Budget Representations 2026

Home Builders Federation (HBF) response

The Home Builders Federation (HBF) is the principal representative body for private sector home builders and voice of the home building industry in England and Wales. HBF member firms account for some 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from widely recognised national firms, through regionally-based businesses and small local companies.

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Summary

The Budget provides an opportunity for the Government to support home ownership, and to remove the barriers holding back investment in new homes. HBF is asking the Government to take action in six key areas:

1. Support first-time buyers and strengthen effective demand for new homes

- **Introduce a new 20% equity loan scheme for first-time buyers**, supported by a developer contribution, which would help to support households into homeownership and deliver new homes.
- **Publish the Government's independent evaluation of the Help to Buy scheme.**
- **Restore the first-time buyer Stamp Duty Land Tax (SDLT) thresholds** that applied before April 2025, as well as undertaking a broader review of the economic impact of the tax.

2. Reduce the cumulative cost burden on the development of new homes

- **Cancel the Building Safety Levy,** which is due to come into effect in October. HBF analysis indicates that the Levy is unjustified and disproportionate.
- **Introduce a moratorium on further policy costs, taxes and levies on home building,** alongside an urgent cross-government review of the cumulative cost burden on new development. In recent years, additional costs have been introduced by multiple government departments, often without sufficient consideration of their combined impact on development viability and housing supply.

3. Remove fiscal barriers to housing delivery

- **Ensure reforms to Land Remediation Relief** make the Relief simpler, more certain and more effective in improving the viability of brownfield development.
- **Introduce a clear and consistent national framework for the application of council tax to newly built homes**, where properties are only judged substantially complete at the point a building control completion certificate is issued.
- **Review the application of the Economic Crime Levy to residential developers,** including whether incidental sales and marketing activity for residential Joint Ventures (JVs) should bring house builders within scope.

4. Unlock Section 106 Affordable Housing delivery

- **Make cascade mechanisms a standard feature of Section 106 agreements**, and allow developers of medium-sized sites to elect to make a financial contribution in lieu of on-site Affordable Housing provision.
- **Reform the VAT "golden brick" rules** to enable earlier and simpler zero-rated land transfers for social and affordable housing.

5. Give the planning system and local government the capacity to support housing delivery

- **Increase long-term funding for local planning authorities** to allow councils to recruit and retain permanent planning staff, rather than relying on short-term or project-based solutions.

6. Support skilled jobs in the home building industry

- **Ensure the Growth and Skills Levy is flexible,** works for employers of all sizes, and supports different types of routes into the industry.

Introduction: Housing delivery and good growth in every postcode

Home building has a central role to play in delivering the Government's ambition for good growth in every postcode. There is an acute need for more homes across the country, and increasing housing supply is essential to addressing that need and improving access to home ownership.

At the same time, housing delivery helps to drive investment, support skilled employment and generate wider economic activity. Overall, the industry generated £46 billion in economic activity in 2024/25 and supports around 734,000 jobs, including 9,000 apprentices, graduates and trainees. The economic impact of housing delivery is also felt directly in local communities. The 209,000 homes delivered in England in 2024/25 supported £1.3 billion of investment in local infrastructure such as schools and public transport, and £6 billion of spending in local shops and high streets.

The contribution that a stronger housing market can make to productivity and the public finances is also increasingly well established. The Office for Budget Responsibility (OBR) has previously projected that, if the Government's planning reforms support a significant increase in housing delivery, GDP could be boosted by 0.2% by 2029-30 and government borrowing could be reduced by £3.4bn.

Since the 2024 General Election, there has been progress in establishing a stronger planning framework for housing delivery. Reforms to the National Planning Policy Framework (NPPF), including the reinstatement of local housing targets, the introduction of the 'grey belt', and the presumption in favour of development around rail stations, are particularly welcome. Taken together, these reforms provide a much stronger basis for increasing housing supply and have the potential to support wider economic growth.

However, this stronger planning framework has not translated into an improvement in housing delivery or the pipeline of future supply. Indeed, the latest indicators point in the opposite direction. The OBR's March 2025 forecasts for housing supply are also looking increasingly unrealistic with each passing month and every set of output indicators.

Indicators of housing supply

Private housing supply is a function of the number of active sites the industry maintains multiplied by the sales rate that can be achieved. In recent years, sales rates have been subdued and active site numbers have fallen. The industry's footprint is therefore considerably reduced compared with its size some five years ago. This reflects an erosion of investment appetite as (1) the cost of delivering new homes has escalated; and (2) effective demand for those new homes continues to be weak by historical standards.

This is now being seen in the data. Net housing supply fell by 6% in 2024/25 to 208,600 homes, 16% below the 2019/20 peak of 248,600. On the current trajectory, just over 1 million homes would be delivered in this Parliament, a similar number to the previous Parliament and well short of the Government's ambition to deliver 1.5 million homes.

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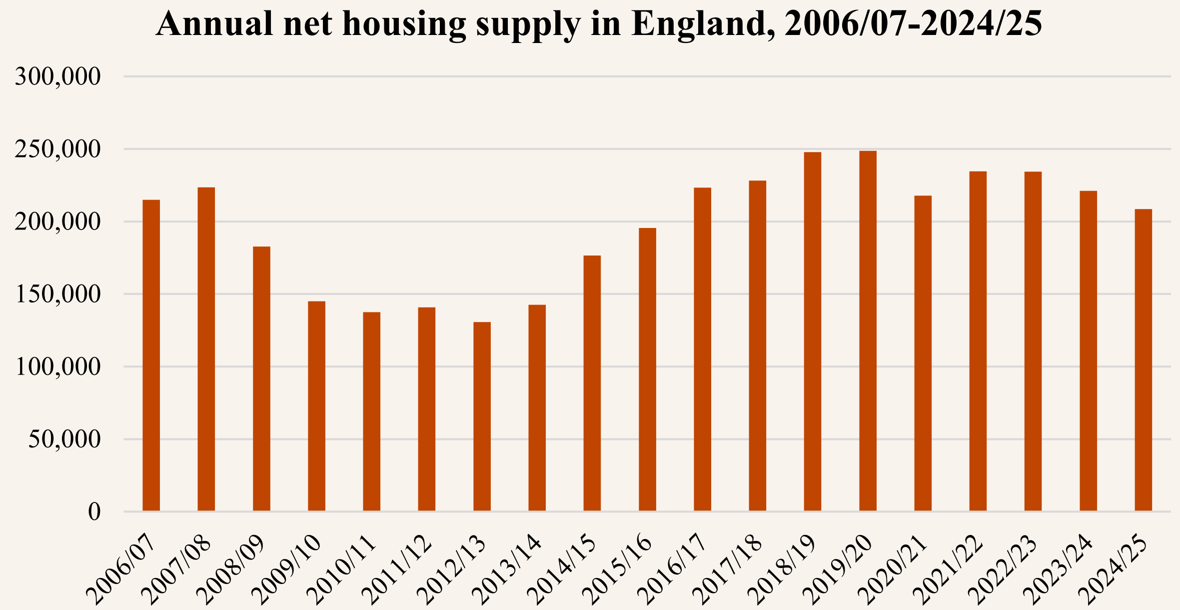
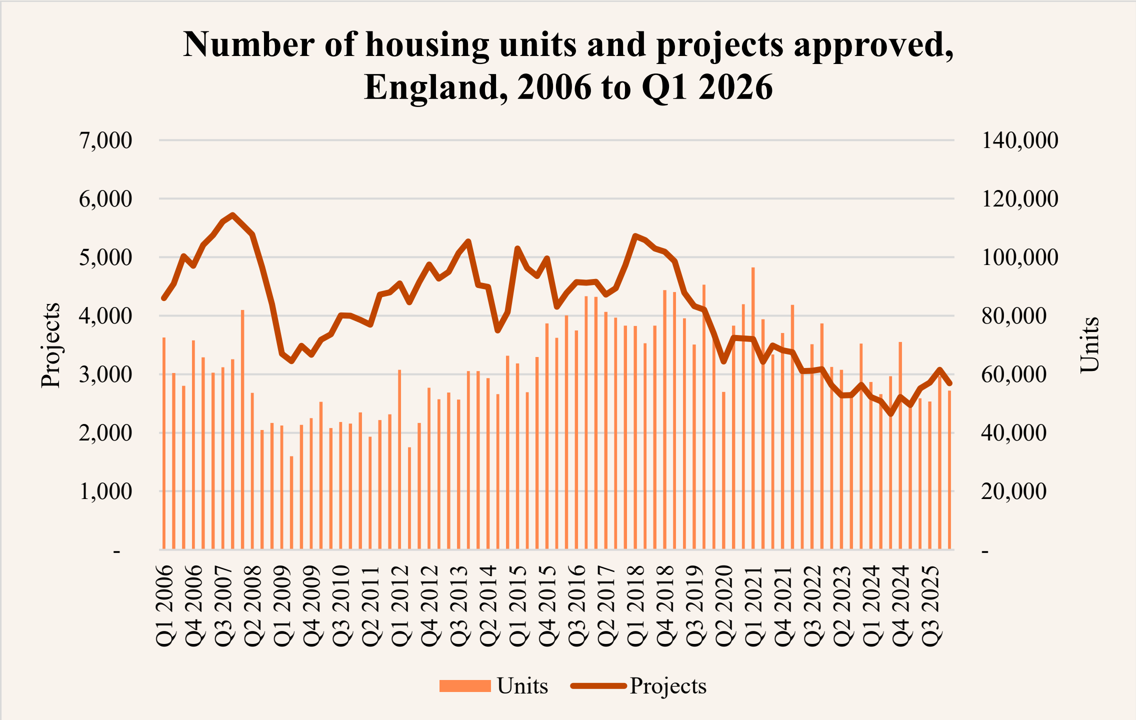


At the same time, the other major indicators of housing supply are also now trending downwards or flatlining:

- The number of home building sites granted planning permission, the most reliable indicator of future supply, fell to a new low in the first quarter of this year, with just 1,220 sites for private housing granted planning approval across England, according to HBF/Glenigan data. This is the lowest level since the dataset began in 2006, down from around 2,000 in 2022 and nearly 3,000 in 2017. New consents for future delivery have also flatlined at around 200,000 units per annum.



