

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](#).

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Response to Finance Committee Call for Information: Welsh Government Draft Budget 2026/27

About Community Housing Cymru

Community Housing Cymru (CHC) is the voice of housing associations (HAs) in Wales. We represent 30 not-for-profit housing associations that provide 174,000 homes to 10% of the Welsh population.

Summary of our response

The Welsh Government's Final Budget 2025-26 committed a total of £1.9bn in social housing, with additional investment on the 24/25 budget in social housing grant, housing support grant, housing adaptations, decarbonisation and building safety. Coupled with a significant UK Government commitment to increase long-term capital investment in social housing in England, these investments have strengthened housing associations' ability to plan with confidence.

Additional investment has meant that housing associations have [increased](#) the number of desperately needed affordable and high quality social homes across Wales. Despite challenging headwinds, our members are making significant progress in tackling the housing emergency and leading the way in regenerating Wales' towns and cities with good quality housing at the heart of this. With the government's target of delivering

20,000 new low carbon homes - and housing associations being a key delivery partner in this ambition - investment must be protected in this upcoming budget.

As the 2026-27 budget will not [introduce](#) major new spending commitments, our response to this consultation re-iterates the most urgent needs in the sector. Our calls align with the current Welsh Government's priorities which focus on a healthier Wales, connecting communities and creating opportunity for every family.

A well-funded social housing sector can create green jobs, strengthen local businesses and supply chains, and build more sustainable urban and rural communities, while also fulfilling Welsh Government objectives on the Welsh language and protecting future generations. At the same time, it boosts the wider Welsh economy through increased investment, employment, skills development, and community regeneration, fostering long-term productivity, resilience, and prosperity.

With a pool of unallocated funding created for the next Welsh Government, we urge any incoming government to fully recognise these most urgent needs.

We need:

- **A sufficiently funded Housing Support Grant to help to prevent homelessness**

We were pleased to see the Welsh Government provide an additional £21.3mn for the Housing Support Grant (HSG) in its 2025-26 final budget. This is the primary revenue stream that prevents and responds to homelessness, and helps people maintain their homes.

The Welsh Government itself has [acknowledged](#) that the UK Government funding to Wales following its decision to increase employer National Insurance contributions (NICs) is not sufficient. The finance minister stated this creates a shortfall of £70mn, with Welsh public sector services, including commissioned homelessness services, missing out considerably.

In our [response](#) to the committee last year, we wrote that members, particularly those who deliver HSG funded services and social care, are concerned about the impact of the increase to employer NICs. This is on top of existing financial pressures to meet Real Living Wage commitments. A smaller housing association has told us they are facing additional costs of up to £237,000 per annum from increased employer national insurance contributions, with one of our largest members facing costs of £2.3mn.

The UK Government's decision to include not-for-profit organisations in scope for increased national insurance presents a significant challenge to housing associations

that deliver housing support grant funded services. Put simply, they cannot continue to deliver the services at the scale communities require if they do not receive necessary funding to cover the additional NI costs.

With the 25/26 uplift in HSG being utilised to cover additional NI as well as to deliver the Real Living Wage, we are calling for the HSG to again be uplifted - in line with inflation - to account for the employer NIC shortfall and increased complexity and demand in preventing homelessness in light of multiple crises. Our full analysis of the current landscape for housing for vulnerable people, including how effectively we believe the Welsh Government is planning for the future of the HSG, can be found [here](#).

Housing Support Grant funding continues to be at threat each year in Welsh Government processes - with increases often found between draft and final budgets. It should not be this way. This annual uncertainty is not a position from which we can maintain good quality services with highly skilled staff delivering life-changing work. Where funding is uncertain, housing associations have to make difficult decisions to scale back initiatives to meet regulatory and legislative requirements only, undermining long-term planning and investment in prevention. Stopping and starting the delivery of complex services unsettles staff and reduces the real life impact our members have on communities across the country. Similarly, this funding process drives short-term HSG contracts. Awarding these contracts on a multi-year basis, ensuring that skilled employees on fixed term contracts are not lost, is key to providing an effective support service.

