



Working together to build the homes we need

Pre Spending Review Briefing

June 2025

The Housing & Finance Institute

Natalie Elphicke Ross OBE, Head of Housing Delivery

natalie@hfi.org.uk

The Housing & Finance Institute is a not-for-profit organisation (registered number: 09655497)

www.thehfi.uk

Connect@hfi.org.uk

Contents

About the Spending Review.....	3
The current housing delivery context.....	4
Immediate challenges for housing delivery.....	5
Planning reforms are on track to deliver more homes.....	6
Legacy issues still loom large	7
Spending Review watch: What to look out for in housing, planning and infrastructure ?.....	7
Spending Review Related Recommended Reading	9
About the Housing and Finance Institute	10

About the Spending Review

On 11 June 2025 the Chancellor will deliver the Spending Review.

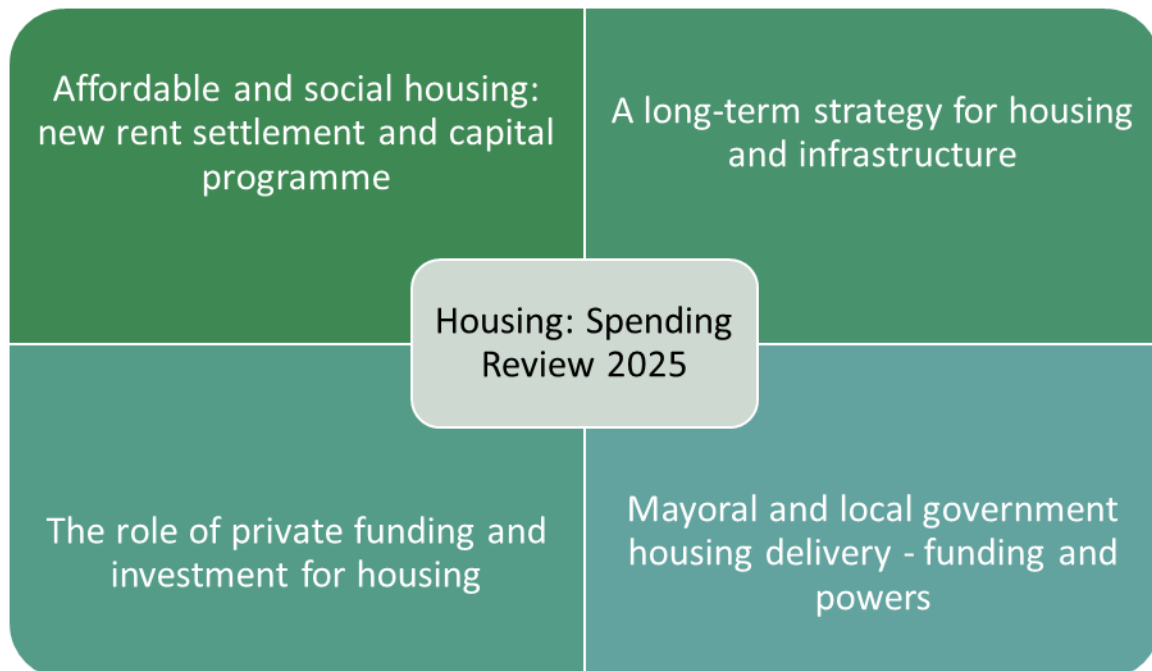
This year's Spending Review will set out in detail three years of plans for department-level day-to-day spending (covering 2026–27, 2027–28 and 2028–29) and four years of plans for investment spending (extending to 2029–30).

The Spending Review is made against a backdrop of political ambitions coming out of last year's general election and highly constrained public finances within the context of a complex international economic landscape.

There are high hopes that the Spending Review will deliver a step change for infrastructure with a fresh approach to the funding and delivery of major infrastructure projects. This is expected to include the publication of a ten-year Investment Strategy.

For housing, the Government has committed to build 1.5 million homes this Parliament, to reverse the decline in the amount of social rented housing and to bolster home ownership. The Spending Review will shed light on the priorities for housing and specific housing objectives as well as the Government's wider infrastructure and growth ambitions.

