

INVESTING IN SOCIAL HOUSING

HOW TO FUND THE BIGGEST BUILDING PROGRAMME SINCE THE WAR

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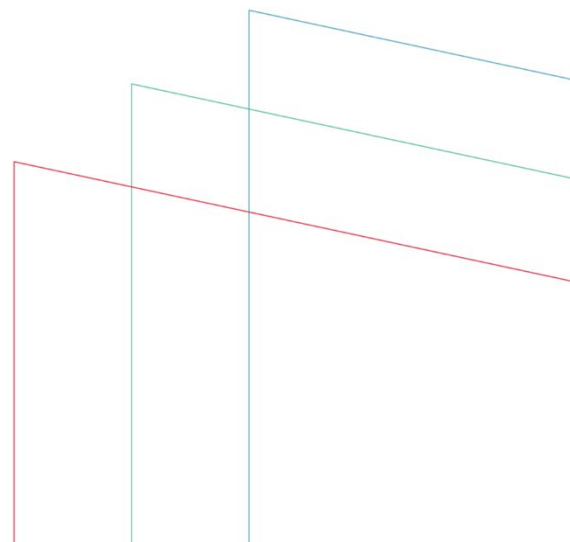
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EXECUTIVE SUMMARY

Housing affordability and housing need are in an acute state of crisis in England.^a The number of households waiting to move into a social home has grown every year since the pandemic, peaking at 1.34 million households in 2025, an 18% increase in just five years.¹ The chronic shortage of social housing, combined with a growing unregulated private rented sector (PRS) and a freeze on local housing allowance (LHA) has pushed more than 135,000 households into temporary accommodation. This has an immense social cost for families and forces councils into unsustainable economic positions.

In June 2026, shortly after securing his seat in parliament, Andy Burnham pledged to oversee “the biggest council housebuilding programme since the post-war period”, a commitment he has reiterated since becoming prime minister. To deliver council homes at the scale promised, the government must build on promising progress made over the past few years. At the centre of its recent efforts to recentre non-market housing is the 10-year £39 billion Social and Affordable Homes Programme (SAHP). While the SAHP provides much-needed longer-term funding certainty, it is not designed to deliver the level of council housing that the prime minister has committed to.

If the government is serious about delivering record post-war levels of council and social housing, the SAHP must be scaled up. A small £1.5bn uplift to the SAHP was announced at autumn budget 2026, but this should be seen as a down-payment on further substantial funding increases that need to be allocated at next year’s spending review. Funding must be more front-loaded within the 10-year programme, and paired with reforms to increase access to low-cost land and financing. Further investment is also needed in rebuilding hollowed-out council delivery capacity. Within the current spending review 2025 period (2026–27 to 2029–30), a further top-up to the SAHP of £7bn, with all additional funding ringfenced for council and social housing, could support the delivery of 41,000 additional council and social homes, a 64% increase on current delivery targets (taking total social home delivery in this period to 105,000). That rate of growth would put England on track to deliver 90,000 council and social homes per year by 2032–33, the minimum level of social housing supply that organisations such as Shelter and NEF assess as required to meet current need.²

To ensure that an increase in the total funding package and pace of disbursement has the greatest social and economic impact, further reforms are needed to bring more existing dwellings into public and community control and rebuild councils’ capacity as

^a As housing policy is devolved, this paper focuses on social and council housing supply in England.

drivers of delivery. Acquisitions of existing housing stock can play a valuable role in rapidly boosting social housing supply and mitigating the fiscal cost of the temporary accommodation crisis. The government also recognises the importance of diversity in the non-market housing system; a new Cooperative and Community Housing Fund can provide seed funding to this segment of the sector. Devolving further powers to mayors will give regions the autonomy to respond to local need. This, paired with further investment in local government delivery capacity, will help re-establish councils – in their capacity as publicly controlled and democratically accountable institutions – as the primary vehicle for housing delivery. Rebuilding council capacity will take more than just time; it will depend on structural reforms to the fiscal rules to ensure that council borrowing is not treated unfavourably compared to borrowing by housing associations.

In this paper, we argue that social housebuilding since 1980 has lost its ability to act as a counterweight to cycles of low demand in the private housing construction sector, which it was able to fulfil earlier in the 20th century. The post-war model – whereby the financial risks and rewards of public housebuilding sat with the public sector – separated the resources for building council homes from demand for market housing, creating a countercyclical source of housing that could still deliver new supply during periods of weak market demand. It supported a scale and tenure mix – often close to 100% social housing – that is rarely achievable under today's delivery model, which is structurally geared towards much lower levels of delivery. With less public subsidy, social housing supply today is dependent on recycling profits from private development,³ either through Section 106 (s106) agreements with private developers or through councils and housing associations “cross-subsidising” social housing by building market homes. The result is a fundamental reversal of the post-war delivery model to one that is primarily pro-cyclical.