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- 202,667 Energy Performance Certificates (EPCs) were issued for new dwellings in the year to June 2026.
- In the first 21 months of the Parliament, 250,520 homes were completed in England, representing an average of around 12,000 per month[1]. Around 31,000 net additions per month would now be required between now and the end of the Parliament to meet the 1.5 million homes target.

There are several factors contributing to the current weakness in the future housing pipeline:

- **Development costs and viability:** The cost of building a new home has increased significantly in recent years. HBF analysis estimates that the cumulative impact of higher material and labour costs, taxes, levies and policy requirements has added around £76,000 to the cost of building a home since 2020.

- **Weakening effective demand:** The absence of any government assistance for home ownership, combined with higher interest rates, has stretched affordability and limited access to high loan-to-value mortgages for new build homes, this has weakened effective demand, particularly in London and other high-cost areas. A weaker sales market makes it harder for home builders to commit investment to new sites.

- **The Section 106 market:** Over the past few years, many home builders have struggled to secure bids from Registered Providers (RPs) for their Section 106 Affordable Homes, largely because of the financial pressures facing this part of the housing sector. While it is welcome that the Government has made interventions to shore up the financial resilience of Registered Providers (RPs) and to encourage the use of cascade mechanisms, HBF members report that severe constraints remain.

- **Persistent delays in the planning process:** The Government has taken important steps to improve the planning framework, but the experience of developers remains that the *process* of securing planning decisions and bringing consented sites to construction is too slow and unpredictable. Delays in securing decisions, resolving conditions and getting sites to a point where construction can begin continue to hold back delivery and tie up investment.

A sustained reduction in the housing pipeline risks weakening the industry's capacity to increase delivery in the future. As sites become marginal or unviable, investment decisions are deferred, and businesses reduce their footprint. Rebuilding capacity to deliver new homes takes time, whether that be in the skills pipeline, the wider supply chain or within home building companies themselves. The longer the current weakness in the pipeline continues, the greater the risk that capacity is lost before the benefits of planning reform can translate into increased delivery.

[1] MHCLG, Indicators of Housing Supply up to March 2026

A weak housing pipeline also has implications for the delivery of Affordable and Social housing. There is a close relationship between market and Affordable Housing delivery, with around half of new Affordable Homes typically delivered by the private sector through the Section 106 route. A weak pipeline of homes for market sale therefore also reduces the opportunities to provide new Affordable and social homes.

The Budget provides an opportunity to build on the progress already made through planning reform by easing the viability pressures facing residential development, strengthening effective demand and removing the remaining barriers to development within the planning process. This submission sets out the measures the Government could take to increase housing supply and, in turn, deliver good growth in every postcode.

Effective demand: Increasing home ownership opportunities across the country

Overview: Challenges facing FTBs and impact on levels of effective demand

Meeting the Government's housing targets and driving economic growth relies heavily on increasing the number of first-time buyers (FTBs) entering the housing market.

The level of effective demand in the market will determine, to a significant extent, how many market homes can be built. That is to say, to sell homes, developers generally need to have confidence that enough buyers will be able to access affordable mortgage finance at the point those homes are completed, which can be several years in the future. The range of products and the availability of higher loan-to-value loans for new build properties is significantly lower than in the general housing market, as mortgage lenders tend to effectively provide better terms for purchasers of older properties than new builds. This differentiation is particularly pronounced for apartments – an obvious first rung on the housing ladder for FTBs.

The Office for National Statistics (ONS) has reported that in London, the average home is unaffordable even for the top decile of household income; and in the South East, East of England and South West, only the top decile households can meet the affordability threshold for an average property.

This goes even further for first-time buyers. HBF research finds that 60% of earners aged 22-29 could not afford the average-priced first-time buyer property in any region in England (based on a household income-to-price ratio of 5 or lower as the affordability threshold). Only the top income decile for this age bracket could afford to buy in the West Midlands, East

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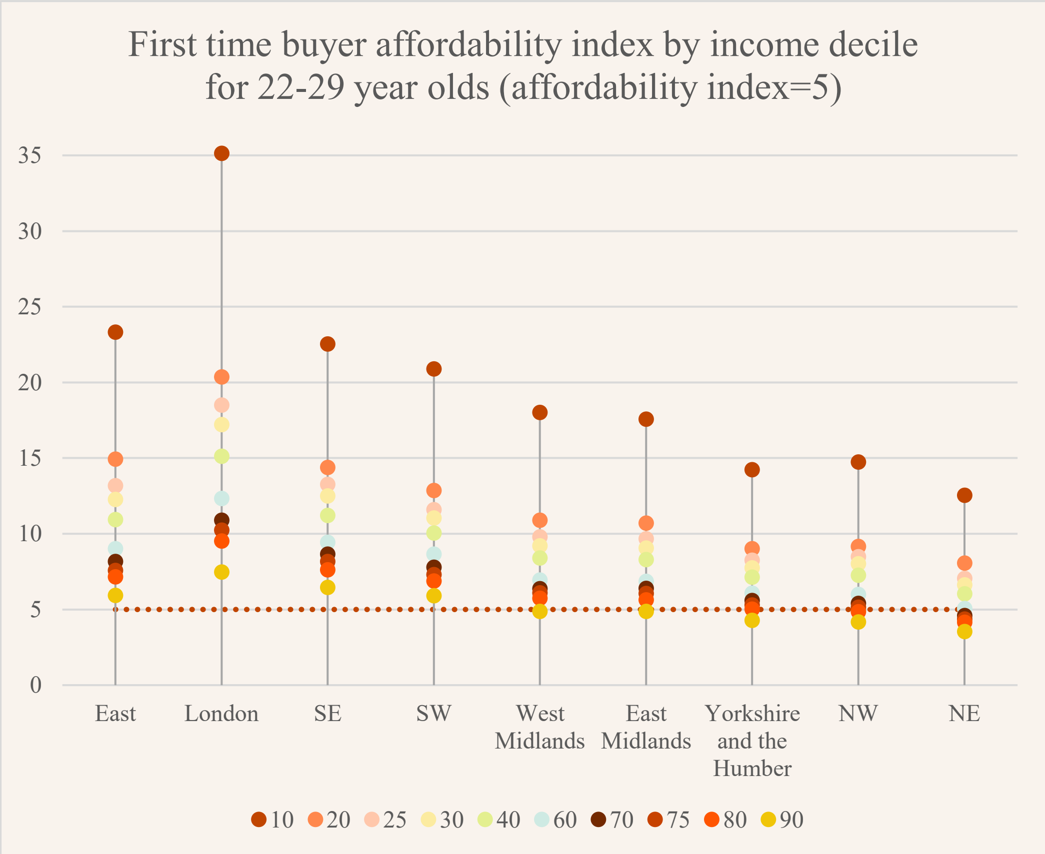
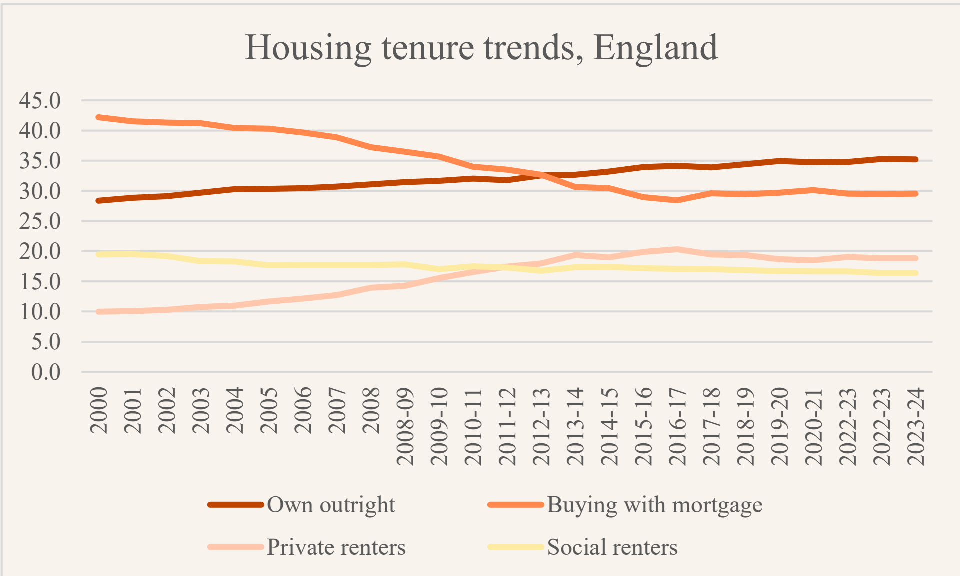
Midlands and Yorkshire and the Humber; and in London, the South East, East and South West, even the top income decile could not afford an average-priced first-time buyer property.

