Spending review 2025: Has the money finally turned up?

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Introduction

Phase two of the government's spending review, covering at least the next three years, was unveiled on 11 June by chancellor Rachel Reeves.

Phase one, covering 2025/26, was announced immediately following last year's general election.

With £39bn promised through the affordable homes programme by 2035/36 and ministers agreeing to a ten-year rent settlement for social housing, this briefing looks at some of the main points announced this week and the warm reactions that they generally received.

Key points

- £39bn for social and affordable housing through the affordable homes programme (AHP) over ten years
- A ten-year rent settlement for social landlords based on CPI +1%
- More money for councils to prevent homelessness and build better quality temporary accommodation
- Social landlords promised equal access to a £1bn fund to improve building safety
- More money for domestic energy efficiency through the warm homes plan
- Crisis and resilience fund for households facing poverty to include discretionary housing payments
- 'Trailblazer neighbourhoods' given £20m for community programmes.

Housebuilding

What's new

A total of £39bn will be available through the AHP over the next ten years.

Described by the chancellor as the *"biggest boost to investment in social and affordable housing in a generation"*, the new AHP will run from 2026/27 to 2035/36. Spending will reach £4bn per year in 2029/30 and then rise in line with inflation, says the Treasury.

In her speech, Rachel Reeves referred to *"direct government funding to support house building, especially for social rent".*

Social housing providers will also be offered £2.5bn of low-interest loans by 2029/30 to build new homes. More private investment is expected to be raised by Homes England as a result of £4.8bn of government borrowing, or financial transactions.

The government is also promising to invest further in infrastructure and land remediation to deliver housing, in partnership with the private sector.

The new £39bn AHP compares with £11.5bn allocated for the 2021-26 AHP, and £4.7bn allocated for shared ownership and affordable homes between 2016 and 2021. In this year's spring statement, the chancellor allocated £2bn for social and affordable housing ahead of the next AHP.

Reaction

The National Housing Federation welcomed what it described as *"the most ambitious affordable homes programme we've seen in decades".*

"This is a transformational package for social housing and will deliver the right conditions for a decade of renewal and growth" said NHF Chief Executive Kate Henderson.

Ian McDermott, Chief Executive of Peabody and Chair of the G15, said: *"this is an exceptionally positive statement of intent from the government which puts social housing at the heart of the growth mission."*

Clare Miller, Chief Executive of Clarion, added: *"the chancellor's commitment to a £39bn AHP over the next decade is a game-changer for families on the lowest incomes. For the first time in living memory, housing associations have 10 years of certainty."*

Moving forward

Although the £39bn is being staggered over ten years, the size of the next AHP is certainly welcome, and provides much-needed certainty for housing providers going forward.

To put things in context, the level of government support for new homes has risen from £2.3bn per year under the current AHP to £3.9bn per year, an increase of nearly 70%.

Furthermore, a large proportion of the money will be for social housing, rather than other 'affordable' tenures. Expect social housing providers and private developers to pore over the detail as it emerges, while keeping a close eye on the effect of the government's planning reforms.

Rents

What's new

The government has bowed to the wishes of social landlords and agreed a ten-year rent settlement from 2026/27, based on the consumer price index (CPI) plus 1%.

In addition, a consultation is promised on social rent convergence, meaning the rents charged by social landlords for similar size properties in the same area will be brought more into line.

Reaction

The ten-year settlement was welcomed by housing associations and local authorities, with the Local Government Association saying it will *"support councils to invest in maintaining existing homes and ramp up vital new build programmes".*

Kate Henderson, Chief Executive of the NHF, welcomed the consultation on rent convergence, adding that *"historic differences in rent levels severely impact the sector's financial capacity and ability to build homes".*

Nicholas Harris, Chief Executive at Stonewater, said: *"the new rent settlement at CPI+1% gives us much greater financial stability and certainty, which will be vital when planning our long-term investments and goals."*

Moving forward

The Ministry of Housing, Communities and Local Government had yet to publish its response to last year's rent consultation when Rachel Reeves delivered the spending review on Wednesday afternoon.

