# Housing in this Parliament

# Veering off plan?

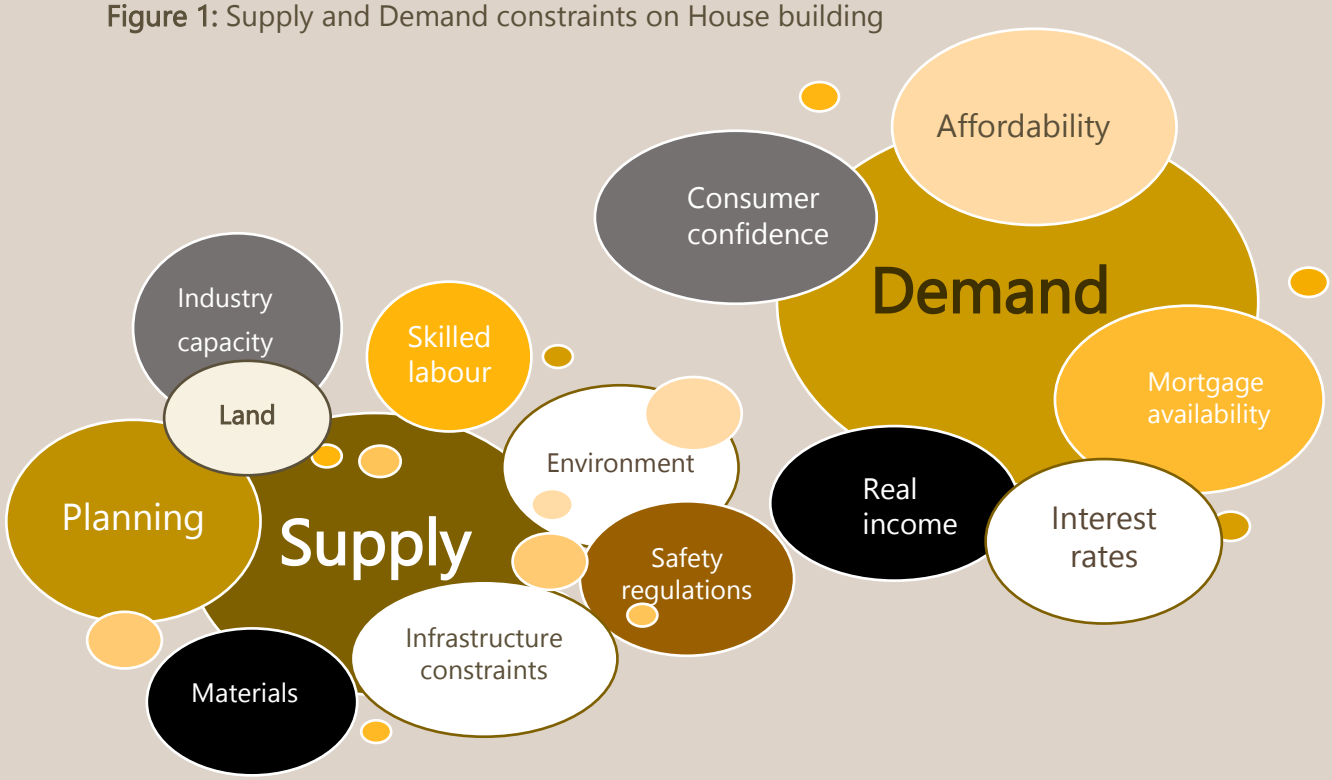
Community Planning Alliance

Written for the Community Planning Alliance by Richard Sidebottom, November 2025

## Summary


- In its efforts to address housing affordability, the Government has set unprecedented targets without a clear roadmap outlining how it expects (the private sector) to deliver it.
- In the run up to the November budget, there is a growing queue outside Number 11 waiting to issue warnings that efforts to boost housebuilding are veering off plan and that the *Office for Budgetary Responsibility* (OBR)'s forecasts may be optimistic.
- These warnings from the heart of the housing sector reflect concerns that poorly specified targets reliant upon simplified diagnoses are neither credible nor productive.
    - The evidence clearly suggests that Planning reform alone is insufficient without investment in local authority capacity, infrastructure, and delivery mechanisms.
    - The socio-economic impacts of housebuilding are contingent on actual build-out rates and sales, not just permissions. These continue to be constrained by multiple factors on both the supply side and the demand side (Figure 1).
- Rather than trot out tropes of 'build baby build', and 'beat the blockers', that serve only to alienate and exclude, the Government could perhaps listen to these voices from across the industry and across the country and engage to create an inclusive and realistic roadmap.


