Chapter 4
Housing expenditure plans

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Table 2.4.1 **Summary of planned government support for affordable and private market new build investment in England, 2021/22-2024/25**

Programme	Period	Grant (£m)	Loan (£m)	Guarantee (£m)	Notes
Programmes aimed primarily at delivering new housing at social rent, Affordable Rent or for low-cost homeownership					
Affordable Homes Programme 2020/21-2025/26	2020/21 onwards	11,500	–	–	Current AHP launched in September 2020; total funding of £11.5 billion includes funding for 2025/26, with some completions up until 2028/29.
Affordable Homes Guarantee Scheme 2020 (AHGS)	2020 onwards	–	–	3,000	The AHGS 2020 began with £3 billion of funding; a £3 billion extension was announced at Autumn Statement 2023 (not included here). Extended scheme aims to support delivery of 20,000 new affordable homes in total.
Care and Support Specialised Housing Fund	2021/22-2024/25	284	–	–	Delivery of specialist affordable housing on behalf of Department of Health and Social Care; estimated to provide £284 million over 2022/23-2024/25.
Removal of HRA borrowing caps	2018/19-2023/24	–	4,560	–	Spending forecast from OBR Economic and Fiscal Outlook 2018, confirmed by OBR in December 2021.
Local Authority Housing Fund	2022/23 - 2025/26	1,200	–	–	Funding to local authorities to acquire or build housing for temporary accommodation and for refugees. Rounds 1&2 total £750 million in 2022/23 and 2023/24; Round 3 announced at Autumn Statement 2023 totals £450 million.
Sub-total: Affordable Rent and low-cost homeownership		**12,984**	**4,560**	**3,000**	**Sub-total = £20,544 (49%)**
Support for housebuilding and house purchase in the private market					
Land and Infrastructure	2021/22-2025/26	5,410	2,256	–	Grant and loan funding announced in SR2021 to build homes and infrastructure; includes Brownfield Land Release Fund and loan funding for SMEs and Modern Methods of Construction. Figures based on SR2020 for 2021/22 budgets and SR2021 for 2022/23-2025/26 budgets.
New Fund for Housing	2022/23-2024/25	1,800	–	–	Announced in SR2021: includes £300 million grant funding to local authorities to unlock smaller brownfield sites and £1.5 billion to regenerate underused land and deliver transport links and community facilities.
Help to Buy Equity Loans	2021/22-2024/25	–	4,600	–	Equity loan support of up to 20% for first-time buyers (in London up to 40%); scheme closed to new applications in October 2022.
Help to Buy ISA	2015/2016 onwards	700	–	–	Government house-purchase bonus of up to £3,000 per Help to Buy ISA held by FTBs. Figures from OBR. This fund is not included in DLUHC budgets.
Lifetime ISA	2017/18 onwards	2,000	–	–	Potential FTBs aged 18-40 can pay in £4,000 per year and receive 25% bonus. Figures from OBR. This fund is not included in DLUHC budgets.
ENABLE Build	2019/20 onwards	–	–	1,000	Scheme to support lenders to SME housebuilders; operated by the British Business Bank.
PRSGS	2014/15 onwards			3,500	Debt guarantee scheme supporting Build to Rent in the PRS. The scheme closed to new applicants in 2018, but continues to work through previous applications
Sub-total: private market		**9,910**	**6,856**	**4,500**	**Sub-total = £21,266 (51%)**
Overall total		**22,894**	**11,416**	**7,500**	**Overall total = £41,810**

Source: Compiled from the Spending Reviews from 2020 onwards, Autumn Statement 2023 and other official sources, in consultation with DLUHC. Includes all programmes with spending in the period 2021/22-2024/25, omitting pre-2021/22 spending where it is possible to identify it separately.

The past year has seen intense pressures on social landlords' finances across the UK. Many are shifting their focus towards improving the quality and safety of their existing stock, while also facing record increases in costs and constraints on rental income. The consequences have been felt in shortfalls against the targets set in the new investment programmes that began in 2021, or the likelihood of shortfalls in the immediate future.

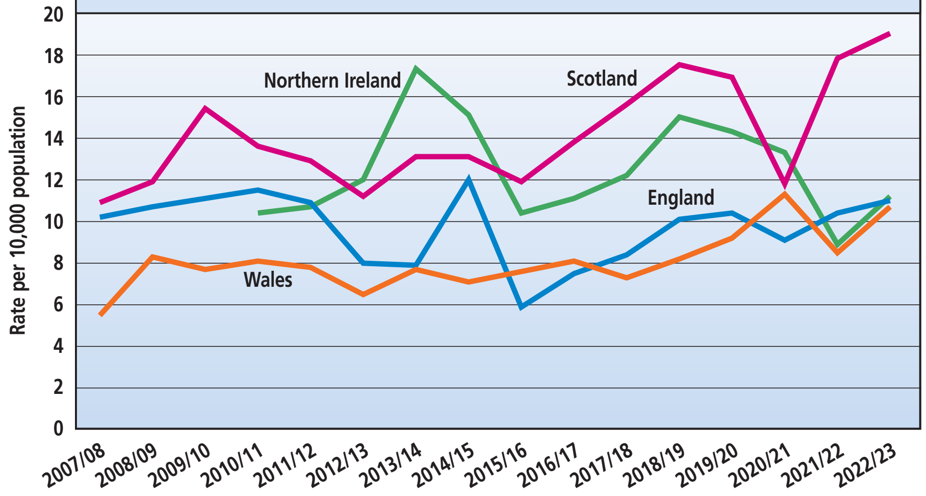
This chapter of the *Review* aims both to assess progress in investment in affordable housing in each of the four nations across the past year and consider the prospects for 2024/25 and beyond, against the backdrop of current economic uncertainty (and, for England, the coming general election).

Cross-UK comparisons of government housing investment

Three different cross-UK comparisons show that England underinvests in affordable housing compared with the three other countries. Assessing delivery in terms of numbers of homes built per 10,000 population since 2008/09 (Figure 2.4.1.), it can be seen that Scotland leads in this measure of affordable output, and that England frequently lags behind both Scotland and Northern Ireland. A second, broad-brush indicator of the relative priority given to expenditure on housing is provided by Compendium Table 57, which shows that housing has a consistently lower share of government spending in England (1.8 per cent of total expenditure) than it does in the other three administrations (Northern Ireland is highest at 4.3 per cent).

