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Together we help communities thrive

PlaceShapers submission to the 2025 Spending Review

Introduction

This submission to the 2025 Spending Review is on behalf of PlaceShapers. We are a national network of social housing providers committed to supporting thriving communities and places.

PlaceShapers have just under 100 members – ranging from small housing associations, to those with over 40,000 homes. Our members operate locally and are not-for-profit businesses committed to improving places through long-term social, economic, and physical place-shaping.

We welcome the opportunity to input into the 2025 Spending Review. Our submission has been informed by conversations with, and input from, our housing association members.

Summary

We share the government's ambition to build 1.5 million new homes over this Parliament, including a new generation of social housing. With the right support, our members can play a key role in delivering the government's commitment to a decade of national renewal.

Our members are committed to meeting the breadth of housing need in their communities and regenerating and renewing their existing homes, estates, and communities so they are places people want to live. While they are ambitious, robust organisations, they face a range of specific challenges, including the need to invest in existing homes, that without additional support mean they will have to make difficult trade-offs.

We are pleased this government has recognised the challenges and contribution of housing associations in bringing forward proposals for a long-term rent settlement linked to inflation and the additional £500 million announced for the Affordable Homes Programme in the 2024 Autumn Budget.

However, to contribute as fully as possible to the government's ambitions to build 1.5 million homes and support national renewal, we need:

1. A bigger Affordable Homes Programme, better targeted to address the different outcomes needed in different places.
2. Higher grant rates in the Affordable Homes Programme to allow homes to be built for social rent.
3. Funding for housing-led regeneration so we can ensure our estates and communities are fit for the future and people are proud to live there.
4. Additional funding to meet new and changing expectations on the sector, including to improve energy efficiency and meet any new Decent Homes Standard.
5. A long-term social housing rent settlement of CPI+1% and a reintroduction of rent convergence.

Why a step-change in approach is needed

The housing crisis is well understood and evidenced. People are stuck in expensive, poor-quality privately rented homes that don't meet their need. Increasingly people, including children and families, are being housed in unsuitable expensive temporary accommodation.

Not only is building new homes a key driver of economic growth, housing people in private rent or temporary accommodation is much more expensive than social housing and adds significantly to the housing benefit bill and puts unnecessary pressure on public finances.

Alongside cheaper rents, social housing is also typically of higher quality than private rent, which generates additional savings to other public services, including health services.

However, we currently have a chronic undersupply of social housing. This is the result of decades of underfunding, intervention in the social housing rent settlement, the end of rent convergence, and the reduction in grant rates from 2010. These issues undermined long-term financial planning and eroded financial capacity in the sector. The current funding model for social housing development is being stretched to its limits.

In addition, our members now face a range of specific challenges that, without additional support from the government, mean they will have to make difficult decisions about trade-offs which will have negative and ongoing consequences for local people and communities. They need to invest in existing homes and the cost of borrowing and building new homes continues to increase. Without additional support from the government, the housing crisis is likely to get worse and the target of building 1.5 million homes over this Parliament will not be met.

Because we are not building anywhere enough new social homes to meet demand, only people in the most severe housing need, often coupled with other complex needs, get access to social housing. Unless we broaden out access, this will change the nature of who we house over the long-term and our ambition to build truly diverse, mixed sustainable communities.

In South Oxfordshire, the people housed by **Soha Housing** has changed in recent years. In common with other areas, soaring local housing demand means increasingly only those in the highest need - from the higher bands on the housing registers - are being offered housing. Demand outstrips supply across every type of home. The figure for those entitled to apply for a one-bed flat currently outweighs the supply by between four and 13 times for family homes the imbalance is between two and five times. The highest need often means not just for four clean, safe, and secure walls but for additional support as well. In the short term, Soha has increased what it can offer – usually one-to-one advice and practical assistance - when required. In the long term, as a community mutual housing association, Soha believes that a route to secure affordable accommodation is needed for all who cannot afford a home in their area.

Our residents also face significant challenges with accessing health care, public services, and benefits, which have been a traditional safety net for all. The combined impact of this, along with the cost-of-living crisis, means places and communities are becoming more brittle.

Significant funding for regeneration and rebuilding social housing has been lacking for over a decade, limiting our ability to transform places and communities and make them more socially and economically resilient.

