Budget Submission

HM Treasury
The Correspondence and Enquiry Unit
1 Horse Guards Road
Westminster
London
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United Kingdom

Representation submitted on the online portal
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Re: Budget 2026 – LPDF Submission to HMT

Introduction

This submission is made to HM Treasury ('HMT') by the Land, Planning and Development Federation (LPDF) ahead of the Budget on 28 October 2026. It is also relevant to the Ministry of Housing, Communities and Local Government (MHCLG) and other departments with responsibilities for planning, housing delivery, commercial development and economic growth.

The LPDF is a trade body representing land promoters, housebuilders (of all sizes), and commercial developers. Our members take on significant financial risk in navigating the planning system to establish the principle of development, unlocking land for new homes, employment space and infrastructure that supports thriving communities across the country. The LPDF encourages its members to deliver well-designed, high-quality, sustainable places that deliver a mix of housing types and tenures, commercial spaces, and community uses that have a positive social, environmental, and economic impact.

LPDF members play a vital enabling role in the development process, promoting sites through the planning system to deliver "shovel ready" land with planning permission. This work underpins the delivery of both market and affordable housing, as well as commercial development, and contributes directly to meeting the Government's growth and housing objectives.

The LPDF welcomes the new Government's stated ambition to drive growth in every postcode, and the recognition, in the Prime Minister's July announcement on business rates for pubs, clubs and live music venues, that targeted use of the fiscal levers can protect sectors that matter to communities and to the wider economy. Housebuilding, and in particular the small and medium-sized housebuilding sector, now requires the same recognition and the same urgency.

The LPDF also continues to support the Government's programme of planning reform. The Planning and Infrastructure Act, the publication of the new National Planning Policy Framework in August, and the return of strategic planning are all significant and welcome steps. But planning reform alone will not deliver homes. Homes are delivered when a site is viable, when a builder can secure finance against it, and when a buyer can afford to purchase the home at the end of it. On each of those three tests the position has deteriorated materially over the last twelve months.

New home delivery in England stood at just 205,000 in the year to March 2026 and is expected to fall further.[1] Completions by housebuilders outside the top 50 fell by 17% in a single year, from 22,000 in 2024 to just 18,000 in 2025. Sales rates for builders delivering fewer than 1,000 homes a year have shown no recovery at all. This is not a cyclical dip that will correct itself; on current trends it is the permanent loss of delivery capacity, and it is happening now, in the years in which the Government needs that capacity most.

[1] Savills for LPDF (July 2026) – Land Matters: Removing Barriers to Housebuilding.
[2] Savills for LPDF (March 2026) – The Case for Demand Support.

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This submission therefore focuses on the measures HMT itself controls, and which could take effect quickly enough to make a difference within this Parliament.

Market context

The residential market is trading, but activity is subdued and transaction volumes are low. Nationwide reported annual house price growth of 1.6% in August, up from 1.4% in July, with prices up 0.2% month on month and the average UK house price standing at £275,465.[3] Over the same period, the Consumer Prices Index rose by 2.9% in the twelve months to July 2026.[4] House price growth is therefore running well below inflation, and average prices continue to fall in real terms.

Underlying affordability is improving, as house price growth remains below earnings growth, but those gains are being offset by the cost of mortgage debt. The effective interest rate on newly drawn mortgages rose to 4.45% in July, from 4.35% in June.[5] The effect is visible in activity. Net mortgage approvals for house purchase, an indicator of future borrowing, fell to 56,100 in July from 58,200 in June, below the average of around 60,800 over the previous six months. Net borrowing of mortgage debt by individuals fell to £4.3 billion in July from £7.7 billion in June, below the previous six-month average of £5.3 billion.[6]

Uncertainty over the policy and tax environment is itself acting as a constraint on activity. Savills' latest survey of its agents found that 88% reported sellers in London feeling less confident and 82% reported reduced buyer confidence; in the country market those figures were 94% and 72% respectively. Transactions have held up better than sentiment: TwentyCi data shows net agreed sales across the second quarter within 95% of last year's levels for the market as a whole, 94% for homes above £1 million and 91% above £2 million. Deals are, however, taking longer to progress, with a particular delay between offer accepted and exchange.[7] Buyers remain engaged, but only where sellers are aligned on realistic pricing, and caution is expected to persist until there is greater clarity on policy and tax.

The cost of that uncertainty is measurable. Prime central London recorded a quarterly fall of 1.7% in the second quarter of 2026, a pace of adjustment that mirrors the run-up to last year's Budget, with values now more than a quarter below their 2014 peak.[8] The pattern is not confined to London. Across the prime regional markets values fell by 1.7% in the quarter and 3.8% year on year, with the sharpest falls in debt-driven commuter belt markets, the same South East and East of England markets in which new build sales rates have fallen furthest, and in which SME housebuilders are least able to trade.

There is a point here for HMT that sits behind every individual measure in this submission. Certainty is itself a lever. Where the tax and policy environment is unresolved, buyers and investors wait, prices adjust and delivery slows accordingly, and the effect is concentrated in exactly the markets where the Government most needs new homes to be built and sold. Early, clear decisions at this Budget would therefore be of value to the sector in their own right, quite apart from the merits of the measures themselves.