Boosting the SAHP and bringing allocations forward in the programme timeline implies finding significant additional capital in a fiscally constrained environment. Unlike most other categories of capital spending, however, housing acts like a financial investment as well as a public asset. Capital spending on council housing gives the state a stake in any rises in the value of land it acquires. It also builds a lasting public asset, which reduces long-run spending on housing benefits compared to today: at present public spending subsidises the private rental market via social security and nightly fees for emergency accommodation, whereas appropriate spending on housing should reduce this bill in future. This is the “bricks” versus “benefits” trade-off, where capital investment builds a lasting public asset while revenue spending covers the cost of not having built it. More broadly, the fiscal framework must support, not discourage, investment in productive public assets.

This paper's overall view is that achieving the government's ambitions for record council and social housing will only be possible if it brings together a bold mix of monetary, financial, and fiscal instruments, not to mention tackling other non-financial constraints on housebuilding. Depending on its priorities, the government might seek to fund this programme with new revenue-raising policies; while not the focus of this paper, it points to viable options to offset additional spending on housing, like structural reforms to capital gains tax and levying national insurance contributions on investment income. Recent programmes such as the 10-year SAHP are landmark steps in restoring an adequate level of social housing provision in England, but delivering "the biggest council housebuilding programme since the post-war period" demands another level of policy action entirely.

1. INTRODUCTION

The government has set itself an ambitious housing mission: to deliver the biggest council housebuilding programme since the post-war period. If achieved, it would mark a critical repositioning of social housing delivery, shifting it from being a residual outcome of private housing development back to a driver of housing supply that can step in during periods of low private sector activity, as well as helping promote broader economic security. The 10-year, £39bn Social and Affordable Homes Programme (SAHP), topped up by a small £1.5bn uplift announced at autumn budget 2026, alongside recent reforms to right to buy and social rents, is a clear commitment to the government's ambition. But current delivery plans are projected to deliver a fraction of the post-war peak in new social housing.

This paper sets out what it would take to close the gap between the government's ambition and delivery outcomes. Chapter 2 traces how the model for delivering council and social housing has changed over the past 80 years, and how its capacity to act countercyclically has collapsed in recent years. Chapter 3 makes the case for acting now, covering the scale of housing need, the opportunity for revamping public housing investment, the political mandate for action, and the rising fiscal cost of continued underinvestment. Chapter 4 sets out the reforms needed to deliver at scale: scaling up and frontloading capital, bringing more homes into public and community control, and rebuilding local delivery capacity. Chapter 5 turns to the fiscal and financing reforms needed to fund a delivery programme of this scale within existing fiscal constraints.

2. HISTORICAL MODELS OF DELIVERING COUNCIL AND SOCIAL HOUSING

Over the past 80 years, governments have relied on a changing mix of delivery methods for council and social housing. The balance between new-build construction on assembled land, demolition and rebuild, and the acquisition of existing and unsold homes has evolved depending on economic conditions, land and finance costs, institutional capacity, and political priorities.

In the post-war period, countercyclical investment in council housing was made possible by a clear political priority matched with state-enabled access to land and significant public sector delivery capacity. As land supply for new builds dwindled in the 1970s, the government changed tack; recognising the sustained scale of unmet housing need, yet with a key input to housing delivery – land – increasingly out of reach, it focused more on municipalisation, or acquiring and converting market homes to social rent.

The trajectory of social housing delivery fundamentally changed in 1980 with the introduction of the right-to-buy scheme. The viability of building new council housing was undermined by the threat that homes could be sold off within just a few years of completion, and housing policy explicitly prioritised housing associations over councils as the primary delivery agent. The decades that followed saw significantly reduced rates of social housing delivery; acquisitions were once again used as a market management tool to purchase unsold private homes. More recent delivery mechanisms, such as Section 106 (s106), are dependent on the private sector, tying social housing delivery to market cycles.

The following chapter traces this history, concluding that delivering on the commitment to create a mass council housing programme requires funding to match the ambition, bolstered by re-investment in public sector delivery capacity and greater public control.

