The Rt. Hon. Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
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7 Feb 2025

Dear Chancellor

BPF 2025 COMPREHENSIVE SPENDING REVIEW REPRESENTATION

The British Property Federation (BPF) represents the UK property sector. We are long term investors in communities across the country, investing in all types of commercial property – including retail, offices, logistics hubs, data centres and lab space – as well as professionally managed residential property, notably 'Build-to-Rent' (BtR), Purpose-Built Student Accommodation (PBSA), and homes specifically designed for senior living. Our industry contributes £110bn a year to UK GVA and supports 2.5m jobs – one in 13 of all jobs in the UK.

The Government's **Plan for Change** is based on five missions:

1) Kickstart economic growth
2) Make Britain a clean energy superpower
3) Safer streets
4) Break down barriers to opportunity
5) Build an NHS fit for the future

The property industry underpins the delivery of all of these – and on top of this, the industry will play a huge role in delivering on key Government targets: to build **1.5 million homes**; to **secure homegrown energy** to protect bill players; and to deliver the Government's **Industrial Strategy**.

The real estate sector will be critical in delivering the Government's Industrial strategy:

- Our growth sectors need tailored and appropriate workspace – from lab space and data centres, to advanced manufacturing space and modern and productive office space.
- Our communities need attractive retail and leisure destinations;
- We need to keep building our network of modern logistics properties to keep our economy moving.
- We need decent homes across the country –particularly near the employment opportunities provided by our growth sectors

***We need the real estate sector firing on all cylinders to unlock growth, and help deliver the homes and business infrastructure that will support our economy of tomorrow*.**

Spending Review priorities: remove barriers and bottlenecks – to support the property sector to invest and grow

From capital being invested; to negotiating sale and lease transactions; to development and refurbishment activities – we call on Government to remove barriers and bottlenecks which are holding back the property sector from delivering on its potential.

We welcome Government's recognition that UK pensions have the potential to play a much bigger role in investing in UK businesses and assets. We also welcome Government's early commitment to make improvements to the planning system. Our planning system is the gatekeeper to the investment that we need to see across the country – it is vital that the system is working efficiently and effectively to provide quick decisions on planning applications and get capital deployed into the homes, buildings and infrastructure that we need, without delay.

We acknowledge that Government will need to make tough choices in order to deliver efficiencies across Government departments - however, this should not be at the expense of Government's overarching priority to grow the UK economy.

As well as our planning departments, which are so central to the success of the real estate sector and the wider economy – there are a number of other Government departments, where targeted resource could remove barriers, and address bottlenecks – to support better productivity, investment and growth.
Our submission focusses on the following priorities:

- **Kickstarting economic growth – and delivering 1.5m homes**
- **Making Britain a clean energy superpower;**
- **Building an NHS fit for the future;**
- **Embracing PropTech opportunities**

We summarise the priorities in the executive summary on the following page, with further details set out in the appendix. Please do not hesitate to get in touch to discuss further.

Yours sincerely

Melanie Leech

Melanie Leech CBE
Chief Executive, British Property Federation

Structure of submission

Executive summary – priority recommendations to support the property sector to invest and grow
Appendix 1: Kickstarting economic growth – and delivering 1.5 million homes
Appendix 2: Making Britain a clean energy superpower
Appendix 3: Building an NHS fit for the future
Appendix 4: Embracing PropTech opportunities

Executive summary – remove barriers - support the property sector to invest and grow

<u>Appendix 1: Kickstart economic growth – and deliver 1.5m homes</u>

1. ***<u>Planning resource</u>***
   Our planning system is the gateway to the development of the homes, business space and infrastructure we need – and will be crucial to our economic growth. In particular, resource should be targeted at:
   a. ***Funding for existing MHCLG planning resourcing interventions and workstreams*** *should be retained and strengthened – such as the Planning Super Squad.*
   b. ***Planning Fees*** *- the BPF supported the increase in planning fees in 2023 and look forward to working with the Government in developing their model for varying planning fees across the country through the Planning and Infrastructure Bill.*
   c. ***More planners****: We welcome the 300 additional planners Government is funding – but given the shortfalls are estimated to be over 2,000 planners - further funding in this area would support more and faster development activity across the country.*
   d. ***Statutory consultees' role in the planning process****: To speed up our planning system, every part of our planning system will need to be firing on all cylinders, including the crucial role of statutory consultees in inputting on planning applications.*