This is the central point for HMT. The constraint on housing delivery is no longer principally the supply of consented land. It is the rate at which completed homes are being absorbed by the market, and the effect that low absorption has on the viability and the financing of the next site. That is a demand-side problem, and it requires a demand-side response.

Overview of key priorities and policy proposals

This submission focuses on five areas where the Federation believes targeted action by HMT can make a meaningful and immediate impact:

[3] Nationwide Building Society, House Price Index, August 2026 – 'House price growth remained subdued in August'.
[4] Office for National Statistics, released 19 August 2026 – Consumer price inflation, UK: July 2026.
[5] Bank of England, published 1 September 2026 – Money and Credit: July 2026.
[6] Bank of England, published 1 September 2026 – Money and Credit: July 2026.
[7] Savills (2026) – Prime housing markets remain price sensitive as caution returns. Survey of Savills agents; transaction data from TwentyCi.
[8] Savills (2026) – Prime housing markets remain price sensitive as caution returns. Survey of Savills agents; transaction data from TwentyCi.

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1. **Demand-side support – a new equity loan scheme.** A targeted equity loan scheme for first-time buyers could support up to 85,000 additional completions by March 2029 and generate nearly £24 billion in additional GDP over three years. Around 375,000 family households currently in the private rented sector could be helped into ownership.
2. **Stamp Duty reform.** The Federation asks that Stamp Duty on primary residences is abolished. Doing so could unlock 128,500 additional main residence transactions a year, 16% above current volumes, support the building of 10,900 more homes every year and add £6.6 billion a year to the economy. Lesser reforms deliver proportionately less, and recover between a quarter and 60% of their gross cost through additional receipts.
3. **Unlocking the potential of SME housebuilders.** Units granted permission on developments of 10–49 dwellings have fallen by 61% in ten years. Without a targeted package at this Budget, the sector faces an existential threat. That package should include applying cascade mechanisms by default so that stalled section 106 packages can convert to Discounted Market Sale, which would unlock the estimated 8,500 consented affordable homes currently without a Registered Provider purchaser at no additional public subsidy.
4. **Planning reform – removing the 'grit' from the system.** A set of deliverable, largely cost-free measures to speed up the application journey, consistent with the Minister's own stated emphasis.
5. **Business rates and the industrial and logistics sector.** Wider business rates reform at this Budget must not fall disproportionately on the industrial and logistics property that underpins commercial development.

1. Demand-side support – a new equity loan scheme

The Federation asked for demand-side support ahead of the last Budget and none was forthcoming. Analysis prepared for the LPDF by Savills in March 2026[9] shows that housebuilder sales rates have seen little sign of recovery since, and sets out how many families could be helped into homeownership if a new equity loan scheme were made available. The case is stronger now than it was, and the cost of continued inaction is measurable.

The evidence has moved against us

Updated analysis prepared for the Federation by Savills[10] shows that the headline sales rate reported by the PLC housebuilders has remained broadly stable, at around 0.57 sales per outlet per week. That headline figure conceals the real problem. Analysis of NHBC warranty data shows a clear divide by size of builder:

- Builders delivering 500–1,000 homes a year have been worst hit: from 33 sales per outlet per year in 2021 to just 19 in 2025, a fall of 41%.
- Builders delivering under 500 homes a year have seen sales rates fall by around a third.
- Larger firms delivering 1,000 or more homes a year saw some recovery during 2025. Firms below that threshold saw little or none.

The consequence is a shrinking sector. Completions by housebuilders outside the top 50 have fallen 38% from their pre-Covid peak in the year to Q1 2020, and fell a further 17% in a single year, from 22,000 completions in 2024 to 18,000 in 2025.

The regional pattern compounds this. Sales rates are now lowest precisely where housing need is highest: the South East and East of England remain below 0.4 sales per outlet per week. For housebuilders delivering fewer than 500 homes a year, sales rates in the South East have halved, from around 0.4 in early 2022 to around 0.2. Sales rates at that level are not sustainable for businesses funded by debt, and they are the primary driver of the insolvency risk now facing the sector.

Larger housebuilders have responded by increasing the use of sales incentives, and are able to absorb the cost of doing so while maintaining volumes. Smaller builders, more highly geared and more likely to be working with costly project-

[9] Savills for LPDF (March 2026) – The Case for Demand Support.
[10] Savills for LPDF (March 2026) – The Case for Demand Support.

specific finance, cannot. Slow sales rates therefore have an amplified effect on SMEs, cutting cashflow while prolonging the period over which finance costs must be supported.

The scale of the opportunity

Savills estimate that nearly one in four family households currently living in private rented accommodation, around 375,000 households, could be supported into homeownership by an equity loan scheme, assuming a 5% deposit, but would struggle to afford the mortgage repayments at 95% loan to value. This is the group that the recent relaxation of mortgage lending rules does not reach.[11]

A renewed equity loan scheme could support up to 85,000 additional completions by March 2029, and the boost to housebuilding it enables could create nearly £24 billion in additional GDP over the three years to March 2029.