1940s–1960s: New build at scale

In the immediate post-war period, war damage, overcrowding, an expanding population, and a large stock of unfit Victorian-era housing produced a political priority to rapidly increase and modernise the housing stock. The state delivered modern homes at pace through large-scale council construction on greenfield sites on the edges of existing towns and cities, new towns, and land cleared through slum clearance programmes.⁴

The rapid expansion of new build social housing was underpinned by public investment, strong powers for councils and development corporations to purchase and assemble land at controlled prices,⁵ and a construction sector geared towards mass building. Infrastructure and civil engineering capacity built up during the war was repurposed to help deliver large housing estates.⁶ Throughout this period, the financial risks and rewards of public housebuilding sat with the public sector. Councils borrowed to build using long-term public finance from the Public Works Loan Board, with rents and ongoing subsidies from central and local government used to repay borrowing over periods of up to 60 years.⁷

This model separated the resources for building council homes from demand for market housing, creating a countercyclical source of housing supply that could continue to deliver during periods of weak market demand. It also supported a scale and tenure mix – often close to 100% social housing – that is rarely achievable under today's delivery model.⁸ Councils developed significant in-house development capacity, often employing architects, planners, engineers, and their own construction and maintenance workforces, alongside land and legal teams able to assemble sites and use compulsory purchase powers.⁹

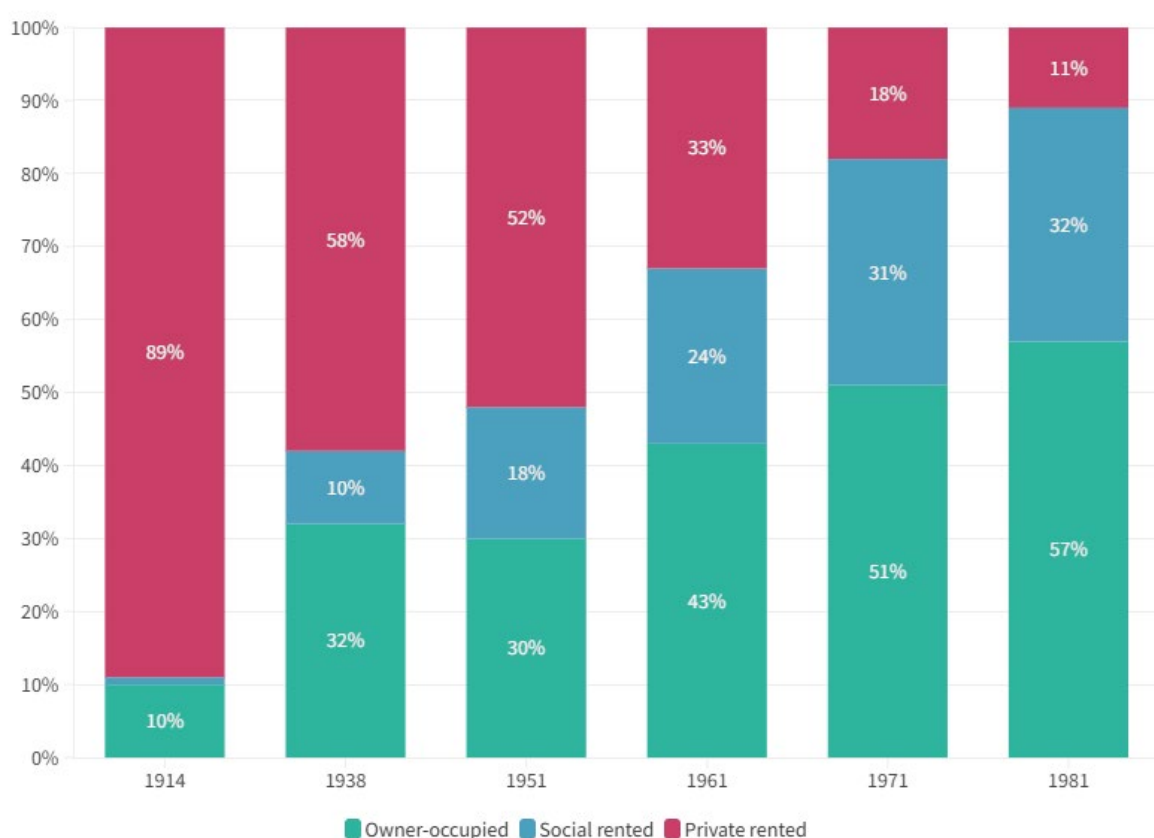
1970s: A growing role for acquisitions alongside new build

By the 1970s, inflation, rising construction costs, and changes to the legislation governing the land market compromised the delivery of new-build council housing at scale. Criticism of slum clearance policies was also growing as the harmful consequences of breaking up established working-class neighbourhoods became clear.¹⁰

Yet the need for more social homes remained significant. With most of the worst-quality housing already undergoing redevelopment, and as the availability of greenfield land slowed, the social housing supply model shifted towards the acquisition of existing private homes for conversion to social housing. From 1974, the government established a large-scale municipalisation programme, which provided funding and policy support for acquiring and rehabilitating market homes.¹¹ This approach was possible in part due to the long-term contraction of private renting and severe disruption to the housing and mortgage markets following the boom of the early 1970s. Figure 1 documents the changing composition of housing tenure in English households in the mid-20th century.

