the overall target.

Research from Savills outlines the progress made towards the 20,000 target. Whilst development for 2025 is forecast to exceed the annual target of 4,000 homes we still need to build a total 7,040 homes by March 2026 if we are to meet the 20,000 homes target more than double the annual average of homes delivered towards the target over the past five years. Figure 1 outlined delivery rates since 2012.



Figure 1: Affordable housing delivery¹



Our 2025 sector snapshot of frontline housing professionals outlined that 83 per cent of respondents were unsure or not confident that the 20,000 low carbon social homes target would be met. The main reason for this was a lack of funding. Yet this issue of insufficient levels of funding is not just impacting development programmes in Wales.

Our social housing providers are having to meet the competing priorities of developing the new homes we need and ensuring that our existing homes are

¹ Welsh housing market and supply update April 2025: https://www.savills.co.uk/research_articles/229130/374601-0

brought up to the Welsh Housing Quality Standard. Our [2025 sector snapshot](#) also asked the sector whether development

and decarbonisation targets were compatible with the level of funding available. Respondents were clear in their answer with 89 per cent of local authority respondents and 76 per cent unsure or not confident the development and decarbonisation targets were compatible with current levels of funding. This is summed up by the following quote:



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“Capital funding is insufficient to meet target, partly due to inflationary pressures in the house building sector but also insufficient to deliver our reserve schemes for another three years due to programme being fully committed. The Council’s own development programme is over-committed as it is, and the costs associated with WHQS23 will further stifle development potential.”

Our social housing providers are committed to decarbonising their existing homes but will need significantly more funding to continue developing the new homes we need and ensuring that our existing homes meet WHQS. It is clear from the conversations we have had with the sector, that whilst the levels of investment for social housing in the 2025-26 budget have been welcomed, they are not at a sufficient level for housing organisations to effectively meet the competing priorities of developing the homes we need to end the housing emergency and ensure our existing social homes meet WHQS.

2. How financially prepared is your organisation for the 2026-27 financial year, how confident are you that you can deliver planned objectives, and how robust is your ability to plan for future years?

Inflation rates continue to have an impact on the housing sector as it seeks to develop the additional homes we need and ensure that our existing social homes meet WHQS. Yet it’s not just inflation rates, the cost of borrowing and increased

interest rates are also impacting monies available to enable housing organisations to meet these two competing policy priorities.



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The [cost of timber, steel, concrete and fencing](#) has risen up to 40 per cent since the pandemic. There has also been a [33 per cent increase in construction costs](#) for house builders in the same period. These increased costs are a result of increasing subcontractor and labour costs. This, coupled with the peak 11.1 per cent inflation being baked into the economic system, has resulted in the level of social housing grant intervention needed to develop properties also increasing.

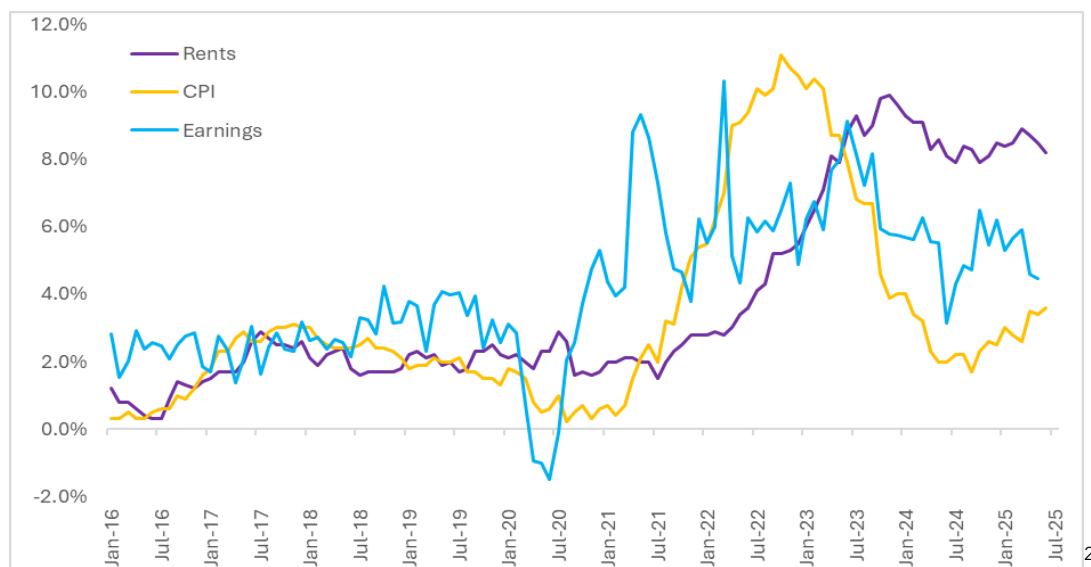
The recent [Audit Wales report on affordable housing](#) supply outlined that there had been a 75 per cent increase in the amount of grant needed to develop a general need property. From around £93,000 in 2020/21 to around £163,000 in 2022/2023. As costs to develop continue to rise there is a need to ensure that the social housing grant levels are uplifted to meet this cost coupled with a three-year funding envelope that considers the increased costs as a result of inflation. This will enable housing providers to be able to effectively plan developments and the decarbonisation programmes as they continue to balance these priorities.