- **Capital funding for more homes through Social Housing Grant (SHG) and the Transitional Accommodation Capital Funding Programme (TACP)**

We welcome continued commitment from this Welsh Government to build new, low-carbon affordable homes for social rent that people in Wales so desperately need. This year's budget saw an increase of £67mn from last year - with a further £26.25mn made available to continue to support loans to RSLs. Housing associations are set to deliver over 70% of all new affordable homes this Senedd term, making a significant contribution towards Welsh Government's 20,000 homes target.

TACP creates additional accommodation capacity through remodelling, conversion, and modular accommodation. This scheme has allowed housing associations to develop housing capacity and maximise the use of existing homes. We are pleased to see that an additional £55m has been allocated to the programme in-year to allow reserve schemes to progress. If funding is protected, TACP is forecast to deliver approximately 2,000 additional homes by the end of the Senedd term.

The delivery of affordable homes slightly decreased in 2023-24 compared to the previous year, owing to multiple headwinds facing the housing sector. These headwinds were [outlined](#) in our response to the Housing Committee's inquiry on social housing supply. In light of these challenges, this demonstrates the need to harness the TACP to create additional accommodation capacity and to protect capital investment through the SHG.

Resources and coordination to achieve the ambitions of the Affordable Housing Taskforce recommendations should also be prioritised in order to unblock systemic barriers to development and create capacity within the system. With the level of inefficiencies and delays in the planning and environmental regulatory system, regular and clearly visible updates on progress of these recommendations is very much needed.

The growth of both the SHG and TACP is critical to the delivery of more social housing. It is also essential that grant pots from across government, as well as schemes like the Land for Housing loan, are better aligned to help manage risks and costs as delivery ramps up.

- **Protection of emergency funding mechanisms like the Discretionary Assistance Fund and Discretionary Housing Payments**

The Welsh Government must protect the funding of the Discretionary Assistance Fund (DAF) which has been a lifeline for those struggling through the cost of living crisis. The system must also be improved so that it can continue to quickly, fairly and reliably provide urgent assistance to those in need. The Welsh Government should consider how preventative measures can be integrated into the fund for example through stronger referral arrangements to holistic financial support services provided by housing associations or independent support services.

The Welsh Government should also urge the UK Government to protect and review Discretionary Housing Payments (DHP). It is vital to ensure that all individuals have access to support regardless of where they live, and that the fund's allocation and administration are fair and proportionate across all local authorities.

1.What, in your opinion, has been the impact of the Welsh Government's 2025-26 Budget?

Housing associations welcomed the additional £21.3mn for the Housing Support Grant in the Welsh Government's final budget for 2025-26. Evidence [collected](#) by CHC and Cymorth Cymru highlighted the potential impact on the sector if there were no increase to the HSG.

The 2025-26 budget also allocated an additional £81mn for the delivery of more homes through the SHG and TACP. Thanks to this funding, housing associations continue to deliver over 70% of all new affordable homes and, despite significant headwinds, are building 20% more now than at the start of this Senedd term. CHC is continuing to work with our members, stakeholders and Welsh Government to deliver the Affordable Housing Taskforce ambitions and increase capacity within the planning and housing system.

Housing associations have also welcomed the £1mn uplift to the DAF. We will continue to advocate for protection of the fund and improvements in the administration of it to more quickly reach those in need.

RSLs have welcomed the WHQS Implementation Fund and we are pleased to hear that the ORP will be amalgamated with this fund to make it easier for housing associations to apply for. However, with research conducted by Savills, commissioned by CHC, finding that total investment needed to meet WHQS and achieve net zero is £130,000 per property, it is vital we see an increase in this fund as well as continuing to explore innovative finance routes for funding decarbonisation at pace.

Building safety funding has supported housing associations to implement a whole building approach to fire safety. Yet, the introduction of the Building Safety (Wales) Bill will [present](#) a total cost of £38mn to relevant bodies (Welsh Government, local authorities and fire and rescue authorities) over ten years and this must be factored into the 2026-27 budget.

