



INTERACT
INFORM
INFLUENCE

February 2025

The Housing Forum feedback on government spending priorities and policy suggestions

Response submitted by:

Anna Clarke, Director of Policy and Public Affairs

On behalf of [The Housing Forum](https://www.housingforum.org.uk), 1 Minster Court, Mincing Lane, London EC3R 7AA

[Anna.clarke@housingforum.org.uk](mailto:anna.clarke@housingforum.org.uk) or info@housingforum.org.uk. 07442 405513.

info@
housingforum.org.uk

About The Housing Forum

The Housing Forum is the UK's cross-sector, industry-wide organisation that represents the entire housing supply chain. Our growing membership drawn from over 150 organisations across the public and private sectors and includes local authorities, housing associations, housebuilders, architects and manufacturers. All share our determination to drive quality in the design, construction and decarbonisation of UK homes. They have a commitment to partnership working and share in our vision of 'A Quality Home for All'.

In order to achieve this, we have advocate for policy change needed for everyone to live in a good quality, sustainable and affordable home. Our key [Housing Solutions](#) set out how we think this can be achieved.

The Housing Forum is pleased to respond to HM Treasury's request to submit feedback on government spending priorities, and to suggest policy ideas that could inform decisions about departmental budgets, and resource allocation over the multi-year Spending Review period.

Summary

The Government faces tough fiscal choices – nevertheless spending on housing will support growth, reduce future costs to other departments (welfare, healthcare) and is essential to deliver the Government’s ambition of 1.5 million homes.

The Housing Forum’s [Roadmap to 1.5 million homes](#) sets out what the housing sector knows is needed. We have also published the [Costs of Building a House](#), which highlights how Government can reduce costs, freeing up more funding for infrastructure and affordable housing.

We’re calling for:

1. Funding for Affordable Housing and supporting the housing and construction sector into recovery

- Creation of a **£4bn Housing Accelerator Fund**, frontloading investment at the time it’s needed.
- A significant increase in the size of the **Affordable Homes Programme**
- **Certainty over future rent increases**, alongside convergence to target rents, to bring additional money into the housing sector.
- Funding to fully cover the costs of **building safety remediation**
- A larger increase in the **Public Works Loan Board** rate, to help leverage in private finance.
- Tax changes to support growth of the **for-profit Registered Provider sector**, around SDLT, VAT and Corporation Tax.
- The **removal of VAT from retrofitting, regeneration and fire safety work**.

2. Resourcing the planning system

- **Better resourcing the planning system**

3. Supporting first-time buyers and tenure choice and diversity

- **Supporting households** who aspire to home ownership but cannot afford to buy unaided, **targeted at newbuild**.
- Reinstating the **Community Housing Fund**

4. Skills and workforce

- Investment in **FE Colleges**, including continued **professional development for teachers**.
- Investment in **low carbon building technologies**.

Our key asks

Our [Roadmap to 1.5 million homes](#) sets out our asks of government that we believe are necessary to deliver. We’ve set out here our main asks that relate to government spending commitments needed this year. We have also published the [Costs of Building a House](#), which highlights how Government can reduce costs, freeing up more funding for infrastructure and affordable housing.

INTERACT
INFORM
INFLUENCE

info@
housingforum.org.uk

1. Funding for Affordable Housing and supporting the housing and construction sector into recovery

The housing and construction sector is currently struggling to maintain outputs at rates close to those of recent years. There are several reasons for this including a stalled housing market, rising costs of construction, pressure on the finances of housing associations and councils, a new building safety regime, insufficient land allocation by local authorities and delays and difficulties in gaining planning consent.

If the housebuilding sector contracts, the workforce shrinks, firms go out of business and it can be very hard to build back the capacity needed, even once economic conditions are more favourable. During previous housing market downturns, the affordable housing sector has kept delivering, helping keep the wider housebuilding and construction sector alive. This is not happening in the current time, because the affordable sector is under too much financial strain, and is heavily reliant on S106 to deliver new housing.

The time to support the sector is therefore now.

- **Government should create a Housing Accelerator Fund to tackle the affordable housing backlog.**

A £4bn fund could provide the subsidy needed for between 40,000 and 60,000 new affordable rented homes. This could reduce homelessness by more than half over three years and slash expenditure on temporary accommodation, and would also help retain capacity in the housebuilding sector.

