# UK social housing reform proposals include fixed value agreements and US-inspired tax credits



A recent report backed by a cross-sector coalition, including notable housebuilder Grainger and influential figures such as RIBA president Chris Williamson, recommends that affordable housing values in Section 106 agreements be fixed at the planning stage to improve market efficiency. The report, titled *Making Social Rent Homes Viable*, highlights dysfunction within the current Section 106 process where housing associations, funded by grants, compete against each other to purchase affordable homes from developers, resulting in inflated prices and inefficiencies. The group proposes that local planning authorities should mandate the value of affordable housing through an agreed formula at the planning application stage, allowing developers to have clarity on financial expectations and base land purchases accordingly. The report suggests indexing these values to inflation based on the consumer price index to maintain fairness over time.

Crucially, the report calls for substantial government subsidy—£18.8 billion annually—to support the building of 90,000 social rented homes each year and explores innovative funding models to realise this ambition. Among these is a system of social housing tax credits modelled after the United States' Low Income Housing Tax Credit (LIHTC) programme, which has funded over four million affordable rental homes since 1986. Under this proposal, companies would pay ten years’ worth of corporation tax upfront to receive a discount, raising government capital without increasing borrowing. The resulting tax receipts would be allocated to Homes England, which would then distribute funds to social landlords for homebuilding. The report argues this approach is “largely self-funding” in the short to medium term, given the projected savings to the Treasury and local council budgets alongside economic activity stimulated in the construction sector.

While the LIHTC programme has been successful in the US, the report acknowledges concerns raised by UK sector figures suggesting that the lack of affordability in perpetuity under the US model could hinder adoption in the UK context. The paper also touches on other proposals, including 'flex rents' linked to household incomes, recapitalising housing association balance sheets, and reforming or abolishing Right to Buy, which many see as diminishing social housing stock. Helen Gordon, chief executive of Grainger, emphasised that despite social rent homes not being the company’s core business, their delivery is vital to a housing strategy that encompasses all tenures to meet diverse societal needs. She described the report as a constructive step towards evidence-based solutions that make social rent housing viable in today's market.

In the broader context of social housing policy, the UK government is also focusing on decarbonisation and energy efficiency as integral to its housing strategy. The National Housing Federation has highlighted that social rented homes are a significant target for carbon reduction efforts, given the environmental impact of England's housing stock. Current initiatives include VAT reliefs for specific energy-saving installations and a proposed £3.8 billion Social Housing Decarbonisation Fund over ten years, with a recent push to allocate up to £160 million to registered providers. Additionally, the government is consulting on setting a spend exemption threshold to improve energy efficiency in social housing, intended to benefit up to 1.8 million homes by balancing upgrade costs with providers’ financial capacities.

Tax reliefs have also been extended to housing co-operatives, an often overlooked sector in affordable housing. Recent government measures provide relief from the Annual Tax on Enveloped Dwellings and Stamp Duty Land Tax for non-publicly funded cooperatives, supporting their growth and sustainability as alternative affordable housing forms.

The overall financial landscape for social housing is also influenced by government budget decisions. Planned increases to social rents in England by Consumer Price Index inflation plus an additional 1% provide long-term investment certainty for social housing providers, facilitating the construction of many new homes. Meanwhile, reform of Right to Buy discounts and the ability for councils to retain all receipts from sales aim to protect and expand the existing social housing stock. Social welfare adjustments, such as uprating working-age benefits by CPI, also aim to help low-income tenants manage rising housing costs.