Areas to look out for include:



The current housing delivery context

The Spending Review takes place against a backdrop of continued muted performance for housebuilding and reduced levels of housing delivery against expectations.

Ahead of this week's announcement, the industry group the Home Builders Federation (HBF) released research analysis of the housing delivery pipeline with a stark warning that the Government looks set to be 100,000-170,000 homes short of its target *each year*.

Recent ONS construction output figures reported a nil growth position for quarter 1 2025. The monthly data for private housebuilding showed small growth increases but remained below the 2022 growth output levels for the 29th consecutive month.

Planning permissions for the first quarter of 2025 showed a shock fall of 32% as against Quarter 1 2024 and a 55% drop on the previous quarter (Quarter 4 2024). The number of new homes given planning approval in England in Q1 2025 was the lowest number of quarterly approvals for 12 years and third lowest since the data set was started in 2006.

The recent fall in planning permissions may suggest greater delivery challenges over the next two years, as newly permissioned land converts into the new homes over the next few years. It remains to be seen how the market will adjust to the Planning and Infrastructure bill and other related major planning and local government changes after they are concluded. A lag effect is usual for major changes of this nature, which may push back the outer envelope for an uptick in housing delivery. Research from Savills has suggested that it may take up to decade to see the full effect of the current local planning reforms.

Housing Delivery Snapshot

May 2025 www.thehfi.org.uk connect@hfi.org.uk



Overall Construction output growth remained flat at 0%

ONS, Q1 2025, published May 2025



Small growth increases reported in monthly private housebuilding Construction output – but it remains below the 2022 growth output levels for the 29th consecutive month

ONS, monthly, to March 2025, published May 2025



Top public housing concerns are: FTB on the housing ladder (81%), house prices (81%), saving for a deposit (79%) and the availability of housing (75%)

Homeowners Alliance, May 2025



Bank of England bank rate reduced to 4.25%. The Bank cited “heightened unpredictability” and risks around inflation

Bank of England Monetary Policy Summary, May 2025

Immediate challenges for housing delivery

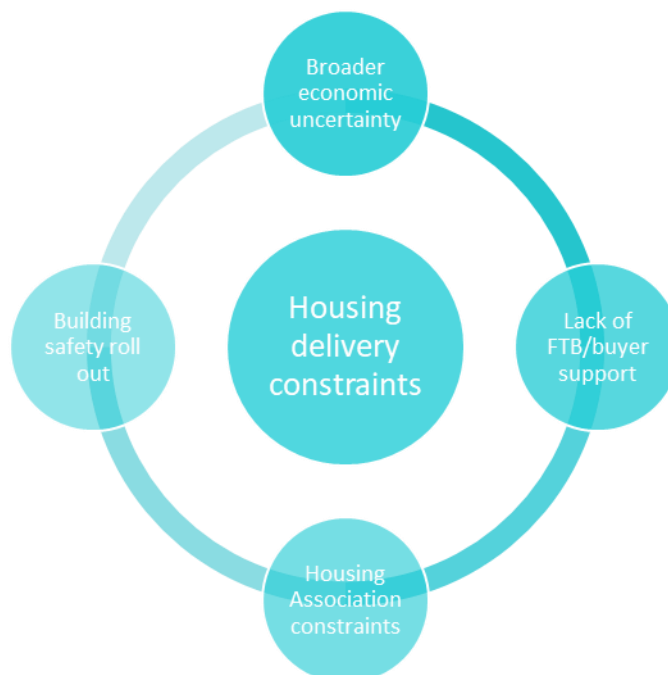
Particular immediate challenges for housing delivery include:

Broader economic unpredictability. The Bank of England have noted the unpredictable broader economic landscape. This may impact investment and mortgage buyer appetite. Reduced confidence in the ability to sell homes constrains the pace at which sites and homes can be brought forward for sale.

First Time Buyer and deposit support. There has been no replacement of the Help to Buy equity loan mortgage support schemes in England. This has directly impacted on sales and slowed the rate at which sites and homes can be brought forward for development.