What our members do to help places thrive

Our members remain committed to doing all they can to support their residents, communities, and places – building new homes where they can and investing in their existing homes, communities, and services to residents. But there is so much more they could do to help places, and the country, to thrive. With the right support they can:

1. Address the crisis in homelessness and temporary accommodation, improve provision, and save taxpayer's money by building homes that meet local need and drive economic growth.
2. Restore pride and belonging to places 'left behind' by leading regeneration that improves the quality of homes, the environment, public realm, and the health of local people.
3. Enable solutions to the climate crisis, reduce costs for residents, and help meet the country's net-zero target by improving energy efficiency and decarbonising our existing homes.
4. Help ease entrenched poverty and long-term unemployment by providing the support residents need to weather the cost-of-living crisis and access training and employment opportunities.

What the government should do

This government has a real opportunity to build a new generation of social housing and kickstart a new programme of regeneration across the country. To do this they should:

1. Increase investment in the Affordable Homes Programme and ensure the funding is targeted to the different outcomes needed in different places.
2. Provide higher grant rates in the Affordable Homes Programme to allow homes to be built for social rent.
3. Fund housing-led regeneration so estates and communities can be made fit for the future and to improve outcomes for the people who live there.
4. Provide additional funding to meet new and changing expectations on the sector, including to improve energy efficiency and meet any new Decent Homes Standard.
5. Confirm a long-term social housing rent settlement of CPI+1% and reintroduce rent convergence.

Increase investment in social housing and better target funding

The underfunding of social housing, including through recent Affordable Homes Programmes, means we have not been building enough homes to meet demand for decades.

Since 2010, we have seen a significant reduction in upfront capital subsidy per home and a much higher percentage of the cost being raised through debt or bond finance, higher 'affordable' rents, and the sector's own resources, including through the delivery of market housing.

This model for developing new social homes has come under increasing pressure given the need to invest in existing homes and the other economic pressure the sector faces, including the cost of borrowing and building. This has led to many housing associations revising their development plans downwards to ensure they remain financially viable and can meet their financial and fiduciary obligations.

The government has acknowledged that if they want build 1.5 million new homes over this period, then they must support a significant increase in the number of new social homes that are developed. This will not be possible without an overall increase in the funding for social housing, including through the Affordable Homes Programme.

Providing more upfront funding for new social housing would effectively shift spend from revenue to capital, through savings to the housing benefit bill as more people come out of expensive private rented housing, and deliver long-term economic benefits to the country. It would also significantly ease pressure on local authority budgets, which are being stretched to their limits by having to house people in expensive short-term temporary accommodation.

In addition to increasing the overall funding for social housing, we urge the government to consider how funding can better respond to the unique housing needs of a place.

The housing crisis looks different in different places. Viewing housing through the lens of place will ensure that decisions and funding are tailored towards outcomes that reflect the housing challenges of that place.

In some places there is a need for significant regeneration – either large scale, for example at town level, or small scale, for example at an estate or street level. In other places there is a crisis in temporary accommodation and new homes are urgently required to meet escalating demand. We need a system that responds to these challenges rather than imposes a one-size fits all approach.

In the short term, the government should extend the flexibility recently introduced into the Affordable Homes Programme to allow money to be spent on regeneration programmes and other solutions to the housing crisis. It should also consider combining funding streams that are focused on new homes and regeneration and streamlining the way funding is administered to make it easier for housing associations and others to join up funding at a local level.

In the long term, the new government should take an ambitious view of housing and place. They should look at mechanisms for encouraging and empowering places to develop strategies to solve



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the housing crisis within and across local authority boundaries, in line with the ambitions set out in the English Devolution White Paper.

We are currently undertaking a significant piece of work to look at how the housing system can better respond to the unique needs of a place, including how public investment and housing powers could support different outcomes in different places and bring additional value compared to our current national system. This will respond to the direction of travel set out in the English Devolution White Paper but also explore how the system could better support place-based outcomes in areas where full devolution of funding and powers may not be right solution, at least in the short to medium-term.

Provide higher grant rates for social rent

As we've said above, the way the development of new social is funded is being pushed to its limits and is putting huge pressure on housing association finances as the main developers of social housing.