A third indicator is the *Review's* annual assessment of all forms of government support for new housing investment, which also shows key differences between UK administrations. Table 2.4.1 summarises housing investment for England from 2021/22 to 2024/25. As in the two previous editions of the *Review*, the constrained time period is due to capital spending plans not being updated in recent Spending Reviews. Over this four-year period the balance of support is 49 per cent for affordable housing and 51 per cent for the private market, differing from last year's assessment where the split was 41:59. The assessment *excludes* investment in the existing stock, whether in the private or social sectors.

Figure 2.4.1 **Affordable housing delivery per 10,000 population across the UK**



Source: Compendium Table 20f.

As in previous years, England continues to be out-of-step with the rest of the UK in directing such a high proportion of investment support towards the private market. In later sections of the chapter, it will be seen that the proportion of investment directed towards affordable housing supply is much higher in Scotland (90 per cent), Wales (82 per cent) and Northern Ireland (100 per cent), even though such comparisons cannot be made strictly on a like-for-like basis.

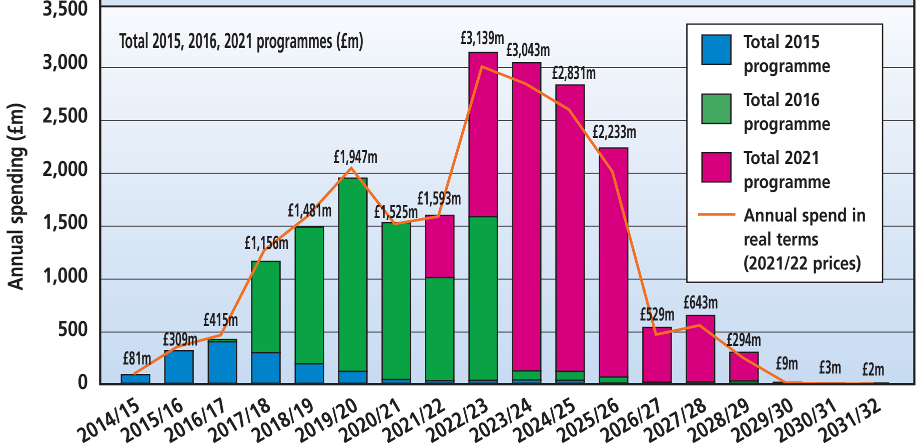
The output from the various programmes in England to support private housing (Table 2.4.1) is quite significant, delivering 10,791 new market homes in 2022/23,[1] with Help to Buy assisting 26,000 purchases via equity loans and 55,000 via Help to Buy ISA bonus payments. These programmes are discussed in Commentary Chapter 3.

Affordable housing investment in England

Government investment plans for affordable housing in England until 2024/25 were set in the Spending Reviews 2020 and 2021 and have remained largely unchanged since then. However, the Spending Review 2023 confirmed that overall capital spending will be held flat in cash terms beyond 2024/25, which means that budgets will fall in real terms. The OBR now forecasts that public sector net investment will fall from 2.6 per cent of GDP in 2023/24 to 1.9 per cent of GDP in 2027/28, compared with the 2023 Budget forecast of 2.1 per cent. This is well below the target, set at the start of this parliament by the Johnson government, to increase public investment spending to around three per cent of national income each year. It therefore inevitably raises concerns about the scale of future investment likely to be allowed to DLUHC, especially if housing continues to be given less priority than some other services.

The government's main support for affordable housing is through the various editions of the Affordable Homes Programme. The 2023 *Review* provided a final review of the outcome of the previous Shared Ownership and Affordable Homes Programme 2016-21 (SOAHP). Although the SOAHP is not covered here in detail, spending continued in 2023/24 as a result of construction delays brought about by the pandemic, and brief details are given below. This edition now focuses on progress with the current AHP 2021-26, which began in April 2021.

Figure 2.4.2 **Actual and forecast spend under Affordable Homes Programmes in England**



Source: Data from National Audit Office, The Affordable Homes Programme since 2015.
Note: '2015 programme' is the Affordable Homes Programme 2015–18, the '2016 programme' is the Shared Ownership and Affordable Homes Programme 2016-21 and the '2021 programme' is the Affordable Homes Programme 2021-26.

In addition to the overlapping editions of the AHP, another challenge in preparing this chapter of the *Review* is to bring together different datasets provide by Homes England and the Greater London Authority (GLA). The 2023 *Review* benefitted from an appraisal of the AHP by the National Audit Office (NAO), which brought the datasets together.[2] Subsequently, the House of Commons Public Accounts Committee (PAC) published a report with its recommended actions following the NAO's appraisal.[3] One of these was that the government report more comprehensively and regularly on the output from the various AHPs, and such statistics were promised by DLUHC for Summer 2023. Data on output by programme and tenure have now been published as a new statistical series,[4] but only Homes England has so far produced more detailed analysis (see below).

One feature of the NAO report was the data it collated on actual and forecast spending on all the recent editions of the AHP, which is not normally available in consolidated form. This enabled the 2023 *Review* to show graphically the effects of three stages of the AHP over an 18-year period (repeated as Figure 2.4.2 this year; note that actual and forecast spend figures have not been updated). In addition, Compendium Tables 20a and 20b show the combined, year-on-year output from recent editions of the AHP added to that from other, non-grant sources of funding.

Shared Ownership and Affordable Homes Programme 2016-21

As a result of delays due to the pandemic, the targets to be achieved under the SOAHP were reset to 31 March 2023. As reported in the 2023 edition of the *Review*, DLUHC informed the NAO as part of its inquiry that its central forecast for the programme was that it would achieve 241,000 starts by that date. In practice, by March 2023 Homes England's section of the programme had resulted in 126,800 starts, while the GLA produced 116,782 starts.[5] The total of 243,582 therefore slightly exceeded the DLUHC forecast.

In terms of completions, Homes England produced 106,390 by March 2023 and the GLA produced 55,027, giving 161,417 in total. The DLUHC forecast was that 219,000 homes would be completed by March 2025, with a further 22,000, all in London, being delivered over a longer period. Clearly there is still some way to go even though the SOAHP is now past its original end date.

A proportion of 'completions' are acquisitions of new or second-hand stock. Overall, new affordable supply in England relies 94 per cent on new build and six per cent on acquisitions, but in London the proportion of acquisitions has been higher, at 12 per cent.[6]

DLUHC commissioned an independent evaluation of Homes England's section of the programme. Unusually, although the cut-off date for statistics in the evaluation was March 2021 and the report was finished a year later, it was not published until September 2023. A GLA-commissioned evaluation of the AHP 2016-21 is promised, but not yet published. The DLUHC report is a useful assessment of the SOAHP's strengths and weaknesses.[7] One conclusion was that the value added by 'strategic partnerships' is only 'modest' (these partnerships offer longer-term funding and greater flexibility to providers). Another conclusion was that the programme had offered only limited support to modern methods of construction (MMC), although the recent demise of some key operators suggests wider problems with MMC.