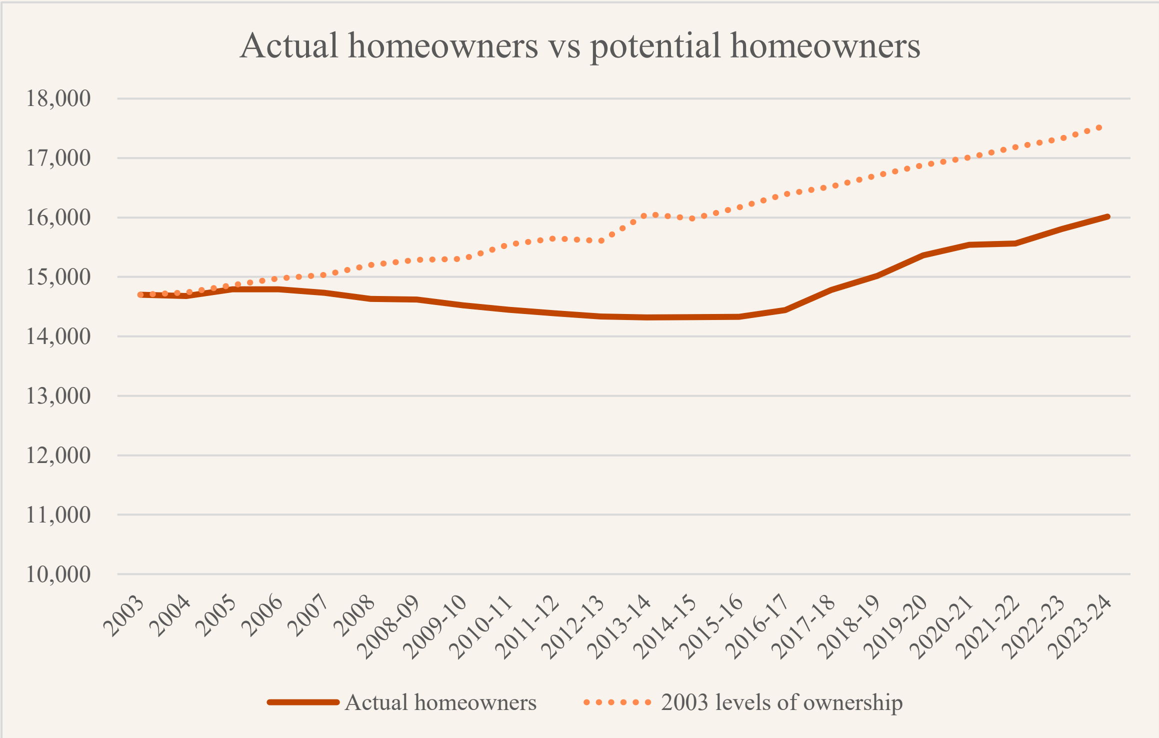


While home ownership has been England's largest housing tenure since the mid-1970s, levels are now far lower than the 2003 peak. The 2023-24 English Housing Survey found that under 65% of people were owner-occupiers compared to 70% in 2003.



Households owning their property outright have become the largest tenure in England, demonstrating the concentration of wealth. At the same time, the proportion of households private renting has almost doubled, from 10% in 2000 to 18.8% in 2023/24.

HBF's Broken Ladder research finds that 1.5 million potential homeowners have been lost from the market since 2003/4, when home ownership was at its peak of 71%.



Impact of these challenges on investment and housing delivery

Subdued demand in the housing market has a significant impact on home builders' ability to invest with confidence.

HBF's Sentiment Survey of small and medium-sized home builders highlights the scale of these demand-side pressures. When asked about the most significant constraints on their ability to deliver new homes, low buyer confidence was identified as the leading constraint, with 74% of respondents citing it, while 70% pointed to wider housing market conditions. This suggests that the challenge facing SME builders is not simply the availability of land, planning or construction capacity, but also the strength and stability of demand for the homes they are seeking to deliver.

The survey also provides a clear indication of the measures that could help restore confidence and encourage investment. When asked what political actions would have the greatest impact on their confidence to invest in new housing developments, 68% of SME builders called for increased home ownership opportunities for first-time buyers.

Recommendations: Publish the independent evaluation of the Help to Buy scheme and take forward a new equity loan scheme for today's aspiring homeowners

The years since the Help to Buy Equity Loan Scheme wound down in 2022 have been the only period in the past 60 years without a substantive government-backed intervention to help more people onto the housing ladder. From the 1960s to the 1990s, this typically took the form of mortgage interest tax reliefs, with governments from 1999 to 2022 recognising the need to focus attention on stimulating additional housing delivery and thus followed a move towards initiatives aimed at supporting first-time buyers to purchase new homes.

The Help to Buy scheme ran from 2013 up until its withdrawal in 2022. Over its lifetime, it helped almost 400,000 households purchase a new build home, including more than a third of a million first-time buyer households.

Although not exclusively attributable to the introduction of Help to Buy the impact of the scheme on housing supply in England is plain to see. Over the time it was operating, housing supply doubled. An obvious leading indicator: planning permissions immediately began to increase as a result. Prior to the 2013 Budget, the number of units being approved in a 12-month period was consistently between 150,000 and 200,000. By late 2015, this annualised figure exceeded 250,000. The trend continued throughout the first phase of the Help to Buy scheme, climbing to more than 330,000 at the peak – an 80% increase on the typical pre-Help to Buy outturn.

While, again, not wholly down to the withdrawal of Help to Buy, following the scheme's closure, investment in new sites and planning consents has declined consistently over the past four years. Wider economic factors have undoubtedly contributed to depressed investment, but greater uncertainty over forward effective demand is a large contributing factor.

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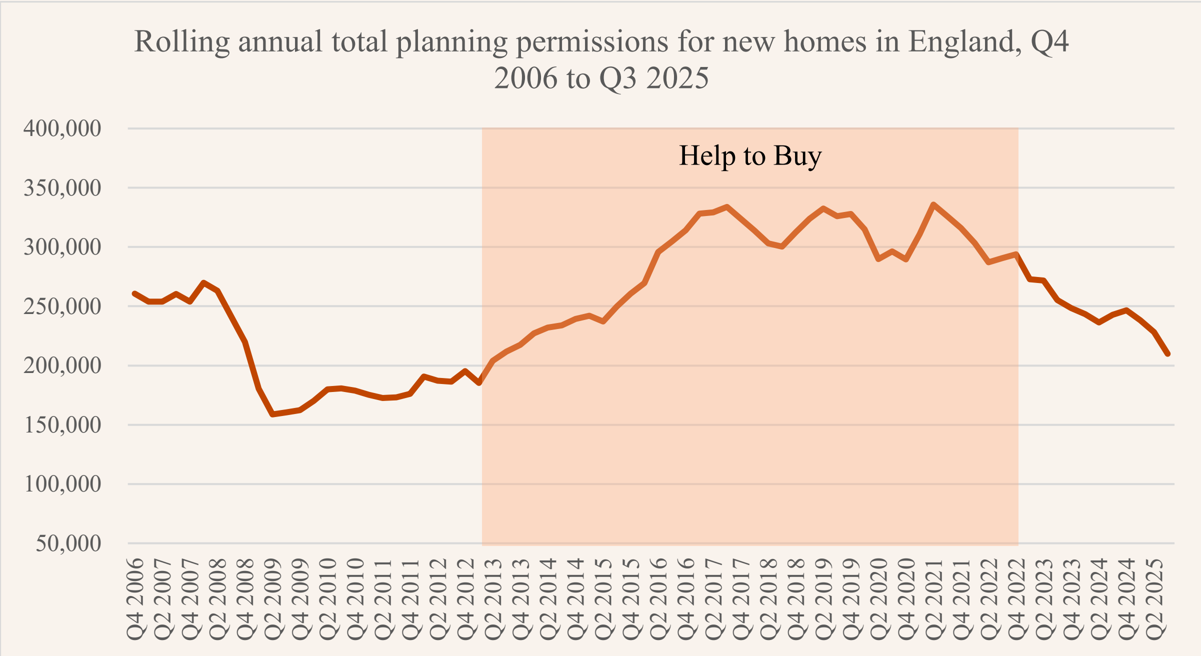


Help to Buy assisted 387,278 households to purchase a new build home between 2013 and 2022. These loans have generated a huge income for the taxpayer. HBF's recent analysis of repayments found:

- Help to Buy assisted 387,278 households to purchase a new build home between 2013 and 2022, including 328,346 first-time buyer households.
- At the end of March 2026, 213,713 equity loans had been fully repaid, meaning that more than 55% of loan accounts are now closed.
- The closed loan accounts had a value at origination of £11.98bn, but the repayment value was £13.22bn, an increase of £1.24bn against the amount loaned and representing a positive return on the investment of 10.4%.
- Since 2018/19, interest payments have generated £510 million in income for Homes England, including £151.9 million in 2025/26.
- Combining positive returns on the Help to Buy equity loan book and the interest income derived from the scheme to date, the Exchequer has so far benefited from around £1.74bn of 'profit'.
- The 32,276 loans paid off during 2025/26 had an origination value of £2.02 billion, but Homes England received £2.24bn, an increase on the original value of £218 million (10.8%).
- 'Profit' on equity loans taken together with interest income during the year created £370 million in positive returns for the Exchequer during 2025/26.

The closure of the Help to Buy Equity Loan scheme in 2023 made an already challenging situation for FTBs much bleaker. Building on experience with previous schemes going back to the 1960s, it is clear that an equity loan scheme, over other alternatives such as shared equity, mortgage interest tax reliefs or guarantee schemes, provides significant stimulus for housing supply and allows for developers of all sizes to provide their customers with access to the assistance.