In particular, the current Affordable Homes Programme does not allow for the delivery of social rent homes, other than in a limited number of circumstances, because of the gap between the grant rate available and the cost of building homes for social rent.

The government has said they will prioritise the building of new social rented homes and we know this is the most affordable tenure and is the best housing solution for many of those on the housing waiting list or in temporary accommodation.

Social rent requires a higher grant rate to ensure it is viable for social housing providers to build but provides significant ongoing savings for the government and the taxpayer through cheaper rents.

For example, for one scheme in Cambridgeshire, the grant required to make developing an affordable rent home viable is £55,000. For social rent, the figure is £100,000

The next Affordable Homes Programme should be rebalanced, with higher grant rates, to allow the development of more homes for social rent. Higher grant rates would also ensure the balance sheet and long-term capacity of housing associations to build new homes is not undermined.

Fund housing-led regeneration

The lack of funding to regenerate existing homes, estates and communities has hampered the efforts to bring social homes, estates, and communities up to the standards we aspire to. There has been no substantial funding to rebuild homes and communities at scale since the Housing Market Renewal programme came to end in 2011.

If the government is serious about repairing the fabric of Britain, as the Chancellor said in her budget speech, then the government needs to put plans and funding in place to regenerate our existing



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homes, estates, and communities. Not just for now but for the future, as we are currently storing up a problem of homes that even with investment will be reaching the end of their viable lives in the next 10-20 years.

The flexibility in the current Affordable Homes Programme that means there is some funding for the replacement of existing homes as part of a new development is welcome. However, in the long-term, regenerating places that have suffered long term economic decline requires transformational public investment that can make the market and turn around patterns of economic flight and decline. We need more flexible, reliable funding mechanisms to deliver regeneration schemes that reflect the needs of each community.

Funding to improve the energy efficiency and quality of homes is vital, but we also need a plan for the homes that have come to end of their life and are no longer fit for purpose and a plan for the communities that need new services, green space, and access to employment.

Regeneration, done well, can restore pride and belonging to places 'left behind,' it can improve people's homes and quality of life, the environment, the public realm, and the health of local people. It can contribute to the government's ambitions around economic growth by opening new employment opportunities to people currently held back by their circumstances.

Retaining the flexibility in the current Affordable Homes Programme to allow money to be spent on regenerating existing homes in the next programme will be a welcome first-step. But if we are to ensure that social homes, estates, and communities do not fall into decline, the government must commit significant funding to regeneration programmes across the country.

Aspire Housing, based in North Staffordshire, has been proactively regenerating the Knutton and Cross Heath neighbourhood of Newcastle-under-Lyme for 20 years through redevelopment of primarily Aspire-owned social homes and a small number of private homes, developing new affordable and market sale homes, as well as providing new community and health facilities.

To date over 670 homes have been built or are on site, 265 homes demolished, and the sites redeveloped, with a further 75 homes now on site through funding provided by Aspire, Homes England and Town Deal which are expected to complete in late 2026.

Many national and regional programmes and funding rounds have come and gone during this period - funding has been secured through Housing Market Renewal Pathfinder, private developer finance, PFI, HCA Kickstart, Town Deal, Homes England (and its forerunners) and Aspire's own funding arrangements.

Aspire and partners have navigated carefully and tactically to bring forward sites whenever possible, sometimes with periods of several years between phases due to market conditions and an absence of aligned regeneration funding.



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They have done this because of their long-standing commitment to Newcastle-under-Lyme. With a strategic commitment to long term funding solutions, that enable local stakeholders to work collectively to align and commit their own resources, the much needed regeneration of neighbourhoods like Knutton and Cross Heath could have accelerated economic growth, pride and resilience to these communities much more quickly and efficiently than has been possible through the piece meal funding streams that were released across the last 20 years.

Provide additional funding to meet new expectations

As we've said elsewhere in this submission, the current model of social housing development is being pushed to its limits. The sector also faces a range of other challenges, including the need to invest in existing homes. In many cases this will mean housing associations revising their development ambitions downwards, at a time when the government is looking to increase housebuilding to meet its target of building 1.5 million homes over this Parliament.

The government must look at all the levers it can use to support housing associations to keep building.

Funding for any additional requirements placed on the sector, such as a new Decent Homes Standard or strengthened energy efficiency standards, will be critical in not further undermining the development capacity of housing associations.