Figure 1: A steadily rising proportion of households lived in social housing in the mid-20th century

Housing tenure in England, 1914–1981



Source: Hicks, J., & Allen, G. (1999). *A century of change: Trends in UK statistics since 1900* (Research Paper 99/111). House of Commons Library, chart “Tenure in England: 1914–99”.¹²

The 1974 housing market crash prompted another social housing supply strategy: purchasing completed but unsold new-build homes from private developers. Councils in England and Wales purchased more than 12,000 homes through a temporary emergency programme in 1974–75,¹³ expanding social housing rapidly while supporting the construction industry through the downturn.

Acquisitions of existing private homes and unsold new build private homes helped sustain the expansion of social housing stock despite higher interest rates, while also managing the economic and market impacts of landlord exits and weak demand for new market homes. By the late 1970s, England had a large stock of existing social housing, supplemented by 14,000 acquisitions a year¹⁴ and around 100,000 new social homes built each year (equal to approximately one-third of total new build housing supply).¹⁵

1980s: Social housing supply collapses

The social housing landscape was radically transformed from 1980. The introduction of the right-to-buy scheme gave council tenants access to generous discounts to purchase their homes, with much of the money raised from sales claimed by the Treasury rather than local governments. In addition to enabling a mass social housing sell-off, right to buy compromised the viability of the council housebuilding model. With the risk that new council homes would be sold at significant discounts within as little as three years of being built, public subsidy for council housing was cut, borrowing was tightened, and new restrictions further constrained councils' ability to assemble the land and funding needed to deliver social homes. The social housing supply from councils fell from its high point of 198,000 homes in 1953 to a low of 50 homes in 1999.¹⁶

Policy and funding support for social housing supply shifted towards housing associations and new-build supply rather than acquisitions of existing homes. The Housing Act 1988 solidified a 'mixed funding model' in which housing associations combined public grants with private borrowing, allowing the government to support development programmes with less upfront public capital. At the same time, loose mortgage credit fuelled rising land prices, increasing the cost of building social homes.

This transition fundamentally changed the social housing sector's capacity to deliver new homes. As councils' development functions shrank or disappeared, local authorities lost the in-house architects, surveyors, engineers, and development teams that were key to delivering large-scale council housebuilding. Although some expertise transferred to growing housing associations, the sector's overall capacity to commission and deliver new homes at the scale seen during the post-war era declined significantly.

The result was a social housing supply model structurally geared towards much lower levels of delivery. Since the collapse of council housebuilding in the early 1980s, housing associations have delivered an average of around 22,000 new social homes a year – a loss of over 100,000 social homes per year compared to the preceding decades.¹⁷ Lower levels of new supply meant the sector could no longer replace the homes it was losing. Between 1980 and 2024, around 2.2 million social homes were sold through the right-to-buy scheme, while only 1.3 million were built or acquired, contributing to the long-term decline of England's social housing stock.¹⁸

The initial effect of the right-to-buy scheme was to transfer homes out of the social sector and into mortgaged homeownership. Over time, the private rented sector (PRS) expanded.¹⁹ Households who previously would have qualified for a social home increasingly had no alternative but to pay high rents to private landlords. Growing the

size of the PRS was an explicit policy aim by the late 1980s.²⁰ Government spending on housing began its shift away from capital spending on social homes and towards revenue spending on subsidising private rents: from bricks to benefits.

1990–2010: Social housing supply as a market management strategy

The 1990s saw a partial recovery in social housing supply, delivered almost entirely by housing associations. The housing market downturn, which started in 1989, resulted in high numbers of unsold new-build market homes and repossessed mortgaged homes. In response, in 1992, the government introduced an emergency Housing Market Package which enabled the acquisition of unsold new-build homes.^{21,22,23} This preserved construction sector capacity that would otherwise have been lost by allowing market schemes to complete, provided exit routes for distressed mortgage-holders, and supported demand in the broader housing market.

Governments in the 1990s sought to address the problems that arose in the housing system due to the collapse of social housing in the previous decade, with a particular focus on ending rough sleeping and providing permanent homes for families in temporary accommodation.²⁴ Capital grant funding for social housing supply increased, with the bulk of supply delivered through new-build construction.

In response to concerns that this grant-backed model was concentrating social housing in low-demand and lower-cost housing markets, s106 agreements – expanded through 1998 planning reforms – increasingly required private housing developments to include a share of social housing.^{25,26,27} Using s106 to secure social homes as a share of private development meant homes could be delivered in places that grant funding struggled to reach. Where land prices were too high to make the grant funded model stack up, s106 offered an alternative approach to creating social homes in high-cost areas by capturing and distributing the uplift in land value generated by planning permission.