The current Affordable Homes Programme runs until 2026. It is therefore vital that during the it is renewed this summer and that it is increased in scale to reflect the increased cost of housebuilding.

Labour's manifesto promised to make changes to the Affordable Homes Programme to ensure that it delivers more homes from existing funding, but also to prioritise the building of new social rented homes. Without a substantial increase in funding, it is hard to see how both of these can be achieved, as social rented homes require the highest amount of grant per new home.

- **A significant increase in the size of the Affordable Homes Programme is needed so that both these ambitions can be achieved.**

Grant rates have fallen significantly as a proportion of the development cost, which has created a black hole in financial plans. Grant rates need to be realistic. If the Government wants to focus on social rented homes, this requires significantly more funding per new home.

There is a particularly acute shortage of larger homes, causing severe overcrowding of larger households across much of the country. Building larger homes can also generate moves within the social housing sector (as overcrowded households move, freeing up smaller homes for others). The grant regime does not currently encourage building larger homes, and nor is this encouraged by targets that count only the number of dwellings, not the number of people who will live in them.

INTERACT
INFORM
INFLUENCE

info@
housingforum.org.uk

- **Grant rates for affordable housing** should be reformed so that they are at a rate **per habitable room** in order to encourage building larger family homes where needed.

The finances of both housing associations and local authorities are simply not strong enough to support their development ambitions currently:

- **Certainty over future rent increases, alongside modest real-terms increases.** We have responded to the Government's recent consultation on this¹. Longer-term rent settlements (eg CPI+1% over 10 years) are welcome, but we would like to see greater efforts over rent conversion and allowing rents to recover from their significant real-terms fall over the last 9 years.
- Funding to **fully cover the costs of building safety remediation** would help free up landlords' own funds to invest in new and existing homes.
- Government should **remove VAT from retrofitting and regeneration** work undertaken by Registered Providers or the public sector. This would help level the playing field between retrofitting and demolition and newbuild, thus freeing up councils and social landlords to make what are actually the most cost-effective decisions.
- Full **flexibility over the use of Right to Buy receipts** and the ability to combine them with grant can help development to go ahead when it might otherwise not.
- A larger increase in the **Public Works Loan Board** rate would support councils to build new homes.
- **Resourcing to cover the costs of implementing Awaab's law** is needed and to drive up the quality of homes to meet the new Decent Homes Standard.
- A **review of the insurance market for buildings owned by social landlords** would be useful – costs have risen hugely for reasons that are not fully understood. A review should consider the potential role of regulation and state underwriting of costs in bringing insurance costs down.
- **Government should ensure long-term visibility of grant funding and of future income streams** to help the sector plan with certainty, leveraging in additional funds from the private sector.
- **The Continuous Market Engagement funding route needs more flexibility and earlier engagement.** At present funding bids can only be submitted after planning consent is received, forcing councils to be risk-averse when submitting planning applications because they do not know if funding will be available.

There is institutional capital that wants to invest in affordable housing (as it does in other residential assets e.g. BTR or PBSA), and the investors have a strong

**INTERACT
INFORM
INFLUENCE**

info@
housingforum.org.uk

¹ <https://housingforum.org.uk/campaigns/the-housing-forum-response-to-the-governments-consultation-on-future-social-housing-rent-policy/>

track record of partnering with developers to deliver cross tenure portfolios (e.g. Vistry and Blackstone/Sage). There is also interest from investors in investing in retrofit of existing social housing stock. For-Profit Register Providers have committed £10bn to the sector over the past five years, and according to Savills (Savills 2023 Research paper on Private Capital and Affordable Housing) their contribution to sector delivery could easily treble over the next four years. Institutional investment in affordable housing could be encouraged by some tweaks of tax policy to assist the for-profit Registered Providers and help this emerging part of the sector to grow. In particular:

