



Places
for People

Comprehensive Spending Review: Our Response

7th February 2025

Introduction

The Government's **Plan for Change** published late 2024 sets out ambitious milestones to reach by the end of this Parliament including:

- **Raising living standards in every part of the United Kingdom**, so working people have more money in their pocket as we aim to deliver the highest sustained growth in the G7.
- **Building 1.5 million homes in England and fast-tracking planning decisions** on at least 150 major economic infrastructure projects - more than the last 14 years combined.
- **Securing home-grown energy**, protecting billpayers, and putting us on track to at least 95% clean power by 2030, while accelerating the UK to net zero.

Putting the delivery of more homes, that are affordable and energy efficient and cost effective to run, at the core of the missions is welcome recognition of the urgency in tackling this crisis. The term 'housing crisis' can be traced back to the post-war period where there were housing shortages due to damages and halts in building. This **evolved over decades** to include elements of overcrowding, affordability, increasing demand, homelessness, over-reliance on temporary accommodation, quality – to name a few. **Tertiary effects** include health and wellbeing consequences (DHSC), macroeconomic impacts (whole-of-government), setbacks to our net-zero goals (DESNZ) and intergenerational inequality (DWP). The housing crisis is a 'wicked policy problem'. **While not a silver bullet, building more homes alleviates multiple policy pressures beyond MHCLG priorities.** This must be recognised across government to consider giving *utmost* priority to housebuilding. Especially given that past spending reviews suffered from a lack of strategic prioritisation and silo-ed approaches.¹ In line with the Kantian saying of '*who wills the end, wills the means*', the CSR serves as a litmus test of Labour's political will in housing, i.e. if more homes are desired, then more must be built.

We argue that high-quality sustainable housing is a **key lever** for the government to deliver its mandate of change. Ending hospital backlogs will not be achieved if people return to poor-quality homes and experience damp and mould. Giving children the best start in life needs to be supported by the availability of homes as learning is supported by stable environments. Raising living standards through wages will become more effective if housing expenditure is reduced. Housing's linkages with pertinent policy problems of the day are intimate, and this Comprehensive Spending Review needs to take this into account.

Our key message is that it is crucial to **create more certainty and simplicity to enable us to build more homes for Customers.** This entails strengthening the **financial capacity** of housing associations through broad-based means, allowing them to build more and better homes which in turn **creates margins to do more of the same.** No one organisation or sector can solve this crisis in isolation, and we should look for opportunities to work in partnership to leverage different strengths to unlock land, planning and money and bring these resources to fruition as new homes.

¹ Bartrum, O., et al., (2024). How to run the next multi-year spending review. Retrieved from <https://www.instituteforgovernment.org.uk/sites/default/files/2024-07/how-to-run-spending-review.pdf>.

Theme one: country before party

Plans to get Britain building are underway. Government efforts to address the planning system, create more financial certainty, reform renters' rights, review Right to Buy are welcome. We are encouraged by the direction of travel, but more can be done to ensure a greater magnitude of change. This necessitates making choices less popular with the electorate.

- a) A more robust **rent settlement** to offer financial certainty for housing associations
 - i. Current baseline of government is to permit rent increases by CPI + 1% for at least 5 years.
 - ii. In theory, this generates income to build more homes. In practice, increased operating costs means that the sector is left with less money.
 - iii. Therefore, measures that go beyond this baseline are needed.
 - iv. We propose a **10-year rent settlement** because it would provide more financial stability, meaning our investors are confident that we can deliver more homes and services.
 - v. For more certainty, the rent setting process can be depoliticised to ensure that the needs of the housing sector and our Customers are not jeopardised for political gain. This could include requiring the **approval of Parliament** to change the settlement, or having an **independent committee** set social rents.
 - vi. Along the same lines, the government could consider establishing or nominating a body to oversee and monitor a long-term housing strategy for the country, similar to NISTA for infrastructure.
 - vii. To boost building capacity and ensure equitability, we propose a model of **rent convergence**.