What the evidence says about design

The deposit remains the principal barrier for first-time buyers, at roughly one year's income, and it has not shifted substantively since the financial crisis. More mortgages are now available at 95% loan to value, but the ongoing cost of ownership at that level is comparable to market rent while carrying the additional responsibility to repair and maintain. An equity loan addresses the barrier directly: on a £300,000 new home, a buyer with a 5% deposit and a 20% equity loan needs an income of around £43,000, against £60,000 for the same home on a 95% mortgage.

The Savills analysis points to three design conclusions:

- The scheme should be targeted at first-time buyers. The modelling assumes this, and assumes relatively little impact in London, where previous Help to Buy volumes relied on a more generous 40% equity loan.
- Price caps should not be set at regional level. Regional caps were introduced for the last two years of Help to Buy and effectively closed the scheme early in some local areas while having no effect in others, because house prices vary substantially within regions. In the East of England, one local authority has an average new build family home below £350,000 while parts of the region closer to London exceed £600,000. The ONS already publishes house price and income data at local authority level, so caps responsive to local conditions could readily be set.
- The scheme works best where new homes are affordably priced relative to local family incomes. At present only 7% of families in the private rented sector could afford a new family home in their area on a 95% mortgage. An equity loan scheme would raise that to 30%, a far larger pool of demand, which may in turn encourage housebuilders to target more new homes at first-time buyers where that is viable.

The cost to the Exchequer

The £23.96 billion GDP figure above is a net figure. It includes the wider benefits to employment and the additional tax receipts generated, including National Insurance contributions, Stamp Duty and Corporation Tax, and it deducts the initial equity loan as a form of subsidy.[12] The subsidy is also recovered over time. Using historic trends from Help to Buy, around 13% of the loan value was repaid by the third year of the loan, and as repayment continues there is a further boost to GDP that increases the longer the scheme runs. An equity loan is an asset on the public balance sheet rather than a grant, and should be assessed on that basis.

The polling underpinning section 2 reinforces the case. Asked about the main barriers to buying a home, respondents named house prices first at 48% and the cost of a deposit second at 35%. Among renters the two are effectively level, at 56% and 55%. Among those aged 18 to 24, the deposit is the single biggest barrier, named by 49%.[13] An equity loan addresses that barrier directly, and does so for the group furthest from ownership.

The Federation urges HMT to introduce such a scheme at this Budget. Without a boost to demand in the near future, the industry capacity that supported 150,000 new home sales and 220,000 total completions between 2019 and 2022 will be

[11] Savills for LPDF (March 2026) – The Case for Demand Support.

[12] Savills for LPDF (March 2026) – The Case for Demand Support.

[13] Public First for LPDF (August 2026) – The case for Stamp Duty reform. Nationally representative online poll of 1,008 adults in England, fieldwork 3–7 July 2026; modelling in 2025 prices.

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lost. Alongside continuing planning reform, an equity loan scheme could stimulate renewed investment into SMEs and encourage new entrants, and longer-term stability of demand alongside land supply could begin to rebuild that part of the industry.

2. Stamp Duty reform

The LPDF commissioned Public First to examine how Stamp Duty affects decisions about moving and buying a home, and to model the economic effects of reform.[14] The findings are set out in full in the appended report. They show that Stamp Duty is not simply a cost borne at the point of a transaction that would otherwise happen anyway: it is preventing transactions from happening at all, and distorting those that do.

Stamp Duty is suppressing mobility

- Stamp Duty stopped or delayed a move for almost one in eight people, and 73% of homeowners describe it as a barrier to moving.
- It changes the homes people buy. 43% say it affected the size or type of home they bought or are planning to buy, and for 11% it was decisive.
- It keeps people in homes that no longer suit them. 47% of downsizers or would-be downsizers say Stamp Duty has affected their decision-making.
- It suppresses labour mobility. Among those who considered moving for work but did not, 17% say the cost of Stamp Duty made it not worthwhile.

The economic case for reform

Public First modelled five options for reform against current transaction volumes. Reform could unlock up to 128,500 more main residence transactions a year, 16% above current volumes, and support the building of as many as 10,900 more homes every year. The resulting increase in economic output ranges from £1.8 billion to £6.6 billion a year, with more than half of the additional gross value added coming from higher transaction volumes and the remainder from the construction those transactions induce. Additional homes delivered in London and the South East could generate a further £3.2 billion of output by 2035 through agglomeration effects.

Critically for HMT, a substantial share of the cost is recovered. Public First modelled five options, spanning a wide range of ambition, and in each case between a quarter and 60% of the gross fiscal cost returns to the Exchequer through additional tax receipts:

- Reversing the April 2025 threshold cut costs £1.4 billion gross and returns £0.9 billion, leaving a net cost of £0.6 billion.
- One percentage point off every band costs £1.7 billion gross and leaves a net cost of £0.7 billion, nearly three fifths recovered.
- A permanent £500,000 nil-rate band costs £4.7 billion gross, leaving £2.7 billion.
- A simplified structure, with a £500,000 threshold, 4% to £1 million and 5% above, costs £6.0 billion gross, leaving £3.6 billion.
- Abolition on primary residences costs £7.9 billion gross, leaving £6.0 billion.