We also need to ensure that housing providers have certainty through the rent settlement. Current financial viability assessments for new developments are based on the cost of the development against future rent levels. If a rent settlement is lower than the current rate of inflation it can impact the revenue a social landlord can use to match fund the cost of new development. That can reduce the viability of a scheme and increase the level of social housing grant needed to bring a scheme forward. So to ensure effective forward planning and to maximise the financial viability of new social housing development we need a multi-year rent settlement. A multi-year rent settlement will also reflect the fact that Wales does not work in isolation from the rest of the UK and is impacted by wider UK markets.



Yet inflation, higher interest rates and increasing costs are not just impacting development and retrofitting. They are also having an impact on the wider housing sector. Rents in Wales increased by 8.2 per cent between July 2024 and July 2025. This is higher than CPI in July 2025 which was 3.6 per cent. As shown in figure 2 private rental inflation in Wales up to 2023 was tracking below income levels. Yet since then, rental inflation has exceeded earnings growth and for the past two years has been above CPI.

Figure 2: Rental inflation vs CPI and earnings growth



Yet comparing rental inflation to earnings growth and CPI is only part of the picture. Rising rental inflation is also having an impact on those households on a low income who are reliant on local housing allowance (LHA) to cover their rental costs. Research undertaken by Crisis has shown that based in the 2024 LHA rate, there are now local authority areas in Wales where there are no homes classed as affordable for a household in receipt of LHA as shown in figure 3.

² Average weekly earnings

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/averageweeklyearningsearn01>

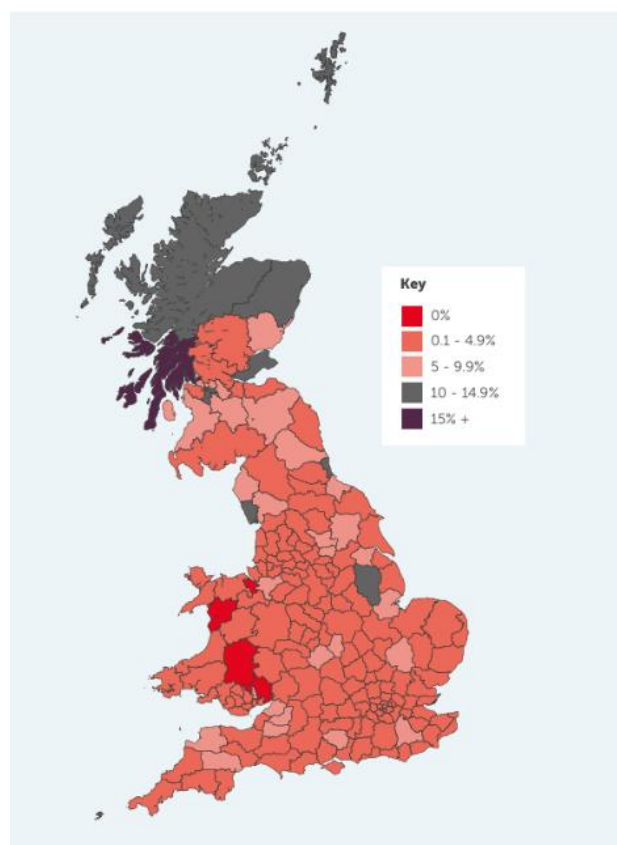
Consumer Price index

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/june2025>

Private rent and house

prices <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/privaterentandhousepricesuk/july2025>