Together, these initiatives and proposals represent a multifaceted approach to addressing the chronic shortages and quality issues within the UK’s social housing sector, combining market reforms, innovative financing, government investment, and sustainability goals.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.bdonline.co.uk/news/fix-affordable-housing-values-in-section-106-agreements-at-the-planning-stage-report-recommends/5138849.article) (Building Design Online), [[2]](https://www.housingtoday.co.uk/news/fix-affordable-housing-values-in-section-106-agreements-at-the-planning-stage-report-recommends/5138828.article) (Housing Today)
* Paragraph 2 – [[1]](https://www.bdonline.co.uk/news/fix-affordable-housing-values-in-section-106-agreements-at-the-planning-stage-report-recommends/5138849.article) (Building Design Online), [[2]](https://www.housingtoday.co.uk/news/fix-affordable-housing-values-in-section-106-agreements-at-the-planning-stage-report-recommends/5138828.article) (Housing Today)
* Paragraph 3 – [[1]](https://www.bdonline.co.uk/news/fix-affordable-housing-values-in-section-106-agreements-at-the-planning-stage-report-recommends/5138849.article) (Building Design Online), [[2]](https://www.housingtoday.co.uk/news/fix-affordable-housing-values-in-section-106-agreements-at-the-planning-stage-report-recommends/5138828.article) (Housing Today)
* Paragraph 4 – [[3]](https://www.housing.org.uk/our-work/finance/tax/tax-incentives-for-decarbonisation/) (National Housing Federation), [[5]](https://www.gov.uk/government/consultations/improving-the-energy-efficiency-of-socially-rented-homes-in-england/improving-the-energy-efficiency-of-socially-rented-homes-in-england) (UK Government Consultation)
* Paragraph 5 – [[4]](https://www.gov.uk/government/publications/new-reliefs-from-annual-tax-on-enveloped-dwellings-and-stamp-duty-land-tax-for-housing-co-operatives/new-reliefs-from-annual-tax-on-enveloped-dwellings-and-stamp-duty-land-tax-for-housing-co-operatives) (UK Government)
* Paragraph 6 – [[6]](https://www.propertymark.co.uk/resource/budget-aims-to-unlock-housing-with-investment-in-affordable-homes.html) (Propertymark)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.bdonline.co.uk/news/fix-affordable-housing-values-in-section-106-agreements-at-the-planning-stage-report-recommends/5138849.article> - Please view link - unable to able to access data
2. <https://www.housingtoday.co.uk/news/fix-affordable-housing-values-in-section-106-agreements-at-the-planning-stage-report-recommends/5138828.article> - A report titled 'Making Social Rent Homes Viable', backed by major developers including Grainger, L&Q, Vistry, and BusinessLDN, recommends that Section 106 agreements should fix affordable housing values at the planning stage to improve market efficiency. The report highlights issues in the current Section 106 market, where housing associations bid against each other for affordable homes, leading to overpayment and inefficiency. It suggests that local planning authorities should mandate the value of affordable housing through an agreed formula at the planning application stage, allowing developers to plan accordingly. The report also proposes a system of social housing tax credits, similar to the US Low Income Housing Tax Credits model, to fund 90,000 social rented homes annually. Under this model, companies would pay 10 years of corporation tax upfront in exchange for a discount, enabling the government to raise capital without impacting borrowing. These tax receipts would be allocated to Homes England, which would distribute them to social landlords for building social homes. The report argues that social housing tax credits represent a promising approach, enabling private capital deployment now in exchange for future tax relief.
3. <https://www.housing.org.uk/our-work/finance/tax/tax-incentives-for-decarbonisation/> - The National Housing Federation discusses the need for tax incentives to support the decarbonisation of England's housing stock. With homes producing more carbon emissions than all the country's cars combined, the Federation highlights the importance of improving the energy performance of social rented homes to meet national net-zero targets by 2050. Existing VAT reliefs, such as the reduced rate of 5% for installing specific energy-saving materials in residential homes, are identified as tools that can help reduce the cost of decarbonisation. The Federation advocates for the creation of a Zero Emissions Social Housing Taskforce and the allocation of up to £160 million to Registered Providers, following the 2019 Conservative Manifesto commitment to a £3.8 billion Social Housing Decarbonisation Fund over a 10-year period. These efforts aim to make social rented homes more energy-efficient and affordable, contributing to the broader goal of achieving net-zero emissions by 2050.
4. <https://www.gov.uk/government/publications/new-reliefs-from-annual-tax-on-enveloped-dwellings-and-stamp-duty-land-tax-for-housing-co-operatives/new-reliefs-from-annual-tax-on-enveloped-dwellings-and-stamp-duty-land-tax-for-housing-co-operatives> - The UK government has introduced new reliefs from the Annual Tax on Enveloped Dwellings (ATED) and Stamp Duty Land Tax (SDLT) for housing co-operatives. These measures aim to alleviate financial burdens on non-publicly funded, non-social housing co-operatives without transferable share capital, which previously did not qualify for such reliefs. The policy change is intended to support the acquisition and ownership of residential property by housing co-operatives, thereby promoting the development and sustainability of affordable housing options. By providing these tax reliefs, the government seeks to encourage the growth of housing co-operatives as a means to address housing shortages and affordability issues in the UK.
5. <https://www.gov.uk/government/consultations/improving-the-energy-efficiency-of-socially-rented-homes-in-england/improving-the-energy-efficiency-of-socially-rented-homes-in-england> - The UK government is consulting on improving the energy efficiency of socially rented homes in England. The consultation seeks views on setting a spend exemption at £10,000 per property to enable 1.3 to 1.8 million homes to meet the Minimum Energy Efficiency Standards (MEES). This approach aims to provide average annual bill savings of £96 to £165 per household. The consultation also presents alternative options, including setting the spend exemption at £15,000 or having no spend exemption, to maximise benefits for tenants. The government's preferred approach is to set the spend exemption at £10,000 per property, balancing the need for energy efficiency improvements with the financial capabilities of housing providers.
6. <https://www.propertymark.co.uk/resource/budget-aims-to-unlock-housing-with-investment-in-affordable-homes.html> - The UK government's budget aims to unlock housing by investing in affordable homes. The Treasury plans to increase annual social rents in England by the Consumer Price Index (CPI) inflation rate plus an additional 1%, potentially leading to a 2.7% increase based on the current CPI of 1.7%. This move is expected to provide more certainty for long-term investment in social housing, enabling the construction of tens of thousands of new properties. To protect existing social housing stock, Right to Buy discounts will be reduced to ensure more council homes remain within the sector. Councils will also be able to retain 100% of the receipts generated from Right to Buy sales, allowing them to further invest in new social housing development. Additionally, working-age benefits, including Universal Credit, will be uprated by the September 2024 CPI of 1.7% from April 2025, providing around 5.7 million families with an extra £150 a year to help meet increasing rental costs.
7. <https://tenant-rights.uk/england/do-social-housing-tenants-in-england-pay-council-tax> - In England, most social housing tenants are responsible for paying council tax, as payment is rarely included in the rent for social housing. However, tenants may be eligible for discounts or exemptions based on specific criteria, such as living alone, being on a low income, being a student, or meeting other specific conditions. If a tenant falls behind on council tax payments, it is important to contact the local council immediately to discuss repayment plans, as ignoring the debt could lead to legal action. Tenants can apply for Council Tax Reduction through their local council's website, and if they believe their council tax is incorrect, they can appeal to the Valuation Tribunal for England after contacting their council.