We welcome the additional £30mn allocation to provide more healthcare and support in local communities, though we continue to call on the Welsh Government to ringfence funding to meet the Real Living Wage so commissioners and providers can plan appropriately. Commitment to the Housing with Care Fund has also been well received by our Housing Association members providing these services.

2. How financially prepared is your organisation (housing associations) for the 2026-27 financial year?

Along with investment in existing properties, the next biggest item of spending for housing associations is in building the new homes Wales needs. In 2021/22, Welsh housing associations made a record investment of nearly £455m in tackling the housing crisis in Wales. Housing Associations [retain](#) a resilient financial position, however there are a number of factors that significantly impact on their ability to invest further with confidence.

Uncertainty

At present there are a number of significant unknowns affecting Housing Associations' finances and their ability to plan investment with confidence in the coming years:

- The unknown cost of meeting WHQS 2023. The work to develop evidenced costings is ongoing, but research conducted by Savills found that meeting WHQS and net zero carbon will cost £130,000 per property over the full 30 year business planning period. This represents billions of pounds of unfunded investment needed, posing a significant challenge to housing associations.
- The ongoing review of the social rent policy. At the time of writing, social landlords have no clarity on future rental income beyond this financial year. This ongoing uncertainty is hampering social landlords' ability to plan investment with confidence. Rent is a hugely important source of income for housing associations, making up about three quarters of housing associations total income and funds vital investment in managing, maintaining and improving existing homes. The current model, which prevents rent convergence, is restricting the level of income housing associations are able to generate. Our [response](#) to the recent consultation on a new rent and service charge standard calls on the Welsh Government to develop proposals on convergence as a matter of priority in the coming months.
- Legislation on building safety and ending homelessness will place increasing responsibilities on social landlords, as has legislation such as the Renting Homes (Wales) Act. The upcoming introduction of Welsh Language Standards Regulations for RSLs will require substantial ongoing investment in translation, IT, and infrastructure, alongside service reviews and redesigns. Welsh Government is also working on a new rule for WHQS which is akin to Awaab's Law in England. The costs of reaching such a requirement is unknown. Unless additional public funding is identified, the cost of meeting these additional legislative requirements will require scaling down investment in other areas, or more income through rent and service charge payments, which could undermine affordability. It is essential that the Welsh Government fully considers this when introducing new obligations on social landlords, and ensures that housing costs for tenants remain affordable and fair.
- The uncertainty of planning and environmental regulatory systems. Each year housing associations will face unexpected costs attributed to housing application redesigns, contractor changes and inflationary increases as a result of planning delays and new building requirements, ultimately impacting on the provision of new homes. Recent planning advice issued by NRW on marine nitrates is an example of the catastrophic impact that planning advice can have, stalling nearly 900 homes and forcing redundancies within the supply chain.

- Legislation and policy changes at a UK level. While not directly in Welsh Government's control, The Universal Credit Bill, Leasehold and Freehold Reform Act, Commonhold Bill, changes to employment law and wider welfare reform will all have a significant impact on housing associations and their tenants. Our members have reflected that the combination of UK and Welsh Government policy and legislation is creating a volume of work that is extremely challenging to meet and not fully costed.

Private finance

Housing associations borrow private finance to support the provision of new affordable social homes, enhancing the value of every pound of public investment in new homes. The 2022 global accounts for housing associations in Wales [show](#) a total debt of £3.5 billion.

Housing association finances across the UK have been under severe external pressures over the past five years, and we are not immune from this in Wales. Increased investment in homes, safety and quality, combined with inflationary pressures and rising interest rates, have squeezed social landlords' financial position. For example, planned maintenance costs have almost doubled over the last five years.

Inflationary pressures on material and labour compounds costs for repairs teams. These risk longer response times and could undermine service quality, particularly in rural areas where travel time is already substantial.

Between 2021/22 and 2022/23, costs increased faster than turnover as the prices of works and goods increased. This has resulted in lower operating margins which, if prolonged, will impact housing associations' ability to leverage private finance, increasing their reliance on public funding and reducing the value that can be derived from each public pound.