A new 20% equity loan scheme, supported by a developer contribution, could help to transform the new build housing market, reduce investment risk and help to deliver new homes. The equity loan would be part-funded by a developer contribution. Developers would effectively pay a fee in return for their buyers having access to the initiative. This fee, set initially at 1%, would be equivalent to the commercial fee paid by lenders for the protection offered by HMT's Mortgage Guarantee Scheme. The equity loan would be interest-free for five years.

We propose that this fee starts at 1% of the property's value. This rate would apply to the first transactions for each participating builder that are supported by the scheme. A rate of 2% could apply to transactions following a certain number of completions for the customer base of a particular developer (for administrative purposes, this could be triggered at the end of a quarter or other equivalent period). Thereafter, a 3% fee could apply, meaning that (a) larger developers whose purchasers use the scheme more will ultimately pay a blended rate much closer to 3% than 1%, and (b) the government's average equity loan would be between 17% and 19% while holding a 20% equity stake in each qualifying property.

The table below shows how this would work on an individual basis, with a buyer's deposit requirement for a £300,000 new build home halving to £15,000 thanks to a Deposit Boost of £60,000, giving the buyer an effective 25% deposit. The 20% Deposit Boost would be funded by a combination of a government equity loan and a developer fee (with an assumed average of a 2% blended rate fee across the portfolio).

Original purchase price	£	300,000
5% Buyer deposit	£	15,000
20% 'Deposit Boost'	£	60,000
(Of which developer 'fee')	£	6,000
Net value of HMG equity loan	£	54,000
Redemption property value (+9.9%)	£	321,000
Repayment to HMG	£	64,200
Uplift on original loan value	£	10,200
% change		18.9%

In 2024, the Ministry of Housing, Communities and Local Government commissioned an evaluation of the Help to Buy scheme. The evaluation engaged expert consultants and involved extensive research into key data, including redemptions, arrears and overall financial performance, while also benefiting from extensive interviews with homebuyers,

mortgage lenders and home builders. HBF urges government to publish its Help to Buy evaluation as the need for a new scheme becomes more apparent.

Public support for a first-time buyer scheme

Polling from 2025 showed strong public support for government intervention to assist younger households onto the housing ladder, with 69% favouring a low-deposit market option for first-time buyers. In particular, 'Labour Switchers' (those who voted Labour in 2024 but now say they would vote for another party) are particularly concerned about the plight of first-time buyers:

- 84% think it is ridiculous that people in the UK who work cannot afford to own their own home, compared with 76% of the wider public
- 74% would support a first-time buyer scheme that lowers the deposit requirement for first-time buyers to 5 per cent, compared with 69% of the general public;
- 63% think that young people being unable to afford to purchase a home shows that the 'country is in decline' compared with 58% of the general public;
- 63% think government policy should help people to own their homes and get away from renting, compared with 56% of the general public;
- 69% believe that Help to Buy should have been continued, compared with 61% of the general public

Stamp Duty Land Tax (SDLT)

Stamp Duty Land Tax (SDLT) represents a significant upfront cost for homebuyers and can act as a barrier to transactions, mobility and effective functioning of the housing market. This is particularly important in the current market, where affordability pressures and the cost of accessing mortgage finance continue to constrain prospective purchasers.

Alongside the need for additional support to help first-time buyers access home ownership, the reduction in first-time buyer SDLT thresholds from April 2025 has increased the upfront cost of purchasing a home. For households already facing significant deposit requirements, these additional transaction costs can affect purchasing decisions, leading some prospective buyers to delay or reconsider their plans to move.

This has consequences beyond individual purchasers. A healthy housing market depends on transactions taking place across different tenures and stages of the market. Supporting first-time buyers can unlock transactions further up housing chains, support demand for new homes and enable households to move to accommodation that better meets their needs.

Recommendations

HBF therefore recommends that the Government **restore the first-time buyer SDLT thresholds that applied before April 2025**, reducing the upfront cost of home ownership and supporting confidence and activity in the housing market.

There remains a strong case for **Government to undertake a broader review of the economic impact of the tax.** In particular, this should consider the extent to which SDLT affects housing transactions, household and labour mobility, new housing demand and wider economic growth. Reducing barriers to housing transactions would support not only prospective homeowners but the wider functioning of the housing market and the Government's objectives for housing supply and economic growth.

Viability: Ensuring new homes remain deliverable

Overview

Over recent years, the total cost of delivering new homes has risen sharply. This rise has been driven by a combination of new regulatory requirements, taxes, and policy costs, as well as inflation in material and employment costs. As a result, many previously viable sites have become unviable, and the industry has been less able to plan effectively for new homes.
In May 2026, HBF estimated the average additional cost per housing unit of various policy requirements introduced in the last 5 years, alongside general build cost inflation:

Material and labour inflation	£37,450
Future Homes Standard	£10,200
Building regulations	£7,770
Nutrient neutrality	£7,090
Biodiversity Net Gain	£5,700
Building Safety Levy	£2,320
Taxes	£2,055
Landfill Tax	£2,000
Section 106 inflation	£985
	£75,570
Additional costs for high-rise development	£22,000

Cumulatively, these new taxes, levies and inflationary costs have the potential to add £76,000 to the cost of building a home compared to five years ago, depending on location and scheme characteristics. For apartments in high-rise buildings, this uplift in costs rises to an estimated £98,000. This is significantly more than the average house price inflation in the same period. The £76,000 represents 20% of the average new home value of £382,000 (as at June 2025).

In aggregate, these measures imposed by recent governments have imposed a significant cumulative cost burden on housing delivery, which is inevitably limiting the ability of developers to invest in new sites and threatening the housing pipeline.

This cumulative cost burden is now one of the main constraints on housing supply, threatening delivery of the Government's housing targets. Rising costs have created a shortage of viable land in many parts of the country, limiting the ability of developers to acquire new sites or take them forward, and disproportionately affecting SME home builders who have more limited capacity to absorb new costs.

A report last year by Zoopla found that building homes is viable in under two-fifths of England. Zoopla assessed the 38 local authority areas outside of London with the largest housing targets (those with targets of at least 1,500 new homes per year) and found that in 58% of areas, development was broadly unviable or marginal at best. These 38 councils account for just under one-third of the total annual housing targets for England, excluding London.

Many of the unviable or marginal areas are to be found in areas where sales prices are lower, such as northern England or the Midlands. This includes Birmingham, where, on average, the costs of development outweigh average property prices by 6% and Sheffield, where costs exceed sales prices by more than 20%. Marginal areas, where costs and property prices are very similar, include Leeds and Leicester and, further south, Somerset, Cornwall and Medway.

Building Safety Levy

Most of the measures that have increased the policy cost burden are already established. Paring these back or, in some cases, removing them entirely will be beneficial, but a starting point for this government ought to be to prevent making things worse. In this regard, the Building Safety Levy remains a significant concern for home builders, particularly given the cumulative impact of rising taxes, levies and regulatory requirements on the viability of new development. This latest tax on new homes will become payable on 1 October 2026 and will wipe out the viability of many sites across the country. The impact will be particularly acute in London because of the design and structure of the Levy.

HBF has a longstanding and ongoing commitment to the principle that leaseholders should not be required to pay for the remediation requirements that have been largely caused by decades of failure in the building regulations regime, and owing to the flaws with product testing and accreditation.

The home building industry has already made multiple financial commitments on building safety measures, totaling over £7 billion, made up of:

- a 4% surcharge on Corporation Tax (£2 billion)
- £4.2bn through a unique voluntary self-remediation pledge which commits over 50 UK home builders to complete the remediation of thousands of buildings developed over 30 years
- £700 million in reimbursements to government funds.

Last year, MHCLG has recently revised downward its assumptions about the proportion of buildings requiring remediation by 40% (Building Safety Remediation data releases). At the same time, the amount of money the Government is seeking to collect through the Levy has increased from £3bn to £3.4bn since 2023, without explanation. Therefore, while the original estimate suggested that £3bn would need to support the remediation of 7,500 buildings, MHCLG is now suggesting that £3.4bn is needed to fund works on fewer than 3,700 11-18m buildings.

The Government's estimate of buildings requiring remediation also includes many which are already due to be voluntarily remediated at the expense of developers under the terms of self-remediation commitments made in 2023. £2.6bn of the existing Building Safety Fund also remains unallocated. For these reasons, the industry does not believe the Levy is necessary.

Recommendations

The Building Safety Levy represents a major increase in the cost of delivering new homes, which will have a stark impact on site viability, with growing evidence that it will make development financially unviable in some parts of the country - adding £2,300 per plot on average and significantly more in some cases, including on much of London's developable land.

HBF's SME Sentiment Survey found that 91% of SME home builders believe the levy will make developments financially unviable. More than a third (36%) said they have already delayed, redesigned, or cancelled schemes in anticipation of its introduction.

SME home builders also expressed disappointment that a previously proposed exemption for medium-sized developments was ruled out. Applying the charge to these sites will disproportionately affect smaller developers, many of whom have never built high-rise buildings and played no role in creating the historic building safety issues the levy is intended to address.

As such, HBF encourages the Government to consider the following recommendations:

- **Cancel the Building Safety Levy, which is due to come into effect next month (October 2026). HBF analysis indicates that the Levy is unnecessary, unjustified and disproportionate, and risks adding further costs to new housing development at a time when viability is already under significant pressure.**
- **At a minimum, undertake a comprehensive impact assessment of the Building Safety Levy before implementation. This should assess both the necessity of the Levy and its likely impact on housing supply and development viability. The Government's July 2025 impact assessment provided insufficient analysis of the effect on housing delivery, particularly when the Levy is considered alongside the cumulative increase in taxes, regulatory requirements and other policy costs imposed on new homes.**
- **Introduce a moratorium on further policy costs, taxes and levies on home building, alongside an urgent cross-government review of the cumulative cost burden on new development. In recent years, additional costs have been introduced by**

multiple government departments, often without sufficient consideration of their combined impact on development viability and housing supply.