A new evaluation is planned by DLUHC for the AHP 2021-26, and this will also cover the GLA element of the programme.

Affordable Homes Programme 2021-26

The Affordable Homes Programme 2021-26, which started in April 2021, allocated £11.4 billion of new funding, split between the GLA (£4 billion for investment in London) and Homes England (£7.4 billion for the rest of England). The government's original target for the new programme was to achieve 180,000 starts by 2026 (with completions continuing until 2028). The target has since been adjusted downwards to reflect recent economic conditions and grant requirements have been eased in some respects. Homes England's target is now 126,000 while the GLA target has been negotiated down to between 23,900 and 27,200, so the programme's maximum output is now 153,000. Unlike the SOAHP, the targets only refer to grant-funded homes.

By September 2023, Homes England reported 34,798 starts and 7,648 completions under the new programme, but no starts or completions had yet been reported by the GLA (see Table 2.4.2). This continued to be the case late in 2023, allegedly because of a dispute between departments and the GLA that has prevented contracts from being signed.[8]

The NAO reported that, by May 2022, Homes England and the GLA had collectively allocated £9.2 billion of the 2021-26 programme to providers, covering 131,000 new homes. Homes England (but not the GLA) has begun to reissue similar data on the AHP 2021-26 to those it published on the SOAHP. Table 2.4.3 provides a summary. It can be seen that, by March 2023, Homes England had approved schemes to deliver more than 108,000 of its target of 126,000.

Table 2.4.2 **Affordable Homes Programme 2021-26: Completions by tenure to September 2023**

Agency	Affordable Rent	Social rent	Intermediate rent	Affordable homeownership	Total affordable
GLA 2021/22-2022/23	–	–	–	–	–
Homes England 2021/22	**303**	**57**	–	**532**	**892**
Homes England 2022/23	**1,611**	**540**	–	**1,769**	**3,920**
Homes England 2023/24 (until September 2023)	**1,334**	**322**	–	**1,180**	**2,836**
Total	**3,248**	**919**	–	**3,481**	**7,648**

Source: GLA and Homes England monitoring statistics.

Table 2.4.3 **Affordable Homes Programme 2021-26: Funding and number of homes to be provided by tenure**

Homes England only, to March 2023

	Funding	Homes to be provided			
		Affordable homeownership	Affordable Rent	Social rent	Total
Non-partnership schemes	**£999.9 million**	**5,946**	**9,259**	**3,933**	**19,138**
Partnership schemes	**£5,169.7 million**	**44,026**	**32,591**	**12,875**	**89,492**
Total	**£6,169.6 million**	**49,972**	**41,850**	**16,808**	**108,630**
Average funding per home (exc. nil-grant homes)	–	£43,742	£48,962	£72,832	£52,246

Source: Homes England Affordable Homes Programme 2021 to 2026 Summary: end of March 2023.

The total scheme cost per home under the current AHP is £214,429 compared with £167,271 under the previous SOAHP, an increase of 28 per cent (see this chapter in the 2020 edition of the *Review*). Grant funding per home is on average 45 per cent higher than the equivalent averages under the previous SOAHP: Table 2.4.3 shows that the average grant is £52,246, or 24 per cent of costs (excluding homes that receive no grant). The NAO assessed that grant accounts for a similar 25 per cent of costs (for properties that receive grant), with debt accounting for the biggest share (46 per cent) and the remainder paid for from capital receipts and other sources.

Impacts of investment in England on stock, tenure and rents

So far, under Homes England's part of the AHP 2021-26, the most significant tenure among approved homes is low-cost homeownership (46 percent), followed by Affordable Rent (38 per cent) and social rent (16 per cent). In contrast, under the GLA part of the AHP, there is a commitment that at least 60 per cent of output will be social rented homes. However, the GLA will also allow up to 30 per cent of the programme to be delivered via acquisitions, rather than new build.[9]

Almost two-thirds of affordable housing supply in England in 2022/23 consisted of rented homes, although just 15 per cent were for social rent; the remaining third of provision was for low-cost homeownership (see Compendium Table 20a). At 9,561 homes, social rented output was the highest for eight years, and is on course to meet the DLUHC target of 33,500 social rented homes under the AHP 2021-26. However, output is still well below the numbers needed to meet projected housing needs (discussed in Contemporary Issues Chapter 1).

The AHP's emphasis on Affordable Rent (AR) continues to change the balance within social landlords' total rented stock of 4.5 million homes. Nearly 370,000 AR units are owned by social landlords, almost 26,000 more than in 2022.[10] The *Review* aims to report annually on average AR levels for new dwellings resulting from investment programmes. Regional data on rent levels resulting from the SOAHP were set out in Table 2.4.4 in the 2022 edition of the *Review*: they showed average AR levels outside London of £142 per week, or 76 per cent of average market rent. Data for schemes approved under the current AHP by Homes England show that anticipated rents for all new homes outside London are on average £145 per week, representing 77 per cent of market rent (for comparison, Compendium Table 74b shows AR levels for *existing* stock).

Other sources of affordable housing investment in England

In 2022/23, just 60 per cent of the affordable homes completed in England (38,163) were funded by Homes England or the GLA, which obviously means that a major contribution is made from other funding sources. Of course, for the homes that received government funding, only a proportion was covered by grant, which remains a relatively small factor in driving housing association investment (the Regulator for Social Housing projected it to provide only six per cent of overall development funding in 2023).[11]

Other sources of investment include:

- *The Affordable Homes Guarantee Scheme (AHGS 2020)*. This began in 2020 and will provide £3 billion of guarantees, with a target to support delivery of 17,000 new homes, which in some cases will also have received grant funding. So far, about £1 billion has been deployed towards delivery of 6,230 homes. The government announced in the Spending Review 2023 that it will expand the AHGS 2020 to £6 billion, to be administered by the same company (ARA Venn).
- *Developer contributions ('section 106')*. These provided more than 33,000 affordable homes in 2022/23, almost all without any grant, forming 47 per cent of total output. Section 106 still has an uncertain future, depending on the way in which the Levelling Up and Regeneration Act (which would replace it with a new Infrastructure Levy) is implemented. There is also concern about falling take-up by social housing providers of homes built under section 106, for various reasons including a preferred focus on new homes built on their own land.[12]
- *Direct investment by local authorities in new and existing stock*. This is an important contributor to affordable homes investment, reaching a recent high of almost £9 billion in 2022/23 (see Compendium Table 64). This includes some non-HRA capital spending and also spending by the GLA

(which is 13 per cent of the total). Borrowing for investment within the HRA has increased with the removal of borrowing caps in 2018, preferential rates for housing debt from the Public Works Loan Board and relaxed rules about use of right to buy receipts. The affordability test, which limited the availability of grant for social rented homes to certain parts of the country, has been removed. Local authorities delivered 8,906 affordable homes in 2022/23 (14 per cent of overall affordable supply), although a sizeable proportion are likely to be acquisitions. Output by local authority-owned housing companies is likely to be included in this figure (see this chapter in the 2023 *Review*).