The modelling is deliberately conservative. It leads with a central transaction elasticity drawn from Best and Kleven's study of the UK housing market, and reports results across a range that includes the more cautious elasticities HMRC and the OBR apply when costing tax changes.

[14] Public First for LPDF (August 2026) – The case for Stamp Duty reform. Nationally representative online poll of 1,008 adults in England, fieldwork 3–7 July 2026; modelling in 2025 prices.

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The link to housing delivery

Stamp Duty falls hardest in the markets where new build sales rates are weakest. Over half of first-time buyers in London, the South East and the East of England paid the tax in early 2026, with median bills exceeding £10,000.[15] These are the same regions in which sales rates have fallen below 0.4 per outlet per week, and in which SME builders are seeing rates of around 0.2. Stamp Duty reform and demand-side support are therefore complementary rather than alternative interventions: the first removes a cost barrier for movers and higher-value first-time buyers, the second removes a deposit barrier for those without access to family wealth.

The wider effect on the market

The effect of the tax environment is not limited to those who pay Stamp Duty at the margin. Nearly half of Savills agents report that overseas buyer demand in London has reduced, which they attribute to the tax environment, and values at the top end of the London market have already adjusted a long way, standing more than a quarter below their 2014 peak.[16] A tax that suppresses transactions does not simply defer the revenue attached to them; it removes the economic activity that each move generates (conveyancing, surveys, agency, removals, renovation and furnishing) and the construction that follows from it.

Complexity is part of the problem

There have been five major changes to Stamp Duty since 2016, each widening or narrowing the reach of the tax: the additional dwellings surcharge in 2016, First Time Buyers' Relief in 2017, the pandemic holiday and the non-resident surcharge in 2020 and 2021, the increase in the additional dwellings surcharge to 5% in 2024, and the ending of the temporary £250,000 threshold in April 2025. Rates and reliefs now vary significantly between standard buyers, first-time buyers, purchasers of additional dwellings and non-UK residents, across six price bands.[17] The April 2025 change widened the reach of the tax sharply: 83% of home-movers and 41% of first-time buyers now pay, up from 49% and 20%, rising to 97% and 79% in London.

Simplicity should therefore be an objective of reform in its own right, and not only a by-product of it. Even if Stamp Duty is retained in some form, a structure that is easier to understand and to plan around would reduce the friction the tax imposes on decisions to move, over and above the reduction in the amount paid.

Replacement options

A number of options have been proposed for replacing the revenue Stamp Duty raises, and the choice between them is properly a matter for HM Treasury. The Federation would draw attention to one in particular: a proportional property tax, levied annually on the value of a home and replacing council tax and Stamp Duty together. Onward has proposed a local rate averaging 0.44% with a national charge above it, and Fairer Share and the IPPR a 0.48% flat rate.[18] What matters for present purposes is that these proposals have been costed to recover the revenue forgone, and in some formulations to raise more than the taxes they would replace. The fiscal cost of reform is therefore a question of design rather than an obstacle in principle.

An unfair tax on the act of moving

Beyond its economic effects, Stamp Duty is difficult to defend on grounds of fairness. It falls entirely on those who need or want to move, and it falls at the moment they can least absorb it, alongside a deposit, legal fees and the costs of moving itself. A household that stays put pays nothing.

[15] Savills for LPDF (July 2026) – Land Matters: Removing Barriers to Housebuilding, citing Zoopla.

[16] Savills (2026) – Prime housing markets remain price sensitive as caution returns. Survey of Savills agents; transaction data from TwentyCi.

[17] Public First for LPDF (August 2026) – The case for Stamp Duty reform. Nationally representative online poll of 1,008 adults in England, fieldwork 3–7 July 2026; modelling in 2025 prices.

[18] Public First for LPDF (August 2026) – The case for Stamp Duty reform. Nationally representative online poll of 1,008 adults in England, fieldwork 3–7 July 2026; modelling in 2025 prices.

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The scale of that inequity becomes clear when Stamp Duty is set against the annual property taxes proposed to replace it. On an average priced English home, where the duty now due is £4,570,[19] a 0.48% annual property tax of the kind proposed by Fairer Share and the IPPR would raise in the order of £1,400 a year. The mover therefore pays at a stroke more than three years' worth of a charge that, under those proposals, would fall on every household. Movers are being asked to carry a multiple of what would be a shared burden.

The same objection applies to council tax, which remains based on 1991 valuations and now bears little relation to what homes are actually worth. Households in Greater Manchester and across the North routinely pay more in cash terms than households occupying far more valuable property in Westminster and central London. Both taxes on residential property have drifted a long way from any defensible principle, and the case for addressing them together is strong.

The Federation's ask

The LPDF asks that HM Treasury abolishes Stamp Duty on primary residences.

The evidence supports abolition as the option that does most, by a clear margin. It could unlock 128,500 additional main residence transactions a year, support the building of 10,900 more homes a year, and add £6.6 billion a year to economic output, with a further £3.2 billion cumulatively to 2035 through agglomeration in London and the South East.[20] Every lesser option delivers proportionately less on each measure.

The gross cost is £7.9 billion a year, £6.0 billion after the additional tax receipts abolition itself generates. The Federation recognises that this is a substantial sum, and that HM Treasury will need to decide how it is met. But the costed replacement proposals set out above were constructed precisely to recover the revenue forgone, and in some formulations to raise more than the taxes they replace. The fiscal cost is therefore a question of design rather than an obstacle in principle.

