

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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# Call for evidence response

## HBF response: Finance Committee call for evidence on Welsh Government Draft Budget proposals for 2025-26

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 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

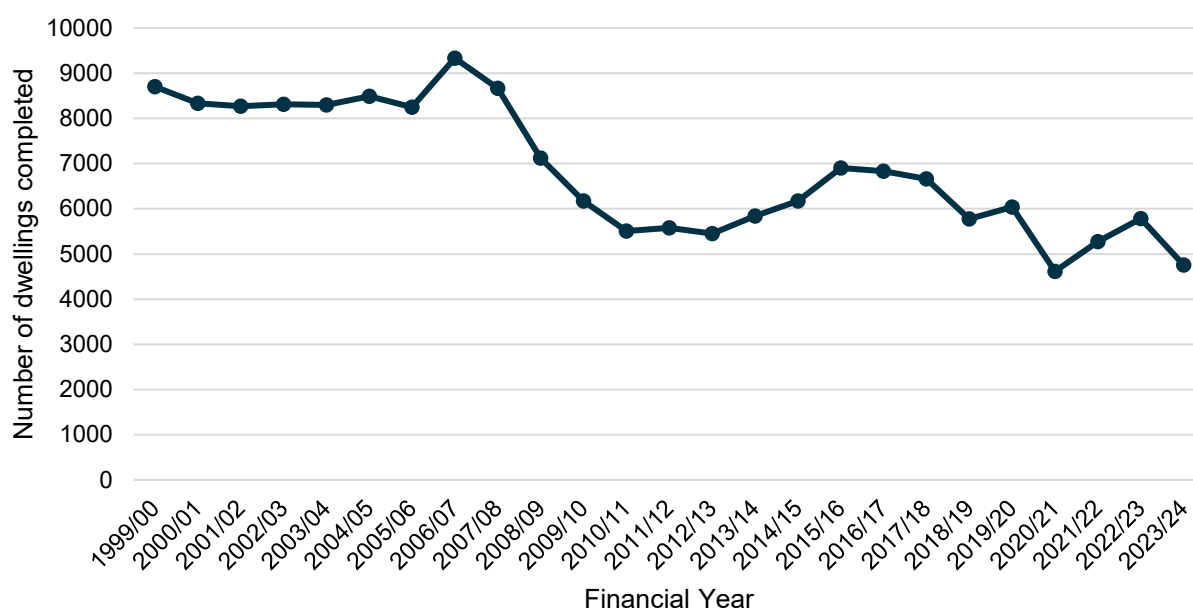
- Extend Help to Buy Wales beyond March 2025.
- Encourage lenders to establish a proper market for green mortgages.
- Place Local Planning Authorities on a sustainable financial footing.
- Introduce planning reforms to help speed up the delivery of new homes.

### 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 housing supply statistics show that 4,756 new dwellings were built in the 2023/24 financial year - the second-lowest year of housing delivery on record, and 18% down from 2022/23.



## 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 the last five 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 and 2023, 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 2023/24 the home building industry in Wales is [estimated to have](#) contributed £4m towards open spaces and £13m towards spending on new and improved schools. The industry's activity in 2023/24 has also:

- Created 17,000 jobs.
- Generated £1bn in economic activity.
- Generated £127m in tax and £10m in council tax.
- Enabled £135m of spending in local shops.
- Led to a £329m spend on industry suppliers.



- Invested £182 million towards affordable housing.

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 this downward trend in housing supply to address Wales' chronic shortage of housing and maximise the benefits of new development for local communities.

### IMPACT OF 2024-25 BUDGET

Some aspects of the 2024-25 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 March 2025. [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 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.

However, while acknowledging the significant fiscal constraints faced by the Welsh Government, the [estimated](#) real terms cuts of around 1.7% to local government budgets in 2024-25 have inevitably placed additional strain on local planning authority departments alongside other key services. As highlighted by a [recent Audit Wales report](#), insufficient staff and resources in these departments are resulting in significant delays at all stages of the planning process, including pre-application, application and discharge of conditions. This, in turn, is having a knock-on effect on the delivery of both affordable and market housing, as will be discussed later in this submission.

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

### HELP TO BUY WALES

The current Help to Buy Wales scheme is due to expire in March 2025 and HBF understands that a decision on the future of the scheme has not yet been made. **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 two 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 - that which is realistically realisable. Therefore, 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



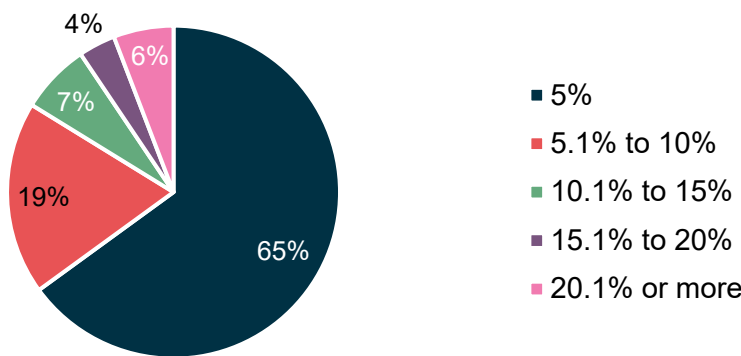
economic growth and local communities. Conversely, by unlocking latent demand, an extension of Help to Buy Wales would support the industry to continue delivering homes of all tenures in the years ahead.