We recognise that the trade-off of having convergence would be a higher cost-of-living for those who rent. Besides being politically unpopular, there are increased welfare costs. However, these trade-offs are in the shorter-term. The financial costs of temporary accommodation are crushing councils and dwarfed only by the human costs of over 160k children growing up in these inappropriate conditions. Notwithstanding other approaches, the housing market needs fixing through supply-side policies. Besides moderating house price growth, providing more quality homes is a positive externality that affects the labour market, public health and growth. Longer-term costs and benefits of housing must also be considered through such lenses.

To protect the sector and Customers from volatile or erratic inflation rates, we propose including **rent floors** (i.e. minimums) and **ceilings** (i.e. caps) to balance risk.

- b) A **Right to Buy** regime that better protects housing stock
 - i. The housing market is a complex ecosystem where demand and supply intersect across multiple tenures. The state of one sub-market has an impact on others. As an enterprise that focuses on the social good, Places for People desires sound policy across the board.
 - ii. The Right to Buy is polarising. On one hand, it promotes homeownership. However, it has also reduced social housing stock which has resulted in affordability concerns and a commodification of homes. A report by the Resolution Foundation shows that the government would need £50b (400,000 homes) to restore affordable housing to 2010 levels of sub-market rent homes.

- iii. The right of First Refusal for councils is not effective enough, as councils lack the funding to repurchase properties.
- iv. While details of how to reform the regime are contained in our consultation response, we wish to highlight that **ensuring everyone is homed safely and affordably is not the same as promoting homeownership.**
- v. The government is currently considering exempting newly built social housing from Right to Buy. In principle, we agree with this approach.
- vi. However, the government may wish to consider even tighter exemptions that are practised in other jurisdictions, such as introducing a **minimum period of occupation (MOP)**.
- vii. Under this policy which could apply to *existing stock*, **homeowners must physically live in their homes for e.g. 5 years (10 years for prime locations)** before they can sell it on the open market or rent out the entire unit notwithstanding exceptions (spare rooms may be rented out with approval). This is a higher bar than the current policy on refunding discounts. We note that future social housing stock may be protected by new restrictions that are being considered by the consultation. Otherwise, the suggestion here could be adapted.
- viii. This creates an **additional safeguard** for housing to be primarily for owner-occupation as opposed to speculative investment which has seen a large proportion of Right to Buy properties in the private rental market. The **element of deterrence** better protects housing stock.
- ix. In practice, our proposal creates a **5** (on assumption that government introduces a 5-year period for secure tenancy for Right to Buy qualification) + **5** (on assumption that there is an MOP) **year** protection period for housing stock. Its impact on housing stock should be a net positive.
- x. This also ensures that right types of Customers are purchasing the right types of homes, i.e. efficient use of stock. Mandating longer occupation period also reduces displacement, creating the **foundation for thriving Communities.**

Our proposal considers housing everyone safely/affordably over home ownership/property rights. The distributional impact is inter-generational and may lead to perceived unfairness when it comes to opportunities for homeownership and investment. However, the political cost is balanced against benefits in other areas, such as better protection of housing stock and savings when speculative investment is discouraged.

c) Strategic prioritisation and better delivery of **grant funding**

- i. While grants generally benefit housing associations (HAs) in some way, it is important that the government brings together a package of measures that balances benefits across HAs, **regardless of size, region, etc.**
- ii. For example, building safety benefits some more than others. Whereas prioritising the Warm Homes plan, Decent Homes 2 funding, enabling of net additionality and greater regeneration through net additionality changes, and debt finance are areas with greater “coverage”.
- iii. Relatedly, there also needs to be less red tape in accessing grants and more **flexibility** in conditions of access.²

² In this vein, transitory policy must also be considered. We note that Homes England will move to a more regional, place-based operating model to align with the devolution agenda. However, given that there will be some homebuilders which are in the