Where abolition is not achievable at this Budget, the Federation asks that reform is nevertheless brought forward and that simplicity is treated as an objective in its own right. A £500,000 threshold with a flattened structure above it would restore the tax to its 2005 reach and deliver much of the benefit. Reversing the April 2025 threshold cut is the least the Government should do.

The prize here is considerable, and it is worth pursuing. Stamp Duty suppresses moves that would otherwise happen, distorts those that do, holds back delivery in precisely the regions where new build sales rates are weakest, and does so through a tax that is neither simple nor fair.

3. Unlocking the potential of SME housebuilders

The decline of the SME housebuilding sector is well documented. In the late 1980s SMEs delivered around 40% of new homes; today that figure is under 10%, and the number of firms has fallen by 60% since 1995. What has changed over the past year is the pace of that decline and the proximity of the point at which it becomes irreversible.

The planning system is closing to small and medium sites

Research prepared for the Federation by Marrons[21] shows the scale of the problem in permissions data:

- Units granted planning permission on developments of 10–49 dwellings have fallen by 61% in ten years, from 69,702 units to 26,909 units.
- Over the same period, units granted on developments of 50 or more dwellings fell by only 22.8%.
- As a proportion of all permissions, dwellings granted on developments of 10–49 units have almost halved, from 15.8% in 2016 to 8.6% in 2025.

[19] Public First for LPDF (August 2026) – The case for Stamp Duty reform. Nationally representative online poll of 1,008 adults in England, fieldwork 3–7 July 2026; modelling in 2025 prices.

[20] Public First for LPDF (August 2026) – The case for Stamp Duty reform. Nationally representative online poll of 1,008 adults in England, fieldwork 3–7 July 2026; modelling in 2025 prices.

[21] Marrons for LPDF (2026) – Final Call for SME Housebuilders? The urgent case for small and medium sites. Data source: Landstack.

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- Small and medium sites are also treated more harshly on appeal. Over the past decade, 64% of appeals on developments of 10–49 dwellings were dismissed, compared with 43% on developments of 50 or more units. A site proposing 10–49 units has therefore been nearly 50% more likely to be dismissed at appeal.

Viability and capacity

Since September 2022, average house prices across England have risen by less than 1%, while housing construction costs have increased by 14%. HBF analysis suggests labour and material inflation has added £37,000 to the cost of building the average home since 2020, with policy measures (including the Future Homes Standard, Biodiversity Net Gain, the Building Safety Levy and higher Landfill Tax) adding a further £39,000. Profit on a typical three-bedroom home has fallen to around 13% of gross development value, below the 20% typically required.[22]

The consequences are already visible in behaviour. Three-quarters of respondents to the Q2 2026 HBF SME sentiment survey reported a negative outlook, and 49% of SMEs say they will reduce their land buying this year.[23] A fall of just 20% in SME activity would threaten the progression of 57,000 plots across the planning pipeline. SME housebuilders and strategic land promoters together control 1.1 million plots across 5,700 sites and accounted for 32% of homes gaining full consent in 2025. Savills analysis indicates that boosting SME capacity could deliver approximately 70,000 additional homes a year.

A package of measures for this Budget

The following measures, developed with our members, would allow new capital to be attracted both to grow existing participants and to incentivise new entrants. They are grouped by the department best placed to act, but all require HMT support to be delivered at pace.

Planning policy, guidance and practice

The Federation welcomes the publication of the new National Planning Policy Framework in August, and in particular the introduction of a distinct medium category of development alongside major and other proposals. That category gives national policy, for the first time, a means of treating small and medium sized sites (SMSS) proportionately, and the measures below are framed against it. Several build directly on provisions the new Framework has already introduced.

- Provide specific support for SMSS, referenced in NPPF Policy S4 and in particular Policy S5, as a form of development allowed under those policies. Policy S5 sets out the categories of development that may be approved outside settlements, and SMSS are not among them.
- Treat the Policy HO6 thresholds as a floor, not a target. The Federation welcomes the requirement that local plans allocate at least 10% of the housing requirement on sites no larger than one hectare and a further 10% on sites between one and two and a half hectares. But 10% in each band is set well below the share of delivery SMEs sustained historically, and risks entrenching the current position rather than reversing it. The Federation asks that the thresholds be raised. The qualification that they apply "unless there are strong reasons why these targets cannot be achieved" also risks becoming the route by which authorities avoid them: guidance should define narrowly what constitutes a strong reason, and require that any departure is evidenced and tested at examination.
- Require LPAs to demonstrate, immediately in the absence of an up-to-date local plan, that at least 20% of their current five year housing land supply is deliverable on SMSS. This should be reflected in NPPF Annex D, which does not currently provide for it.
- Give SMSS a positive weight in the planning balance.
- Confirm that SMSS should not be considered major development in National Landscapes, and in National Parks, under NPPF Policy N4 or the associated PPG guidance. Settlements in these areas are in significant need of new affordable and market housing to support local services, and supply has been significantly restricted under the

[22] Savills for LPDF (July 2026) – Land Matters: Removing Barriers to Housebuilding.
[23] HBF Q2 2026 SME sentiment survey, cited in Land Matters (July 2026).