Figure 3 Affordable property listings based on LHA rate³.



The increasing levels of unaffordability within the private rented sector is resulting in increasing levels of demand for social homes across Wales. The rising level of homelessness is also being impacted by a lack of affordable housing across both the private rented sector and the social housing sector.

Homelessness in Wales is now at its highest level since the Housing (Wales) Act 2014 came in force in 2015. Homelessness data shows that in 2023/24 there were 13,539 households made homeless, equivalent to one in every 100 households in Wales. In September 2024 there were 6,495 households placed in temporary accommodation including 1,698 households with dependent children. The most

³ How affordable private rents can help tackle health inequalities and homelessness.
<https://www.crisis.org.uk/media/mowld0pp/crisis-he-policy-report-now-i-have-my-flat-my-health-is-much-more-stable-april-2025.pdf>



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recent waiting list data shows that in Summer 2024 there were 94,000 households waiting for a social home. At current delivery rates it would take 35 years to build the homes we need to provide a home for all the households currently on our social housing waiting lists.

We need to ensure that the monies provided for developing the homes we need are sufficient to meet demand and account for inflationary price rises seen within the construction industry. We also need to ensure that we are investing in our retrofit programmes.

Welsh government has provided £95 million in the 2025/26 budget to decarbonise existing social homes. In the previous two years of the spending review period, £92 million was allocated per annum. Yet research undertaken by the new economics foundation outlined that the total investment needed to decarbonise our social housing stock in Wales would be £5.52 billion over 10 years with an estimated funding gap of £2.7 billion at the time the report was published. The New Economic Foundation report outlined that Welsh Government would need to invest £1.7 billion over that 10-year period, around £170 million per annum. Using the same Bank of England inflation calculator, the investment from Welsh government would now need to be closer to a figure of around £2.1 billion over a ten-year period.

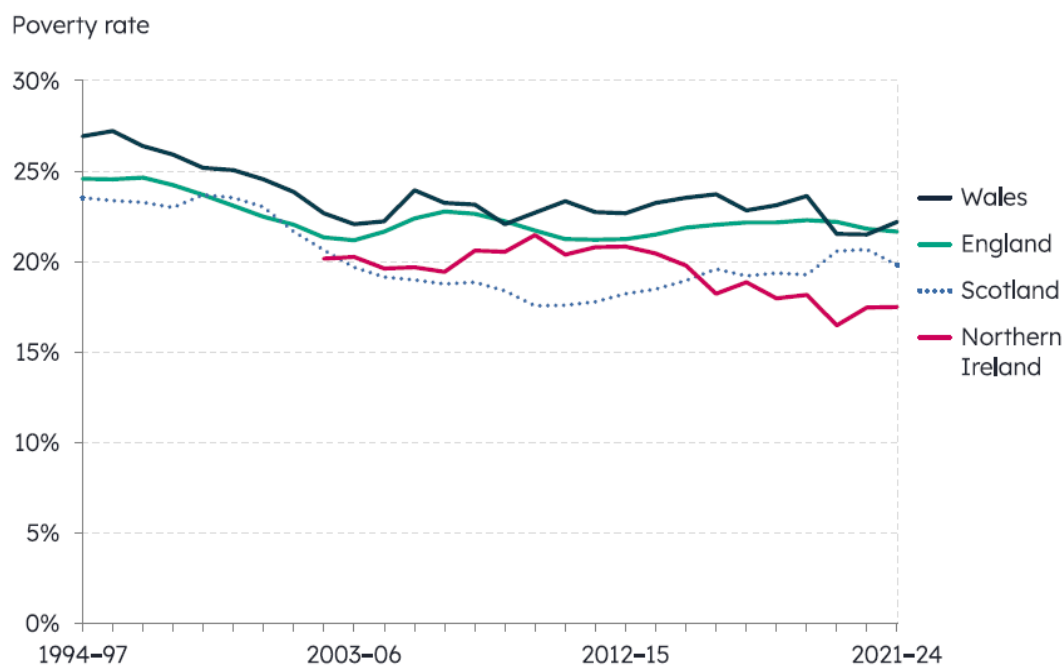
We need to ensure that our social landlords have the right level of capital investment needed to guarantee that we can develop the homes we need and retrofit our existing homes to meet WHQS.