- *For-Profit Registered Providers (FPRPs)*. In the 2023 edition of the *Review*, Contemporary Issues Chapter 3 considered FPRPs in detail, forecasting significant growth in their contribution to affordable supply. They are not identified separately in DLUHC supply statistics, but RSH figures indicate that the 69 for-profit providers owned 29,272 units of social stock in 2023, over 40 per cent more than in 2022 (20,831). The growth has been predominantly driven by a 53 per cent increase in general needs rented stock and 35 per cent increase in low-cost homeownership. The breakdown between new build and acquisitions is not given, and a proportion is likely to be purchases of low-cost homeownership stock from non-profit providers. However, the growth of FPRP stock, at 8,441, represents one-fifth of total stock change by all registered providers in 2023 (41,537), a significant proportion.
- *Other DLUC programmes*. Some smaller DLUHC programmes, such as the Local Authority Building Fund, also provide modest funding towards affordable supply.

New investment is constrained by rents policy and prioritising existing stock

Faced with the cost-of-living crisis, the Westminster government put a seven per cent cap on social-sector rent increases for 2023/24. Restricted rent increases at a time of high cost-inflation have been a key factor in the downward forecasts of expected output from the AHP noted above. Policies which have held rent increases below inflation over the eight years to 2022 were shown in last year's *Review* to have cost housing associations the equivalent of £2.3 billion in lost rental income, which could have levered in £40-50 billion of new investment. Local authorities' capacity to sustain debt is best judged by comparison with the self-financing settlement undertaken in 2012. An assessment for the *Review* by Steve Partridge of Savills shows that, while the 2012 settlement left authorities with capacity to sustain debt of almost £29 billion, their capacity in 2024, principally because of lower-than-expected rent increases but also because of higher costs in maintaining the existing stock, reduced significantly, perhaps to less than half of what it was in 2012, although this will differ significantly between authorities.

A new, longer-term policy on rents is still awaited, although the government has confirmed that the cap on increases will revert to CPI+1 per cent in 2024/25, which (based on September's CPI) will allow increases of up to 7.7 per cent, slightly higher than for 2023/24.

Increases in interest rates have a varying impact, depending on the extent to which a provider is taking on new debt. Analysis of housing associations' global accounts for the *Review* by The Housing Finance Corporation shows the downward trend in rates continued until the 2023 accounts, with costs falling, especially for those with a proportion of debt at fixed rates. However, marginal rates are rising quickly for providers who need to take on debt for new development, or for reinvestment in existing stock (where there is no compensatory rise in income).

Restrictions on rent increases and rising costs of debt coincided with new and intense pressure on landlords to invest in their existing stock, whether to tackle building safety issues, combat damp and mould, work towards net zero or conform with the Decent Homes Standard (which is to be updated and made more stringent – see discussion of these issues in Commentary Chapter 2). Homes England's annual report said that affordable housing providers were facing a 'perfect storm' of issues which 'engulfed' development plans. Many had paused and re-evaluated their plans, refocusing on core activities; development appetite had fallen by up to 30 per cent.[13]

Housing associations' audited accounts for 2023, examined by *Social Housing*, show higher incomes but tighter margins as costs increase.[14] Their global accounts (Compendium Tabel 71d) show spending on existing homes is 20 per cent higher than in the previous year. The RSH's most recent quarterly survey also shows that capitalised repairs spending is at its highest levels.[15] The G15 group of larger associations claimed that some members are cutting new development by one-third,[16] and the RSH's latest *Sector Risk Profile* forecasts a fall of 16 per cent in new build output over the next five years, compared with the 2022 forecast.[17] Given a depressed housing market which affects house sales, the current funding model which relies on cross-subsidy from shared ownership or market sales is severely weakened.

Delivery prospects for affordable housing in the medium term

Overall supply of affordable housing peaked in 2022/23 at 63,605 new homes, of which 3,948 were acquisitions. The total represented an increase of seven per cent over the previous year and was the highest output since 2013/14, because of overlapping contributions from the two main AHPs, combined with still high levels of building from other sources such as developer contributions. However, while the AHP 2021-26 represented a modest increase in spending on new affordable housing, its results are going to be poorer than those of the previous programme: it will deliver a maximum of 153,000 homes while the SOAHP will have delivered some 241,000.

The prospects of output continuing at current levels are poor. The government has yet to announce a successor AHP for 2026/27 onwards and – as noted above – the public spending environment is due to worsen, with overall capital spending being cut in real terms. The SR2023 included modest measures to increase supply (see above) but their effects will be limited. The passing of the legislation to carry out the government's planning reforms is offered as a way of driving up overall housing delivery, but there are significant obstacles, such as staff shortages, long delays in authorities producing their development plans, uncertainty about building targets and the current state of the private market. If the Infrastructure Levy replaces the current section 106 arrangements, there are fears that affordable output could shrink considerably, despite the government's assurances that this will be prevented.

With the prospect of a general election at Westminster before publication of the 2025 *Review*, attention turns to Labour's housing investment plans. Labour promises the biggest boost in affordable housing 'for a generation', including building more council housing. It will 'repurpose the Affordable Homes Programme to direct it overwhelmingly toward the provision of social rented homes'. Its ambition is to build 1.5 million homes of all types over the life of a parliament, which implies that overall output will be at least 350,000 higher over the five-year period; affordable supply will be key to this increase. To achieve its aims, Labour has produced a 'housing recovery plan' which consists largely of further planning reforms, retaining developer contributions but with tighter rules and a promised new generation of new towns.

However, with the shadow chancellor putting tight constraints on Labour's spending plans, prospects for boosting output of affordable housing will depend on the extent to which it switches capital investment from other areas, including DLUHC's support for the private market which features prominently in Table 2.4.1. If Labour merely begins a new five-year AHP with similar spending levels to the current one, its target will not be achieved. The issues and possible options for delivery are discussed in detail by Glen Bramley in Contemporary Issues Chapter 1.

