

Welsh Government on track to miss its new social housing target

The Welsh Government is forecast to fall short of its target of 20,000 new social homes in the current Senedd term by around 20% unless it provides additional finance, according to a report from watchdog Audit Wales.

The target, set out in the Welsh Government's 2021-26 programme for government, covers new properties delivered by housing associations (the majority), but also social homes delivered by private housebuilders as a condition of planning consent (106 agreements) for residential developments. The Welsh Government also counts acquisitions of existing properties and long-term local authority leases on privately owned properties.

Audit Wales said at the end of 2023-24 – three years into the five-year programme of government – the Welsh Government had secured fewer than half of the 20,000 social homes, although it has sought to offset slow progress with an increased focus on acquiring existing properties. However, it said the 19,913 homes delivered or in the pipeline for delivery by March 2026, falls just short of the target. Audit Wales said there is also a high probability that some of the riskier schemes in the pipeline will not be delivered in time or at all, regardless of funding.

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The watchdog said that rising costs have meant that spending on affordable housing has been higher than initially expected. In 2021 the Welsh Government estimated it would spend around £1.6bn on core capital schemes to deliver the target. Between

2021-22 and 2023-24 it had spent £1.1bn on the core schemes, with a further £730m notional budget for 2024-25 and 2025-26. It estimates that the Welsh Government could need as much as £580m to £740m extra capital on top of existing budget assumptions to get close to meeting the target by March 2026.

Without this additional funding, Audit Wales estimate that the Welsh Government and partners will deliver between 15,860 and 16,670 homes that count towards the 20,000 target. It added that there are options to make funding go further, including shifting the balance towards more acquisitions of existing homes, but these may not offer value for money over the longer-term.

Housing associations are also funding new builds through their own borrowing capabilities.

Auditor General, Adrian Crompton said: "Price inflation has hit the affordable housing programme hard. The Welsh Government now faces difficult choices about its funding priorities and approach if it remains committed to meeting or getting close to its 20,000 social homes target by March 2026.

"How the Welsh Government responds will further test its application of the ways of working expected under the Well-being of Future Generations (Wales) Act 2015. This includes how it balances short-term and long-term needs, builds on its collaborative approach, and looks to maximise positive outcomes from the significant public expenditure in this area."

A Welsh Government spokesperson said: "We thank Audit Wales for their report into affordable housing in Wales and we will be considering its findings and recommendations and will respond in due course.

"There are a range of factors impacting housing supply, not least the recent sustained period of record inflationary pressures, which has made achieving the target even more

challenging. We continue to work with the housing sector to deliver more homes.

“Tackling homelessness and delivering more homes is a key priority for this government and we have set a challenging target and allocated record levels of funding to housing supply in this Senedd term, with more than £1.4bn invested so far.”

Welsh Conservative shadow housing minister Mark Isherwood said the projected shortfall was unacceptable. He added: “Welsh Government policies are reducing affordable housing supply and their focus on tourism and second homes is deflecting from the wider need to deliver more housing.”

Plaid Cymru MS Mabon ap Gwynfor said: “With a Labour government now in Westminster there are no more excuses to be made.

“If what’s really needed to hit the target is more funding, then the first minister should be picking up the phone to Keir Starmer and demanding a fairer deal for Wales.”