3. What action should the Welsh Government take to, help households cope with cost-of-living issues; and address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

The [Joseph Rowntree Foundation report into poverty](#) in Wales published in 2025 outlined that there has been little progress in reducing poverty in Wales over the last 20 years. The report outlined that 22 per cent of people in Wales are currently living in poverty. Figure 4 shows the poverty rate for Wales since 1994. Wales' poverty rate is now slightly higher than England's.

Figure 4: Poverty rate in Wales ⁴



Poverty in Wales is also deepening with the proportion of people in very deep poverty rising from 33 per cent in 1994-97 to 47 per cent in 2020-23.

Child poverty levels are also high with 31 per cent of children in Wales currently living in poverty. This has change little over thirty years. The rate in 1994-97 was 36 per cent. Just a 5 per cent improvement.

⁴ Joseph Rowntree Foundation (2025) Poverty in Wales 2025. York: Joseph Rowntree Foundation.

[The Bevan foundations snapshot of poverty in Autumn 2024](#)



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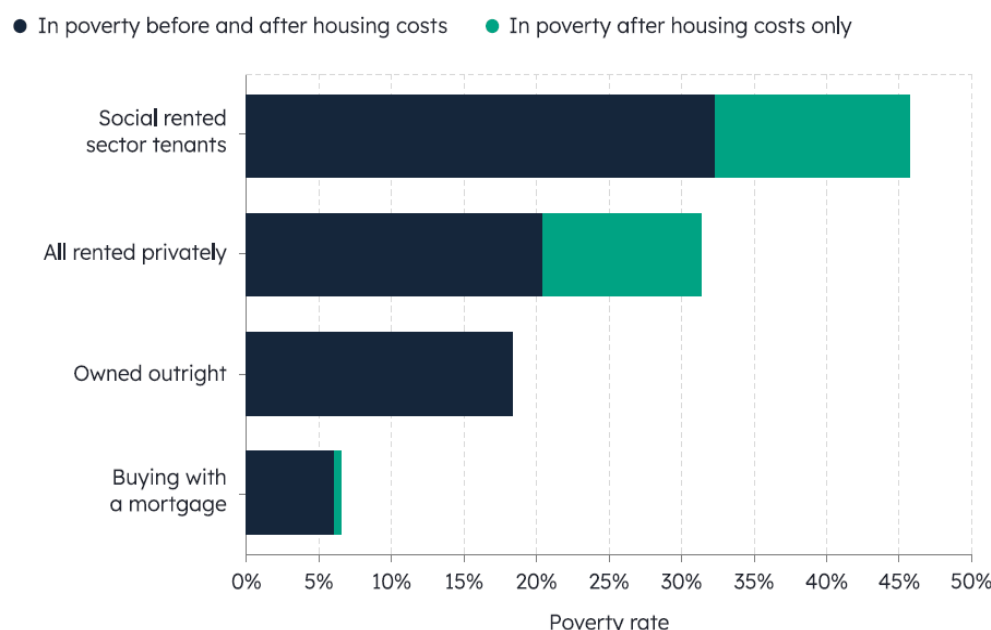
also showed the impact of the ongoing cost of living crisis and poverty is having on households. One in seven people in Wales (15 per cent) often, sometimes or always do not have enough money for the basics. This proportion has change little of the last few years. This suggests that not only are peoples living standards not improving they have now stabilised at a higher level of financial hardship than before the pandemic.