<u>Regulating for Growth</u>

2. ***The Building Safety Regulator*** *– resource is needed to urgently address delays, which are currently hampering Build to Rent and student housing delivery.*
3. ***HM Land Registry –*** *address the 18–24-month backlogs for updating legal ownership on large and complex transactions.*
4. ***Renters' Rights Bill –*** *ease pressure on the courts and support digitalisation of court processes.*

<u>Delivering 1.5m homes</u>

5. ***Grow social housing*** *- A ten-year rent settlement, rent convergence and expansion of the Affordable Housing Programme.*
6. ***Attract institutional investment into Build-to-Rent homes –*** *the sector delivered 18,000 homes last year and has the potential to deliver 30,000 homes per year with the right fiscal and regulatory environment. Government must capitalise on this opportunity – and channel institutional capital into new high quality rental homes across the country – in particular, we recommend re-instating SDLT Multiple Dwellings Relief for institutional investment into Build to Rent homes.*

<u>Appendix 2: Make Britain a clean energy superpower – and build skills for the future</u>

7. ***Electricity generation and connectivity to the grid should remain a top priority*** *– we can't build new homes and buildings without the power supply to support them.*
8. ***Make better use of existing assets*** *- such as rooftop solar – and support improvements to the energy efficiency of our homes and buildings to reduce demand on the grid and keep bills down.*
9. ***Mandating the sharing of building energy data between landlords and tenants –*** *will be a crucial part of the solution to improving the energy efficiency of our buildings.*
10. ***Green skills*** *– grants to support green construction skills through Skills England.*

Appendix 3: Building an NHS fit for the future

11. *To address the capital funding deficit, which Lord Darzi notes is £37bn compared to peer countries, the Government should address barriers to deploying private sector capital into our NHS estates through:*
    a. ***Spending limits and capital constraints***
    b. ***Agreeing viable rents***
    c. ***Revenue allocation***
    d. ***Avoiding over-centralisation***
    e. ***Facilitating third party partnerships***
    f. ***Facilitating public sector partnerships***
    g. ***Supporting additional housing infrastructure needs***

Appendix 4: Embracing PropTech opportunities

We recommend that Government continue to protect and enhance our world-leading PropTech sector, to find opportunities to address national challenges and harness growth opportunities - including:

12. ***PropTech Innovation Fund –*** *maintain funding and broaden the remit to include digitisation of planning processes.*
13. ***Commit to a regular review of the sector, at least biannually,*** *to ensure we capture new opportunities as technologies evolve.*
14. ***Expand funding access for early-stage PropTech firms*** *to address the concentration of investment in late-stage companies.*