**Figure 1:** Supply and Demand constraints on House building




The purpose of this note is to ask two questions:

1) How likely is it that we meet the Government's ambitious housing target?
2) Even if we do, have we achieved what we set out to do?

# Making plans, setting targets….

In its April, 2024 article, *"Hitting the target but missing the point",* the *Good Governance Institute* cautioned that targets can facilitate public sector accountability but can prove counterproductive, especially if perceived as ill thought out, confusing or unrealistic[1]. Failure to meet a target can help propagate an overly negative narrative, rather than focus on what *has* been achieved or lead to loose interpretation (or even embellishment) of output data. Moreover, a focus on over simplified rigid targets can result in confusion of means with ends.

A case in point is the Labour manifesto pledge to build 1.5 million new homes in England during this Parliament. Despite warnings from the housing market since July 2024 and the fact that this Parliament now has less than 4 years to run, Housing Secretary Steve Reed recently reiterated the Government's commitment under the mantra "build, baby, build"[2].

Whilst some observers focus only on new homes, the Government prefers to target '*Net additional dwellings'* which includes conversions, demolitions, and changes of use. According to the *Resolution Foundation*, these latter categories accounted for 13% of net additional dwellings in the last decade – a significant number often ignored in media debate[3]. It is also important to note that local authority targets equate to a national total of 370,408 new homes per year in England (1.85 million in 5 years)[4]. However, there is no explicit target for social housing (despite unaffordability), nor for homes for older people (despite demographics)[5].

The danger in focusing on headline metrics is failure to account for observed (and unobserved) consequences and the related problem of failing to distinguish between *outputs* (houses built) and *outcomes* (the overall impact on society, not just those who live in the new homes[6]. It is imperative that our new homes are genuinely affordable, safe and healthy places for families to live, in places where people want to be, supported by infrastructure they can use. Policy makers need to carefully consider not just the destination but the mode of travel.

The Government's pledge has been taken at face value by the *Office for Budget Responsibility* (OBR) in its growth forecasts for the tail end of this Parliament[7], but it is not entirely clear what the pledge means or whether its achievement (or not) constitutes success (or failure). If it is primarily to boost growth, perhaps manufacturing may deserve attention. If it is to improve affordability, it is unclear whether the current approach is likely to succeed – 1.5 million or not.

[1] Hitting the target but missing the point | Good Governance
[2] We will build 1.5m homes, new housing secretary insists - BBC News
[3] Housing Outlook Q3 2025 • Resolution Foundation
[4] Is the government on track to deliver 1.5 million new homes? – Full Fact
[5] HBF_2025_Government_progress_report.pdf
[6] It's Not Just Semantics: Managing Outcomes Vs. Outputs
[7] OBR concludes planning reforms will bring housebuilding to its highest level in 40 years - GOV.UK

# Veering off plan, missing targets….

Despite Steve Reed's apparent endorsement of the 1.5 million target, there are already widespread doubts as to whether this is in fact still the target, what this target means in terms of geography and timescale, and whether the Government is likely to achieve it.

As early as Autumn, 2024 Local Authorities cried foul, a Savills report commissioned by the National Housing Federation warned of a potential 95,000 annual shortfall[8] and the *Centre for Cities'* predicted that only 75% of the Government's target would be met[9].

In March, 2025 the Government was quick to cite the OBR's forecast of 1.3 million additional dwellings as vindication of their plan to *"bring housebuilding to its highest level in 40 years"* [10]. However, they were less keen to advertise the fact that the OBR forecast included several months *after* the next election in 2029 and was for the whole of the *UK,* not just *England*[11].

One year into the new Government's tenure, and doubts spread to housebuilders themselves. In July, 2025 the *Home Builders Federation's Government Progress Report* (HBF) suggested that the OBR's forecast meant only *1.1 million* net additions in England, not 1.5 million[12]. Whilst we await release of official housing data in November, a number of leading indicators for new homes (not net additions) suggest that even these forecasts may be an over estimate[13].