We also see [different levels of poverty depending](#) on the housing tenure a household lives in:

- 18 per cent own outright
- 7 per cent have a mortgage
- 46 per cent social renters
- 31 per cent private renting

Private renters are more likely to be pulled into housing by their housing costs with 35 per cent of private renters in poverty after their housing costs are factored in. Figure 5 illustrates the poverty rates before and after housing costs for each housing tenure.

Figure 5: Poverty rate by housing tenure.⁵



It is clear that poverty remains an issue for a considerable percentage of the Welsh population with housing tenure playing a role in the likelihood of experiencing poverty after housing costs are factored in especially for those households who are currently privately renting.

We need a solution that ensures that we can tackle poverty and provide a safe suitable and affordable home for everyone. We can do this by making housing a foundational mission of government by legislating for the progressive realisation of the right to adequate housing in Wales. This would lead to significant savings that could be used to further invest in public services, coupled with increased economic activity.

For every £1 spent on the right to adequate housing, there will be £2.30 in benefits. It will:

- Save £5.5bn in improved wellbeing
- Save £2bn from local council budgets
- Save £1bn for the NHS
- Save £1bn for the criminal justice system

⁵ Joseph Rowntree Foundation (2025) Poverty in Wales 2025. York: Joseph Rowntree Foundation.

- Generate £1bn in additional economic activity.



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These are all savings that can benefit our communities and help end poverty in Wales. Enshrining the right to adequate housing will help deliver an equitable Wales. A Wales where everyone has enough money to live on. A Wales where everyone can afford the essentials. A Wales where poverty is significantly reduced or eradicated. A Wales where everyone can access a secure, suitable and affordable home.

5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

As outlined in our [Tyfu Tai research on decarbonising the private rented sector](#) 32 per cent of Welsh homes were built before 1919. Just 6 per cent were built in the last 35 years. The average EPC rating for a Welsh home is "D" and Welsh homes will need the highest level of investment to reach EPC "C".

[Welsh government has provided £95 million in the 2025/26 budget](#) to decarbonise existing social homes. In the previous two years of the spending review period, £92 million was allocated per annum. Yet [research undertaken by the new economics foundation](#) outlined that the total investment needed to decarbonise our social housing stock in Wales would be £5.52 billion over 10 years with an estimated funding gap of £2.7 billion at the time the report was published.

The New Economic Foundation report went on to outline that Welsh Government would need to invest £1.7 billion over a 10-year period, around £170 million per annum. Using Bank of England inflation calculator, to account for inflationary price rises, the investment from Welsh government would now need to be closer to a

figure of around £2.1 billion over a ten-year period. Around £210 million per annum.



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Yet the total level of investment needed to retrofit our social homes is likely to be much higher than outlined in the New Economics Foundation research. The [Welsh Housing Quality Standard \(WHQS\)](#) has put a requirement on social landlords to undertake a survey of all the homes they own by March 2025. We have heard from our members that the level of investment needed is likely to be significantly higher than the finance that is available from Welsh government to support the retrofitting of our existing homes.

Yet decarbonising our social homes is only part of the solution as this tenure makes up just [18 per cent of the total homes in Wales](#), with private renting making up 14 per cent of homes and owner occupiers 68 per cent. We therefore also need to consider how we can ensure homes in the private sector can also be retrofitted as part of meeting Wales 2025 net zero target.

[The New Economics Foundation in its report on financing Wales' decarbonisation](#) indicated the total level of investment needed to bring every home in Wales to EPC A by 2050 utilising the target for net zero. This found that using 2020 costs the total level of investment over thirty years would be £55.96 billion likely reduce to £36.17 billion over thirty years when planned renovation and improvement (RMI) costs were factored in. Accounting for inflation, the costs today would be £67.63 billion reducing to £43.9 billion over thirty years when factoring in RMI costs.