Appendix 1: Kickstart economic growth – and deliver 1.5m homes

Planning

1. **Planning resource (MHCLG)** –planning departments are gatekeepers to the investment and development that our country needs – from building 1.5 million homes, to delivering the business space and infrastructure our society and economy will need now and, in the decades to come. Planning departments must be appropriately resourced to make strategic and long-term decisions on what development we need to see and where. In addition, they need to be able to provide decisions and certainty on planning applications quickly and efficiently, to allow private sector capital to be deployed. We would draw out the following areas where funding should be allocated as a priority:
    a. **Funding for various specialist planning teams** which will come to an end over the next year, including: Planning Super Squads, Graduate conversion programmes, funding for Public Practice, and Digital Planning. We ask that these funding streams be further supported. Specifically, we would like to see Government expand Planning Super Squads. Having that resource of 18 people is welcome, and is making a difference, but the Government's growth ambitions require additional resource in Super Squads beyond London and Leeds.
    b. **Planning fees -** we support the Government's intent to make development control self-funding and to implement increases in planning fees to reflect this. It is important, however, that fee setting does not become a large bureaucratic exercise, and it will be important that any local variations to fee setting have regard to a national framework. We do not support broader funding asks, which would see applicants funding plan-making. Communities benefit from planning and plan-making should continue to be funded by local and national governments, rather than planning fees.
    c. **More planners** - Recent estimates suggest there is a national shortage of 2,200 planners (*HBF: Planning on Empty, Jan 2025*). We welcome the 300 additional planners Government is funding, but any further funding in this area would improve the quantity and pace of development activity, alongside a number of the welcome planning reforms the Government is making.
    d. **Statutory consultees:** If we are to speed up our planning system then every part of our planning system must be firing on all cylinders, including the crucial role of statutory consultees in inputting on planning applications. Recent measures brought forward in the Levelling-up and Regeneration Act 2023, to enable statutory consultees to start charging for planning advice are strongly supported by the property sector provided that this will lead to more timely responses from statutory consultees on planning matters. The Chancellor and Deputy Prime Minister's recent focus on improving the role of statutory consultees in the planning process was also extremely welcome. We would be delighted to work with MHCLG going forward on practical ways the role of statutory consultees in the planning process can be improved to speed up the wider planning system.

Regulating for Growth

2. **Building Safety Regulator (BSR)** – Our members have cited extreme frustration with the backlogs involved with applications going through the Building Safety Regulator - which is failing by a considerable margin to meet the 12- and 8-weeks statutory timescales. This has meant that projects have been delayed or shelved. It has increased project risk and therefore added to what are already very difficult viability conditions. We appreciate the efforts that the BSR is making to bring timelines back on course. Resource would seem to be a significant constraint on the BSR to deliver on its

timescales. We applaud its ambition to bring its Multi-Discipline Teams more in-house and urge the Government to support this with the funding it needs.

3. **Land registry – address the 18- 24-month backlogs for large and complex transactions**
Delays at Land Registry which started during the Covid pandemic have never fully recovered - particularly for large and complex transactions. The extended timeframe for updating the transfer of legal title following this type of transaction is saddling investors who no longer have any economic interest in a building with unnecessary legal commitments and preventing the new owners from taking full control of the building and making more productive use of it. Not only does this damage productivity, it also increases costs associated with property transactions and ownership – and it risks lasting reputational damage for the UK as a property investment market if not addressed soon. Targeted resource is needed to bring these backlogs down without delay.

4. **Funding to ease pressure and backlogs in the courts –** the Renters' Rights Bill will place greater pressure on our courts and specifically the First-Tier Tribunal. We fully support the Government's commitment to greater digitalisation, which is important if the changes to the sector brought about by the Renters' Rights Bill are to work effectively. It is important the Ministry of Justice (MoJ) digitalisation project therefore makes quick progress, and that funding is available to support this.

<u>Delivering 1.5m homes</u>

5. **Support expansion of the Affordable Housing Programme** – The Government rightly makes the delivery of more social housing one of its priorities. We support this and can play a key role in delivery. Institutional investment can significantly expand sector capacity. Expansion of social housing will ultimately save Government spending and deliver a range of social and economic benefits. Subsidised housing, however, requires subsidy, which can take various forms. We support the social housing sector calls for:
    - A 10-year rent settlement with annual increases capped at CPI+1% and a fair and consistent approach to rent convergence for those homes below formula rent. Convergence is needed to rebuild housing association capacity. A 10-year rent settlement **we estimate would help private investment support the delivery of an additional 240,000 homes over 5 years**.
    - A new, ambitious and long-term Affordable Homes Programme (AHP) from 2026, prioritising social rent and shared ownership homes, and aligned with the outcomes set out in the long-term housing strategy.
    - Removing VAT from building safety works, extending and expanding the relief on Energy Saving Materials and reviewing VAT for all refurbishment works.