We urge the government to ensure any new standards are fully costed and appropriately funded.

Confirm a long-term rent settlement and reintroduce rent convergence

We welcomed the proposal to permit social housing rents to increase each year by CPI+1%. While other policy solutions and further support are required to address the capacity issues and challenges in the sector, a long-term above inflation rent settlement will shore-up business plans, increase lender confidence, and allow housing associations to consider long-term investment decisions in the context of certainty over their income.

Beyond permitted increases of CPI+1%, we urge the government to reconsider the proposal not to reintroduce rent convergence in 2026.

The additional capacity that rent convergence would generate would have a real and significant impact on communities across the country. It would allow housing associations to invest in their existing homes and estates, including improving their energy efficiency and quality, and provide additional services and support for tenants and communities. It would also unlock thousands of new social homes, which would significantly contribute to the government's ambition to build 1.5 million new homes over the course of this Parliament. More importantly, it would mean housing associations could extend an offer of an affordable, warm, good quality social home to thousands more families stuck on the housing waiting list and living in inappropriate, unaffordable private rent, or temporary accommodation.



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Many of our members have homes that were transferred from local authorities with rents that were significantly below formula rent, which over time has impacted on their financial capacity and their ability to build new homes and invest in existing homes and communities in very real terms.

For **Greatwell Homes**, a housing association of just over 5,000 homes in the East Midlands, the reintroduction of rent convergence would create significant capacity that would be invested in new and existing homes.

Over time, it could unlock an additional 150 new homes in a part of the country where affordability challenges outside of the social housing sector are particularly acute and new social housing would make a real difference to people's lives.

If all social rents were let at formula rent, this would increase their rental income by £1.6 million per year. If rents below formula were increased by £3 per week, this would generate an additional income of £566,000 for 2025/26 alone.

Worthing Homes is a housing association with 4,000 homes in the Sussex coastal area. On average Worthing Homes' social rents are below our formula rent due to a number of historic reasons.

Convergence to bring current rents up to formula rent would have a significant impact on their financial capacity, and in turn would benefit tenants and those on the housing waiting list in a part of the country where the housing crisis is reaching breaking point.

If Worthing Homes could converge rents to formula rent it could generate £1.4 million each year. If convergence for individual tenants was set at a limit of £3 per week, then the increased income for the organisation would be £400,000 in the first year.

Without rent convergence over the next 10 years Worthing Homes' lost financial capacity would be £11million, which equates to lost new build capacity of 200 new homes.

Affordability for tenants needs to be central to any decision to increase rents, but converging rents could be done over an appropriate period, with increases that are manageable for tenants and support and flexibility in place for those who need it.

Rent convergence would also help ensure that tenants living in similar homes pay a similar rent.

For example, for Greatwell Homes, an increase of £3 per week would mean an average social rent increasing from £106.63 per week to £109.63 per week. For North Northamptonshire, where Greatwell Homes operate, the average private rent is £203.07 per week.

In response to the recent cost of living crisis, Greatwell Homes introduced a customer assistance fund to support customers with non-tenancy related expenditure and offered a discount in 2024/25 for customers who do not receive any other support to pay their rent and service charges to support them with affordability. They are committed to continuing this support for customers in the future.



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While an above-inflation long-term settlement provides some certainty for housing association business plans, other policy interventions will be necessary for the sector to step-up the delivery of new social housing and meet current and new expectations on the quality and energy efficiency of its existing homes.

Conclusion

Government recognition of the housing crisis, the role of housing in driving economic growth, and support for social housing, is welcome.

However, if the government want to deliver on their ambition to build 1.5 million homes over this Parliament, they need a strong, resilient and confident social housing sector contributing as fully as possible to the development of new homes.

A repeat of the current Affordable Homes Programme, which has stretched the development capacity of the sector to its limits, will not be enough. It will require a step-change in both the size of the programme and the level of grant in the programme.

We also urge the government to consider the role that housing-led regeneration can play in making the commitment to a decade of national renewal a reality. With an ambitious approach to regeneration, housing associations can restore pride and belonging to places 'left behind,' and improve people's homes and quality of life, the environment, the public realm, and the health of local people.

We look forward to the outcome of the Spending Review and working with the government to deliver on our shared priorities.