As echoed in the [Senedd's climate change committee's report on decarbonising the private sector](#) we do not expect Welsh government to meet the full cost of retrofitting private homes as we transition to net zero. Rather we need a range of financial options and incentives to enable property owners, which includes private landlords and owner occupiers, to meet the cost of retrofitting their homes. It is essential that we incentivise

and support private landlords and owner occupiers to embark on the decarbonisation journey.



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Yet decarbonising our homes relies on there being enough people with the right skills being employed in order to undertake the work needed. [The construction industry is seen as an ageing workforce](#) with the number of workers over 60 increasing more than any other age group. There is also a reduction in the number of workers under the age of thirty. There is concern within the housing sector that as people retire skills will be lost. The current skills gap is significant with [CITB research](#) outlining that 12,000 additional workers are needed across the housing sector in Wales. Equivalent to an 11 per cent increase in the size of the workforce. This increase is needed primarily to deliver the improvements needed as part of decarbonising our existing homes.

Yet even though there is a significant skills gap for decarbonising our homes we are hearing from the education sector that the monies available for apprenticeships is not sufficient. This means fewer people are able to secure a place at college to gain the skills we need to future proof our construction industry. We need to invest in our education sector to ensure that the right number of apprenticeships can be delivered in order to help meet the skills gap.

There are examples of this happening in Wales already. [Adra in North Wales](#) has opened a decarbonisation hub at Penygroes in partnership with Travis Perkins, Grŵp Llandrillo Menai and Welcome Furniture. The hub is in a redeveloped empty factory unit and has brought skills and jobs to the area. The hub is a training facility to develop skills to install and maintain small solar photovoltaic, domestic heat pumps and solar thermal hot water systems. The hub has received £230,000 of funding from Welsh Government to support further growth. By replicating this model across Wales, we can not only provide investment into local economies but work towards ensuring we have the right level of skills needed to ensure homes in Wales meet net zero across all tenures, at pace and scale.



7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

The [Joseph Rowntree foundation](#) has outlined that currently 22 per cent of households in Wales are living in poverty (relative poverty after housing costs) and nearly half a million people are living in very deep poverty (an equivalised income less than 40 per cent of the UK median). In 2020-23 a couple with two children in very deep poverty would need their income to increase by £13,500 a year to reach the poverty threshold. For those for those in deep poverty (an equivalised income less than 50 per cent of the UK median) they would need their income to increase by £10,900 to reach the poverty threshold.

Poverty in Wales is also deepening over time. In 1994-97, 32 per cent of households living in poverty were in very deep poverty. This has increased to 47 per cent by 2020-23. Nearly half of people living in poverty in Wales are now categorised as being in very deep poverty.

Over the last 30 years children in Wales have faced the highest poverty rates of all household types. In 1994-97, 36 per cent of children lived in poverty. This declined to 29 per cent in 2003-2006. For the last decade it has remained at around 30 per cent with a slight rise to 31 per cent in 2021-24.

This data clearly illustrates that there is more the Welsh government can do to tackle rising poverty levels in Wales. Yet when we consider fuel poverty some policy areas are likely to have a positive impact on levels of fuel poverty for some households in Wales.



[Latest data from Welsh government](#) shows that in October 2024 around 46 per cent of Welsh households were living in fuel poverty or were at risk of fuel poverty. With 5 per cent living in severe fuel poverty.

The updated [WHQS](#) frames decarbonising social homes as ensuring tenants can access affordable warmth. Which is a vital part of tackling fuel poverty in Wales. Any improvements made to our homes through decarbonisation and increasing the EPC rating of the property as a result will have a positive impact on the number of households in fuel poverty. [The average cost to heat a two-bed home](#) that has an EPC D rating, the [current Welsh average](#), is £1313 a year. For an EPC C two bed home it is £1092 and for an EPC A two bed home it is £404. Improving the EPC rating of our homes would garner a significant saving for residents and will help lift people out of fuel poverty.

Yet despite the positive impact this will have for social tenants we need to consider how we can mitigate the impact of poverty and reduce the levels of poverty seen across Wales. To ensure that the risk of poverty is reduced for this and future generations as part of making an equitable Wales.

Is the Welsh Government's approach to preventative spending represented in resource allocations.