However, the gist of the decision is known, as well as the government's intention to permit some form of rent convergence over the next few years.

While it remains to be seen how that works out, ministers have clearly listened to social landlords and accepted that rent income plays a critical part in not just funding new homes but raising standards in existing properties.

Homelessness

What's new

The fourth round of the local authority housing fund will see £950m offered to councils in England to provide *"good-quality temporary accommodation"* and reduce the use of bed and breakfast and hotels.

The chancellor also announced a further £100m to tackle homelessness and rough sleeping via the transformation fund, with earlier interventions to prevent homelessness.

First announced in the spring statement, the transformation fund is designed to use a "preventative approach" to modernise public services.

A day before the spending review, the MHCLG confirmed that the 200-year-old Vagrancy Act, which criminalises rough sleeping, is to be repealed as part of the new Crime and Policing Bill.

The chancellor also committed the government to ending the use of hotels to house asylum seekers by the end of this parliament.

Reaction

Mairi MacRae, Director of Campaigns and Policy at Shelter, welcomed the expanded AHP as the key to reducing homelessness. *"To ensure this funding tackles homelessness at its root, the government must now set a target for how many social rent homes it will deliver through this programme,"* she said.

Building safety

What's new

Between 2026/27 and 2029/30, a total of £1bn will be offered to landlords and building owners for the remediation of unsafe homes and other buildings.

According to the Treasury, social housing providers will have equal access to the funding alongside private building owners, so helping social landlords to provide more affordable homes and improve living conditions for tenants.

Reaction

Ian McDermott, Chief Executive of Peabody and Chair of G15 group, said: *"equal access to the building safety fund is excellent news and will make a real difference in London."*

Energy

What's new

A further £13.2bn is being set aside for the warm homes plan, which seeks to make housing more energy efficient. It includes the warm homes: social housing fund, which replaced the social housing decarbonisation fund last year.

According to the Treasury: *"the warm homes plan will help to cut bills by hundreds of pounds per year for families across the country by upgrading homes through insulation, heating and solar panels."*

Welfare

What's new

A new crisis and resilience fund, worth £1bn per year, is being set up to help families at risk of poverty. It will incorporate discretionary housing payments and pay for preventative work as well as assisting households in crisis.

Announcements in the spending review followed the government's U-turn on winter fuel payments for pensioners, announced two days earlier. This will see pensioners receiving total pension income of less than £35,000 eligible to a winter fuel payment from next winter.

Local government

What's new

Twenty five 'trailblazer neighbourhoods' across the UK will share up to £20m to fund community initiatives, champion local leadership and strengthen social cohesion. More detail is expected soon from the MHCLG.

The chancellor also pledged £560m to improve children's social care, helping more children and families stay together safely and expanding support for care leavers.

Local authority spending is projected to increase by 3.1% in real terms during the next three years, with council tax rises capped at 3% (plus 2% for adult social care).

Moving forward

While councils will welcome this extra money, alongside the ten-year rent settlement, nothing was mentioned in the spending review about the problems facing Housing Revenue Accounts.

Conclusion

The best way to weigh up the spending review is to look back over the past 15 years. Remember when affordable rent replaced social housing, or when rents were cut for four years?

If you can remember that far back, the housing sector is not such a bad place to be in 2025.

Of course, hardly any of the 1.5 million homes promised by Labour have been built yet. Nor has any of the money promised in the next AHP been dished out (although £2bn was announced in March during the spring statement).

Homelessness will perhaps take a decade to eradicate, while the situation around welfare remains worrying, not least with cuts in disability benefits looming and local housing allowance rates frozen.

But all in all, housing has probably not been better placed for years. Alongside extra money, there is greater certainty, with rent convergence also on the horizon (though that won't please all tenants).

Nothing should ever be taken for granted, of course, but at least housing professionals can afford themselves a cautious smile as they head for their summer holidays.

Further reading

Full government background briefing notes on the spending review can be read here.

About the author

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