The aftermath of the 2007–08 financial crisis saw a return to acquisitions from private developers as a strategy for stabilising the housing and housebuilding markets. Kickstart funding in 2009 and 2010 injected capital into stalled schemes intended for market sale and enabled conversion into social housing. Smaller funding pots helped distressed owner-occupiers remain in their homes as social tenants. As in 1974–75 and the early 1990s, these programmes simultaneously supported the housing market, preserved construction capacity, and increased social housing supply.

2010–2024: Social housing supply in the age of austerity

In the context of recession and the politics of austerity after 2010, the funding model for social housing underwent another profound shift. The amount council landlords could borrow to invest under their Housing Revenue Accounts was capped until 2018.

Frequent short-notice changes to policies for setting rents and managing social homes increased the risk profile of social housing for private lenders to housing associations, with Moody's Investors Service downgrading credit ratings.²⁸ The Affordable Homes Programme 2011–15 and Shared Ownership and Affordable Homes Programme 2016–21 reduced both the overall capital grant budget and the level of grant available per home compared to previous programmes, and introduced new restrictions on funding for demolition and rebuild. Grant funding was switched away from social rent into a new “affordable rent” tenure, in which rents can be set at up to 80% of market prices. Shared ownership homes for renters unable to buy a home on the market had been delivered in small numbers since 1980 but now made up a growing share of supply under an expanding definition of affordable housing.²⁹ The aim was to maximise overall supply through higher rental income streams, backed by housing benefits rather than direct capital subsidy. In 1996–97, 75% of all affordable housing delivered in England was social rent; by 2020–21 it was just 11%.³⁰

Grant support for market acquisitions and regeneration projects is more strictly controlled, with funding directed primarily to new build construction. The result is a fundamental reversal of the post-war delivery model to one that is primarily pro-cyclical. With less public subsidy, social housing supply is dependent on recycling profits from private development,³¹ either through s106 agreements with private developers or through councils and housing associations “cross-subsidising” social housing by building market homes.^b Social housing supply is now heavily exposed to market conditions. When market supply grows, more profit can be recycled into social housebuilding; but the inverse is also true, with social supply dwindling if the market contracts.

^b Around half of new social homes are now delivered through s106 agreements: as a condition of gaining planning permission, private developers agree to deliver a share of homes on a market scheme as social housing for housing associations and councils to purchase. Where housing associations and councils are delivering housing through their own schemes, they often deliver a significant share as market homes, using the surpluses generated from sales to top up public grants.

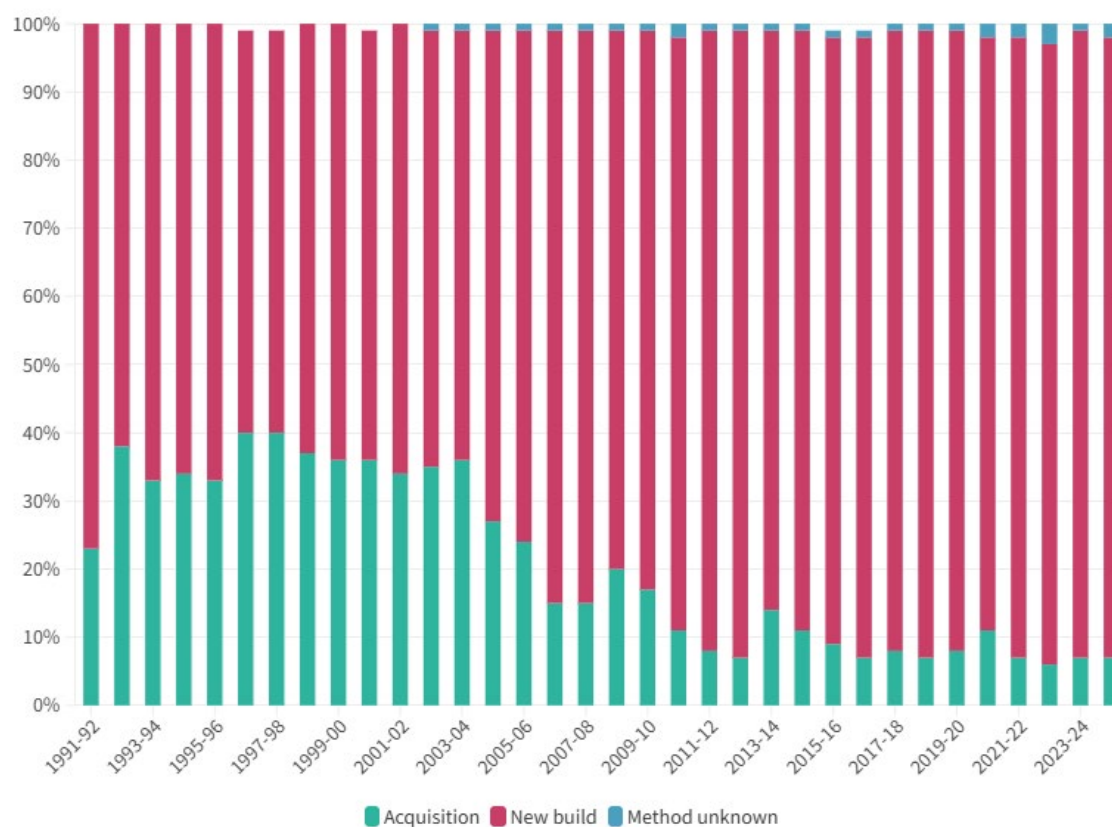
2024 to present: A new era for social housing supply?