- **SDLT exemptions** that already apply to the housing association sector being applied to the for-profit Registered Providers.
- **Shared ownership grant repayment/recycling clauses** for for-profit RPs are a very poor use of public subsidy. The requirement to pay an 'uplift' in addition to the original grant received upon staircasing events simply means that higher levels of initial grant funding will be required by any rational investor to ensure the viability of a scheme. In addition, the rules around grant administration make for a more onerous management of a grant programme for for-profits. This reduces affordable housing delivery.
- Most housing associations do not pay **Corporation Tax**, yet for-profit RPs are liable for it. To avoid "double taxation" (ie tax payable by both the FPRP and the investor on its returns) complicated and expensive tax structures are required (for example the use of the well-established REIT regime). The need for tax structuring adds to the cost of capital and could be avoided by making all (or perhaps those that are funded by regulated funds) RPs exempt from Corporation Tax, especially over the coming 5-10 years where significantly more institutional capital needs to be 'crowded in' to boost supply.
- Most FPRPs outsource housing management to the housing association sector but in doing so incur 20% **VAT** that is not recoverable – increasing costs to the investor. Government should reduce the VAT on management costs (which would also have the added benefit of allowing large housing associations to devolve management to local partners more easily).

info@
housingforum.org.uk

Local authorities are well placed to develop lasting partnerships which use the financial freedoms and resources available to them to build. Many of our members already work together in partnerships, and are delivering new council homes and other social housing.

- Councils who want to build should be awarded **Strategic Partnership Status** to support them with developing partnerships to deliver new homes.
- The Government should use its **capital funding tools to encourage and reward local authorities forging strategic investment at scale.**
- The Government should do more to encourage local authorities to commission housing and find ways to **increase local authorities' borrowing capacity and reduce the cost of borrowing.**

We were very pleased to see the recent flexibilities granted to councils over spending of Right to Buy receipts, which should help them to build more homes.

The Housing Forum Ltd
6 Floor, 1 Minster Court
Mincing Lane
London EC3R 7AA

Registered Company
Number 03785174

2. Resourcing the planning system

There is an urgent need to resource the planning system so that applications are processed more quickly. The [Government itself notes](#) that only 1% of Local Planning Authorities currently determine more than 60% of major applications within the statutory 13-week period.

Very few planning applications are processed within statutory deadlines and local authorities are light on resources and expertise. We are unclear how the government proposes to ensure that additional funding for planning officers that has been suggested is used as intended, because funding for planning departments is not ring-fenced.

- The Government should **better resource the planning system**, underpinned by a strong performance monitoring system.
- To avoid a repeat of the problems caused around nutrient neutrality, other government departments should **not impose new burdens on planning or housebuilding without careful consideration of the consequences for the costs and viability**. This will require effective cross-departmental working.

3. Supporting first-time buyers and tenure choice and diversity

The Government has recognised the ambition of many households is to own their own home. They propose to work with local authorities to give first-time buyers the first chance to buy homes and prevent entire developments being sold off to international investors before houses are built. Labour's manifesto also pledged to offer a permanent mortgage guarantee scheme, to support first-time buyers who struggle to save for a large deposit, with lower mortgage costs.

These are very limited measures, particularly given that the biggest barrier to homeownership in the current climate is the level of repayments, rather than the size of the deposit. Housing Forum members believe that there is value in targeted homeownership, demand side measures through fiscal incentives such as First Homes or Help to Buy. These can help bridge the gap between what first-time buyers can afford and the cost of building new homes, especially in parts of the country where housebuilding is only just viable.

Intermediate housing options and Build-to-Rent can also help to extend choice and increase overall supply. Specialist housing for older people is part of the mix that is needed.

- Government should **support households who aspire to home ownership but cannot afford to buy unaided**. Targeting support at newbuild homes would help increase housing supply.
- The **income thresholds for shared ownership** should be updated to put them back in line with earnings.

Community-led approaches can help build local support for housing, by allowing those who will live in it to be at the heart of the process. This may include multi-generational housing and co-housing for older people and other groups. Support needs to be reflected in planning policy.

INTERACT
INFORM
INFLUENCE

info@
housingforum.org.uk

- **The Community Housing Fund should be reinstated** as a feed-in to the Affordable Homes Programme for undercapitalised community organisations to support community-led development, self-build and custom-build.
- There is potential for Homes England to use its **anticipated single consolidated capital fund creatively** to support diversification, or to commission some resources with an explicit requirement to support community-led housing, self-build and SMEs.

INTERACT
INFORM
INFLUENCE

4. Skills and workforce

We simply do not have sufficient skilled workers to meet with the demands to build more homes with particularly acute shortages around heat pump engineers, building safety experts and planners. This extends the time it takes to develop and creates inflationary pressure as wage demands push up prices. Skill shortages in construction are nothing new and under-investment has plagued the sector for several decades.