- iv. There is also the issue of housing associations retreating from the S106 market in recent years. This scarcity of demand impacts delivery of affordable housing and building in general, as developers are also prevented on progressing on sites.
- v. This creates impetus to **harmonise the S106 and grants regime at least in the shorter-term**. E.g. stimulate the S106 market by temporarily allowing grant funding for S106 homes by lowering the bar for exceptions, e.g. integrating mid-market rental options, stalled sites, etc.
- vi. Concerns of developers profiting massively from a two-tier subsidy model could be addressed through **taxation levers**.
- vii. There may be merit in exploring other funding models, such as those used in infrastructure delivery, as the current public revenue funding for social housing is indirect via housing benefits. Some models are funded through public private partnerships with contractually committed and long-term annual revenue payments from government. A similar model for the housing industry could provide much-needed longer-term certainty for the sector.

middle of their delivery plans. To streamline the process, the next round of Homes England Strategic Partnership funding could be on a national rather than regional basis.

Theme two: prioritising thriving Communities

‘Thriving Communities’ has appeared frequently in government discourse, referenced in context of New Towns, Housing Delivery and planning reforms. While high-quality and affordable housing provides a foundation, much more needs to be done to turn spaces into places.

a) Freeing and unlocking **resources** to deliver thriving Communities.

- i. The new **National Planning Policy Framework** (NPPF) is a positive change which unlocks land for housing and communities and holds local authorities to account to meet an area’s housing needs. Housing should be a key consideration when planning for large infrastructure projects to ensure homes are being built in the right places, which speaks to a larger land use plan.
- ii. One complementary lever to explore is the **greater use of ouster mechanisms** for judicial review in planning legislation. These are already present to some extent for Development Consent Orders and we note the government’s intent to enhance blocking of excessive legal challenges for major infrastructure projects. We agree with this approach and think that it could be more broadly applied in the planning regime, e.g. the government may wish to explore applying this to the granting of planning permission itself and other areas such as New Towns, etc. The policy rationale stems from the scale of the housing crisis which warrants such interventions.
- iii. That said, we still require **greater certainty for resourcing** of Local Planning Authorities (LPAs), statutory consultees, and the Planning Inspectorate to address decision making in the short-term. We need to see more planning permissions granted swiftly over the next 2 years if the 1.5m homes target is to be met.
- iv. Beyond resourcing, employment of planners should also be made easier. We observe that there are no planning-related roles in the government’s **immigration salary list** and propose reviewing their inclusion.
- v. Another approach to boost planning capabilities would be to explore **re-employment policies** to incentivise planners to come out of retirement.
- vi. We support proportionate increases in LPA planning fees and would accept LPAs setting their own fees. However, these need to be **ringfenced to planning teams** to enable them to properly resource themselves.
- vii. The Apprenticeship Levy is expected to remove funding for some Level 7 programmes – which is the level of a Planning Apprentice – this will run counter to having better resourced LPAs. The government could consider the **interim position of exempting Planning Apprentices from this policy**, until the planning system stabilises.
- viii. In our Time to Build campaign, we proposed that Homes England and local authorities exercise their **Compulsory Purchase Order** (CPO) powers more assertively. We welcome the ongoing CPO consultation to modernise the process which in-principle invites protracted legal challenges.
- ix. While we welcome the new general power for the Secretary of State in England or the Welsh Ministers in Wales to issue **directions to remove hope value**, we are cautious that landowners, developers and promoters will be **disincentivised** from promoting sites for allocation in local plans.
- x. To mitigate this, the government could consider **formalising existing use value plus payments as a legal obligation**. Investment (land promotion), disturbance, and other costs incurred on top

of existing use value could be itemised as a **proportion of existing use value** to prevent complex calculations. To deter fraud and undue diligence for claims, a criminal offence should be introduced.

- xi. We previously highlighted how **public sector agencies** and **local authorities** are sitting on significant land portfolios. Rather than sell this land to the highest bidder while housing providers struggle to compete for land, more **private-public partnerships** could be utilised in such spaces, e.g. affordable homes in mixed-tenure developments.
- xii. Thriving Communities are not just about homes, but also the **infrastructure** and amenities surrounding homes, access to green and open spaces, as well as having good connectivity. As these are not always easily delivered by developers and local planning authorities, more central coordination for the delivery of these would be welcome. **As part of a whole-of-government approach, we would like to see how housing strategy is tightly linked to NISTA's infrastructure strategy.** There should also be stronger prescription for local blueprints to include GPs and other key forms of infrastructure, social or otherwise.