Scotland's affordable housing investment

The Scottish Government has a commitment to deliver 110,000 affordable homes over the decade to 2032, with at least 70 per cent being for social rent. Part of this commitment was to invest £3.5 billion over the life of the current parliament. However, funding for its Affordable Housing Supply Programme (AHSP) in 2023/24 was lower than for the previous two years, and the Scottish Budget announced in December 2023 made a further cut in funding of almost £200 million, to £556 million for 2024/25, which was also 22 per cent less than the amount provisionally allocated for that year (see Table 2.4.4).

Amidst something of a fiscal crisis in Scotland, the SG explained its 'difficult choice' in cutting the AHSP by pointing out that a real-terms fall of 9.8 per cent in UK government capital funding for Scotland is taking place between 2023/24 and 2027/28. As well as the effect on the main grant-funding line in the AHSP, spending classified as 'financial transactions' has also more than halved since 2023/24. The SG previously intended to publish allocations under the AHSP for the following two financial years, but these are now postponed.

Table 2.4.4 **Budget for Affordable Housing Supply Programme (AHSP) 2021-2025**

Spending category	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
AHSP – CDEL (spending on investment projects and capital grants)	**675.37**	**605.20**	**489.10**	**414.42**
Transfer of Management of Development Funding (TMDF) - CDEL	**92.25**	**92.25**	**92.25**	**92.25**
AHSP – Financial Transactions	**64.00**	**134.00**	**170.60**	**49.20**
TOTAL AHSP (including TMDF)	**831.62**	**831.45**	**751.95**	**555.85**

Source: Scottish Government.
Note: Totals may be affected slightly by rounding. CDEL = Capital Departmental Expenditure Limit; TMDF = Transfer of Management of Development Funding (i.e. AHSP funding administered directly by Glasgow and Edinburgh councils).

Predictably, responses to the Budget were critical, with CIH Scotland calling it ‘devastating’ and the Scottish Federation of Housing Associations (SFHA) saying it was an ‘absolute hammer blow’. Several commentators pointed out that the 110,000 target over ten years had already been at risk, but now it will be almost impossible to achieve, despite the only slightly lower previous target having been fully met.

Ironically, the first full year’s contribution to the target was promising, with 10,462 completions in 2022/23, the highest in more than two decades (Table 2.4.5). Because of the way achievement of the target is calculated (starting at March 23 2022), a slightly higher total of 11,570 homes had been completed towards it by March 31 2023. The 8,077 completions for social rent in 2022/23 formed 77 per cent of the total, exceeding the government’s target. Furthermore, the 1,780 affordable homes completed in the second quarter of 2023 (not included in the table) were one-fifth higher than the same quarter in 2022.

However, there are already worrying signs that recent progress may be temporary. In 2022/23, starts on site, at 6,990, were well down on the previous year’s 8,227.

Table 2.4.5 **Scottish Government Affordable Housing Supply Programme: Number of completions 2017-2023**

Type of AHSP activity		Total (five years 2017/18-2021/22)	2022/23
RENT			
Social rent			
Housing association rent	New build	17,593	4,939
	Rehab	1,183	79
Council house rent	New build	8,032	1,929
	Rehab	295	1
HA/Council	Off the shelf	3,637	1,119
Home Owner Support Fund (rent)	Off the shelf	113	10
Total Social Rent		**30,853**	**8,077**
Affordable rent			
Other affordable rent	New build	4,680	1,396
	Off the shelf	485	103
	Rehab	124	33
Total Affordable Rent		**5,289**	**1,532**
AFFORDABLE HOMEOWNERSHIP			
New supply - shared equity and shared ownership	New build	787	177
	Off the shelf	5	–
	Rehab	–	–
Council shared equity	New build	44	12
Other affordable homeownership	New build	130	12
	Off the shelf	–	–
	Rehab	187	1
Open Market Shared Equity (OMSE)	Off the shelf	6,324	651
New Supply Shared Equity (Developers)	New build	–	–
Home Owner Support Fund (Shared Equity)	Off the shelf	–	–
Total Affordable Homeownership		**7,477**	**853**
TOTAL AFFORDABLE HOUSING SUPPLY		**43,619**	**10,462**

Source: Scottish Government Affordable Housing Supply Programme summary tables.

Approvals also fell from 7,820 to 6,396, and the figure for the second quarter of 2023 was the lowest since 2000. Apart from the severe cuts in funding for the AHSP, providers in Scotland face the same challenges as those in the rest of the UK, which include:

- *Below-inflation rent increases*. After several years of rents keeping ahead of inflation, social landlords are now experiencing the reverse. In 2022/23, average rents rose by only 2.6 per cent. In 2023/24, agreements with the Scottish Government again led to sub-inflation increases, with the average being 5.1 per cent. Despite this restraint, rent arrears at March 2023 reached record levels.[18]
- *Financial health of the sector*. The Scottish Housing Regulator (SHR) describes the sector as 'squeezed but robust', but with several providers having advised it of potential covenant breaches related to interest cover, in recent months. The SHR says the sector faces 'significant challenges' in accessing debt, as providers plan to increase borrowing by £1.47 billion over the next five years.
- *Investment in existing homes*. In contrast with England, Scottish social landlords' financial plans include a £15 million aggregate *reduction* in investment in their own stock over the next five years, according to the SHR, alongside the cut in new build output (although with no cut in new build expenditure). This may be because of recent past investment in reaching Scotland's higher current standards for the stock, although might also suggest that there may be difficulties in achieving the next increment in standards, notably those relating to energy efficiency.
- *Affordable housing investment benchmarks*. These are used to determine whether a grant application is subject to a streamlined assessment process or a more detailed value-for-money assessment; they were raised in 2021 and were subsequently adjusted to account for construction inflation in 2023, with the Scottish Social Housing Tender Price Index being used for this purpose. Despite promised flexibility to deliver viable schemes, providers argue that they are not keeping up with costs. Tender prices increased by 26 per cent in the two years to Quarter 1 2023.[19]
- *Quality standards for new homes*. More stringent requirements are being placed on all new housing developments, notably that homes will have to meet a Scottish version of the *Passivhaus* standard, with the legislation likely to be laid in 2025 or 2026 and to come into force later. The extra costs of achieving the standard are clearly an issue, with Midlothian Council recently pausing a 182-unit scheme as costs were said to be more than one-third higher than normal.

Surveys by the SHR showed that housing associations' development plans for the next five years were forecast to deliver 15 per cent fewer new homes, before the latest cuts in funding were announced.[20] This would put their output at around 5,200 annually. If local authorities continue to provide 2,000 new homes each year (see below), total output would therefore be only two-thirds of what is required, even before the new cuts in funding.