Adding to this, long-term borrowing costs have [reached](#) a 27-year high, eclipsing the 5.1% spike under the Conservative government's Mini Budget of 2022. Moves in the long-term financing rate can have a significant impact on development.

3. What action should the Welsh Government take to:

- **Help households cope with the cost of living issues**
- **Address the needs of people living in urban, post-industrial and rural communities, including affordable housing and supporting economies in those communities**

Welsh households, particularly those living in social housing, have been and continue to be significantly affected by the ongoing cost of living crisis. Even before the pandemic and the cost of living crisis, people in Wales were struggling to stay on top of bills, heat their homes and keep food on the table. Wales' poverty levels have remained largely stagnant for the last decade and it is clear that we must find a long term solution to these longstanding challenges.

Our most recent cost of living research '[Responding to the Relentless Crisis](#)' highlights the work housing associations do in Wales to build strong, resilient communities and help the Welsh Government achieve its ambition to create opportunities for every family. This includes supporting tenants into employment, building and maintaining safe, warm, energy efficient homes and going beyond their core purpose by providing preventative health and wellbeing initiatives.

We believe that the route out of this crisis is through strengthening our partnerships and working collectively. Together with protecting and improving the DAF, we have identified three areas we think should be prioritised in the immediate future.

- **Strengthen data sharing:** We welcome the work the Welsh Government has done to pilot the LIFT platform to identify people in Wales who are missing out on their entitlements. We should explore how this data can be shared to partners like housing associations so they can better target support to their tenants. There is also further work that could be done to improve referral routes between local authorities to a housing association or other independent debt services when a person has made an application for Council Tax Reduction.
- **Improve delivery:** We would like to see improvements made to the Discretionary Assistance Fund (DAF) to ensure that it is fully aligned with the ambitions of the Welsh Benefit's Charter and can quickly, fairly and reliably provide urgent assistance to those in need. We would also like to see a stronger integration of preventive measures within the DAF system. We also call on the Welsh Government to urge the UK Government to protect and review the Discretionary Housing Payment (DHP) system in consultation with stakeholders and recipients. This review should aim to explore ways to enhance access and effective use of the fund across all local authorities in Wales. A more streamlined and equitable DHP system would help ensure that support reaches those who need it most.
- **Prioritise the delivery of affordable housing across Government:** The delivery and acceleration of new affordable homes is a strategic priority for the Welsh Government. However, tensions between environmental, planning and housing policies, coupled with a lack of capacity within these systems, are creating significant hurdles. There is an urgent need for affordable housing to be

a cross-governmental priority, with aligned policies and sufficient resources across all relevant portfolios to unblock systemic barriers and create essential development capacity.

The latter point is not just about increasing the level of housing stock, but also the type of housing that reflects the needs of different communities. Our members have identified a particular need for more supported housing, particularly in areas where there are currently few supported accommodation options. This can help prevent homelessness, increase independent living and individual well-being and reduce instances of anti-social behaviour.

There are also wider concerns that the level of funding available for aids, adaptations and wrap-around support is not keeping up in line with current need for more accessible homes. For many housing associations, the budget for the Physical Adaptations Grant (PAG) is insufficient to manage demand for medium to large-scale adaptations, with many HAs spending their allocated annual budget well before the end of the financial year. Some HAs are subsequently using their financial reserves or other sources of funding to compensate. Whilst some HAs can bear this cost in the short term, it is not sustainable in the long term amongst other commitments. Adapting homes to meet residents' needs is vital, reducing pressure on waiting lists and representing good value for money when considering the health and wellbeing benefits delivered.

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 climate change and the nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

Long-term funding

Welsh Government's ambitious plans to green the social housing sector are, as yet, largely unfunded. The new iteration of WHQS, which was launched in 2023, set an energy efficiency target of SAP 75 by 2030 and SAP 92 (EPC A) by a time that suits each home. Furthermore, all new homes have to be built to EPC A (or equivalent) standards.