Housing Associations constrained: Affordable housing providers (housing associations) have not been able or willing to take up affordable housing allocations, stalling some developments and holding up the completion of others. The social housing sector is grappling with an increased regulatory focus and requirement to invest record levels of funding to tackle homes in poor repair (e.g. Awaab's law on damp and mould). The sector is also awaiting a multi-year rents settlement to underpin future investment and set its own future budgets and borrowing.

Building and fire safety: There continues to be a scarcity of relevant officers and significant delays in signing off developments as well as in setting new standards which is holding up the delivery of new homes.



Planning reforms are on track to deliver more homes

However, there is identified longer term opportunity. The Office for Budget Responsibility (OBR) assessment for the Spring Statement was upbeat about the impact of the Government's planning reforms.

The OBR have forecast an improved housing delivery outturn following the Government's planning reforms, saying *"From a 12-year low in 2025-26, net additions to the UK housing stock are forecast to reach 305,000 a year by the end of the decade. From 2025-26 to 2029-30, we project around 1.3 million cumulative net additions to the housing stock. Of this, we estimate an additional 170,000 are due to the Government's reforms to the National Planning Policy Framework"*

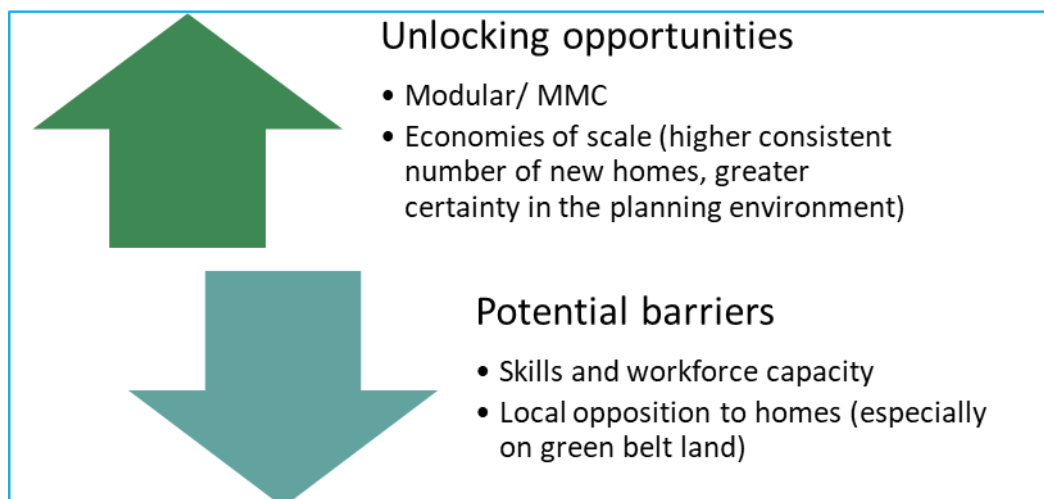
The OBR outlined areas of risk and opportunity to higher delivery including:

(a) capacity constraints in the housebuilding sector if growing demands on a limited construction workforce hinder housebuilders' ability to deliver a rapid acceleration in the flow of new houses.

(b) local opposition to reforms could prevent or delay housebuilding by more than the OBR have assumed, particularly given much of the additional development in the next five years is assumed to take place on current green belt land.

Conversely, growing economies of scale and greater adoption of modular construction methods may enable sustained improvements in the sector's efficiency and its capacity to build houses.

As noted above, the shock fall in planning permissions may have implications for the expected trajectory of housing delivery as the new planning and local government regimes are finalised, rolled out and bed in.