There are reforms that industry would like to see, most of which require an element of funding:

info@
housingforum.org.uk

- **Increased investment** is needed in training and developing the workforce. FE Colleges must create training facilities and training that meets with the skills requirements of employers and the sector.
- Staff in FE colleges and universities need to undertake **continued professional development** to ensure that they are up to speed with the current practice around construction – it is a fast-changing area current especially with all the changes around building-safety and the golden thread that have come in.
- Government should make dramatic **improvements to careers guidance** in schools to help teenagers make informed decisions about the later stages of their education, and much better knowledge of the types of job opportunities that are out there. Work experience, part-time jobs, internships and visits to local employers can all help.
- There needs to be clear **pathways for young people from school** into the many different careers in construction, which includes both building new homes and maintaining and upgrading the existing stock. The [London Homes Coalition](#) has done some good work on this area.
- The Government should not overlook the need of **mid-career switchers** – who have potential to expand their skillset into growing areas, such as green technology. This requires more flexible approaches to retraining and funding to support those who want to (re)train later in life. It will also help improve diversity in the sector by bringing in talented people who may not have thought about a career in construction when they were younger.
- The Government should maintain its focus on **people outside of the workforce for health reasons** and seek to ensure that those with skills in construction are recover their health where possible, and find alternative job

The Housing Forum Ltd
6 Floor, 1 Minster Court
Mincing Lane
London EC3R 7AA

roles where their health prevents a return to their original role (eg for physical roles).

- Government should ensure that funding for the affordable housing sector comes by way of a **smaller number of longer-term and larger funding streams**. This would give certainty to the sector and help construction companies invest in future. Fewer, large and long-term funding streams would be more effective.
- The government should support the construction sector to bring forward **long-term investment in low carbon technologies**.

Training will take time, so Government should **not rule out immigration** to fill some of the more urgent needs in the short to medium term. There may also be ways to better use or **skill-up existing migrants** with the areas such as construction sector where there are skills shortages, particularly migrants who come other than for a specific job (such as refugees or those joining family in the UK).

5. Using devolution to build more homes

The government has indicated a desire to reorganise local authorities into a single tier of local government, with a greater role for combined authorities and mayors. The Housing Forum broadly welcomes these ambitions as larger authorities are better placed to deliver new homes, and in the locations where there is both capacity and need. To ensure that this works, and improve housing delivery:

The devolution process

- Councils that will be subject to a period of uncertainty and change, should receive extra monies to resource the preparatory work for those changes (such as a merger transformation taskforce). This is essential if they are to retain their existing resources on normal business, including producing local plans, granting planning permissions and building homes.
- Government should also seek to ensure that the reorganisation process is quick and decisive.

Without these there is a risk of a 5-year hiatus where councils become paralysed.

Ensuring success of the new larger authorities:

- There is an underlying need to ensure councils are financially viable or their vital place-making role won't be fulfilled. This may involve greater tax-raising powers for the new authorities.
- Whilst many funding streams (such as most of those related to new housing or retrofitting) will operate more efficiently at a larger spatial scale, there is a need to ensure that very-placed based decision-making can be devolved to a more local level as appropriate.
- It is essential that housing is not lost as a strategic focus in new larger authorities with a wider range of responsibilities. Housing should be a cabinet position within local authorities, with council-wide ambitions to develop.

INTERACT
INFORM
INFLUENCE

info@
housingforum.org.uk

- Combined Authorities need resourcing and capacity to lead housing development. There is a role for central Government and/or Homes England in supporting combined authorities to build knowledge and capacity here.
- Funding associated with devolution deals needs to be flexible, to allow councils to vary the tenure of affordable housing on a site-by-site basis.
- The experience of metro mayors has shown that many can be very successful at driving change in their city. This focus may not be so easy to replicate in larger geographical areas which lack a single city focus, and there is a risk that a reduced role for Homes England could leave some councils less supported with housebuilding, and also weaken the link between funding for affordable housing and central government.

The needs of London also need to not be overlooked in the focus on rolling out London-style governance to other regions. London has a particularly acute housing crisis and the level of subsidy needed to build social rented housing is particularly high.

*Alleviating the housing crisis will not only help millions of people, but save the public purse billions each year as the downstream costs of the housing crisis on welfare, the health service and other public sector administration is reduced. The new government has the opportunity to turn around the housing crisis and by working in partnership with the housing sector, to ensure there is **a quality home for all**.*

INTERACT
INFORM
INFLUENCE

info@
housingforum.org.uk