- **A coordinated assessment is now needed to understand these cumulative impacts and enable Government to make explicit trade-offs between competing policy objectives, including building safety, environmental and waste requirements, and affordable housing.**

Taxation: Removing fiscal barriers to housing delivery

Council tax

Council tax liabilities are becoming an increasing burden for home builders, particularly small and medium-sized developers, as local authorities are applying council tax on incomplete, uninhabitable new homes.

Council tax is generally understood as a charge paid by residents once a home is occupied. Less well recognised is that developers can become liable as soon as a new dwelling is deemed complete and entered into the council tax valuation list. Liability can therefore arise regardless of whether the property has been sold or occupied and, in some cases, before it is practically complete or ready for occupation.

Historically, the council tax system recognised the particular circumstances of newly completed homes. Newly built dwellings in England were eligible for a mandatory Class C council tax exemption, providing a 100% exemption for up to six months where a property remained unoccupied and substantially unfurnished.

However, the Local Government Finance Act 2012 abolished the mandatory exemption from April 2013 and replaced it with a locally determined system under which billing authorities can decide whether to offer a discount and, if so, at what level.

While intended to provide local flexibility, the current regime has created significant inconsistency and is increasingly imposing costs on developers before homes are occupied.
HBF research, based on a Freedom of Information (FOI) request of Local Authorities conducted earlier this year, identified two principal concerns.

1. **There is considerable variation between local authorities in determining when a new-build property is considered complete for council tax purposes.** Although most authorities apply a broadly similar interpretation, the criteria used and the stage of construction at which Completion Notices are issued vary significantly. As a result, developers face uncertainty and differing council tax liabilities depending on where they are building.
2. **Many developers are becoming liable for full council tax on homes that are not yet occupied and, in some cases, are not yet ready for occupation.** Nearly half of local

authorities (45%) provide no discount for newly completed properties that are unoccupied and substantially unfurnished. This means council tax liability can arise immediately once a property enters the valuation list, regardless of whether it has been sold or occupied, or even if it is habitable.

For SME developers in particular, this creates additional holding costs at a critical stage of the development process. Given their reliance on recycling capital from completed sales into new projects, these costs can directly affect cash flow, development viability and future housing delivery.

The introduction of the Second Homes Premium and reforms to the Empty Homes Premium have further increased these pressures. Since April 2024, local authorities have been able to levy the Empty Homes Premium after a property has been vacant for one year, rather than two. While the policy is intended to incentivise the reuse of long-term empty homes, it is increasingly capturing newly built properties that remain unsold because of market conditions.

It is concerning that **88% of SME developers responding to our survey reported that council tax charges, including the Empty Homes Premium and Second Homes Premium**, are negatively affecting cash flow and development viability.

Case study: South West SME home builder faces £140,000 council tax bill on unsold homes

One SME home builder operating across the South West has paid approximately **£140,000 in council tax on unsold new homes over the past two years**, across just six sites. This is in addition to the significant business rates it pays on sales offices and show homes.

A particular concern is the inconsistency in determining when a new home becomes liable for council tax. The developer operates across both Cornwall and Dorset and reports materially different approaches between the two authorities. Cornwall's published criteria can allow a property to be treated as substantially complete before windows, external doors, staircases, ceilings or services have been installed, whereas Dorset requires these elements to be in place.

The practical consequence is that **two otherwise identical homes at the same stage of construction can become liable for council tax at different points simply because they are located in different local authority areas.**

The developer has experienced cases where Completion Notices have resulted in council tax becoming payable before a property is build complete. It has also faced council tax on reserved homes before construction has been completed, despite those homes proceeding to legal completion within a reasonable period after being finished.

Slower market conditions are making these costs increasingly significant. Where a completed home remains unsold for more than 12 months, the developer can also face the Empty Homes Premium, increasing the council tax liability to as much as twice the standard rate.

For an SME home builder, these are not marginal costs. The £140,000 paid over the past two years represents capital that cannot be invested elsewhere in the business.

Recommendations

At a time when the Government is rightly focused on increasing housing supply, there is a strong case for reviewing how the council tax framework applies to newly built homes.

We would therefore encourage the Government to consider the following measures:

- **Introduce a clear and consistent national framework for the application of council tax to newly built homes,** where properties are only judged substantially complete at the point a building control completion certificate is issued.
- **Reinstate a time-limited Class C council tax exemption for newly built dwellings that are unoccupied and substantially unfurnished.** A 12-month exemption from the date of completion or entry into the valuation list would provide a fair and consistent national approach that recognises the time required to bring new homes into occupation.
- **Exempt new build homes from the Empty Homes Premium and Second Homes Premium for two years** from the date of completion or entry into the council tax valuation list.

Land Remediation Relief

Land Remediation Relief (LRR) can play an important role in supporting the redevelopment of brownfield and contaminated land by recognising the additional costs associated with bringing challenging sites back into productive use.

HBF welcomes HM Treasury's ongoing review of the relief with the aim of making LRR more accessible, better targeted, and more closely aligned with the practical realities of brownfield development.

Recommendations

HBF recommends that reforms should be focused on making the relief simpler, more certain and more effective in improving the viability of brownfield development. HBF is concerned that some of the proposed changes could inadvertently narrow eligibility or increase administrative complexity.

Recommendation one: Retaining the existing definition of qualifying contamination

HBF does not support linking qualifying expenditure too closely to the planning system. The existing tax and planning regimes serve different purposes: LRR determines which remediation costs qualify for tax relief, while the planning system is principally concerned with assessing and mitigating risks associated with development.

Making relief dependent on planning conditions, or their discharge, risks excluding legitimate remediation expenditure. Planning definitions may be more restrictive than those currently contained in Part 14 of the 2009 Corporation Tax Act, potentially resulting in a reduction in eligible costs. This does not appear to align with the intention expressed in the consultation document, which suggests that relief will be available for an expanded range of works.

HBF recommends retaining the existing definitions of qualifying contamination unless HM Treasury can demonstrate that an alternative approach would materially expand the scope of the relief. Greater certainty and simplicity could instead be achieved through clearer HMRC guidance on qualifying and excluded expenditure.

Recommendation two: Improve the treatment of derelict land

There is an opportunity to improve the treatment of derelict land. HBF supports removing the existing historic date restriction, which would bring more sites within scope, but this should be accompanied by an expansion of qualifying expenditure. The existing rules exclude significant costs commonly associated with bringing derelict sites back into use, including demolition and the removal of above and below ground structures. Without addressing these costs, broadening the definition of derelict land is likely to have limited practical benefit for development viability.

The revised regime should also avoid penalising temporary or “meanwhile” uses of derelict sites. Complex brownfield developments can have lengthy planning and development lead times, during which temporary uses can help offset holding costs. Such activity should not prevent a site from qualifying for relief where it remains economically derelict and requires substantial investment to return it to productive long-term use.

Recommendation three: Accelerate the timing of relief

HBF strongly supports proposals to accelerate the timing of relief, allowing qualifying expenditure to be recognised when costs are incurred rather than significantly later in the development process. This would improve cash flow and increase the value of the relief at precisely the point when developers are funding the substantial upfront costs associated with remediating complex sites. The proposed approach is also consistent with the normal accounting treatment of expenditure, whereby costs are recognised when the underlying work has been undertaken.

Accelerating relief would be particularly important for SME developers, for whom cash flow and access to development finance can be significant constraints. Remediation expenditure is often incurred early in a project, before development receipts are generated, requiring developers to finance these costs for a potentially lengthy period before receiving the benefit of the existing relief. Allowing LRR to be claimed closer to the point at which expenditure is incurred would reduce this financing burden, improve project cash flow and make the relief more effective in supporting the viability of smaller and more challenging brownfield sites.

This could be especially valuable to SMEs, which have less capacity than larger developers to absorb significant upfront costs or carry expenditure over extended development periods. HBF recommends that the Government proceed with accelerated relief and ensure that the administrative requirements do not undermine its benefits.

Economic Crime Levy

The Economic Crime Levy (ECL), introduced in April 2022, is an annual charge on businesses regulated for anti-money laundering (AML) purposes, with the amount payable determined by total UK revenue.

While the Levy was not designed specifically with house builders in mind, residential developers can inadvertently fall within its scope. This can occur where a house builder provides sales and marketing services to a separate entity, including a joint venture (JV) with a housing association, local authority or other public body. In these circumstances, the activity can constitute "estate agency work" for the purposes of the AML Regulations, bringing the house builder within the scope of the ECL. House builders selling only their own homes directly to purchasers are generally not affected.

This is increasingly significant given the changes to ECL rates announced in April 2026. For businesses with UK revenues of more than £500 million and up to £1 billion, the annual charge increased from £36,000 to £500,000, while businesses with revenues exceeding £1 billion now face a £1 million annual charge, double the previous £500,000 rate.

A particular concern is that liability is determined by reference to the *total UK revenue* of the entity undertaking the regulated activity, rather than revenue generated from the activity that brings it within the AML regime. A house builder undertaking a relatively limited sales and marketing function for a Joint Venture (JV) can therefore become liable for a substantial levy based on its wider house building turnover. This creates a disproportionate cost relative to the regulated activity giving rise to the liability.