*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.

14,000 households from across Wales have been supported to buy a home since 2014, 76% (almost 11,000) of whom were first-time buyers. 65% of these households also provided a 5% deposit, with 84% providing a deposit of up to 10%,

**Help to Buy Wales completed purchases by deposit range**



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.

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 strong 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.
- Help to Buy Wales has targeted support to those on lower and middle incomes, with the median income of primary applicants being similar to the median income in Wales as a whole. 64% of households participating in the scheme had an overall income of £40,000 or less, and 53% of households who have used the scheme bought a house under £200,000.

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.

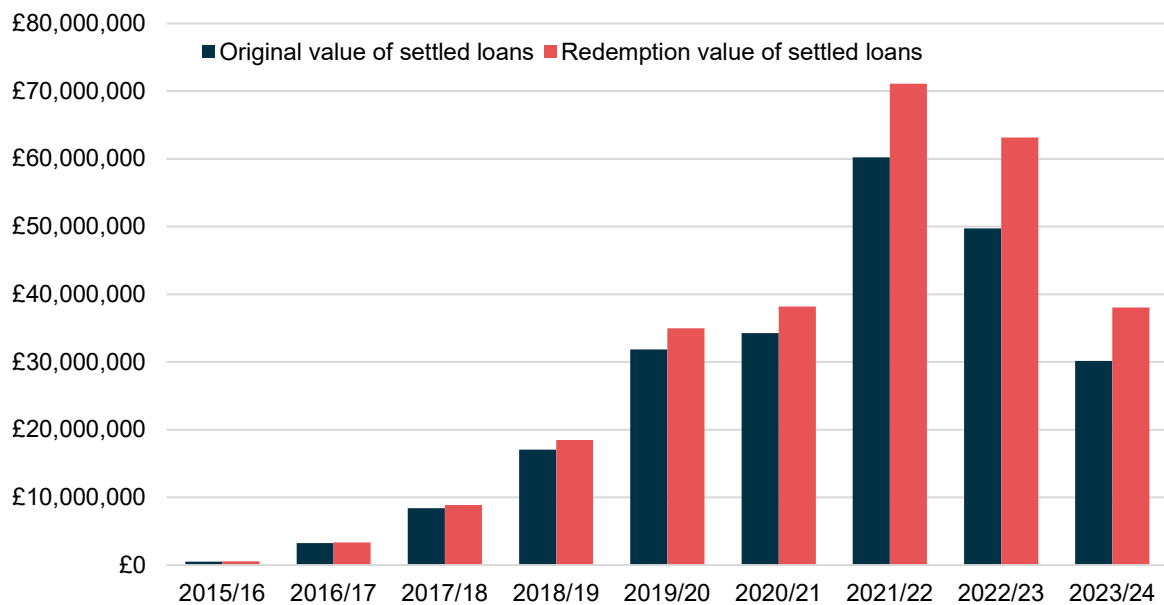


*Returns to the Welsh Government*

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 so far, 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.

**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 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 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
<b>All properties</b>	£2615.43	£1041.38	£1574.05	60.2%
<b>Houses</b>	£3046.20	£1064.43	£1981.77	65.1%
<b>Flats and Maisonettes</b>	£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.

**LOCAL PLANNING AUTHORITY DEPARTMENT CAPACITY**

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).

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.

HBF agrees with recommendation 7 of Audit Wales' report, which states that:

*"The Welsh Government should work with local government partners to develop sustainable solutions to the capacity and delivery constraints in local government planning services, including options for developing the planning profession and greater regional working."*

In summary, if the Welsh Government is to achieve its affordable housing targets, address Wales' chronic housing shortage, and deliver economic growth, it must deliver a budgetary uplift to local planning authorities in this Budget. We would also welcome a focus on how to grow the planning profession, such as Welsh Government support with Level 7 apprenticeships.

## 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.

For instance, there continues to be slow progress in reviewing and updating Local Development Plans (LDPs). When first introduced in 2005, it was envisaged that LDPs would take around four years to adopt, but in practice this process often takes much longer. Once adopted these plans should be reviewed every four years and replaced once time expired. However, 50% of the 24 LDPs are time-expired so fail to provide an up-to-date assessment of development needs and how these should be met, and progress on their replacements remains slow - with a number having decided after several years of work to start the process again or have been slowed down by interventions by the Welsh Government, such as in Monmouth. All of this ultimately leads to a delay in housing delivery and exacerbates Wales' housing shortfall as out-of-date LDPs often contain unviable and undeliverable allocations.

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.

While not direct Budgetary measures, reforms to the planning system are vital in boosting housing supply and thus economic growth, and could be sped up via additional resources for LPAs. Indeed, planning reform has been central to the economic growth mission of the UK Labour Government in recent months. In order to ameliorate some of the issues with the planning system, HBF has been calling 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.



- Stronger Government guidance or legislative mechanisms to ensure LDPs and Strategic Development Plans (SDPs) are produced and adopted by local authorities within appropriate timeframes.
- The restoration of Technical Advice Notice 1 (TAN1), which was removed in 2020 by the Welsh Government, to ensure local authorities are required to set out a pipeline of developable land at all times. This would also allow sustainable unallocated sites to come forward where there is a proven lack of land supply and housing need.

## 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.

