



Working together to build the homes we need

Pre Autumn Budget Briefing

October 2024

The Housing & Finance Institute

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

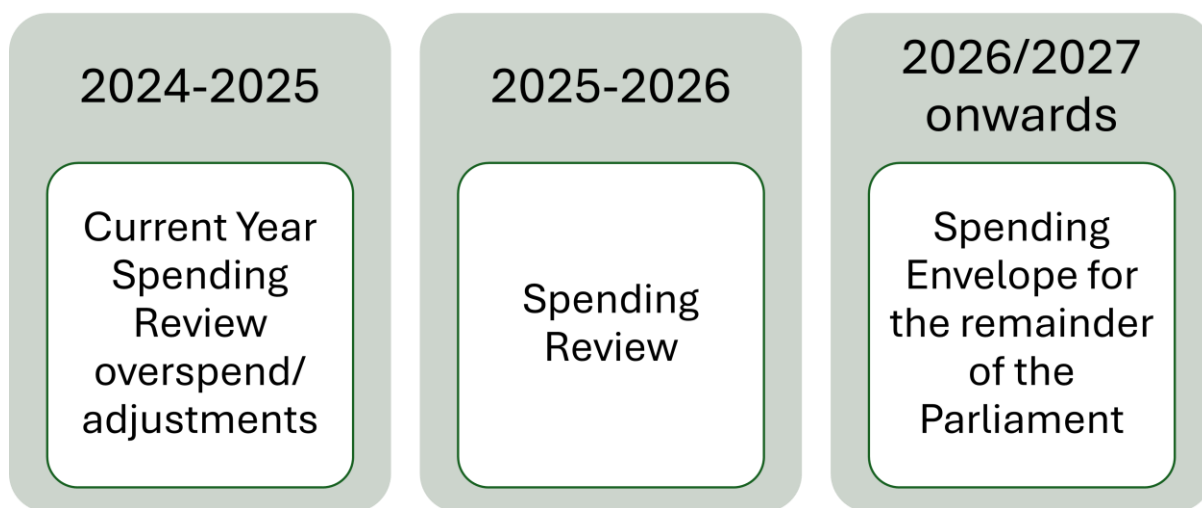
www.thehfi.uk

Connect@hfi.org.uk

WHAT TO LOOK OUT FOR IN THE FIRST BUDGET OF THE NEW GOVERNMENT

On 30 October 2024 the first Budget of the new Government since the general election will be delivered.

Budget watch: what is the Budget likely to cover?



The Institute for Fiscal Studies (IFS) has pointed out that the Autumn Budget covers two different structural budget matters- the Spending Review and the Spending Envelope:

- **The 2024-2026 Spending Reviews:** These are the detailed departmental spending allocations for next year (2025/26) together with adjusted allocations for the current year (2024/25).
- **The Remaining Parliament Spending Envelope:** This is a broader brush indicator of the government's priorities and the departmental 'winners and losers' for remainder of the Parliament (2026/27 onwards).
- The Spending Envelope will be converted into three year Spending Review in the Spring Budget 2025. This is intended to be refreshed and reviewed on a bi-annual basis.

The Budget takes effect against a backdrop of high political ambitions coming out of the recent general election but highly constrained public finances.

There are high hopes that the Budget will deliver a step change for infrastructure with a fresh approach to the funding and delivery of major infrastructure projects. For housing, the new government has committed to build 1.5 million homes this Parliament. There are mixed reports on the priority for housing within the overall new government's infrastructure and growth ambitions – with some indications that it is a central part of HM Treasury growth mission while other sources say that major infrastructure priorities may not include housing.

Housing Legacy Challenges



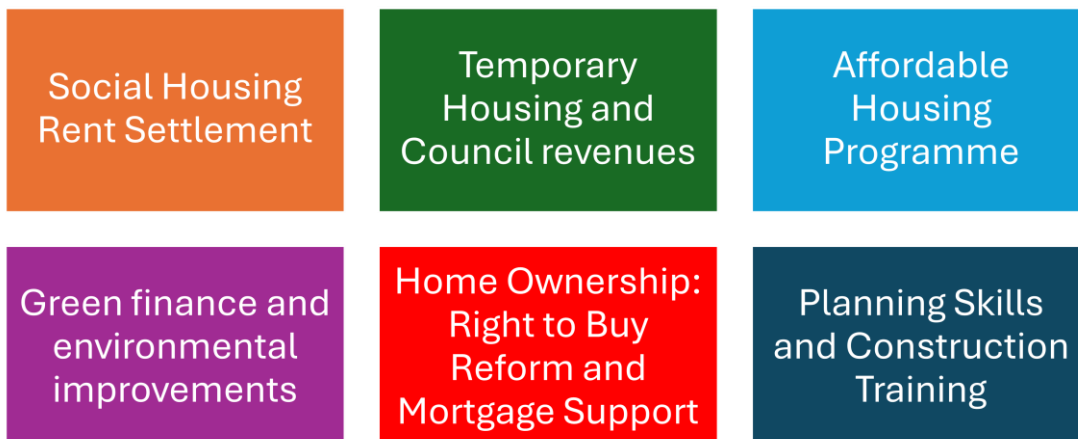
In addition to the delivery of new homes, the government and industry have a number of legacy housing costs and issues to resolve including legal and regulatory matters around building safety, fire safety, housing health (mould and damp), environmental protections, net zero and water pollution. These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

In addition to financial resources, housing associations, councils and housebuilders need to commit significant management resources to resolve these serious issues.