The structure of the Levy also creates unintended consequences for residential development partnerships. House builders frequently provide sales and marketing expertise to JVs rather than requiring each JV to establish a separate sales function. Where this triggers ECL liability, the additional cost ultimately has to be absorbed by the house builder or recovered through higher fees charged to the JV. In either case, this increases the cost of development and can further weaken the viability of schemes, including partnerships established to deliver affordable housing and other public policy objectives.

The significant increase in the Levy therefore risks imposing an unintended additional cost on housing development at a time when scheme viability is already under considerable pressure from the cumulative impact of taxation, regulation and other policy costs.

HBF

Recommendations

In respect of the above, HBF recommends that HM Treasury reviews the application of the Economic Crime Levy to residential developers ahead of the Government's planned review by the end of 2027.

In particular, Government should:

- **Review whether house builders providing incidental sales and marketing services to residential development JVs should fall within the scope of the Levy, particularly where the underlying purpose of the partnership is the delivery of new and affordable homes**
- **Reconsider the use of total UK revenue to determine ECL liability, where only a small proportion of a house builder's activity is regulated for AML purposes. Consideration should instead be given to a more proportionate approach that better reflects the scale of the regulated activity giving rise to the Levy.**

Reform in these areas would retain the objectives of the Economic Crime Levy while avoiding disproportionate and unintended costs that can ultimately reduce the viability and delivery of new housing.

Affordable Housing: Increasing supply and unlocking delivery

Overview

The Government's commitment to significantly increasing the delivery of Affordable Housing, particularly council housing, is laudable and strongly supported by the home building industry.

HBF and its members recognise the urgent need for more homes of all tenures not only to tackle the housing crisis, but also to drive improved socio-economic outcomes in communities across the country.

It is equally important to recognise that private home builders are not simply supporters of Affordable Housing delivery; they are already central to delivering it. Private developers typically account for around half of all Affordable Homes delivered each year, making the continued strength and capacity of the private home building sector critical to meeting the Government's wider housing ambitions.

Section 106 Affordable Housing

The continuing dysfunction in the Section 106 Affordable Housing market needs to be addressed. In recent years, home builders have found it increasingly difficult to secure Registered Provider (RP) partners to acquire Affordable Homes delivered through Section 106 agreements, reflecting the significant financial and operational pressures facing the RP sector.

HBF research in 2025 illustrated the scale of the problem. A Freedom of Information survey of local authorities identified around 8,500 Affordable Homes expected to be delivered over the following 12 months for which no RP was contracted, alongside approximately 900 completed Affordable Homes standing empty.

The Government has rightly recognised the issue. In January 2026, the Housing Minister acknowledged that *"thousands of unsold and uncontracted S106 affordable homes"* had accumulated and introduced a time-limited emergency package designed to help unlock these homes. HBF welcomed this intervention and, in particular, the expectation that local planning authorities make full use of existing flexibilities to renegotiate Section 106 agreements where developers are unable to secure reasonable RP offers.

The consequences extend beyond the affected Affordable Homes: delays can restrict delivery of associated market housing, reduce investment in subsequent sites and ultimately constrain total housing supply.

The impact is felt particularly by SME home builders. Completed but uncontracted Section 106 homes represent significant capital tied up on site, frequently financed through debt. Prolonged delays can therefore create severe cash-flow pressures and restrict SMEs' ability to invest in their next development.

There is emerging evidence that this uncertainty is also changing investment decisions. Some SME developers are avoiding sites without an RP contract already secured, prioritising sites without Affordable Housing obligations or deliberately pursuing developments below the threshold at which Affordable Housing contributions apply. This is an undesirable outcome for both the industry and Government: a system intended to secure Affordable Housing should not inadvertently discourage SMEs from bringing forward larger sites or reduce the overall number of homes delivered.

The Government's January intervention was therefore an important and pragmatic recognition that flexibility can protect overall Affordable Housing and housing delivery rather than undermine it. However, challenges remain. Developers have reported difficulties using the Homes England clearing service, instances of RP bids below the basic construction cost of homes, and continued reluctance among some local authorities to agree Deeds of Variation despite the Government's guidance. With the emergency route now closed, a durable solution is required.

Recommendations

To address the challenges in the Section 106 Affordable Housing market, both immediately and over the longer term, HBF recommends that Government:

- **Make cascade mechanisms a standard feature of Section 106 agreements.** HBF welcomes their inclusion in the Government's template Section 106 agreement for medium-sized sites. However, making these provisions discretionary risks inconsistent application between local authorities. A standard cascade mechanism would provide developers, Registered Providers and lenders with greater certainty, while prioritising the delivery of Affordable Housing through alternative tenures where the originally agreed tenure cannot be secured.

- **Reconsider the decision not to allow developers of medium-sized sites to elect to make a financial contribution in lieu of on-site Affordable Housing provision.** HBF supports the Government's ambition to deliver a substantial increase in social and Affordable Housing. However, requiring on-site provision on medium-sized sites can create disproportionate viability, financing and delivery challenges for SME developers, which are critical to diversifying the market and increasing housing supply.

VAT treatment of land for social housing

Given the pressing need for new housing of all tenures, it is vital that Affordable Homes are delivered as quickly and efficiently as possible. HBF and its members welcomed the recent HM Treasury and HMRC consultation which explores potential reforms to the VAT treatment of land intended for the construction of new social housing.

At present, the efficiency of Affordable Housing delivery is being impacted by legislation concerning VAT, and in particular the definition of "golden-brick". In many instances, house builders supply Affordable Housing to registered providers (RPs) once they have built the dwelling to a stage of "golden-brick" or beyond (above foundation level). "Golden-brick" is currently an important milestone, as it is where, under current law, land can be classified as a dwelling for VAT purposes and then qualifies for the zero-rate of VAT.

The purpose of the UK's zero-rating provisions is to ensure that the final consumer does not bear a VAT cost on essential items. By building to golden-brick, the VAT cost of new housing is removed, ensuring that VAT is not a cost to the ultimate acquirer, the RP.

However, the current 'golden brick' rules can create practical, financial and administrative challenges to the delivery of social housing. The issue is not that the rules prevent the intended zero-rated VAT treatment from applying altogether, but that the point at which that treatment becomes available can be too late in the development cycle to align with funding requirements, cash flow needs and delivery requirements.

These issues are explored in more detail below.

1. **Complexities concerning the 'golden brick' concept**

There is no statutory definition of 'golden brick' in legislation. Instead, HMRC's published guidance generally indicates that the dwelling or building comprising dwellings must have progressed beyond foundation level before the transfer of a dwelling can qualify for zero-rating. The term 'golden brick' can also create uncertainty over precisely when the construction threshold has been reached and can be appropriately evidenced. This may be especially difficult where modern methods of construction are used, or where works are sequenced differently from a traditional build method.

In large housing developments with a significant proportion of Affordable Housing, it is only possible to achieve zero-rating on the basis of 'golden brick' on a building-by-building basis. This means that each dwelling must have reached 'golden brick' before the transfer can be treated as zero-rated. As a result, there may be multiple 'golden brick' transactions across different phases or parcels, thus increasing complexity, administration and cost for all parties and overall delaying the point at which the RP acquires legal title and the developer receives the land payment.

In the case of apartment buildings, zero-rating can be achieved once the building has progressed beyond 'golden brick' (rather than each residential apartment); this can be at a much earlier stage than for a housing development. However, this structure can present problems where the block is not entirely intended for social housing or where the block contains commercial units that the RP does not want to acquire.

The complexities noted above, and uncertainty around the definition, require the transaction and contracts to be structured primarily around tax considerations rather than commercial delivery requirements. This can involve lengthy negotiations/discussions between the parties, the need to obtain specialist VAT advice, and additional administrative burdens of obtaining and retaining appropriate evidence and/or legal advice on wording of clauses in agreements. This ultimately increases the costs for all parties and can delay the delivery of the housing development further.

2. **Impact on access to funding by the RP**

RPs typically cannot access Homes England funding under the Continuous Market Engagement (CME) route until they have acquired an interest in the land. Under the current VAT rules, transferring land before the 'golden brick' milestone has been reached can create an irrecoverable VAT cost, which is usually borne, directly or indirectly, by the RP. Allowing an earlier zero-rated transfer would prevent this VAT cost from arising, therefore enabling RPs to access funding sooner, provide greater security through ownership of the legal interest in the land, and give them increased control and flexibility over delivery.

3. **Impact on development viability and cash flow**

Developers typically assess schemes by reference to return on capital employed (ROCE) and margin, rather than profit alone. Requiring developers to commit substantial capital to land acquisition, enabling works and early-stage construction before a 'golden brick' transfer can have a material impact on overall scheme viability. Where capital is expected to remain tied up until the relevant construction milestone is reached, a development may become less attractive from an investment perspective and, in marginal cases, may fail to meet internal approval criteria. This can ultimately result in schemes being delayed, restructured or not proceeding.
Although deposits are commonly paid before the 'golden brick' stage is achieved (and deposits can be zero-rated where it is clear the consideration relates to the supply of first grant of a major

interest in housing or partly completed housing by the developer), the absence of a land transfer can lead RPs to request additional security, such as guarantees or bonds. These arrangements can be expensive for developers and may create covenant issues under their banking facilities. The impact of 'golden brick' structures on development viability is likely to be more significant where sites require substantial early expenditure before visible construction progress can be achieved. Brownfield sites, for example, may involve remediation, abnormal ground works or enabling infrastructure before the 'golden brick' stage is reached. The practical impact of the current rules is also likely to vary by region and development type.