b) Encouraging **institutional investment**

- i. Beyond land, there are other creative approaches to gather resources for thriving Communities.
- ii. *One* promising approach is tap on **pension funds**. Our investment arm, Thriving Investments, has already established a proof of concept with their mid-market rental (MMR) fund, 'New Avenue Living'.
- iii. The fund has secured investment from two large UK pension funds, with the backing of public sector provided subsidised loans, to develop 1,500 energy-efficient homes close to Scottish city centres at rents at a discount to open market. With an index-linked yield and long-term capital growth, the model is proving that **institutional investment** in housing can work.
- iv. Building on this success, PfP is developing a key worker fund with the Greater Manchester Combined Authority, showing that scaling these initiatives can help meet the housing challenge on a broader scale.
- v. Given the challenging climate of increased construction costs and regulatory requirements, the key policy question is the **availability of investment routes** and whether capital can be **nudged** towards these.
- vi. In general, there needs to be greater availability of subsidised loans. Or through having **public sector guarantees** which go beyond the extraordinary support provided to the sector today. These merit review especially for situations of weak public finances and pressures faced by investors to deploy capital. This catch-22 may be overcome by government serving as guarantor to stimulate investors taking risk. A **gradated model** could be offered, such as offering blanket coverage or more targeted protections. Regardless of the means, there must be more cheap debt available.
- vii. We must also be more deliberate about **multi-tenure approaches**, i.e. explore more intermediate options between social and affordable rent even beyond the *existing* regime. This would create a **gradated landscape of financial viability** for different investors.
- viii. Recalibrating the housing market by easing the pressure on social rent demand also frees up grant funding for more homes of other tenures to be built, given that lesser subsidies are needed.

- ix. More intermediate options would also give Customers options to move out of socially rented homes. This would free up homes for those who are in need. Relatedly, those not able to access a social home would also have options.
 - x. Cumulatively, these measures would expand funding pots through the avenue of repayable finance (adding an element of sustainability). It is important for such funds to be nimbly deployed to bring forward delivery of homes.
 - xi. Additional impetus is given to our proposals given how legislation such as the **Renters' Rights Bill** affect the housing market. For example, the Bill allows for once-per-year rent increases pegged to market rate (i.e. cost of properties in an area). This means that rents may still be high and unaffordable.
 - xii. Hence, campaign groups have asked for tighter rent controls, which may encourage landlords to leave the sector, leading to a short-term tightening of the market if stock is sold to homeowners and/or a consolidation of properties in the hands of fewer landlords (risk of oligopolies). The fundamental issue still resides in supply and points to the need for more diversity and options, i.e. multi-tenure approaches.
- c) Not leaving the vulnerable behind
- i. A thriving Community is diverse and inclusive, especially towards those who are vulnerable.
 - ii. We echo the National Housing Federation's call to **strengthen supported and older persons' housing**.
 - iii. Additional points we wish to make include addressing the **financial instability of local authorities** with respect to support contract funding streams that have either been withdrawn or reduced. Much needed services have been decommissioned or restructured to Intensive Housing Management models, funded through Housing Benefit. This in turn has seen increased scrutiny of charges applied through intensive housing management which are being capped or rejected, making this model financially unviable for HAs who are forced to move away from the sector. Vulnerable customers are left without the necessary support or housing related interventions to enable them to move on into the community successfully.
 - iv. Government funded projects such as Rough Sleeping Accommodation Programme and Single Homelessness Accommodation Programme through Homes England provide capital investment with short term revenue options. Consideration should be given to the **longer-term use of these projects** providing adequate revenue streams to create sustainable models.
 - v. A clear, collaborative approach between local authorities and statutory services is required to pool funding available, providing long-term solutions, **integrating health, housing and social care**, with housing as an equal, not subsidiary player.
 - vi. In addition, there are also **gaps in the housing market** for Customers such as **students**. While some students may be able to afford costlier purpose-built student accommodation, many must rely on homes in multiple occupation. Whether it is through planning quotas or rent controls, **affordable housing options** are needed for students.
 - vii. People **renting in the private sector** also at times suffer from low-quality and unsafe homes, which is why we welcome the extension of the Decent Homes Standard and Awaab's Law to the private rental sector.