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current policy. The Federation is not seeking any change to the treatment of sites of special scientific interest or other ecological designations.

- Publish the national validation checklist itself. Policy DM2 now establishes that additional information requirements should be proportionate to the scale of development and should distinguish between major, medium and other proposals, which the Federation welcomes. What is still missing is the checklist that gives that principle practical effect. It should be published through Annex C, with a reduced evidence base for medium development and a service standard for timely validation.
- State that SMSS should be dealt with under Schedule 1 of the National Scheme of Delegation when it comes into force on 31 October 2026.
- Disapply the pre-application requirement for medium development. Policy DM1 requires proposals for major development to be informed by early engagement with the local planning authority, statutory consultees and others. Because major development captures schemes of ten dwellings and above, that requirement falls on the whole SMSS range. DM1 should state clearly that a pre-application process is not needed for medium development except on complex sites.
- Introduce mandatory template section 106 agreement wording for SMSS, automatically including cascades in respect of affordable housing to avoid delay.
- Allow off-site contributions for affordable housing on SMSS where the requirement would be ten dwellings or fewer, and provide that where the requirement exceeds ten dwellings it may be met through Discounted Market Sale, as set out below.
- Allow SMSS to make a contribution to Natural England in respect of Biodiversity Net Gain.
- Shorten the statutory determination period for SMSS to ten weeks, recognising the reduced evidence base above.
- Cap the number of planning conditions that can be applied to SMSS and set service standard timescales for their discharge, including deemed discharge measures.
- Re-instate the ‘free-go’ application.
- Provide guidance to PINS on the importance of SMEs and how appeals are to be treated positively, and publish appeal outcomes by site size so that the disparity set out above is monitored and can be acted on.
- Halt further increases in planning application fees, and introduce a reduced fee for SMSS reflecting the proportionate evidence base and officer time such applications should require.

Market, funding and operation

- Introduce a new equity loan scheme, as set out in section 1. The brunt of declining sales rates is being felt by SMEs, and this measure alone could save many of them.
- Set challenging minimum service standards, including timescales, on service providers (electricity, fibre, water and wastewater) and cap the costs of delivering utilities to site for SMSS.
- Set challenging minimum service standards and timescales on highways authorities in respect of section 38 and section 278 technical approvals, and introduce mandatory template documents for both for SMSS.
- Exempt SMSS from the Building Safety Levy.
- Consider relaxations to employer National Insurance obligations for smaller housebuilders. Labour costs weigh most heavily on firms with the least capacity to absorb them, and the object of policy at this Budget should be to give SME builders reasons to keep going.
- Continue to expand Homes England’s capabilities through the National Housing Bank to support funding, wherever possible alongside the private sector, while innovating on structures. Speed of decision-making should be a priority.

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Unblocking section 106 affordable housing

One further constraint bears directly on SME viability. Registered Providers are the biggest buyers of section 106 affordable housing, and constrained financial capacity in the sector means demand has fallen away. Three years on, the pool of demand remains shallow and pricing weakened further during the first half of 2026. HBF members reported 8,500 consented section 106 affordable homes without a Housing Association purchaser that were either under construction or due to start within twelve months, and estimated that over 700 sites had been delayed or stalled over the previous three years because developers could not sell the section 106 package.[24]

This falls hardest on smaller housebuilders. Some obligations require affordable homes to be occupied before private homes can be completed, or before new phases start. Without a clear exit for the section 106 element, development finance is hard to secure, and the risk deters smaller builders from promoting sites at all. The problem will grow rather than resolve itself, as Grey Belt sites delivering up to 50% affordable housing push more packages into the market faster than Registered Provider capacity can absorb them.

Discounted Market Sale (DMS), including First Homes, offers a route through. It is affordable housing as defined by the NPPF, sold at a discount of at least 20% below local market value, means tested and with eligibility criteria, but it does not require the involvement of a Registered Provider. The discount is retained in perpetuity. It has been a niche product to date, averaging just 1,760 homes a year over the ten years to 2024/25, under 4% of all affordable delivery, at a time when support for affordable home ownership has fallen from over 70,000 homes a year in the three years to March 2021 to just above 20,000.[25] The potential demand is substantial: of the 1.4 million families in the private rented sector, only 7% could afford to buy a £300,000 home unsupported, against 22% to 34% through DMS at a 20% to 30% discount.

The Federation therefore asks Government to:

- Apply cascade mechanisms by default, allowing developers to convert section 106 packages to DMS where no Registered Provider bid is forthcoming. Securing an RP bid for conventional tenures may remain the preferred outcome; in its absence, a mixture of DMS and payments in lieu should be a straightforward recourse, unlocking private housebuilding while enabling councils to support affordable rented homes elsewhere.
- Review the income caps applying to affordable home ownership. The caps, usually £80,000 or £90,000 in London, have not risen in line with household incomes or house prices. In twenty local authorities they entirely prevent any renting family from buying an affordable home ownership property in their area, and in a further 28 they exclude more than 10% of renting families. Removing them would allow an additional 55,000 families in the private rented sector to afford a three-bedroom new home through DMS.
- Recognise DMS explicitly within the affordable tenure mix on Grey Belt sites, supporting viability and maximising the rate at which new homes are absorbed into local markets.