Since 2024, the government has acted to stabilise the social housing sector and sow the seeds of a revival in social housing supply. Reforms to the right-to-buy scheme will keep council homes in the social sector long enough to make new supply viable for councils again. The 10-year rent settlement for social housing will give councils and housing associations certainty over their revenue to bring down borrowing costs and support long-term planning. The SAHP reprioritises social rent homes, which are intended to make up 60% of delivery under the fund, a step change from prior grant programmes.³²

Restrictions on acquisitions have also been loosened, particularly in London.^{33,34} These reforms represent the first significant shift back towards a more stable and flexible funding model for social housing for more than a decade. Early data on social housing supply is positive, with 2024–25 seeing the highest number of new social rent homes for over a decade.³⁵ But with SAHP funding still subject to future spending reviews and much of it pushed into later years, the funding certainty needed to support sustained delivery is not yet in place.

Figure 2: Acquisitions play a smaller role in new supply of social and affordable housing than they did in the 1990s

Share of supply delivered by new build versus acquisitions, 1991–92 to 2024–25



Source: MHCLG, Table 1009: additional affordable homes provided by new build or acquisition, England

Figure 3: Acquisitions of social and affordable homes have declined fairly consistently, while new build volumes are higher than the late 1990s and early 2000s

Supply by delivery method, 1991–92 to 2024–25



Source: MHCLG, Table 1009: additional affordable homes provided by new build or acquisition, England

3. THE CASE FOR INVESTMENT

Scale of housing need is growing

Housing affordability and housing need are in an acute state of crisis in England.^c Waiting lists for social housing are growing; more than 1.34 million households are waiting to move into a social rent home, the largest number in more than a decade.³⁶ The chronic shortage of social housing, driven by decades of under-delivery and the sell-off of two million social homes through the right-to-buy scheme, combined with a growing unregulated private rented sector (PRS) and a freeze on the local housing allowance (LHA), is pushing more households into unsuitable temporary accommodation.

Recent analysis from Crisis shows that across England, just 1.8% of rental properties advertised on Zoopla were listed at or below LHA rates, meaning fewer than two out of every 100 homes are affordable for households claiming housing support through the benefits system.³⁷ As of March 2026, there are more than 135,000 households living in temporary accommodation, including more than 176,000 children.³⁸

Temporary accommodation (TA) has immense costs for families and councils. London Councils estimates that boroughs in the capital are spending £5.5m every day on homelessness provision; the Local Government Association (LGA) warns that the total cost of TA between 2017–18 and 2029–30 is projected to reach nearly £4bn without national action.^{39,40}

Compounding the affordability crisis in the PRS is a crisis of housing quality. Renters bear the brunt of substandard housing quality: in 2024–25, 22% of private renters in England lived in a non-decent home.⁴¹ More than 1.7 million children live in damp, mouldy, cold, or otherwise non-decent homes.⁴² Immediate cost of living relief for households in the PRS can be delivered with rent controls,⁴³ but a longer-term restructuring of the housing system is needed, which can only be achieved through significant and rapid investment in council and social housing.

Opportunity for countercyclical investment

The government has repeatedly used downturns in the private housing market as an opportunity to expand social housing supply while stabilising the wider market and protecting construction sector capacity.⁴⁴ The emergency purchase programme of 1974–

^c As housing policy is devolved, this paper focuses on social and council housing supply in England.

75, the Housing Market Package of the 1990s, and Kickstart funding after the 2007–08 financial crisis were each government-led direct interventions in the private housing market that simultaneously increased the provision of social housing while also supporting the development sector and shoring up market confidence.