6. **Attracting institutional investment into Build-to-Rent (BTR) homes –** the Build to Rent sector produced over 18,000 new homes in 2024, and, with the right fiscal and regulatory environment, we believe the sector has the potential to deliver 30,000 a year by the end of the parliament. The Build to Rent model is not constrained by market absorption in the same way as traditional house for sale business models – and therefore, has a greater ability to build out at pace and get the homes we need built sooner. At almost every fiscal event in recent years, changes to the taxation of homes have inadvertently hampered BTR developments – most recently with the removal of SDLT Multiple Dwellings Relief (MDR), which was important to the growth of the sector, especially in less viable areas of the country. To support investment, we recommend re**introducing SDLT Multiple Dwelling relief for Build to Rent developments -** ensuring that schemes delivering significant numbers of additional homes are able to be delivered.

Appendix 2: Make Britain a clean energy superpower – and build skills for the future

Net zero is not just the right thing to do for the environment – it also presents a huge opportunity for our economy.

7. **Electricity generation and connectivity to the grid should remain a top priority.** We welcome Government's commitment to bring down grid connection times and invest heavily in building up new green energy capacity**.** Electricity generation and connectivity to the grid is a fundamental pre-requisite to new development – we can't build new homes and buildings without the power supply to support them. In particular, we recommend **accelerating and enhancing grid connectivity** by:
    a. **opening up the market for physical connection to the grid to competition;**
    b. **setting a higher feed in tariff to further incentivise export to the grid;**
    c. **encouraging OFGEM to expedite proposed reforms to the grid connection queue.**

In addition, we would recommend targeted resource and initiatives to support:

8. **Making better use of existing assets –** the roof space of our logistics warehouses alone could generate up to 15GW of new solar energy – which is around 25% of the UK's power requirements. And we could reduce energy demand on the grid by a further 25% by retrofitting property to improve energy efficiency. **Government should review tax, planning and regulatory rules to support retrofit activity – including clarifying the treatment of renewable energy assets within the Real Estate Investment Trust (REIT) regime.**

9. **Mandate the sharing of energy consumption data** between property owners and occupiers will also be paramount in our efforts to improve the energy efficiency of our buildings. Access to reliable data is fundamental to unlocking technology solutions - as part of this, we should also explore new ways in which smart meter data might be shared directly with certain authorised property owners**.**

10. **Green skills** – **grants to support green construction skills through Skills England**. We already need resource to boost current capacity in the construction sector – but we should be actively planning for equipping our future workforce with the skills we'll need. From modular construction to the repair of air source heat pumps, we can boost green skills to support the economy and prepare our workforce for the transition. This could be achieved by ensuring the new Growth and Skills Levy can be expanded to more courses, including shorter courses and specific sustainable materials courses.

Appendix 3: Build an NHS fit for the future – remove barriers to deploying private sector capital

Estates are integral to the NHS, providing the buildings and facilities for quality care and efficient, effective delivery of services to our communities. However, despite reaching record levels, capital investment into the NHS is well below that of comparable countries and is failing to address investment need. As Lord Darzi notes, the UK's capital investment deficit compared to peer countries stands at £37bn - required both to address the maintenance backlog in secondary care, and to provide required additional estates. Public sector capital alone will not be able to deliver these improvements and upgrades needed to our NHS estates.

Private sector and institutional investors are already investing in parts of our NHS estates and delivering improved funding availability, innovation, and sustainability – most notably in primary care facilities like GP surgeries. To assist in alleviating the capital investment need, the Government should address barriers to the deployment of private sector investment into our NHS estate, which include accounting barriers and CDEL (Capital Departmental Expenditure Limit) rules; market rent and viability constraints through the District Valuer Services; and the lack of an established and centrally endorsed funding route for private investment into secondary care.