None of this requires additional public subsidy. It uses a product that already exists and is defined in national policy. Section 106 variations permitting DMS or First Homes have allowed sites to proceed in Hampshire, West Sussex, Warwickshire and Cheshire, but the approach is not applied consistently, and delivery will remain patchy until it is.

4. Planning reform – removing the 'grit' from the system

The Minister of State for Housing and Planning has said that the Government has put in place the major planks of planning reform, and that MHCLG now has a renewed emphasis on removing 'grit' from the process so the application journey is as fast and easy as possible. The LPDF strongly supports this. Research published by Lichfields in July 2026[26] identifies where that grit sits and what would remove it. The measures below are, for the most part, matters of guidance and ministerial statement rather than legislation or spending, and could therefore be delivered quickly.

[24] Savills for LPDF, Barratt Redrow and Richborough (August 2026) – Discounted Market Sale: the potential to support housebuilding and homeownership.

[25] Savills for LPDF, Barratt Redrow and Richborough (August 2026) – Discounted Market Sale: the potential to support housebuilding and homeownership.

[26] Lichfields for LPDF (July 2026) – Removing the grit from the system: changes needed for a more efficient planning application process.

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The cost of delay

The second half of 2025 saw a strong uptick in planning application submissions for new homes. Turning those into deliverable permissions requires an efficient approach to determination, and the trend runs the other way: the average time to determine a major outline application has risen to two years, an increase of one year and four months since 2014, while the flow of decisions has dropped to a third of previous levels. Determination periods are extending even though caseloads have fallen, tying up resource for longer to achieve less.[27]

The cost is quantifiable. A developer may borrow £120,000, being 10% of the £1.2 million value of a plot capable of delivering 100 homes, to pay for an option agreement and initial costs, through a typical development finance agreement at 1.3% interest per month. A six-month delay could cost close to £10,000 in interest alone, before staff costs or professional fees. Slower determinations mean a slower return on capital, reduce the ability to recycle capital into the next scheme, and lengthen the period between deciding to bring a scheme forward and bringing it to market, over which wider economic circumstances may have changed.[28]

Three principles

- **Measuring what matters.** Key performance indicators should be introduced at each stage of the application journey, not only at determination, so that improvement can be tracked across the system and performance incentivised at each stage. Linking those indicators to grant funding would provide a stronger incentive for progress, and the Planning Delivery Grant demonstrated that funding tied to measured performance can shift behaviour. The Federation would add that the underlying data on housing and on planning performance is itself poor, and that improving it is a precondition for any of this.
- **Getting the culture right.** Applicants and decision makers alike need to prioritise quality and efficiency, which requires a shift in incentives to support and embed those behaviours.
- **Applying proportionality.** Less can be more. Proportionality gives stakeholders confidence that decisions rest only on relevant evidence and policy considerations.

Recommendations

- **Pre-application.** Clear planning policy guidance stating that pre-application advice should be proportionate to the size of site. Requirements, advice and post-decision agreements for smaller and medium sized sites, or areas with an up-to-date local plan, will often not need pre-application advice except in exceptional circumstances or on complex sites.
- **Validation and initial review.** Now that the new NPPF is in force, guidance should be issued assuring local planning authorities that, unless evidentially necessary, the national information list requirements are sufficient for validation and consideration of an application. That guidance should be accompanied by a service standard for the time taken to validate, and should make clear that officers have the discretion to validate on the national list alone.
- **Consultation.** A Written Ministerial Statement should be issued stating that AI-generated objections carry no additional weight by volume. Guidance on managing the growth of AI-generated consultation responses should also be consulted on and kept up to date.
- **Statutory consultees.** Statutory consultee advice should be grouped into safety-related or regulatory responses and advisory responses. Set timescales should be agreed for the former, reflecting the complexity of the proposal, with penalties for missed deadlines; for the latter, 'no objection' should be issued if deadlines are missed.
- **Determination.** A Written Ministerial Statement should state that planning officers are the decision takers, using the planning balance. LPAs should support officers with access, formally and informally, to the skills, expertise and tacit knowledge of specialists and senior colleagues, to help them consider the evidence in applications and the responses of statutory consultees.

[27] Lichfields for LPDF (July 2026) – Removing the grit from the system: changes needed for a more efficient planning application process.
[28] Lichfields for LPDF (July 2026) – Removing the grit from the system: changes needed for a more efficient planning application process.

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- **Post-decision.** A Written Ministerial Statement should clarify that conditions should only be considered where planning permission would have to be refused if the condition were not imposed. Where that does not apply, the condition should require precise justification.
- **Section 106.** Template section 106 agreement wording, as currently being drafted for smaller sites, should be mandatory rather than advisory, and should extend to sites of up to 150 dwellings, unless there is clear justification in a particular case not to use it.

Two further measures

Every local planning authority should have a Chief Planning Officer, and that post should carry a joint responsibility: to the authority that employs them, and to national Government. Planning reform depends on consistent application at local level, and there is currently no senior post within an authority that is formally accountable for delivering national policy objectives.