The private housing market in England is in the midst of a prolonged downturn. The Royal Institution of Chartered Surveyors' August 2026 report suggests that while house prices have seen moderate growth in the last few months, "any potential recovery remains fragile" and sales expectations, new buyer enquiries, and other key indicators remain negative.⁴⁵ Mortgage approvals continue to fall, with housebuilders cutting completion forecasts by 10.5% for 2026 and 2027.⁴⁶

The current market contraction suggests the private sector has spare delivery capacity that could be redirected into social housebuilding. The responsibility is on the government to use policy and funding reform to capture and redirect that excess capacity for public benefit. And the task is urgent: delivery capacity lost during a market downturn is not easily rebuilt. Skilled workers who leave the sector during a prolonged slowdown often do not return once the market recovers.⁴⁷ Acting now, while spare capacity exists and unsold homes are more readily available, paired with public land release at below-market value, will enable the government to convert a market downturn into expanded social housing stock.

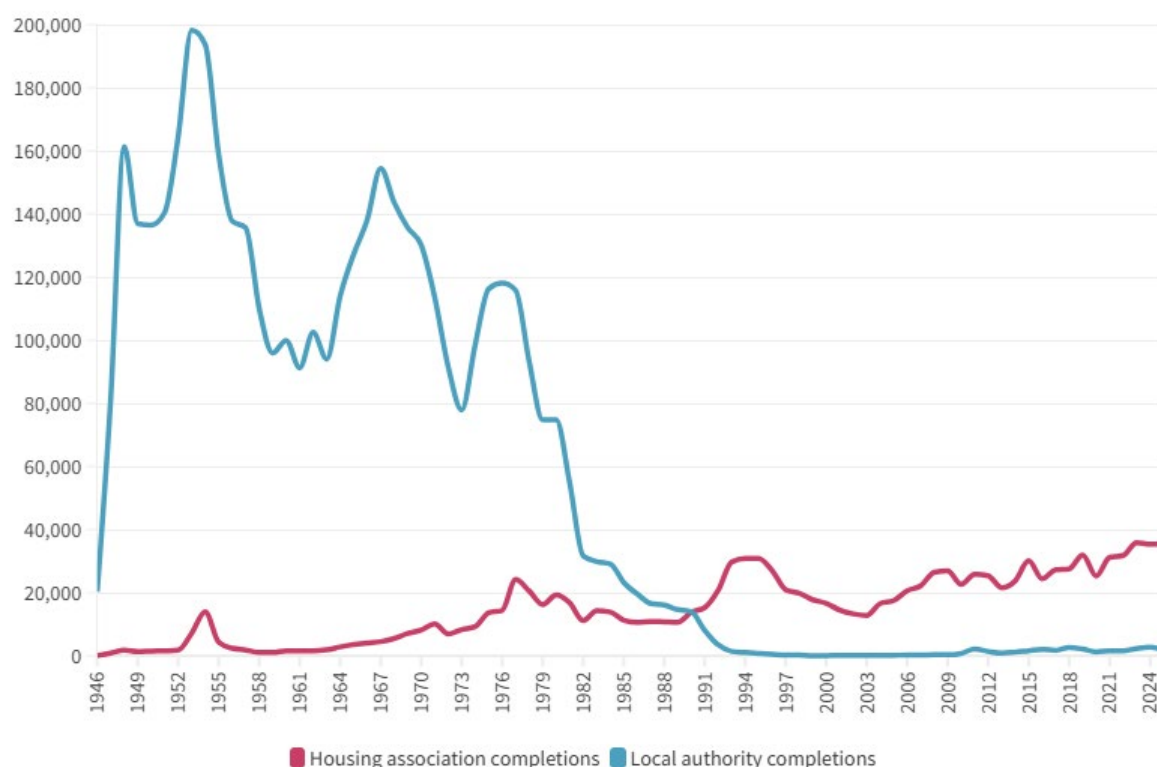
Strong political commitment

In June 2026, shortly after securing his seat in parliament, Andy Burnham pledged to oversee "the biggest council housebuilding programme since the post-war period", a commitment that he has reiterated since taking over the premiership.⁴⁸ The government's level of ambition is welcome: if achieved, it would make significant inroads towards redressing the impact of decades of austerity budgets. But current council housebuilding outcomes are very significantly lower than the post-war period. As Figure 4 shows, council housebuilding reached its zenith in 1953 with 198,000 homes built; in 2025–26, social rent home delivery backed by grant from Homes England and the GLA reached a 13-year high with 11,695 social homes delivered, just 6% of the post-war social housing peak.^d

^d This statistic covers only grant-funded homes, so does not include social and affordable homes funded via section 106 agreements.