Legacy issues around building safety, fire safety, nutrients, biodiversity net gain and other regulatory matters continue to have a significant cost and future investment for the housing industries, including significant taxes already imposed on housebuilders to contribute to remediation and improvement in these areas.

What are the key areas to Budget Watch in relation to Housing Delivery?

BUDGET WATCH: Six Areas to watch in relation to Housing Delivery



Budget watch: (1) a long term rent settlement for social housing

For social housing, a new long term rent settlement for social housing is due to be announced. This follows the Deputy Prime Minister's parliamentary statement in July where she said "*The Government also recognises that councils and housing associations need support to build their capacity and make a greater contribution to affordable housing supply – which is why we will set out plans at the next fiscal event to give councils and housing associations the rent stability they need to be able to borrow and invest in both new and existing homes, while also ensuring that there are appropriate protections for both existing and future social housing tenants*".

Earlier this year the current settlement - which allows social landlords to increase rents above inflation (at CPI plus 1%) was rolled over until 2025/26. It is widely anticipated that the government will continue the current level (CPI plus 1%) but for a longer period of time - **an inflation busting ten year settlement at CPI plus 1% is widely thought to have been agreed by HM Treasury**. This is expected to embed above inflation rents rises of CPI plus 1% until 2035/36.

**For social rents -
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There is some speculation that HM Treasury may be persuaded to go further, **increasing the additional percentage element in the second half of the settlement period**, in a bid to underwrite additional social housing delivery – perhaps at CPI plus 1.5% or 2%.

It has also been mooted that the government will put forward a commitment to **underwrite the rent settlement in primary legislation**, mirroring the approach on international aid. This is to reduce the likelihood of an agreed rent settlement being reduced or changed, as happened post the financial crisis (where rents were required to be reduced) and during the recent cost of living crisis (where the rents were capped to an overall increase level of 7%).

Under the structural approach set out above for the upcoming budget, there is no need for HM Treasury from a fiscal point of view to address a new rent settlement for social housing now, as opposed to in the Spring Budget 2025 (as the current settlement is already to 2025/26). **Politically, given the commitment made by the Deputy Prime Minister, it is expected that a new social rent settlement will be announced on 30 October.**

Budget Watch: (2) Temporary housing, council budgets and tackling the LHA Gap

High on the Budget watch list is the cost of temporary housing for homeless people. This is something that the Housing & Finance Institute have been working on for some time – with its ‘Operation Homemaker’ programme, which sets out ways to prioritise and convert allocations of spending and investment to secure an immediate boost in the provision of additional social and affordable housing which would ease pressures on revenue spending and housing benefit and ensure more people in need had a secure and appropriate home. Read more here about the HFI and [the Operation Homemaker plan](#).

“More immediate revenue relief for council spending on temporary accommodation is desperately needed – look out for additional council support in this area in the Budget”

Tackling homelessness and temporary accommodation is a major priority for the new Government – to address the financial pressures on councils and ensure that there is appropriate housing for those most in need of it.

In July the Local Government Association assessed that councils were spending more than £1.75Billion on supporting over 110,000 households with temporary accommodation. Financial pressures from temporary accommodation are overwhelming some local council’s budgets. **More immediate revenue relief for council spending on temporary accommodation is desperately needed – look out for additional council support in this area in the Budget.**

On Welfare reform:

“The Budget may indicate a future intention to look at the issue of the LHA gap” which can create a poverty gap for welfare recipients.

In addition, there have been longstanding calls to tackle the effect of the gap between the allowable welfare housing allowance (the LHA) and the true cost of housing. This can create a poverty gap for welfare recipients, with calls for reform including from the Joseph Rowntree Foundation (JRF). **Proposals include higher housing allowance payments, localised rent controls or adjustments to the operation of the welfare deductions system.** In the Budget there may be an indication given as to whether LHA levels may be considered as part of the upcoming spending review process. Also, whether devolved powers may be allowed so that different approaches to tackle this issue may be tested, including the possibility of local rent controls.

Budget Watch: (3) Capital Expenditure – the affordable housing programme

The current affordable housing capital investment programme is due to run to 2026. That might suggest that no additional capital programme is expected in the Autumn Budget.

However, there are numerous calls for additional investment in social housing to offset the expected continuing slower housebuilding output. A significant capital expenditure programme for affordable housing would undoubtedly be a boost to the medium term plans for housebuilding. Certainly the Spending Envelope (2026 onwards) can be expected to include a reference to continued and, it is widely expected, increased capital spending for affordable housing in the next few years.