Devolution funding and mayoral powers should be linked to meeting need in full. Spatial Development Strategies are required to address both residential need, as expressed through the standard method, and commercial need. Where a strategy does not meet that need in full, that should have consequences for the funding and powers that follow.

The LPDF urges HMT to champion these measures within Government. Almost none of them requires expenditure, and together they would shorten the period over which capital is tied up in the planning system.

5. Business rates and the industrial and logistics sector

The preceding sections concern the delivery of homes. The Federation's membership also includes commercial developers, and the same principle applies: where the tax and policy environment adds cost or uncertainty to a sector the Government is relying on for growth, investment slows and development does not come forward.

The LPDF welcomes the Government's announcement in July 2026 of a 20% cut to business rates bills for pubs, social clubs and live music venues, and the recognition it reflects that the rating system can be used to protect sectors that matter to communities and to local economies. We note the Government's statement that it will return to its commitment to reform the wider business rates system, including Small Business Rates Relief, at this Budget, and that revenue raised from extending VAT online marketplace liability will be reinvested in improvements to the business rates system.[29]

The Federation asks that, as that wider package is developed, the position of industrial and logistics property is taken into account. Reliefs targeted at one part of the business rates base are in practice funded from elsewhere within it, and the higher multiplier applied to the most valuable properties captures large distribution and warehousing assets, precisely the development the Government is relying on to deliver employment growth outside the South East.

We would therefore ask that any reform announced at this Budget:

- Recognises the industrial and logistics sector as a driver of national economic growth rather than as a source of revenue to fund reliefs elsewhere in the system.
- Provides certainty over the multiplier applied to large industrial and logistics property over a multi-year horizon, so that investment and development appraisals can be undertaken with confidence.
- Considers the interaction between business rates liability and the viability of speculative employment development, particularly where new floorspace is brought forward ahead of demand in order to support wider growth.

[29] Prime Minister's Office / HM Treasury (23 July 2026) – 'Burnham means business: PM slashes business rates bills for pubs, clubs and live music venues'.

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Conclusion

The Government has done the difficult work of reforming the planning system. That work will not translate into homes unless the market can absorb them and unless the businesses that build them survive long enough to do so. On current sales rates, the smaller half of the housebuilding industry will not.

The measures set out in this submission are deliverable, evidenced, and in several cases largely cost-free. Taken together, a new equity loan scheme and Stamp Duty reform could support up to 85,000 additional completions by March 2029 and a further 10,900 homes a year, while adding billions to national output and recovering a substantial share of their own cost. The planning measures require guidance and ministerial statements rather than money. The section 106 and Discounted Market Sale measures unlock delivery that has already been consented, is currently stalled, and needs no additional public subsidy to proceed.

The SME point deserves particular emphasis. The Government will not deliver 300,000 homes a year, or 1.5 million over this Parliament, on the current delivery base. The number of SME firms has fallen by 60% since 1995, completions by housebuilders outside the top 50 fell 17% in a single year, and boosting SME capacity could deliver approximately 70,000 additional homes a year.[30] Rebuilding that part of the industry is not one priority among several; it is the precondition for the housing target, and it warrants a concentrated effort across Government to do everything that would help it happen.

Underlying all of it is the question of certainty. The evidence set out in this submission shows a market waiting on decisions: buyers deferring moves, promoters and builders deferring land purchases, and prices adjusting in the meantime. Whatever HMT decides, deciding early and clearly is itself worth something to the sector.

The LPDF and its members would welcome the opportunity to discuss any aspect of this submission with HMT officials, and to provide further evidence from across the membership.

Appendices

The reports referenced in this submission are published on the Federation's website and can be accessed directly at the links below.

Savills for LPDF, The Case for Demand Support (March 2026) – https://www.lpdf.co.uk/wx-uploads/files/newsletters/The%20case%20for%20Demand%20Support.pdf

Marrons for LPDF, Final Call for SME Housebuilders? (2026) – https://www.lpdf.co.uk/wx-uploads/files/newsletters/Final%20Call%20for%20SME%20Housebuilders%20-%20Marrons%20&%20LPDF%20v2.pdf

Lichfields for LPDF, Removing the grit from the system (July 2026) – https://www.lpdf.co.uk/wx-uploads/files/newsletters/Removing%20the%20grit%20from%20the%20system%20final.pdf

Savills for LPDF, Barratt Redrow and Richborough, Discounted Market Sale (August 2026) – https://www.lpdf.co.uk/wx-uploads/files/newsletters/DMS%20report%20-%20final.pdf

Savills for LPDF, Land Matters 2026 (July 2026) – https://www.lpdf.co.uk/wx-uploads/files/newsletters/CS-05119%20Land%20Matters%202026_DRAFT%20v07.pdf

Appendix A – Public First for LPDF, The case for Stamp Duty reform (August 2026). This report is not yet published and is therefore attached to this submission rather than linked. It is provided to HM Treasury in support of the recommendations set out in section 2, and the Federation would be glad to discuss its findings with officials.

[30] Savills for LPDF (July 2026) – Land Matters: Removing Barriers to Housebuilding.

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