Large apartment schemes, particularly in London, may reach the relevant construction milestone relatively quickly, although, as outlined above, mixed-use schemes can still present additional complexity. By contrast, developments outside London, and housing schemes delivered across individual plots or phases, may face greater commercial and administrative challenges where 'golden brick' transfers need to occur repeatedly as each dwelling or phase reaches the relevant stage.

Recommendations

In principle, we support the introduction of a targeted and practical relief that would enable earlier zero-rated land transfers to Registered Providers where the underlying purpose is the delivery of qualifying social or affordable housing.

As HMRC and HM Treasury consider the introduction of a new relief, HBF would encourage an approach that:

- **Is aligned with established VAT principles while recognising the practical realities of affordable housing delivery.**
- **Provides a clear framework that gives confidence to all parties involved, with eligibility requirements that are straightforward to evidence and apply in practice.**
- **Reflects the range of development models through which affordable housing is delivered and remains sufficiently flexible to accommodate the planning, commercial and operational changes that commonly arise during the lifecycle of a development.**
- **Is practical and proportionate with regard to any accompanying certification requirements, ensuring that the relief can be accessed without creating unnecessary administrative burdens for developers, landowners or Registered Providers.**

More broadly, HBF considers it important that any new relief supports the delivery of Affordable Housing without creating new administrative burdens that simply replace the complexities associated with existing 'golden brick' arrangements.

A relief that is too narrowly defined or overly complex risks limiting uptake and reducing its effectiveness in achieving the Government's policy objectives.

HBF

Local Government: Resourcing the system for housing delivery

Local Authority capacity

The Government's housing and growth ambitions depend on local planning authorities (LPAs) having sufficient capacity and capability to implement planning reforms, prepare local plans and manage the development process efficiently.

However, recent HBF research, *Planning on Empty*, indicates that resourcing pressures within planning departments are worsening and are acting as a significant constraint on housing delivery.

The report, based on the results of a Freedom of Information (FOI) request, found that across the country, councils are operating at an average of 80% of full staffing levels. Of the councils we received responses from, 90% are operating at a staffing level below full capacity. Almost half of these (44%) have a staffing level that is 80% or less than full capacity.

This represents a marked deterioration over the past year. In 2025, 80% of councils were operating at below full staffing capacity (2026 = 10% increase year on year) and under a quarter were operating at 80% or below (2026 = 21% increase).

HBF estimates that 2,660 additional planners are now required to bring LPAs up to full staffing capacity, compared with 2,200 a year earlier, a 20% increase in the staffing gap. Current Government commitments therefore risk being overtaken by the rate at which the skills and capacity gap is growing.

The shortages are particularly striking in roles central to determining applications: 28% of vacancies are for planning officers and 21% for team leads or principal planners. Of even greater concern, one third of understaffed authorities have no vacancies advertised, while 45% have fewer active vacancies than would be required to reach full capacity. This suggests that financial constraints may be preventing some authorities from recruiting.

Recruitment pressures are compounded by retention challenges. Average annual turnover across planning departments is 11%, with 30% of councils reporting turnover of 15% or more. Although departments grew by an average of 0.85 employees during 2025/26, this modest increase has not been sufficient to prevent the overall staffing gap from widening.

There is also a clear value-for-money implication. More than half (55%) of responding councils use agency workers to provide planning services. Despite almost half using no agency staff, average expenditure across all respondents was nearly £200,000 per council, with individual authorities reporting annual costs exceeding £1 million. Agency resource can provide necessary short-term capacity but is more expensive than permanent staffing and can reduce continuity and institutional knowledge.

These capacity constraints continue to affect delivery. Only around 20% of major planning applications are determined within the statutory 13-week period. HBF's previous research also found that Section 106 agreements take an average of 515 days to complete, while £9 billion of agreed Section 106 contributions is currently held unspent by local authorities. Councils have consistently identified staffing and resource constraints as a factor affecting their ability to meet statutory timescales and discharge their wider responsibilities.

At the same time, the demands placed on planning departments are increasing. LPAs must absorb new and increasingly complex requirements relating to Biodiversity Net Gain, nutrient neutrality, flood risk and building safety alongside wider planning and local government reforms. They will also be expected to substantially increase local plan coverage and meet the new 30-month timetable for plan preparation and adoption. Without sufficient implementation capacity, there is a material risk that the benefits of wider planning reform will not translate into faster housing delivery.

Recommendations

Resourcing pressures in planning departments continue to worsen, and planning teams are operating increasingly below full capacity.

To successfully address these issues, we recommend that Government considers:

- **Increasing long-term funding for local planning authorities to allow councils to recruit and retain permanent planning staff, rather than relying on short-term or project-based solutions. Additional funding should reflect the growing complexity and volume of responsibilities placed on planning departments, process covered, and whether agreed performance milestones were met. This would improve transparency, enable benchmarking between authorities and help assess whether PPA income is delivering measurable improvements in planning performance and housing delivery.**

- **Ensuring that any new planning policy, regulatory requirement, or legislative reform is accompanied by a clear assessment of the resourcing implications for local authorities, with additional capacity funding provided where necessary**

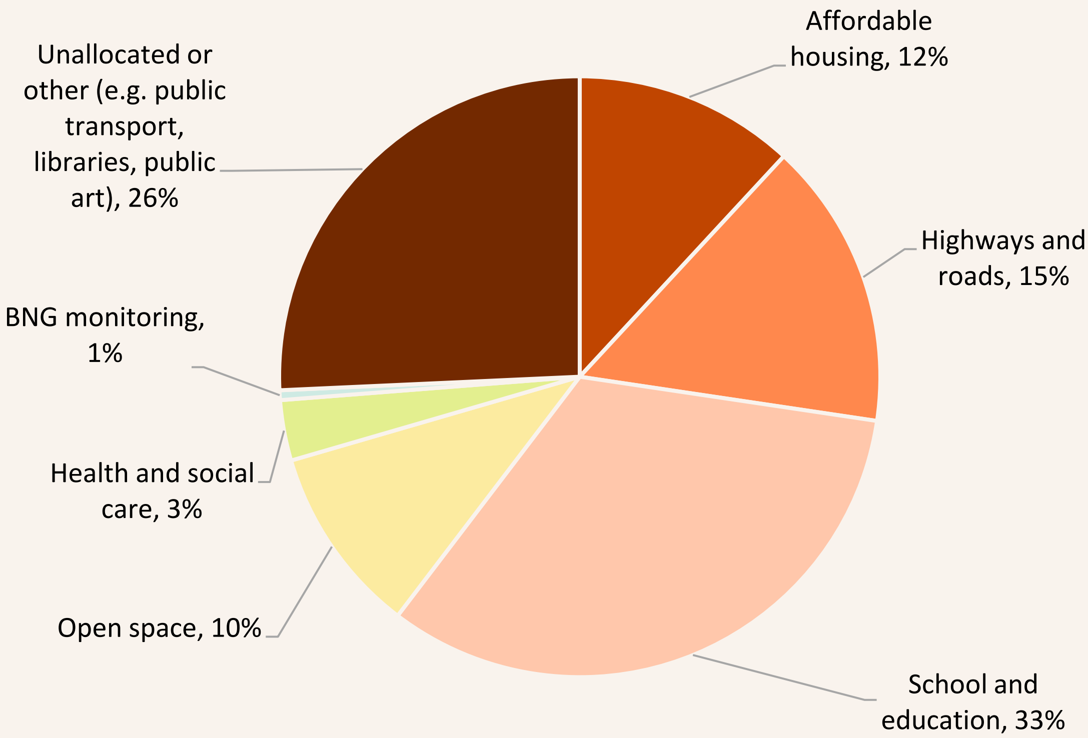
- **Monitoring and reporting annually on local authority planning capacity, including staffing levels, vacancies, turnover, and performance metrics, to provide greater transparency, enable applicants to plan more easily and allow government to respond more effectively to emerging pressures.**

Unspent developer contributions

Developer contributions - secured through both Section 106 agreements and the Community Infrastructure Levy (CIL) - are intended to ensure that communities see the benefits of new development through investment in infrastructure and Affordable Housing. However, HBF's latest analysis estimates that £9 billion of developer contributions is currently held unspent by local authorities, including £6.6 billion from Section 106 agreements and £2.2 billion from the Community Infrastructure Levy.

Around £3 billion has been held unspent for more than five years, while £700 million allocated for Affordable Housing and £2 billion for schools and education remains unspent. This is a missed opportunity to ensure that new development is accompanied by the infrastructure and services that communities need, and which help build vital community consent for new development.

Allocations of unspent Section 106 contributions in England and Wales



Recommendations

The Government should take action to ensure that developer contributions are spent in a timely and transparent way. Councils should not be able to cite infrastructure pressures as a reason to refuse new planning applications where they hold disproportionate unspent sums. This would provide an incentive for contributions to be spent efficiently and promptly.

There should also be greater flexibility where contributions cannot be spent for their original purpose. Where funds have remained unspent for five years, councils should be able to agree an alternative use with the developer, without requiring the entire Section 106 agreement to be renegotiated. This would allow funds to be directed towards infrastructure and community priorities where circumstances have changed.

Greater transparency and accountability are also needed. Infrastructure Funding Statements should be required to provide reasons as to why contributions remain unspent and how long funds have been held, and the Government should prepare a database of Infrastructure Funding Statements to allow performance to be compared across local authorities and provide greater oversight.