Local authorities in Wales have a statutory duty to provide homelessness services. This includes services to prevent homelessness for households in their locality. Yet due to increasing levels of homelessness and increasing use of temporary accommodation a bigger proportion of local authority budgets being spent on temporary accommodation. [In 2020/21 temporary accommodation accounted for 0.51 per cent](#) of local authority budgets. This is now 1 per cent.

[A recently published report by audit Wales](#) outlined that the total expenditure on temporary accommodation has risen by 516 per cent between 2019-20 and 2023-24. In 2019-20 the annual spend was £28 million in 2023-24 it was £172 million.



Throughout our engagement with the sector following the publication of the Homelessness and Social Allocations (Wales) Bill we heard from the sector that balancing the rising number of homeless cases and a need for preventing homelessness was proving difficult due to a lack of resources and a reducing workforce. This was also seen in responses to our [2025 sector snapshot](#) with 53 per cent of respondents stating their main pressure was a lack of resources with 56 per cent of local authority respondents stating that a reducing workforce was a significant pressure.

What is clear from the sector is that they need more resources to not only meet current demand for homelessness services but to also ensure that they can provide a prevention service that will in time reduce the number of people facing homelessness in an emergency.

Core revenue funding for local authorities [increased by 4.5 per cent in the 2025/26 budget](#). Yet this comes against the backdrop of previous years settlements being below the rate of inflation meaning many local authorities received a real terms cut in their funding. The homelessness prevention grant in 2025/26 did not receive any uplift rather had a cash flat settlement. Whilst additional monies are welcome the historic real terms cuts and cash flat settlements are likely to have a negative impact on local authority budgets.

The [Welsh governance centre has outlined in their briefing paper](#) on the medium fiscal outlook for local government in Wales that the funding gap could increase to £744 million by 2027/28. There is also an increasing risk that local authorities will need to draw on their reserves in order to meet some of the funding pressures they are facing. The briefing paper also outlined that they expected over four-fifths of any increase to local government resource revenues to 2027/28 will come from council tax revenue increases. This is concerning in light of rising poverty levels and the fact that the impact of the cost-of-living crisis is still being felt by many households in Wales.



We need a funding settlement for local authorities that enables them to meet the current homelessness demand and increase their workforce so they can effectively prevent homelessness and plug the finance gap without having to increase council tax at a time when the cost-of-living crisis is still impacting households in Wales.

Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning?

Our [2024](#) and [2025](#) sector snapshots highlighted how difficult it is for local authorities to provide sufficient funding to ensure the workforce is at a level it needs in order to meet the increased demand for services. This includes, homelessness, housing management and planning. The housing sector has been clear in these reports that budgets are being cut whilst workloads continue to increase. This is now having a negative impact on their mental health and wellbeing with two thirds of respondents to our [2025 sector snapshot](#) survey stating current pressures had a negative impact on their mental health and wellbeing.

The following quote from our 2025 sector snapshot sums up the views of the housing sector:

“The workload has always been excessive in social housing due to the reactive nature of the work that we do and the ever-changing external environment. I think that the expectation on social housing providers is ridiculous, and we have gone far beyond having to deliver traditional landlord services. Housing staff make up for the shortfall in service provision by social services, the police, the LA etc. Housing staff are left carrying multiple issues within our stock because other agencies are able to walk away. There should be far more accountability by other service

providers and more collaborative working. I think the role of social housing providers in Wales should be completely reviewed and re-specified to ensure that we and all other agencies are clear about what our function actually is and not what they and our tenants think it is. The expectation is massive and ever growing and staff are being subjected to more and more abuse because they are unable to meet the expectations that have grown exponentially.”



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Many front-line housing teams are now at breaking point. Our workforce is doing all they can but cannot continue without an increase in funding ringfenced to increase the housing workforce in local authorities to a level that eases pressures on individuals working within local authorities.

The [ending homelessness action plan](#) included a specific action to develop a resilient and valued workforce recognised for their expertise. In order to do this, we need to adequately fund the sector so that our workforce is at a level where pressure is reduced, which will in turn improve the mental health and wellbeing of our housing professionals.