26/11/2025- Budget 2025 & OBR Outlook

Overview

The 2025 Budget sets out a continuation of policy reforms intended to increase housing supply, streamline the planning system and support infrastructure delivery, alongside significant public investment commitments. The Office for Budget Responsibility (OBR) Outlook provides a more cautious assessment, emphasising that the impact of these measures on housing output and development activity will occur gradually and remains sensitive to broader economic conditions.

The Budget introduces clearer policy support for development and strategic land release, while the OBR highlights ongoing constraints related to viability, market conditions, productivity and delivery capacity. This briefing sets out the key measures and their likely implications.

Planning Policy and System Efficiency

The Budget confirms further reforms to the planning framework, including measures intended to speed up the determination of large-scale housing and infrastructure projects. The Government has set an objective of fast-tracking 150 major infrastructure planning decisions during this Parliament and reducing average consenting times for nationally significant infrastructure projects by around 25%, from approximately four years to three years.

To support implementation, £48 million has been allocated to strengthen planning system capacity across England. This funding is intended to support recruitment and retention of additional planners, expand professional training schemes and improve the performance of environmental regulators. The total number of new planning-related recruitments across the system is expected to reach around 1,400 by the end of the Parliament.

The revised National Planning Policy Framework and associated measures include a more permissive approach to development on “grey belt” land and support for increased housing around transport hubs. Since the introduction of updated NPPF guidance, approximately 80% of major residential appeals on grey belt land have been approved, indicating a shift in planning interpretation and decision-making outcomes.

While these measures indicate an intention to improve system performance, the OBR notes that recent increases in planning reform activity have not yet translated into corresponding increases in housing starts. The uplift in delivery is expected to be concentrated later in the forecast period, particularly from 2027-28 onwards.

Housing Supply

The Government continues to target the delivery of 1.5 million homes in England during the current Parliament. This ambition is supported by a combination of direct funding and structural intervention, including:

- A £39 billion Social and Affordable Homes Programme
- A £16 billion National Housing Bank
- Commitment to delivering at least three new towns during this Parliament, each expected to provide a minimum of 10,000 homes

The OBR estimates that recent NPPF reforms could increase annual housebuilding by approximately 30% by 2029–30, resulting in an additional 170,000 homes over the forecast period and contributing around £6.8 billion to the economy. However, the OBR cautions that these gains depend on successful implementation and practical site delivery rather than policy change alone.

The outlook also identifies risks relating to the availability of viable sites in certain regions, particularly where infrastructure deficits or abnormal development costs limit immediate deliverability. This reinforces the need for early-stage investment in infrastructure planning and site preparation to ensure strategic sites are capable of coming forward as demand materialises.

Infrastructure Investment and Devolution

The Budget confirms significant capital investment commitments, including over £120 billion in additional departmental capital spending during the Parliament and a broader infrastructure pipeline of at least £725 billion over the next decade. These funds are intended to support transport connectivity, housing-enabling infrastructure and growth corridors.

At regional level, at least £13 billion has been allocated for integrated settlements for seven mayoral strategic authorities between 2026–27 and 2029–30. In addition, the Budget establishes:

- A £902 million Local Growth Fund for mayoral city regions over four years
- A £500 million Mayoral Revolving Growth Fund, intended to support strategic site development through blended finance

Mayoral authorities will also have access to approximately £7 billion through the successor to the Affordable Homes Programme, enabling greater local control over housing delivery priorities. While this could unlock strategic sites, the effectiveness of deployment will depend on local governance capacity, political priorities and coordination with the private sector.

The increasing role of devolved authorities underscores the importance of region-specific engagement and alignment with local growth frameworks when promoting large-scale sites.

Development Costs and Viability

The Budget includes several measures intended to avoid imposing additional cost pressures on development viability. Notably, the Government has chosen not to converge the two rates of landfill tax, citing concerns that doing so could undermine the delivery of 1.5 million homes. The tax exemption for quarry backfilling has also been retained to maintain lower-cost disposal and remediation options for the construction sector.

In parallel, the Planning and Infrastructure Bill is expected to generate estimated annual regulatory cost savings of approximately £300 million, representing a reduction of around 1.5% in the total regulatory burden on businesses. These reforms are expected to marginally reduce the effective cost of capital and improve the financial feasibility of long-term investment.

However, the OBR flags continued pressure on development economics from macroeconomic factors. Trend productivity growth has been revised down from 1.3% to 1.0%, and viability remains sensitive to interest rates, labour costs and construction inflation. These conditions may continue to limit the pace at which sites can be viably released, particularly in areas requiring significant upfront infrastructure investment.

OBR Assessment

The OBR highlights several areas of risk:

- The impact of planning reforms on housing supply is expected to be gradual, with most additional output occurring later in the forecast period.
- Underlying productivity growth has been downgraded, which may constrain long-term economic expansion and housing demand growth.
- Public investment capability is sensitive to changes in interest rates, inflation and nominal GDP performance.
- Shortages of viable development sites in certain areas remain a limiting factor, alongside infrastructure provision challenges and potential future environmental compliance requirements.

The OBR also notes that much of the additional supply pipeline depends on policy execution rather than headline commitments, and that site-level delivery performance will remain subject to both market and regulatory dynamics.

Strategic Implications

The combined effect of the Budget and the OBR Outlook indicates a policy environment that is more supportive of housing development in principle, but constrained in practice by economic, capacity and viability factors. While there is increased clarity on direction of travel, the timeline for real-world delivery remains uncertain.

Key implications include:

- Improved policy alignment in favour of strategic land release, particularly through grey belt development and transport-oriented growth.
- Continued viability pressure arising from financing costs, construction inflation and infrastructure funding requirements.
- Increased importance of early engagement with devolved authorities and planning bodies to secure alignment and infrastructure support.
- Greater emphasis on demonstrable deliverability and phased development strategies for large sites.

The 2025 Budget establishes a framework intended to support housing delivery through planning reform, capital investment and regional devolution. However, the OBR's assessment suggests that actual delivery will remain paced by market conditions, site viability and implementation capacity rather than policy ambition alone.

The environment is characterised by moderate opportunity coupled with persistent risk. Policy direction favours increased development, but the ability to bring forward land at scale will continue to depend on realistic viability appraisals, infrastructure readiness and sustained coordination with local planning authorities and funding bodies.

This context underscores the importance of strategic land preparation, long-term planning and commercially robust delivery models as the housing and development sector navigates the period ahead.