Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

7th February 2025

Dear Chancellor,

Delivering on the Plan for Change: Meeting request from the UK's Housebuilding Industry

We are writing to you as a cross-sector group including housebuilders, contractors, manufacturers, suppliers, local authorities, housing associations, institutional property investors and surveyors, and professional bodies who collectively represent the entirety of the UK's housing supply chain. We have come together to set out how – with the right support from the Government in the upcoming Spending Review and the lead up to it – we can help deliver economic growth and urgently needed new homes.

As an industry, we welcome your ambition to build 1.5 million homes over the course of this Parliament. The supply-side reforms which the Government has introduced since July 2024, particularly around planning, will be transformational. As individual organisations, we have enjoyed extensive engagement with the Ministry of Housing, Communities and Local Government (MHCLG) on the details of these issues and have been pleased with the speed of the progress which has been made.

These reforms alone will not be sufficient to deliver the 1.5m homes target. Decisions made at the upcoming Spending Review will be vital in delivering the certainty of investment required on the demand side, to match the supply-side reforms already underway. With both in place, new housebuilding can scale up to deliver the social and economic benefits the Government has set out in its Plan for Change document and capture the economic multiplier effect of delivering new homes.

We recognise that infrastructure led placemaking is a key component of the Government's supply-side plans to meet our shared ambition to build high quality homes and communities. This requires high levels of working capital through a partnership with the Government, with land and infrastructure costs as recoverable investments which can be repaid through accelerated delivery. The Government needs to design guarantees and capital support in the Spending Review to encourage private sector investment.

The Affordable Homes Programme
An ambitious, long term Affordable Homes Programme will be vital to deliver desperately needed social housing and indirectly stimulate investment in open market housing. We welcome the announcement that a future Affordable Homes Programme will be announced in the Spending Review and the £500 million top up to the Affordable Homes Programme (AHP) announced in the Autumn Budget. But we are concerned this will run out before there is sufficient certainty on the next programme. A smooth transition from the existing to the new programme is essential to avoid losing further delivery momentum.

To give the purchasing sector the confidence to buy more homes and expedite much needed development in the short term, we are calling for a further bridge or guarantee top up in AHP funding as soon as possible, providing for £2bn investment frontloaded from the subsequent programme. This will enable the industry to prioritise the delivery of affordable homes and the Government's ambition for growth. As well as giving new generations a place to live - this would help reduce the cost to Government of housing benefits, temporary accommodation and homelessness, and encourage the industry to invest and increase economic activity through construction, providing a significant economic multiplier effect.

Rent Settlement and funding for existing social homes
We welcome the Government's proposal for a five-year rent settlement with annual increases of CPI +1%. However, we urge the Government to go further and set out a 10-year rent settlement for both registered providers and local authorities at CPI+1%, which will encourage investment in the sector and incentivise the development of new homes. This should be supported by the reintroduction of rent convergence, a 10-year AHP linked to a 10-year rent settlement would encourage the long-term investment the industry requires.

Furthermore, the balance sheet capacity of RPs, which is highly strained, must be restored to enable them to continue to invest in their stock and commission new homes. Alongside rent policy, we urge you to give social housing providers equal access to the Building Safety Fund, to deliver on your manifesto pledge to invest in social housing decarbonisation, and to fund the costs of meeting an updated Decent Homes Standard. Doing so will deliver safe, warm and quality homes, and crucially unlock social housing providers' capacity to borrow to build new homes.

Support for first time buyers

The Government has clearly declared its support for first time buyers. Greater support is now urgently needed to ensure first time buyers are at the heart of the Government's housebuilding agenda. The mortgage guarantee scheme does not go far enough to support this group, who are in urgent need of better and clearer support. Further interventions are needed to support a functioning market for first time buyers. Shared ownership must also continue to play a major role in the next Affordable Homes Programme. That is essential to encourage the delivery of mixed tenure developments and facilitate investment for a broader range of households.

Improved resourcing of local authorities and regulators

We welcome the Government's commitment to funding 300 additional planning officers to help speed up the approval of planning applications. However, for Local Plans to be effectively delivered, the wider infrastructure that supports them—including planning departments—must be properly resourced. This requires sustainable, ringfenced cost recovery financing to ensure long-term capacity. Local authorities continue to face severe financial pressures, including within their Housing Revenue Accounts (HRAs), which are crucial for maintaining and developing affordable housing. Greater funding certainty and meaningful financial reform are essential to enable local government to play its full role in meeting the Government's housing ambitions. Strengthening local authority financial stability will also build capacity that aligns with and supports the Affordable Homes Programme.

Building more homes at pace will require regulators to determine applications more swiftly. However, the current speed at which the Building Safety Regulator (BSR) is approving applications for new higher rise buildings is a cause for concern amongst all housing providers. The current timeframes are resulting in capital being tied up for excessive periods and are also impacting residents in developments awaiting remediation. As we approach the first anniversary of the implementation of the BSR, effective resourcing of the service and swifter processing of applications is essential.

We understand the difficult choices that the Government must make and appreciate that the economic outlook is uncertain. Compared to other infrastructure investments, investment in housing can contribute to economic growth, reduce pressure and expenditure on other services and make a difference to people's lives during this parliament. The financial pressures on housing providers and lack of demand support in the housing market are already having significant negative impacts throughout the supply chain, with SMEs, sub-contractors and others in the industry cutting back on activity because they are unable to plan long term. Despite the proposed planning system reforms, applications and consents are declining. At the very moment when manufacturers and commissioners of new homes need to invest in capacity, the opposite is occurring.

The Government's determination to create more affordable homes across the UK is clear. We share your ambition. It is vital that in the next few months and at the Spending Review, the Government takes action to ensure the industry has sustained capacity and can develop the homes our country desperately needs.

We would welcome the opportunity to meet with you to discuss this in more detail.

Yours sincerely,

Stephen Teagle, Chair, The Housing Forum
Kate Henderson, Chief Executive Officer, National Housing Federation
Gavin Smart, Chief Executive Officer, Chartered Institute of Housing
Neil Jefferson, Chief Executive Officer, Home Builders Federation
Justin Young, Chief Executive Officer, Royal Institution of Chartered Surveyors
Melanie Leech CBE, Chief Executive Officer, British Property Federation
Paul Price, Chief Executive Officer, Association of Retained Council Housing
Mike Ainsley, NFA Board Chair, National Federation of ALMOs
Phill Bamford, Policy Director, Land Planning and Development Federation