Legacy issues still loom large

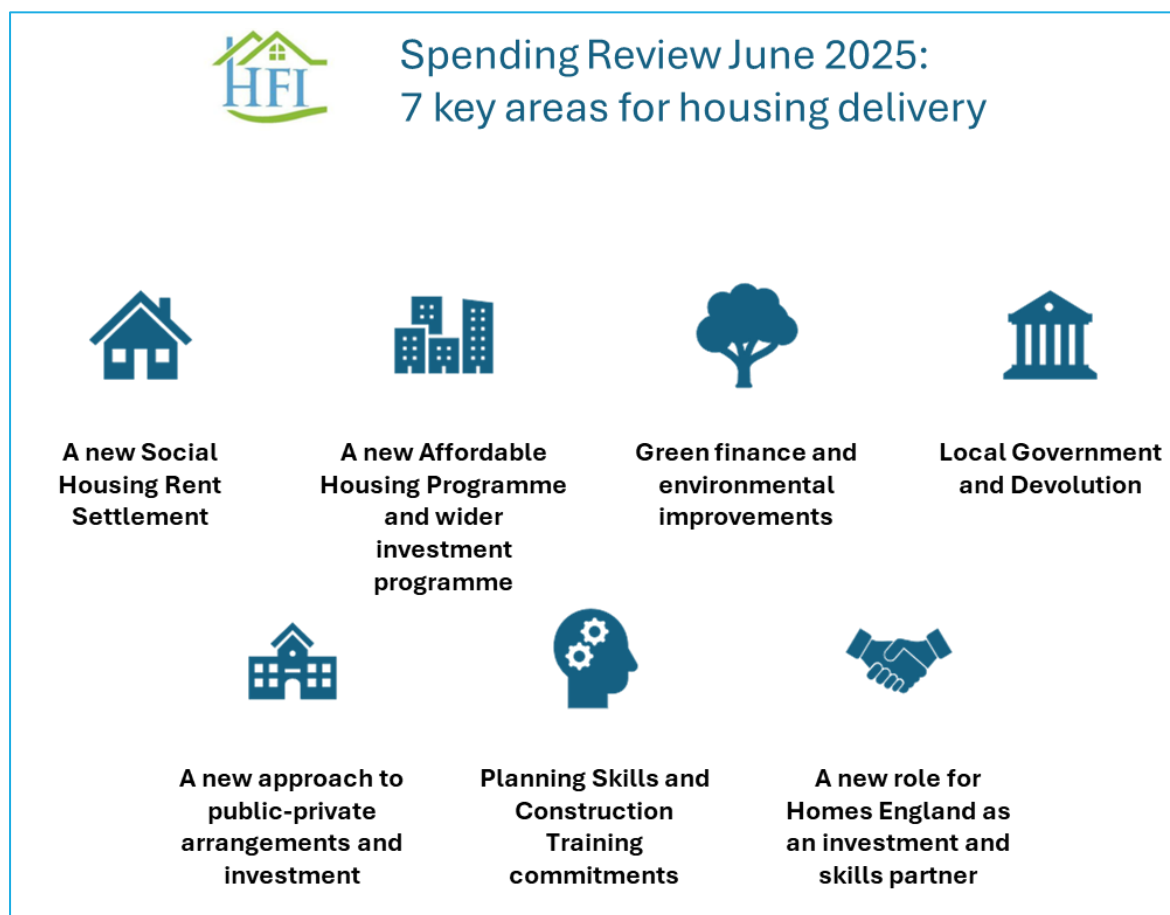
In addition to the delivery of new homes, the Government and industry have a number of legacy housing costs and issues to resolve including legal and regulatory matters around building safety, fire safety, housing health (mould and damp), environmental protections, net zero and water pollution/scarcity. These are all serious issues that will require significant public and private finance commitments over the next few years.

It is expected that some of these matters – for example water and net zero – will be addressed specifically within infrastructure commitments. These are expected to be set out in the ten-year infrastructure strategy and form part of the longer term Government plans to invest to support growth, including housing growth, in the coming years.

Spending Review watch: What to look out for in housing, planning and infrastructure ?