Crucially, local authorities should also have sufficient capacity to monitor and spend Section 106 and CIL contributions effectively, including dedicated resources for managing these funds. We encourage the government to use the Budget to ensure that the substantial sums already contributed by developers are translated into the infrastructure, Affordable Housing and community facilities that new developments require. This would help communities see the tangible benefits of development and support wider efforts to increase housing supply.

Devolution

Devolution of housing, planning, transport and skills powers to Strategic/Combined Authorities presents an important opportunity to support housing delivery and economic growth, while also ensuring that decisions better reflect local housing, infrastructure and labour market needs.

HBF has supported the Government's devolution agenda and the move towards greater strategic planning, including the requirement for Strategic Authorities to prepare Spatial Development Strategies (SDSs). These strategic plans will help to coordinate housing growth with infrastructure, transport, skills and environmental priorities, ensuring that housing need can be met across the wider area.

The success of devolution will, however, depend on ensuring that new powers and responsibilities support rather than delay housing delivery. There is a particular risk that the preparation of SDSs could lead local authorities to pause local plan-making while they await decisions on housing allocations and new strategic policies.

There is also a risk that SDSs could introduce additional policy requirements that go beyond national policy and further stretch viability. In London, the cumulative effect of national, London Plan and borough-level policies has created a complex policy environment that adds costs, creates duplication and has further stretched viability. The next generation of SDSs should therefore remain focused and proportionate, providing a clear framework for the location of housing, infrastructure and transport rather than becoming vehicles for extensive additional policy requirements.

Recommendations

The Government should use the Budget to provide Strategic Authorities with the resources and capacity needed to plan for and deliver housing growth. This should include:

- Providing sufficient funding to support the preparation and implementation of SDSs, ensuring Strategic Authorities have the capacity to undertake strategic planning without diverting resources from local authorities' plan-making.
- Ensuring Strategic Authorities have the resources and funding needed to unlock sites for new housing. Greater planning powers must be matched by the funding needed to bring sites forward. This should include devolving regeneration funding and transport investment to improve connections and open up new areas for development. Where a Mayoral Community Infrastructure Levy is introduced, Strategic Authorities should prioritise investment that unlocks housing growth, including public transport, following the example of the Elizabeth Line.
- Progressing the Government's proposals to devolve planning powers to Mayors. This should include powers to call-in applications, to intervene in applications of potential strategic importance, and to create Mayoral Development Corporations and Mayoral Development Orders.
- Ensuring SDSs remain focused and proportionate, primarily providing a framework for the strategic distribution of housing, infrastructure and transport rather than introducing extensive additional policy requirements that could increase development costs and undermine viability. Given the significant variation in viability between brownfield, greenfield and mixed-use sites, blanket policy requirements across entire Strategic Authority areas would not generally be appropriate.

Skills: Building capacity across the house building workforce

Overview

If housing delivery were to increase in the years ahead, this would require a significant expansion in the home building workforce. HBF research shows that building an additional 10,000 homes each year would require around 30,000 additional workers across direct and indirect roles. The construction industry as a whole is also expected to need more than 200,000 additional workers by 2030, with demand particularly strong across home building, infrastructure and retrofit.

For every extra 10,000 homes delivered, we need roughly:

2,500 Bricklayers (sub-contracted)	**300 Plumbers** (sub-contracted)	**400 Plasterers/ Dryliners** (sub-contracted)	**1,000 Carpenters** (sub-contracted)
2,500 Groundworker/ Plant Operatives (sub-contracted)	**150 Wall & Floor Tilers** (sub-contracted)	**300 Electricians** (sub-contracted)	**300 Roof Slaters & Tilers** (sub-contracted)
2,500 Bricklayers (directly employed)	**2,500 Sales Advisors** (directly employed)	**2,500 Quantity Surveyors** (directly employed)	**2,500 Assistant/Site managers** (directly employed)

The home building workforce also faces a significant replacement challenge, with 25% of workers aged over 50. At the same time, the skills required by the industry are changing as a result of new products and ways of working, modern methods of construction, updated building regulations, digital technologies, evolving regulatory requirements and higher quality standards. Increasing housing delivery will therefore require both more workers and a workforce with the right skills and competencies to meet changing demands.

The Government has recognised the scale of the wider construction skills challenge, including through its investment in construction skills and the establishment of the Construction Skills Mission Board.

Recommendations

The proposed Budget measures set out below should form part of a longer-term approach to skills investment and workforce planning, providing the certainty needed to develop a sustainable workforce and respond to changing labour market and skills requirements.

Deliver flexible skills funding through the Growth and Skills Levy

The Government should ensure that the Growth and Skills Levy provides employers with flexible funding to be used for apprenticeships, shorter-duration training, upskilling and retraining programmes, so that businesses are able to respond to immediate and longer-term workforce needs while retaining expertise and knowledge. This would support the sector's wider call for a more flexible levy system that works for employers of all sizes and recognises that a ‘one size fits all’ approach is not appropriate.

Small and medium-sized businesses in particular find it difficult to navigate the funding and training landscape because of the complexity of programmes, the practical constraints of running a business and the costs of training apprentices and recruits. The existing system also provides insufficient support for career changers, returners to work and individuals with transferable skills from other sectors, despite the industry’s need to widen the talent pipeline and attract people from a broader and more diverse range of backgrounds to meet future workforce demand.

The design of the Levy should:

- Broaden the range of eligible training so that levy funds can be used for accredited short courses, modular training and sector-specific upskilling directly relevant to home building, alongside apprenticeships
- Allow employers to use levy funding for both immediate and longer-term skills needs
- Support retraining and career transition programmes that enable people with relevant skills and experience from other sectors to move into home building occupations
- Enable businesses to respond more quickly to emerging skills requirements

Introduce a Home Building Workforce Growth Incentive

Employers carry the cost and risk of recruiting, training and supporting new entrants into the workforce, which can be particularly difficult during periods of market uncertainty. As a result, employers may prioritise experienced workers who can become productive more quickly, reducing opportunities for people looking to enter the sector for the first time.

Meanwhile, significant talent pools remain under-utilised, including women, people with convictions, veterans, care leavers, career changers, returners to work and those furthest from the labour market. Individuals possess valuable transferable skills gained in sectors such as manufacturing, logistics, engineering, retail management and the armed forces, yet there are limited recognised pathways to help them transition into home building careers.

The Government should introduce a ‘Home Building Workforce Growth Incentive’ to provide targeted recruitment and training support to employers that recruit, train and retain new entrants, particularly young people, career changers and individuals from under-represented and harder-to-reach talent pools. The Incentive should help businesses offset the costs of recruitment, wages, supervision, mentoring and training, while supporting employers to recognise transferable skills and provide structured pathways into home building for people moving from other sectors or returning to work.

Establish a dedicated SME Skills Support Fund

The home building industry is predominantly made up of SMEs, subcontractors and specialist trades, many of which operate with small teams, tight margins and project-based workloads. Unlike larger organisations, these businesses often do not have dedicated training departments or spare workforce capacity to support apprentices, trainees, work experience students or new entrants. Providing supervision and mentoring requires time from experienced workers, which can reduce productivity and increase costs.

The sector's reliance on subcontracting can also make longer-term workforce planning more difficult, particularly where work volumes fluctuate, and smaller employers are reluctant to commit resources to training. These pressures are particularly acute during periods of economic uncertainty, when investment in skills can be one of the first areas to be reduced.

The Government should consider the introduction of a dedicated SME Skills Support Fund to help employers across the home building supply chain meet the costs associated with wages, mentoring, supervision, work placements, training and workforce development. The Fund should be specifically accessible to SMEs, subcontractors and specialist trades, recognising the practical and financial barriers they face in supporting training alongside day-to-day business activity.

Ensure devolution supports home building skills

Workforce capacity remains one of the most significant constraints on housing delivery, but skills planning is often considered separately from decisions relating to planning, land, infrastructure and investment. If the Government is to achieve its housing ambitions, workforce requirements must be identified and planned alongside development in a timely fashion, ensuring that homes, infrastructure and regeneration projects are supported by the workforce required to deliver them.

The Government's devolution agenda can play a role in ensuring there is joined-up workforce planning on the ground. A regional approach can accommodate differences in labour availability, demographics, training capacity and housing needs, which vary significantly between regions.

The Government should:

- Provide dedicated funding to enable Combined Authorities, Strategic Authorities and employer representative bodies to bring together employers, colleges, training providers, careers services and other stakeholders to develop and deliver regional home building workforce plans directly aligned to housing, infrastructure and regeneration programmes

- Ensure Mayors consider construction and home building within Local Skills Improvement Plans

Ringfence additional skills investment for priority growth sectors

Home building and construction are vital to the delivery of the Government's growth priorities, including housing, infrastructure, net zero and regional growth. These ambitions depend on having a sufficiently skilled workforce available in the right locations and at the right time.

Recent Government investment in construction skills is welcome. However, funding remains spread across a range of programmes and is not always linked to strategic growth priorities or longer-term workforce needs. Current training output is insufficient to meet projected demand, with apprenticeship starts and learner progression rates falling short of the numbers required to support housing ambitions. Research highlighted in HBF's Home Building Sector Skills Plan also shows that many construction learners do not progress into employment in the sector, while employers continue to report difficulties recruiting both entry-level and experienced workers.

The Government should allocate additional, ringfenced skills funding to sectors critical to delivering its growth priorities, including home building and construction. This investment should support workforce attraction, training, upskilling, retraining and workforce development across the employment lifecycle, reflecting both current labour shortages and future workforce demands. A ringfenced approach would provide greater certainty that skills investment is directed towards sectors essential to national economic objectives.