However, HM Treasury may want the next six months before the Spring Budget to be able to dig down into the best way in which to allocate and target affordable housing expenditure, given the widely noted challenges by Homes England in delivering its 2021-2026 targets.

It might be that a new government delivery programme is needed in order to provide modern and sustainable investment in social and affordable housing that delivers for taxpayers, effectively harnesses private finance and institutional investment and has all the players on the pitch, including for councils, for-profit registered providers and other housing managers.

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Currently, a number of housebuilders are being held up in the delivery of sites where housing associations won't or are unable to contract to take planned social and affordable housing. As a result, some housebuilders are setting up their own registered housing providers to get sites moving. This isn't a new issue and greater structural reform is needed.

Looking at alternative models for delivering homes and harnessing finance is work currently being undertaken at the Housing & Finance Institute. It will be interesting to see whether in this Budget the new government opts for 'more of the same' or opens the door to more significant reforms.

*Budget Watch: (4) Green finance, estate improvement,
safety and environmental programmes*

Another important government priority is **upgrading the existing housing stock to meet decent homes and energy commitments**. Savills have estimated the cost of decarbonising social housing stock at £3.5billion per year.

There is a real opportunity to harness Environmental (ESG) and green finance and investment to meet the need to upgrade homes under a structured government programme. This could be delivered by updating the estate regeneration programmes of the past to meet modern needs. The Housing & Finance Institute have been working on how such a new government programme could work.

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In addition, household based financial incentives to support environmental upgrades have worked well in the past as researched by the Resolution Foundation. Continuing to provide effective support and access to finance for housing stock upgrades across the private sector (both rental and ownership) will be key to meet the country’s future commitments in this area.

*Budget Watch: (5) Home ownership:
Reform of Right to Buy and Mortgage Support Schemes*

Right to Buy may not seem like a budget issue, but the operation of the current right to buy programme directly affects the viability of new developments. For example, a council could build a new council home and take on long term debt to finance it, only to find themselves compelled to sell it after 3 years at a knockdown price.

The Housing & Finance Institute have called for Right to Buy reform in relation to new build council housing in its budget publication for the [March Budget 2024](#). There are a number of further reforms that have been set out in our HFI Right to Buy reform short read “[A Fairer Right to Buy](#)” that could modernise the effectiveness and accessibility of home ownership for council and low income households.

“Access to home ownership directly affects the confidence of housebuilders in bringing forward new schemes. Put simply, if fewer people can buy a home because they can’t access a mortgage due to high interest rates or lack of a deposit, fewer homes for sale will be built for the private sales markets.”

Turning to Mortgage Support schemes, these have long been a feature of the housing markets. From MIRAS in the 1980s to the Help to Buy Family of mortgage support products in recent years, government support has been a key feature in the delivery of new homes and supporting access to the housing ladder for lower and middle income families.

The HBF’s September report [Broken Ladder](#) sets out the challenges – and possibilities- for targeted mortgage support schemes for home ownership.

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Home Builders Federation (HBF) chief executive, Neil Jefferson has been calling for a new type of support scheme. He says: *"This latest analysis [in HBF's research paper Broken Ladder] lays bare the reality of the affordability challenges facing younger generations struggling to access the housing market. The uncomfortable truth is that homeownership is being pushed out of reach of many – particularly those without the support of family wealth.*

"Whilst Government's recent moves to tackle long-standing challenges within the planning system are welcome, action is needed to help people get a foot on to the property ladder. The lack of affordable mortgage availability is stifling the market and snuffing out homeownership aspirations."

The Labour manifesto contained a commitment to *"work with local authorities to give first-time buyers the first chance to buy homes and end the farce of entire developments being sold off to international investors before houses are even built. And we will introduce a permanent, comprehensive mortgage guarantee scheme, to support first-time buyers who struggle to save for a large deposit, with lower mortgage costs."*

Whether there is something for new homeowners and would-be buyers in the Budget is therefore an area to watch.

Budget Watch: (6) Skills and apprenticeships (including planners)

The apprenticeship levy is a source for investment in skills training for the construction industry. In addition, there is expected to be a boost in the Budget specifically for planners – the Labour manifesto said *"Labour will support local authorities by funding additional planning officers, through increasing the rate of the stamp duty surcharge paid by non-UK residents."*

"there is expected to be a boost in the Budget specifically for planners"

Changes to stamp duty to boost planning capacity are therefore currently anticipated in the upcoming Budget.

Follow the Autumn Budget 2024

The Autumn Budget 2024 will take place on 30 October 2024 around 12:30pm.

Budget documents are posted on the Government website shortly after the Chancellor completes her statement to Parliament.

Budget Related Recommended Reading

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

HBF: [Broken Ladder](#)

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

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

Labour Party [manifesto 2024](#)

LGA: [Councils Homelessness Costs](#)

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

National Housing Federation: [NatFed Budget Submission](#)

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

Savills: [Decarbonising social housing stock](#)

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.

We are not politically affiliated with a particular party and we work cross-party.

We do not represent an individual business/industry/ sector.

Important legal notice

This Pre Budget Report 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.

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