1. **A new Social Housing Rent Settlement:** The social housing sector, supported by the housebuilding industry, has been lobbying hard for a significant long term rents settlement that will help it to meet legacy property condition improvement, upgrade stock to meet new environmental requirements and re-engage with buying new homes.
2. **A new Affordable Housing Programme and wider investment programme:** The Deputy Prime Minister has secured two significant spending commitments to the affordable homes programme since the general election. A new committed affordable housing programme to deliver social housing is expected, together with a much more substantial wider investment programme.
3. **Green finance and environmental improvements:** There is great opportunity to expand the National Wealth Fund and institutional investment pilots to support ESG, upgrading and retrofit programmes for housing in the private, local authority and social housing sectors.
4. **Local Government and Devolution:** Local government finances are under great strain. Expect greater local government funding flexibilities including with Temporary Housing pilots to convert emergency revenue spending into bricks and additional homes. Additional funding needs to be identified for local government restructuring and the roll-out of the new national planning approach at strategic and local levels. Extra funding must be found for the creation of the new Combined Authorities and understanding how powers and leadership of the Combined Authorities will be expected to impact on delivery (and by when) will be key.

5. **A new approach to public-private arrangements and investment:** Expect the inclusion of financing for housing and infrastructure in its wider sense – from transport to water to homes - in order to boost growth. This may include co-investment programmes, including for purpose built rented and shared ownership homes, and with institutional investors and Mayors/ devolved bodies. New infrastructure assets may be owned (in full or part) by the public sector. Given the difficult public finance environment, the wider use of guarantees may be introduced to underpin access to funding. Pension funds are expected to play a bigger role in future infrastructure delivery plans.
6. **Planning Skills and Construction Training commitments:** The OBR has highlighted this as a key area of risk. Expect measures to build on the recent skills hubs and other employment measures, as well as continued measures to provide more planning capability and expertise.
7. **A new role for Homes England as an investment and skills partner:** Previously indicated to be wound down, now expect a beefed up role for the new (perhaps renamed) Homes England. This could include using the Chancellor's wider investment flexibilities (net financial liabilities test, PSNFL) to power up co-investment in mayoral and institutional investment partnerships, as well as the programme for new towns. Also, there could be announcements on central skills support, for example in land assembly and planning expertise.



Spending Review Related Recommended Reading

IFS: [Options for the 2024 Spending Review and beyond](#)

IFS: [Four big decisions for the 2025 Spending Review](#)

OBR: [Economic and Fiscal Outlook 2025](#)

Farmer: [Farmer Review on construction skills](#), Jan 2025

HBF: [Broken Ladder](#) and [Stairway to Never](#)

HBF: [Pipeline Report June 2025](#)

HFI: [Operation Homemaker](#) – how to fix the temporary accommodation and waiting lists crisis

HFI: [Budget briefing October 2024](#)

Joseph Rowntree Foundation (JRF): [LHA Welfare Reform](#)

HMG: [10 year infrastructure strategy working paper](#)

Labour Party [manifesto 2024](#)

Legal & General/National Housing Federation: [Reclassifying housing as infrastructure could take the housebuilding revolution to the next level](#)

MHCLG [Parliamentary Statement](#) (30 July 2024)

Resolution Foundation: [Hitting a Brick Wall](#)

Savills: [Decarbonising social housing stock](#)

Savills/ NHF: [the case for social housing funding/ 300,000 per year](#) (October 2024)

Savills: [Implication of the OBR housebuilding forecast](#) (May 2025)

Southwark: [Secure the future of council housing](#)

About the Housing and Finance Institute

Who we are

- The Housing & Finance Institute was established in 2015 with the support of UK Government, businesses and councils. Its creation was a recommendation of the Elphicke-House Report 2015. The HFI is a not-for-profit organisation.

What we do

- The Housing & Finance Institute acts as an accelerator hub, to increase knowledge and capacity in order to speed up and increase the number of new homes financed, built and managed across all tenures.

How we work

At the HFI, we do the following:

- share best practice through workshops, networking and our landmark 'Housing Business Ready' programmes, that support capacity building in councils to explore the housing their communities want and need
- publish policy papers
- engage across a range of stakeholders.

The HFI is not politically affiliated with a particular party and works cross-party. It does not represent an individual business/industry/ sector.

Important legal notice

This Spending Review briefing has been compiled in line with the HFI's work to inform and share views about housing and finance matters. The Report contains matters of opinion. It does not, and should not be taken, as financial or legal advice – separate professional advice should always be taken before making financial, development or investment decisions.

TO FIND OUT MORE AND CONNECT WITH OUR WORK: connect@hfi.org.uk