- viii. While this is consistent with how we are preparing our stock for regulatory changes, this may create a problem where landlords may choose to dispose of their assets due to *perceived* cost of maintaining their properties to a minimum standard. This would **shrink the supply of rental homes** even further.
 - ix. To mitigate this, some flexibility for Decent Homes Standard 2 funding to reduce the opportunity cost for private landlords could be considered. Alternatively, there could be tax incentives for private landlords to upgrade their homes.
 - x. The fine of £7,000 could also be more thoroughly reviewed. Costs for ensuring that homes are safe vary and could exceed the £7,000. The fine threshold could either be raised or pegged to a threshold where it is commensurate with the cost of remedying the home.
- d) Strengthening existing Communities and sowing new seeds
- i. Based on analysis by Homes for the North (an alliance of 17 housing associations), the North of England faces particular challenges to regeneration due to the **nature of its housing stock**. Research has consistently found that the current HM Treasury Green Book appraisal methodology is skewed towards investment in higher value areas.
 - ii. This leads to growth predominantly in already productive areas, exacerbating regional disparities across the country. In addition, Northern land values are typically lower than those in the South East, and this weighs against the North when funding is being allocated.
 - iii. Many regeneration schemes in the North are therefore unviable because Homes England cannot allow funding from the Affordable Homes Programme (AHP) to be used to replace homes. This means that if housing associations want to replace homes as part of a regeneration scheme, they are required to pay for these replacements **exclusively from their own resource**, without any of the support that grant funding could provide.
 - iv. Though temporarily suspended, the **net additionality rule** is a barrier to regeneration. In practice this means that grant funding from the AHP could not be used to replace a block of 100 old, poor-quality flats with 100 modern, high quality, energy efficient affordable homes.
 - v. PfP is part of Homes for the North and strongly supports its proposals to: **abolish net additionality** (so that funding from the Affordable Homes Programme can be used to replace low quality homes); **prioritise regeneration** (in the forthcoming Housing Strategy and direct Homes England to facilitate new regeneration schemes); and **provide flexible funding** (funding available for affordable housing, including funding designed to drive other government priorities such as decarbonisation and retrofit, should be combined and housing associations should be able to use the funding flexibly to design investment programmes).
 - vi. **Freeports** convey the government's intent to reap the benefits of **Special Economic Zones** that have found success in other parts of the world, in line with its mandate of growth. We have not yet explored how this approach might support the delivery of new homes. While radical given the scale of the challenge, these options need greater consideration, potentially as part of a Mayoral settlement.

- vii. An extant risk of this policy which the Institute of Fiscal Studies pointed out under the previous government would be its associated deadweight and displacement, weakening its value for money.³
- viii. To mitigate this risk, it is key that the government provides flexibility in **developments** and **use rules** to encourage investment and innovation. This could come in the form of reducing barriers to creating interim facilities which businesses often require for operations (subject to safety/sustainability standards) or allowing buildings/land to be repurposed more easily. **Local Development Orders** or **Mayoral Development Orders** are also options to create flexibility while maintain control over the use, height, scale, etc. of buildings.
- ix. This flexibility could also extend to building homes which use **modern methods of construction**. Freeports are an opportunity to envision and pilot **a next generation of sustainable homes** that may be built differently or scale up tried-and-tested methods to strengthen proof-of-concept. This would increase the UK's capacity for housebuilding by expanding our means.
- x. Other general measures which help include the streamlining of other processes (e.g. environmental approvals), or even government taking the lead to complete environmental assessment from the outset rather than developers.

³ Another general risk not necessarily related to trade in freeports specifically is the post-Brexit transition from CE to UKCA marking. British companies remain uncertain of the standard they need to test their products, leading to risk of testing companies going out of business.