Using data up to Q1 2025, HBF concludes "all the available indications of current and future housing supply remain on a downtrend"[14]. *NHBC* data for Q2 2025 suggests an increase in housing starts over Q1 2025 but completions are still lower than the same quarter in 2023 and 2024[15]. *Energy Performance Certificate* (EPC) data shows that only 201,000 new homes were completed in the 12 months before June 2025[16] and data from July, 2024 to September, 2025 suggests only 231,300[17]. Although completions are at a nine-year low, *Savills' English Housing Supply Update Q2 2025*[18] identifies an uplift in large builder home starts, provisional evidence of higher consent numbers and improved land availability. Whilst complaints about planning continue, weak demand is proving to be a major financial constraint, especially amongst small and medium sized developers.

[8] Government will miss 1.5 million homes target by almost a third without funding, the NHF and HBF warn | News | Housing Today
[9] Restarting housebuilding I: Planning reform and the private sector | Centre for Cities
[10] OBR concludes planning reforms will bring housebuilding to its highest level in 40 years - GOV.UK
[11] Is the government on track to deliver 1.5 million new homes? – Full Fact
[12] HBF_2025_Government_progress_report.pdf
[13] Is the government on track to deliver 1.5 million new homes? – Full Fact
[14] HBF_2025_Government_progress_report.pdf
[15] NHBC new home statistics review Q2 2025.pdf
[16] Savills UK | English Housing Supply Update Q2 2025
[17] Is the government on track to deliver 1.5 million new homes? – Full Fact
[18] Savills UK | English Housing Supply Update Q2 2025

## Beating the blockers?

Whilst attempting to reassure an increasingly sceptical public of the inevitability of success, the Government is seemingly oblivious to critique of its approach. The Government claims that it is 'beating the blockers' largely through radical Planning Reform. However, in many cases it is not clear who the blockers are or if they are the real binding constraint upon house building. A survey of industry literature reveals a complex interaction of supply and demand constraints that suggest the need for a more nuanced approach in setting and realising housing targets.

## Supply side constraints

**Planning:** Although delays may be eased through updated Local Plans, many Local Planning Authorities (LPAs) point to a high ratio of planning approvals to applications and physical space limits in certain areas[19]. The question arises therefore if we need to look more at the fall in applications, rather than approvals. Even the HBF concedes that "significant progress" has been made and concludes that planning reforms are necessary but not sufficient[20].

Moreover, planning reform involves people, not just new rules. In its *UK Construction Market Report Q3 2025*[21], the construction consultant *Gleeds* highlights that current reforms have yet to translate into faster approvals – not least due to a shortage of planning officials in LPAs. The Resolution Foundation notes that Government plans to recruit 300 new officers is less than one per LPA[22] and significantly less than the 2,200-shortfall estimated by the HBF[23].

**People:** A shortage of people also appears to be impacting building companies directly. Alongside volatile materials' prices, an ageing workforce, increased employer National Insurance contributions[24] and skilled labour shortages continue to impact build costs and slow construction timelines[25]. Although Skills England has offered funding to train 60,000 more construction workers, HBF estimates imply that this provides scope for only 75,000 more homes per year[26]. Given the nature of short-term sub-contracting and a preponderance of self-employment, it will take several years for the industry to redress years of underinvestment in skills and an over reliance on foreign labour[27].

[19] New homes: Scale of building challenge revealed by BBC housing tracker - BBC News
[20] HBF_2025_Government_progress_report.pdf
[21] UK Construction Market Report Q3 2025 > Market reports > Insights and reports > Gleeds
[22] Government won't hit ambitious housing targets without direct public investment in new homes • Resolution Foundation
[23] HBF_2025_Government_progress_report.pdf
[24] PwC Construction & Housebuilding Outlook H2 2025 - PwC UK
[25] PwC Construction & Housebuilding Outlook H2 2025 - PwC UK
[26] HBF_2025_Government_progress_report.pdf
[27] UK 'doesn't have enough builders' for Labour's 1.5m homes - BBC News

**Nature and Social Infrastructure:** According to the HBF, thousands of new builds are also being blocked by water neutrality requirements and capacity issues in water provision and disposal. Whilst the forthcoming Planning and Infrastructure bill is designed to address these issues, it has generated widespread discord. If we destroy where we live in order to meet the housing target, have we succeeded or failed? If there are teething problems with implementing Biodiversity Net Gain, do we amend our approach or abandon our aspiration?