The AHSP is made up of a variety of different grant mechanisms and loan and equity funding, including smaller programmes and initiatives such as the Charitable Bond programme, the Local Affordable Rented Housing Trust, the Places for People MMR Fund and the Rural and Islands Housing Funds. Affordable housing is also supported through developer contributions (principally 'section 75' obligations). Contributions in Scotland are mostly in the form of completed units and discounted land. Ready identification of the extra homes that result (as happens in both England and Wales) is not routinely available.[21]

Overlapping with the AHSP, local authority capital spending on housing has shown a steady increase. Councils spent £950 million on HRA housing in 2021/22, provisionally reported to have risen to £1,068 million in 2022/23, and with a budgeted £1,576 million in 2023/24 (although actual spend is invariably much lower than the budget figure). Around half of the increase is due to new build and conversion, with the remainder on existing stock.

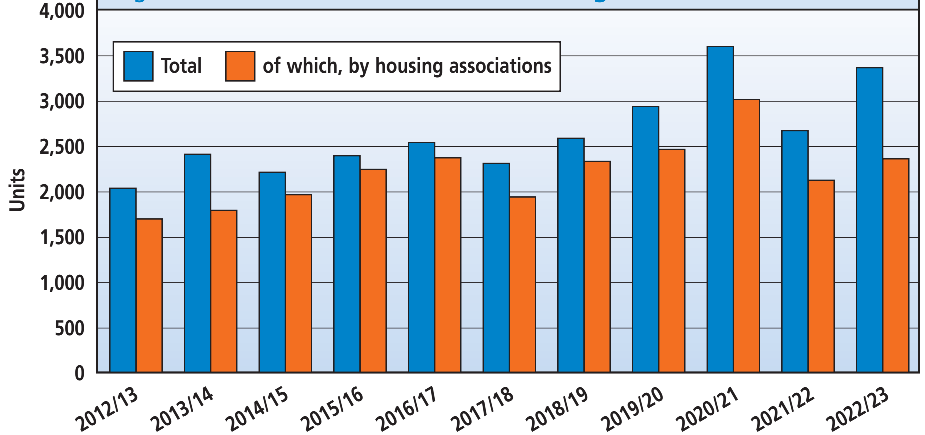
Figures supplied to the *Review* by the Scottish Government enable a comparison to be made of its support for affordable housing supply with that for supply in the private market.[22] For the five years up to 2020/21 reported in the 2020 *Review*, 85 per cent of funding was directed towards affordable housing. For 2021/22 and 2022/23, the figures were 89-90 per cent. In 2023/24 and 2024/25 virtually all of the support (99 per cent) will be directed towards affordable housing. This reflects the closing of the two principal components of private market support, Help to Buy (Scotland) and the First Home Fund.

Affordable housing investment in Wales

Wales's Programme for Government 2021 to 2026 has a strong emphasis on housing, aiming to deliver 20,000 new low carbon homes for rent within the social sector over five years. Unlike the previous target, the current one excludes the Help to Buy and Rent to Own schemes, marking a shift away from supporting homeownership. The target is ambitious: the 4,000 new homes required annually is considerably higher than previously, although there is a pattern of output increasing towards the end of each programme cycle.

Recent output is shown in Figure 2.4.3. After falling in 2021/22, output increased by 26 per cent in 2022/23: 3,369 additional affordable housing units were delivered across Wales, the second highest total since data were first collected in 2007/08. In terms of progress towards the 20,000 target, the Welsh Government rightly excludes shared equity affordable units from its calculation, meaning that 3,212 affordable homes were delivered towards the target in 2022/23, added to 2,563 in the previous year. Clearly the total of 5,775 over two years means output will have to reach significantly higher levels over the next three years – around 4,700 annually – if the target is to be met.

Figure 2.4.3 **Additional affordable housing in Wales to 2022/23**



Source: Welsh Government affordable housing statistics.

The Welsh Government's affordable housing supply data have some useful commentary on the details of delivery.[23] For example:

- Housing associations delivered 70 per cent of the total, local authorities 20 per cent and other providers the remaining ten per cent (principally through the planning system).
- Of homes delivered by housing associations, 82 per cent were for social rent.
- The 685 homes delivered by local authorities were a significant increase on the previous year's 486. The majority of these were delivered by just five of the 11 authorities. Of the total, 66 per cent were newly built properties (the rest being acquisitions or conversions).
- Of total supply, 72 per cent is grant-funded, the remainder without.
- Of total supply, 30 per cent is delivered via planning obligations (section 106 – the percentage relates to 2022/23).

The allocation of social housing grant in the Welsh Government Budget was £250 million in the first year of the new programme (2021/22), then rose to £310 million in 2022/23 and stood at £370 million for 2023/24. These levels of grant funding reflect the shift towards more social rented provision, although this funding will still cover intermediate rent and shared ownership. An indicative amount of £365 million has been confirmed for 2024/25, meaning that social housing investment in Wales has not suffered similar cuts to those in Scotland. However, the minister has also acknowledged that building costs are escalating, saying that, before the pandemic, '...we could get somewhere between five and seven houses for £1 million: now we get four if we're lucky'.[24]

Inevitably, the same pressures on social landlord finances apply in Wales as in the rest of the UK, with tighter limits on rent increases replacing the previous policy of allowing rents to rise by CPI + 1 per cent. The Welsh Government capped increases for 2023/24 at 6.5 per cent and has announced a cap of 6.7 per cent for 2024/25.

Another cost pressure on landlords is created by the requirement to meet the new Welsh Quality Housing Standard (WHQS 2023) by 2034. CIH Cymru and other bodies point out that while landlords successfully achieved the previous WHQS, this required extra resources, and the new standard can only be met with similar support. Some is already in place. Stock-retaining councils receive revenue funding (the Major Repairs Allowance) to assist towards the costs of meeting the WHQS; housing associations formed through stock transfers from councils get dowry gap funding to underpin their investment generally. The Draft Budget maintains funding for these at a fixed level, i.e. £108 million annually to cover both support funds. It also includes £92 million annually for decarbonisation of the existing social housing stock. However, there is still a considerable resource gap, covered in more detail in Commentary Chapter 2.

Separate figures for local authority capital spending on housing in Wales show that (as in England and Scotland) it is increasingly sharply. Returns show that HRA investment increased from £317 million in 2021/22 to £435 million in 2022/23 and a planned £468 million in the current year. This will of course include spending on both new build and existing stock.

Table 2.4.6 repeats the assessment of the breakdown of investment support by the Welsh Government which first appeared in this chapter in the 2020 *Review*. The current table is based on the allocations in the Welsh Government's Draft Budget for 2024/25, excluding expenditure on the existing stock. The Budget shows a split between social sector support and private market support markedly in favour of the social sector, which accounts for 82 per cent of investment support.