Theme three: get Britain working again

Our submission so far has focussed on both money and systems. There must also be space to discuss people. If proposed policy is implemented well, the biggest reforms to employment support for a generation will contribute to addressing the skills gap, another blocker for the government's housing and net-zero targets.

a) Introduce more **flexibility in the apprenticeship regime**

- i. The Housing Minister mentioned that the construction industry cannot continue to rely on foreign workers and that domestic skills need to be cultivated.
- ii. It is important to provide essential and in-demand skills today that shape successful futures tomorrow.
- iii. We welcome plans for the 32 new skills hubs which are intended to fill housebuilding gaps through fast-tracked training for apprentices.
- iv. This creates a strong foundation for **partnerships**. Set to be launched later this year, our training academy – **PfP Thrive** – will offer training in 4 key areas: apprenticeships, technical and future skills, organisational development and housing qualifications.
- v. To ensure efforts are not duplicated, there needs to be **strategic deployment of resources** across the UK to ensure that supply of training corresponds with geographical needs.
- vi. Beyond resource deployment, there needs to be further review of a strategy for **Modern Methods of Construction** (MMC) and the **apprenticeship** regime. For the former, there could be greater nudges under the R & D tax credit regime to encourage **take-up and reduce risk** or even **scale up effective methods**, e.g. to cover MMC training. There also needs to be stronger evidence developed and endorsed by government on the use of sustainable materials such as timber.
- vii. For the latter, we support initiatives to shorten learning for construction-related apprenticeships. For instance, plumbing apprenticeships typically last around 4 years. This needs to be **shortened or broken up** as employers are deterred from hiring apprentices for such long periods of time. **Modular learning** must be more widespread to accelerate our response to the skills gap.

b) **Integration** between sport/physical activity interventions and employment

- i. Mention of sports (and physical activity) in the White Paper was limited to forming partnerships in context of job creation. We propose that government take a broader approach to these partnerships, specifically to review whether the **use of sport/physical activity interventions themselves are a means to reduce economic inactivity**.
- ii. The White Paper has also identified **risk factors** for people who are economically inactive such as mental health conditions, musculoskeletal conditions and cardiovascular disease. These could be addressed by **prescribing participation in sport/physical activity** as part of creating pathways to employment (or safeguarding job retention). The government could review evidence in other jurisdictions such as Australia, Germany and New Zealand who integrate physical activity interventions with career readiness programmes.
- iii. This would go **beyond the existing case management approach** under Connect to Work, Jobcentres (see pillar 5 of proposed reforms), etc. which could be more inclusive about grants that could fund evidence-based supported employment.

c) Promoting green skills to **accelerate decarbonisation efforts**

- i. A recent YouGov poll shows that 65% of British adults believe that they do not have access to green skills training at work. This hinders our net-zero aspirations with the challenge being most acute in sectors such as housing.
- ii. For the ongoing work between Skills England and the Office for Clean Energy Jobs, we would like to see a **sector-specific long-term green jobs plan** which includes **future skills route maps** and **governance mechanisms to ensure that trade competencies are reviewed**.
- iii. This necessitates **long-term funding** focused on several **strategic priorities**, as opposed to the short-termism of ad-hoc programmes which add layers of complexity to the system.
- iv. There is also the issue of addressing **employer** concerns on **investment returns** when training staff. While there is evidence that investment in training helps employers to retain staff for longer, there is still merit to further incentivising employers invest in training through levers such as **skills tax credits**, as proposed by the industry and regulators committee.

Conclusion

Our submission recognises that delivery of homes is a ‘wicked problem’, and housing is an ecosystem with complementary elements. Though some of these have indirect impact on entities such as ourselves, the right thing to do for both Customers and Communities is to state our policy stance which we believe is consistent with existing political/policy mandates. We wish to see our suggestions fed into a **broader housing strategy** that holistically considers different components. While we have taken a small step in painting a picture of challenges and solutions, these should not be considered in a piecemeal manner. Fixing the housing crisis requires an entire package of measures that are ambitious and bold, and which must result in a certain and simple system. Places for People is here to help realise government ambitions. Just as iron sharpens iron, our perspective helps uncover blind spots and sharpen thinking.