The cost of retrofitting a home to EPC A is substantial. Detailed work by the Welsh Government is ongoing to understand the current cost of decarbonisation.

Research conducted by Savills, commissioned by CHC, found that total investment needed to meet WHQS and achieve net zero is £130,000 per property over the full 30 year business planning period. Although welcomed, the £18mn that the Welsh Government provided for housing associations and stock retaining local authorities for 2025-26, even if replicated, will not be sufficient to support net zero requirements. Plans

to amalgamate the Optimised Retrofit Programme and WHQS Implementation Fund, which we understand will amount to £200mn, will also not be sufficient. As aforementioned, it is vital the Welsh Government and housing sector continues to explore innovative finance routes for funding decarbonisation.

As well as cost, the sector is also concerned about the levels of disruption to tenants as a result of required decarbonisation work. Given the scale of what is needed, at least some of this work can only realistically take place when homes are void or when tenants have been temporarily transferred.

Skills

In order to decarbonise housing, new and existing skills are going to be needed at scale. CITB modelling suggests that an additional 12,000 full-time equivalent (FTE) workers will be needed in Wales by 2028 primarily to deliver improvements to existing buildings to reduce energy demand. This represents an increase of around 11% on the current size of the workforce in Wales. It is also estimated that an additional 2,800 plumbers and heating, ventilation, and air conditioning (HVAC) workers will be required, primarily in the installation of heat pumps by 2028. Furthermore, just over 2,500 project managers will be required, which includes specific roles like Retrofit Coordinators.

The Friends of the Earth 'An emergency plan on green jobs for young people' [report](#) states that many apprenticeship standards do not yet exist, for example whole-house retrofits, whilst others need important updates and/or numbers to be expanded significantly, such as heat pump installers. Alongside these trades, the Federation of Master Builders additionally includes plasterers and roofers in its top six occupations in short supply.

IPPR's analysis shows that up to 750,000 construction workers could retire or be on the verge of retiring in the UK over the next 15 years. They state that not enough is being done to replace these workers, with just 20% of construction workers aged under 30. We would like to see the Welsh Government collaborate with the housing sector to develop skills pipelines, and support skills for housing decarbonisation by providing funding for training programmes for retrofit and low-carbon technologies. Welsh Government funding, including for apprenticeships, and convening power must rapidly be deployed to set the stage for the skills of the future.

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/is the Welsh Government's approach to preventative spending represented in resource allocations?

Welsh Government must protect the funding of the Discretionary Assistance Fund in the upcoming Draft Budget. Separately, it should continue to call for reform of Universal Credit to ensure that claimants can pay for basic essentials as a minimum, in line with the Essentials Guarantee campaign steered by the Trussell Trust and Joseph Rowntree Foundation.

Our cost of living research also identified that the total spend on the Individual Assistance Payments (IAP) element of DAF has significantly decreased. This part of the fund allows clients to buy furniture, white goods and other household items. Between April - June 2023 over £4.2m was spent across local authorities and in the same time period for this year that total has almost halved to £2.8m. Preventative measures like the IAP must be more strongly integrated to the fund as a whole, with better administration also required to allow money to more quickly and effectively reach those in need.

At present, there are too many individuals who are falling through the gaps of our welfare provision. We are supportive of the aims of the Welsh Benefits Charter to increase the take up of Welsh Benefits, raise awareness of benefit entitlements, reduce the need for emergency aid and improve outcomes for children and young people in low income households. We understand that a work plan for implementation is currently being developed by the Streamlining Welsh Benefits Steering group. This work must continue at pace.

It is important to note the varying levels of support required to deliver the Welsh Government's ambition to end homelessness, including 'low-level' tenancy sustainment support, and more intensive or multi-agency support for those with complex needs that goes beyond HSG funding. Both will be crucial. Whilst we appreciate that the government will not be in a position to confirm funding now, our [response](#) to the Local Government and Housing Committee's call for evidence on the Homelessness Bill has suggested a rigorous stress test of the assumptions in the Regulatory Impact Assessment.