Many projects also face delay due to issues with electricity or water infrastructure. Whilst there may be scope for more effective scrutiny of how developer funds are invested by water companies, the Government's track record in regulating this sector is poor. However, this should not mean building projects go ahead with no regard to water supply and waste disposal. The HBF also argues that contaminated brownfield sites entail expensive clean-up costs[28] but presumably they are not arguing that this is unnecessary? We need to decide if each of these issues are a question of cost allocation or doing the right thing for society.

**Safety:** Building Regulator delays and the Building Safety Levy (up to £10 billion) are reported to be making many schemes unviable, especially in London[29]. However, many of the measures now in place result from the Independent Review of the Building Regulations and Fire Safety after the Grenfell Tower tragedy[30]. As the *Institute for Government* writes[31], there is scope to streamline regulations and an ongoing debate regarding the blame between manufacturers and installers on cladding but the fact remains that remedial work must be funded somehow.

**Industry Building capacity:** There is no historical precedent that suggests the private sector alone can achieve the 1.5 million housing target. *Carter Jonas Housebuilding Outlook 2025* highlights that the annual build rate has not reached 300,000 since the late 1960s (when over 40% of dwellings were built by local authorities)[32].

The housebuilding sector is bifurcated. According to NHBC data cited by Savills, house completions by the 10 largest builders tend to be more than double those of the next 50 largest[33]. In their 2024-25 annual reports several of the larger developers remain cautious about near-term prospects and forecasts only relatively small output increases before 2027[34].

[28] PwC Construction & Housebuilding Outlook H2 2025 - PwC UK
[29] PwC Construction & Housebuilding Outlook H2 2025 - PwC UK
[30] Building Safety Act Frequently Asked Questions
[31] From the ground up: how government can build more homes
[32] Housebuilding | Outlook 2025
[33] Savills UK | English Housing Supply Update Q2 2025
[34] UK Housing Policy | Vistry Group; Barratt Redrow FY25 Trading Update - 07:00:07 15 Jul 2025 - BTRW News article | London Stock Exchange; https://www.persimmonhomes.com/corporate/investors/results-reports-and-presentations/2025/

This industrial structure renders efforts to co-ordinate training programmes, improve provision of affordable homes and speed up planning much more complicated. Examples include low-cost loans through the Housing guarantee schemes designed to help SMEs and the build-to - rent sector[35]. Whilst amendments have been made to planning to ease the burden on smaller builders, increases to the Building Safety Levy and to employer National Insurance contributions may exacerbate existing supply side constraints.

The Government's delivery model is predicated on several assumptions: the easing of supply side constraints will significantly reduce the cost of production; house prices will fall to reflect this; and that this fall will be significant enough to render houses more 'affordable'.

Irrespective whether a housing target for Local Authorities is mandatory or not, this does not necessarily translate into sufficient planning permissions or housing completions. In any profit maximising capitalist economy, supply will not increase unless prices remain high enough to offer firms a margin over the cost of production. Irrespective of top-down Government policy supply targets, the relaxation of planning constraints or availability of skilled labour, a profit maximising private sector company will only build what it can sell at a reasonable margin[36]. Private sector building firms' behaviour reflects their need to preserve profit margins, not to maximise sales volumes[37]. This is not a criticism, simply a truth.

[35] The UK housing crisis: Causes, impact, and solutions: Housing Digital
[36] HBF_2025_Government_progress_report.pdf
[37] PwC Construction & Housebuilding Outlook H2 2025 - PwC UK

# Demand side constraints

This market reality means the *binding* constraint is effective demand, not supply. Reliance upon the private sector to execute the Government's housing plan therefore necessitates a nuanced appreciation of demand side market dynamics, not just supply side. Moreover, it requires an understanding of *effective housing demand*, as opposed to *housing need*. The UK's housebuilding malaise is not just a question of regulations or resources but also cost and profitability. In the face of slowing house price inflation and supply side price shocks since 2019, developers' profit margins have come under pressure. This is reflected in significant share price underperformance thereby placing additional pressure on company management.