11. **Government should address barriers to deploying private sector capital into our NHS estates –** including:
    a. **Spending limits and capital constraints –** the current system of spending limits and capital allocations, when combined with International Financial Reporting Standards (IFRS16), is preventing local NHS organisations from effectively using their budgets and private capital funding.
    b. **Agreeing viable rents -** attracting private investment into estates relies on providing certainty that investors will see an appropriate return that can deliver value for money for the NHS. However, changes in the cost of construction and interest rates, as well as fluctuations in property values, are not being reflected in the assessments of current market rents, meaning projects are being put on hold because a viable rent cannot be agreed.
    c. **Revenue allocation –** the rules around revenue allocation are constraining and prevent innovative delivery of estates. They should be reviewed to better allow for practical solutions.
    d. **Avoiding over-centralisation –** as recommended by expert reviews, to facilitate local decision-making, guided by clear national objectives and frameworks that allow for flexibility and strategies that best cater to individual communities.
    e. **Facilitating third party partnerships –** as recommended by the All-Party Parliamentary Group for Healthcare Infrastructure, between the NHS and the private sector for the construction and modernisation of both primary care and secondary care estates.
    f. **Facilitating public sector partnerships –** Integrated Care Boards (ICBs) and Trusts should be required to work with local authority partners to identify opportunities for delivery of new primary care schemes as part of regeneration plans being developed by local authorities who are bound to meet housing delivery targets.
    g. **Supporting additional infrastructure needs –** through planning requirements (including possible ringfencing of financial contributions under planning obligations) and joined-up thinking between bodies such as Homes England and the ICBs at early stages of housing development.

Appendix 4: PropTech and data - embracing technology and data to help address national challenges and unlock long term growth opportunities

Technology and data have significant potential to help us address national challenges more quickly, more efficiently, and more cheaply – as well as provide longer term growth opportunities. We need to be front runners is identifying and deploying new technologies in the property sector to ensure that we can find solutions to national challenges more quickly – and to maintain and enhance the UK's leadership position in PropTech.

PropTech is an umbrella term for any innovative technology that drives efficiencies within built environment processes and industries. Even before radical technological transformations, there are so many aspects of the property life cycle that are slow and inefficient and ripe for technological improvements – whether that be buying and selling a property; taking on a new lease; engaging with the planning system or business rates system; or addressing one of the biggest challenges we face as a sector – decarbonisation. Scaling PropTech adoption across the country could support efficiencies in a number of areas, including: saving 72k hours for every 1000 new property transactions; providing £527+ million annual savings for the public sector due to increased resource efficiency; and supporting a 3% annual reduction in CO2 emissions from homes in England.

We welcome and support the work of the Government's UK PropTech Steering Board, led by MHCLG and the work of the PropTech team in MHCLG including a comprehensive research report, commissioned by MHCLG and launched by the UK PropTech Association and PUBLIC. The research fills a gap in our understanding of the current UK PropTech sector and the significant growth its experienced in recent years. Its findings show the sector's maturity, readiness and potential to support Government's targets to build 1.5m new homes and reach net zero without delay and indicates new opportunities for investment given the sector's projected growth potential (19.7% by 2032) and its relative strength even in difficult macroeconomic conditions.

In addition, the PropTech Innovation Fund, which was set up in 2021, has demonstrated the value of technology in the public sector and is expected to accelerate the adoption of technology that will enhance community engagement, deliver a modern planning system and identify new development opportunities through site identification/appraisal tools. The insights generated through the Fund will inform Government's work to modernise the planning system and wider policy reform.

We fully support both of these initiatives to ensure we remain a hub for PropTech innovation and front runners in embracing technology to enhance productivity and unlock long term growth opportunities.
We recommend that Government work with the sector to protect and enhance our world-leading PropTech sector, including:

12. **PropTech Innovation Fund – maintain funding and broaden the remit to include digitisation of planning processes.**
13. **Given how fast technology evolves, commit to a regular review of the sector, at least biannually, to ensure we capture new opportunities.**
14. **Expand funding access for early-stage PropTech firms to address the concentration of investment in late-stage companies.**