Affordable housing investment in Northern Ireland

As this edition of the *Review* was being finalised, Northern Ireland regained its assembly and power-sharing government after a two-year hiatus. The lack of a housing minister over that period significantly affected policy development. The ending of the political impasse means that policymaking can resume and potentially allows the future of the Northern Ireland Housing Executive (NIHE), a vital factor in tackling the backlog of investment in the social housing stock, to be properly addressed.

The absence of an assembly meant that, unlike in the rest of the UK, there has been no agreed multi-year budget and progress on developing a new Housing

Table 2.4.6 **Summary of government support for affordable and private market housing investment in Wales, 2022/23-2024/25**

Programme	Grant/loan amounts (£m 2022/23	Grant/loan amounts (£m) 2023/24	Grant/loan amounts (£m) 2024/25	Notes
Programmes aimed primarily at delivering new housing at social rent, plus some low-cost homeownership				
Social Housing Grant	310	370	365	Includes Social Housing Grant plus several other smaller items.
Housing and Care Fund	61	61	61	Funding to integrate health, housing and social services.
Land Release Fund	20	20	25	Funding to free-up difficult land and buildings for affordable housing development.
Housing Finance Grant	13	13	13	Revenue support for HA capital investment.
Sub-total: social housing	**404**	**464**	**464**	**Sub-total = £1,332 million (82%)**
Programmes aimed primarily at supporting the private housing market				
Market housing and other schemes	10	67	72	Empty Homes Grant Scheme to bring long-term empty properties back into use.
Homebuy	2	3	4	
Regeneration	25	50	50	Aimed at regeneration generally so only part directed to housing.
Sub-total: private market support	**37**	**120**	**126**	**Sub-total = £283 million (18%)**
Total support for housing capital investment	**441**	**584**	**590**	**Total = £1,615 Million (100%)**

Source: Welsh Government Draft Budget 2024-25.

Supply Strategy has been halted (it was published in draft in December 2021). A single-year 2023/24 Budget was announced in April 2023 and a 2024/25 Budget is anticipated soon, although with concerns being expressed by CIH and a range of other organisations about potential cuts in housing investment given the reductions in funding for Northern Ireland from the UK government.[25]

Northern Ireland's Social Housing Development Programme (SHDP) is intended as a rolling, three-year programme. The headline delivery target for the SHDP is to secure a minimum number of annual new social housing starts. In the last decade, there were only three years when the relevant targets for starts were not achieved, including the 2019/20 year, when starts were adversely affected by the pandemic. The target for 2022/23 was set at 1,950 and this was met, with 1,956 homes started. The initial target for the 2023/24 year was to deliver starts on 2,000 new social housing units. The agreed targets for the next three-year SHDP period are 2,000 units in 2024/25, 2,150 units in 2025/26 and 2,300 units in 2026/27 – subject to the availability of funding. Ideally, of course, there would be budget provision commensurate with these increasing targets.

However, when final allocations were announced in June, it transpired that a substantial cut in Westminster's real-terms financial support would mean the Department for Communities (DfC) had a shortfall of £59 million (27.3 per cent) in the capital required for its 2023/24 programme. As a result, only £159 million was made available for the first year of the SHDP period, instead of the £200 million requested by the NIHE. This is expected to produce 1,500 starts, well short of the 2,000 target. Indeed, in the first six months of 2023/24, there were just 271 starts (although starts are typically bunched towards the end of the financial year).

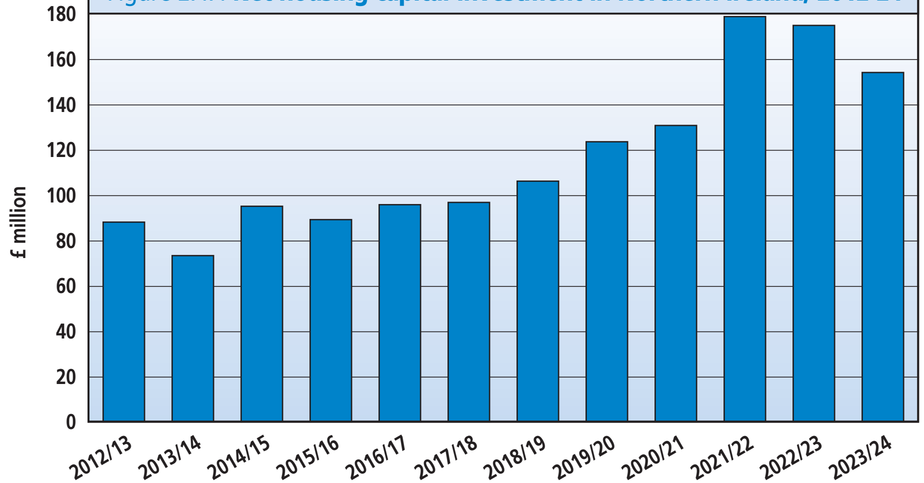
To aid comparison with the rest of the UK, Table 2.4.7 shows SHDP *completions* for the period 2018/19-2022/23 (6,896 units). For the 2023/24 programme year, there had been 465 completions under the SHDP by September 2023. As noted previously in the *Review*, the five-year completions total is boosted considerably by 'off-the-shelf' and other property acquisitions, which account for more than 20 per cent of the total. Completions in 2022/23 made a promising recovery on the previous year's low total but had not yet fully returned to pre-pandemic levels.

Table 2.4.7 **Northern Ireland Social Housing Development Programme - completions 2018-2023**

Type of provision	Total – five years 2018/19 – 2022/23	2023/24 (Apr-Dec)
New build	**5,309**	**382**
Off-the-shelf	**792**	**28**
Existing satisfactory purchase	**356**	**10**
Rehabilitation	**225**	**45**
Re-improvement	**214**	**0**
Totals	**6,896**	**465**

Source: Department for Communities, Northern Ireland Housing Bulletins and data supplied direct.

Figure 2.4.4 **Net housing capital investment in Northern Ireland, 2012-24**



Source: Department for Communities.
Note: Net capital is budgeted expenditure minus receipts. It excludes Financial Transactions Capital (FTC) funding allocated by the UK Government. FTC can be used as loans or equity investment for capital projects delivered by private sector bodies. Totals also include spending on private sector renovation grants.

Figure 2.4.4 shows that the capital finance available for housing within the Northern Ireland Budget remained high, at £154.9 million in 2023/24 (net of receipts). The gross capital budget for this year is £213.8 million, which comprises:

- £153.5 million (72 per cent) for the SHDP (including £16.8 million for shared housing).
- £1.2 million for housing-led regeneration (under the Building Successful Communities housing-led regeneration pilot).
- £58.8 million in other NIHE Budgets for planned maintenance, adaptations, etc.