**Consumer confidence:** Whilst the HBF has long been a loud critic of the Planning system, more recently it has been highlighting the significant downturn in *effective demand* for houses[38]. *PwC's Construction & Housebuilding Outlook H2 2025* highlights a low level of mortgage applications and the need for developers to provide mortgage assistance to facilitate sales[39]. The effect of this slowdown in sales volumes and house price inflation is noted in forecasts from various sources, including *Arcadis*[40], *CBRE*[41], *Knight Frank*[42] and *RICS*[43].

**Affordability:** In its *"2025 Government Progress report",* the *HBF* suggests that this downturn can only partly be attributed to macro-economic factors (such as high interest rates, the high cost of living and low real wage growth). The report also points to the absence of large-scale Government measures on the demand side, for example, in the mortgage market: "for the first time in almost 60 years, there is no effective government support for home ownership"[44].

The weakness of demand is particularly acute at the foot of the ladder. The *HBF* estimates a full-scale first-time buyers' scheme and resolution of a lack of Registered Providers for Section 106 Affordable Housing units would *each* add an extra 20,000 homes annually. Whilst the Government has recently provided an extra £39 billion to facilitate investment by Registers Providers, its effect will not be immediate, and much of the money is back-loaded outside this Parliament.[45]. Rather than presume greater supply at the top will have a 'trickle-down' effect on affordability, do we need a more targeted approach at the base of the pyramid?

[38] HBF_2025_Government_progress_report.pdf
[39] PwC Construction & Housebuilding Outlook H2 2025 - PwC UK
[40] Arcadis Autumn Construction Market View (Sept 2025)
[41] CBRE UK Residential Forecasts Q3 2025
[42] PowerPoint Presentation https://content.knightfrank.com/research/100/documents/en/uk-residential-market-update-q2-2025-12097.pdf
[43] Residential-Market-Survey-September-2025.pdf, https://www.rics.org
[44] HBF_2025_Government_progress_report.pdf
[45] HBF_2025_Government_progress_report.pdf

## Missing the point?

Despite these growing doubts, the Government remains resolute. In July, 2025, *Matthew Pennycook, Housing Secretary* stated that the OBR's forecast incorporated only a subset of their reforms and excluded the much heralded (and much criticised) Planning and Infrastructure Bill[46]. *Heidi Alexander, Transport Secretary* told us not to expect an immediate response as the impact of reforms was always anticipated to be at the *end* of the current Parliament (in just 3.5 years).

The Government had been hoping that the OBR would embrace the latest planning reforms before this month's Budget, with an endorsement of the growth potential they bring. However, the Home Builders Federation wrote to the OBR in October, warning that the housebuilding targets are unachievable[47]. In a blog, in response, the Government protested that the OBR had not previously factored in the latest proposed reforms[48], arguably missing the point that the HBF was all too aware of those new reforms when writing its letter!

If the current trends suggest 600,000 homes in this Parliament's first 3 years, reaching 1.5 million suggests 900,000 in the 24 months before election day. That is a LOT of planning applications, bricks, cement, builders, and electricians. This sense of (un)reality, given the complex combination of supply and demand constraints (most manifest in London), is causing many industry experts to question the robustness of the Government's entire delivery model.

The private sector itself has conceded that Planning reform is only part of the story and has urged the government to address a wide range of other demand and supply constraints. Despite Government injection of capital through Homes England and the National Housing Bank to try to unlock private investment[49], the Resolution Foundation has suggested that if the objective is to make homes more affordable (rather than just build more houses) then over-reliance upon the private sector is a key weakness in the Government's strategy [50]. In a world in which the cost of production exceeds affordable sales values, solutions lie either in hoping for a most unlikely rapid uplift in real wages or capturing the social benefit of affordable housing through direct state intervention.

When all is said and done, in all the rush, mayhem and confusion about *outputs* and *outcomes*, society needs to be clear what constitutes success or failure? On our way to the polling station in 2029, strolling past once green fields, perhaps we will ponder – did we hit the target or just miss the point? Philip Larkin will be turning in his grave.

[46] Is the government on track to deliver 1.5 million new homes? – Full Fact
[47] Government set to miss 1.5m target, housebuilders warn - BBC News
[48] Coverage of 1.5 million homes target – MHCLG in the Media
[49] What's holding back house building in the UK? | Modus | RICS
[50] Government won't hit ambitious housing targets without direct public investment in new homes • Resolution Foundation