

HM Treasury

The Correspondence and Enquiry Unit

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United Kingdom

Representation submitted on the online portal

6<sup>th</sup> February 2025,

**Re: Submission for Treasury – Spring Spending Review 2025**

## Introduction

This submission is made to the Treasury by the Land, Planning and Development Federation (LPDF) ahead of the 2025 Spring Spending Review. These submissions will also be of relevance to the Ministry of Housing, Communities and Local Government (MHCLG). The LPDF is a trade body representing land promoters, housebuilders (of all sizes) and commercial developers. Our members risk their financial capital in the planning system to establish the principle of development to enable the new communities and employment space that the country so desperately needs.

LPDF members support the housebuilding and commercial development sectors by promoting sites through the planning system, providing “shovel ready” land with a planning permission which can facilitate the delivery of infrastructure and serviced land parcels. The LPDF seeks to actively engage with government on planning, housing and commercial development policy and to educate the wider public on the social, environmental and economic benefits of development through an evidenced based approach.

The LPDF encourages its members to deliver well designed, high quality, sustainable places which provide for a mix of housing types and tenures, commercial spaces and community uses that have a positive social, environmental, and economic impact.

The LPDF strongly welcomes and supports the range of planning reforms being introduced by the Government, but notes that these are all just small steps in the right direction, further intervention is needed to support the increased delivery of housing (both market and affordable) and boost economic growth across the country. Given the extent of the housing crisis, significant change and intervention will be needed to get anywhere near the Government’s 1.5 million new homes delivery target.

The LPDF note the important role that the Treasury has in reaching the Government’s target of delivering 1.5 million new homes this parliament. This submission focusses on 2 areas which the LPDF feel are of crucial importance and that the Treasury can influence directly, these are the approach to **affordable housing policy and support and demand side support and intervention for SME housebuilders**. These two areas will be discussed in turn below.

## Focus on the delivery of Affordable Housing

There is an affordable housing crisis which needs to be addressed as a matter of urgency. Currently many Registered Providers (RPs) are reducing their development programmes. Restoring the financial capacity of RPs is of critical importance for the delivery of affordable housing, but also for the knock-on impacts that this has for the delivery of



market housing and for the government achieving its 1.5 million new homes target this Parliament. The financial capacity of RPs and the appetite to bring forward s.106 affordable housing is an issue which has been acting as a significant barrier to housing delivery for a number of our members over recent months and is one that will not be fixed until stability and certainty is restored for the RPs.

The LPDF submits that the **social housing rent settlement needs to be for 10 years**. The LPDF believe that the longer the rent settlement lasts, the better this will be for the sector as it will offer a greater level of certainty and stability. As such, the LPDF's preference would be for a 10-years, as it would provide RPs, and their investors, greater certainty, allowing for more informed and efficient long-term investment decisions.

The LPDF believe that alongside a 10 year settlement, **a rent convergence mechanism should be included**. A rent convergence mechanism would allow RPs to gradually increase rents that are below the earnings-linked rent formula. By including a convergence mechanism within the settlement, this would help to restore the financial capacity of RPs and by doing so, would unlock a significant number of new homes by generating additional rental income. As the additional borrowing capacity that the additional rental income unlocks will enable the new development.

The LPDF believe, that in relation to existing social housing stock, there is a need for **targeted grant funding to help address issues such as housing safety, quality and decarbonisation**. Funding to assist with improvements to existing housing stock, will then help to unlock borrowing capacity for RPs to focus on the delivery of new homes. This targeted funding should include, but not be limited to the following:

- Equal access to the Building Safety Fund and Cladding Safety Scheme for social landlords.
- Funding to meet the requirements of an updated Decent Homes Standard.
- Continuing to fund the Warm Homes: Social Housing Fund.
- Funding to deliver the required investments in heat networks, particularly the Heat Network Technical Assurance Scheme.

In addition to targeted grant funding, there needs to be **significant focus on a new Affordable Homes Programme (AHP)**, which seeks to prioritise the delivery of social rent. The new Labour government have expressed their desire to increase the delivery of social rented property, which has declined significantly over the years under the Right to Buy scheme, and therefore the AHP needs to reflect this and provide a sound basis for increasing the delivery of social housing. An appropriate AHP combined with a long-term rent settlement will help significantly in the delivery of the 1.5 million new homes target.

#### **Demand side support for SMEs**

As has been outlined in previous submissions to Government made by the LPDF, supporting research, and as recognised directly through the CMA report into the housebuilding industry, the number of active SME housebuilders has declined rapidly over recent years and this has been at the detriment of housing delivery nationally. Savills research<sup>1</sup> on behalf of the LPDF, estimates that the number of medium and smaller builders (building up to 500 homes per year) has fallen 60% between 1995 and 2023.

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<sup>1</sup> [Savills \(October 2024\) - What size of builders do we need to build more homes?](#)



SME builders have been disproportionately affected by the barriers to delivery, particularly through the planning system (such as nutrient neutrality, the increasing requirements of planning applications, increased planning timescales and overall planning uncertainty). These issues were explored in detail through research prepared by Lichfield's on the LPDF's behalf.<sup>2</sup> This research concluded that changes to the planning system since the early 1990's have made it more complex, more costly and more risky and that these issues have a disproportionate effect on SME builders. Unlike the larger housebuilders, the SME builders do not have the cash reserves to enable them sustain these additional costs and time delays and they are not able to take the same degree of financial risk as the larger builders.

As noted through recent research prepared on the LPDF's behalf by Savills<sup>3</sup> ensuring there is a diverse range of housebuilders working actively across the country on sites of a range of sizes, is critical to increasing the overall delivery of housing. This research notes that all types of location need more small and medium-sized sites. Over half of plots granted consent in built up areas and around a third of sites in other types of location are for sites of over 250 homes which are only suitable for a small number of housebuilders and developers to take on. This research goes on to conclude that this is the size of site which suits the broadest range of housebuilders (including SME builders), housing associations and developers, and they tend to be less complex and require less additional infrastructure as larger sites. As a result, a significant increase in this size of site would enable greater housing delivery.

The Government needs to take a range of measures to change the environment for the SME builders, freeing a sub-sector which could grow significantly if the right environment for investment was created. The LPDF have been pushing for various policy changes to support SME builders, however we believe that these supply side policy changes alone will not be sufficient. Consequently, the LPDF submit that **targeted demand side support for SME builders** will also be necessary. The LPDF's suggestion would be for this to come forward through a **focussed Help to Buy scheme restricted solely to SME builders**. This could be made available only to businesses that build less than 1,000 new homes per year and would assist in ensuring the necessary demand for the units provided by these builders.

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<sup>2</sup> [Lichfields \(September 2023\) – Small Builders, Big Burdens](#)

<sup>3</sup> [Savills \(October 2024\) - Where do we need more small and medium sized sites?](#)