Unlike England, Scotland and Wales, therefore, 100 per cent of Northern Ireland's housing capital investment is for affordable provision, although some of the items above clearly relate to investment in the existing stock.

A further £14.25 million in Financial Transactions Capital (FTC) was allocated to co-ownership homes in 2023/24 as part of a five-year funding programme totalling £145 million, to deliver 4,000 intermediate shared-ownership homes.

In terms of revenue resources, some relief was provided by the seven per cent increase in rents permitted for the NIHE for 2023/24. This came after rents had been frozen in five of the previous seven years, including in 2021/22. Housing association rents are set individually by each association.

In 2021, the DfC launched a public consultation on a 15-year draft Housing Supply Strategy 2022-2037, with the aim of delivering 'upwards of 100,000 homes over its lifetime'. One-third of these would be social housing, implying an annual target of over 2,200 new social homes although it was envisaged that output would be higher in the later years of the strategy. The strategy's importance is heightened given that Northern Ireland's housing waiting list, which is the key portal for access to social housing across the sector, is growing relentlessly. There were 45,292 households on the waiting list in June 2023, up from 44,229 in the same period last year. Of these applicants, 73 per cent (33,130) were experiencing 'housing stress', up from 31,663 in June 2022.

A positive development in affordable housing provision is the incorporation of affordable housing policies into the local development plans being prepared by the eleven local authorities. An example is Belfast City Council's policy requiring developments of more than five units to provide 20 per cent affordable housing. However, so far, no statistics are available to monitor the use of Section 76 of the Planning Act (Northern Ireland) – the mechanism for securing such provision, the equivalent of Section 106 agreements in England and Wales (Section 75 in Scotland) – and assess its significance.

In addition to this, the DfC published a new intermediate rent policy this year. Intermediate rent aims to provide an additional rental choice for moderate-income households, at rents lower than those in the open market and with longer-term tenancies of five years, catering specifically for those whose needs are not adequately met by the market. DfC expects to launch the programme via an open competition in mid-2024.

The *Review* has regularly pointed out the significant investment challenge facing the Housing Executive. This is a longstanding issue, recognised within the 2020 *New Decade, New Approach* deal between the UK and Irish Governments.[26] Solutions are being developed through a Housing Executive 'Revitalisation Programme', aimed at creating 'a revitalised Strategic Housing Authority and sustainable social landlord that can maintain and provide good quality and affordable homes for current tenants and future generations'. Previously, the communities minister promised that NIHE will not be privatised and gave an assurance that options for its future will involve only limited change.

Ideally, the Housing Executive would strengthen its strategic role while also having greater freedom to increase its borrowing and hence its investment. Squaring this circle now becomes possible, at least in theory, with the ending of the political impasse. In 2021, the investment needed in NIHE stock was assessed as more than £10 billion over 30 years, to address housing quality, retrofit and building safety requirements. The Housing Executive invested over £200 million in maintaining and improving homes in 2022/23, but it is running hard to stand still: the NIHE's stock compliance against the Decent Homes Standard has fallen from almost 100 per cent in 2015 to closer to 90 per cent now.[27] The Housing Executive has also begun demolishing 33 obsolete tower blocks. While the current situation prevails, it risks creation of a two-tier housing system where the Housing Executive is unable to maintain its properties to the same standards as those of housing associations.

Notes and references

1 Calculated from Homes England and GLA monitoring statistics.

2 National Audit Office (2022) *The Affordable Homes Programme since 2015*. London: NAO (subsequent references to NAO are to this report).

3 Public Accounts Committee (2022) *The Affordable Homes Programme since 2015*. London: House of Commons.

4 See www.gov.uk/government/statistics/housing-statistics-1-april-2022-to-31-march-2023

5 A further complication is that the GLA figures for starts and completions also include dwellings started in 2015/16, as a result of an earlier agreement with the government.

6 Letter from Tom Copley, Deputy Mayor for Housing and Residential Development, to Chair of Housing Committee, 4 October 2023.

7 SQW (2022) *Evaluation of Homes England's delivery of the Shared Ownership and Affordable Homes Programme*. London: DLUHC (www.gov.uk/government/publications/shared-ownership-and-affordable-homes-programme-soahp-evaluation-report).

8 See www.housingtoday.co.uk/main-navigation/no-new-homes-started-under-khans-2021-26-affordable-homes-programme/5125874.article

9 London Assembly Housing Committee (2023) *Affordable Housing Monitor 2023*, November 2023. London: GLA.

10 Data from RSH returns for 2022/23 (see www.gov.uk/government/organisations/regulator-of-social-housing/about/statistics).

11 Regulator of Social Housing (2020) *Sector Risk Profile 2019*, updated in March 2020 but not since then. London: RSH; data shown in Figure 2.4.2 in the 2021 edition of the *Review*.

12 See Williams, E. (2023) *The Section 106 Standing Stock Scandal* (www.thenewmidlands.org.uk/section-106-scandal/).

13 Homes England (2023) *Annual Report and Financial Statements 2022/23*. London: Homes England.

14 Stothart, C. (2023) 'Accounts digest 2023: operating surplus falls 14%', in *Social Housing*, November 30.

15 Regulator of Social Housing (2023) *Quarterly survey for Q2 (July to September) 2023 to 2024*. London: RSH.

16 Riding, J. (2023) 'London's biggest housing associations plan to cut development by up to a third', in *Inside Housing*, May 17.

17 Regulator of Social Housing (2023) *Sector risk profile 2023*. London: RSH.

18 Scottish Housing Regulator (2023) *National Report on the Scottish Social Housing Charter – 2022-2023*. Glasgow: SHR.

19 See www.gov.scot/publications/foi-202300370665/

20 Scottish Housing Regulator (2023), *op.cit.*

21 The 2022 edition of the *Review* reported research showing that in 2019/20 contributions were worth £310 million and that they allow around 3,000 extra affordable homes to be built annually.

22 This analysis relates specifically to spending to support housing supply. Other elements of the Scottish Government housing budget include housing support, fuel poverty and housing quality.

23 See www.gov.wales/affordable-housing-provision-april-2022-march-2023-html

24 See https://nation.cymru/news/how-will-santa-find-me-asks-one-of-the-3400-children-living-in-temporary-accommodation-in-wales/

25 See www.cih.org/news/ni-sector-bodies-raise-concerns-over-the-humanitarian-and-economic-impact-of-housing-budget-cuts

26 UK and Irish Governments (2020) *New Decade, New Approach* (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/856998/2020-01-08_a_new_decade__a_new_approach.pdf).

27 Estimates provide by NIHE.