Figure 4: Local authority delivery of housing supply declined precipitously around 1980, with housing association delivery only partly compensating for the fall

Annual completions, local authorities and housing associations (1946–2025)



Source: MHCLG Table 244: Housing supply – indicators of new supply, England, 1946 to 2025.⁴⁹

To deliver at the scale promised, the government must build on promising progress made over the past few years. The 10-year rent settlement for social housing announced in June 2025 gives councils and housing associations longer-term certainty over future revenue and strengthens housing providers' credit position. Recognising the damage caused by the sale of council homes, recent and planned reforms to the right-to-buy scheme – including capping discounts, increasing minimum tenancy periods, and exempting new-build social homes – will keep council homes in the social sector long enough to make new supply viable for councils again.

At the centre of the government's recent efforts to focus policy attention on non-market housing is the £39bn Social and Affordable Homes Programme (SAHP), which saw a small top-up of £1.5bn announced at autumn budget 2026. Running from 2026 to 2036, the SAHP aims to deliver 180,000 social rent homes, making up 60% of the total programme, compared to 25% social rent under its predecessor, the Affordable Homes Programme (AHP).

Although the SAHP is a landmark funding programme, if its delivery targets are met, it will deliver only 18,000 social homes per year. That delivery rate falls far short of the

post-war peak Burnham's government aspires to. The phasing of SAHP disbursements is back-loaded; the first-year spend of £2bn is just over half the programme's annualised spend (£3.9bn), and less than the annual budget of the AHP.

Rising fiscal cost of inaction

Without appropriate spending on 'bricks' – capital investment in new or acquired social homes – the housing support bill will continue to balloon, with public spending subsidising the private market through unaffordable rents and nightly fees for emergency accommodation. This is the 'bricks' versus 'benefits' tradeoff, where capital investment builds a lasting public asset while revenue spending covers the cost of not having built it.

In 2020, the government projected that annual housing support spending would reach £31.4bn by 2025–26; actual expenditure totalled £37.2bn, an overrun of £5.8bn in a single year.⁵⁰ Relying on revenue spending for housing subsidy is not just costly but highly volatile and difficult to predict, given that it is a demand-led budget line. This creates unnecessary fiscal risk that stable and long-term capital investment does not carry.

Unlike capital investment in bricks, which is a fixed grant envelope committed at spending reviews, most housing subsidy is driven by demand. Housing benefit, and the housing element of universal credit, are classified as annually managed expenditure (AME), which is forecast but not budgeted; if more households need support and if the cost to house them increases, then housing subsidy has to scale commensurately. While freezing LHA may reduce government spending in one part of the system, the reduction in housing support means more households face runaway rents in the unregulated PRS and are unable to find affordable homes for rent. At risk of experiencing homelessness, these households are driven into emergency housing, which comes with a high nightly cost for councils.

Capital investment in social homes replaces a market-linked and open-ended annual liability with a one-off fixed cost that has the potential to generate decades of stable rental income that is affordable to the households who need it.

4. HOW TO DELIVER AT SCALE

The past eight decades of council and social housing delivery show us that combining the tools at the government's disposal – access to land, delivery capacity, and funding and financing – can achieve wide-ranging and varied outcomes. Underpinning each era's outcomes is a clarity of purpose, which directs how the components come together and determines which homes get built, where, and for whom.

This government's political aim is clear: to oversee a mass council housing programme to address affordability pressures in the private market and reduce revenue spending on housing support. To achieve that requires scaling up grant funding for social housebuilding and making financing more affordable, bringing more existing homes and assets into public and community control, and empowering local governments to act by devolving control and building delivery capacity. While the aim is for councils to lead on delivery, the current fiscal framework, compounded by existing limited delivery capacity, means they cannot yet do so at scale. In the near term, a mix of providers – both councils and housing associations, as well as co-operative and community models – will be needed to deliver at pace.

Scale up capital and make borrowing cheaper

Scale up total funding available within the SAHP

Table 1 summarises four indicative scenarios for scaling up capital grant funding. These scenarios are compared to current plans for the delivery of the £39bn SAHP. The scenarios do not include the £1.5bn announced at the autumn budget as details about how it will be allocated between tenures is not yet clear. If the additional £1.5bn is directed entirely to council and social homes, it could reduce the top-up required under each scenario by up to £1.5bn. The scenarios refer to 'social homes', including all social homes regardless of provider; the indicative scenarios do not distinguish between council or housing association delivery, reflecting that near-term delivery at scale will rely on both. Each scenario estimates the number of homes that could be delivered over two time horizons: by the end of the current spending review 2025 capital envelope allocation period, which ends in 2029–30; and by the end of the SAHP in 2035–36.

Scenario 1 shows that a moderate top-up of £3.75bn by the end of the current spending review period could add nearly 14,000 social homes. In **Scenario 2**, excess capacity from the downturn in the private market could be redirected to social housing delivery, adding an extra 35,500 social homes with a boost to capital grants of £7bn. **Scenario 3**

assumes that sustained growth in social housing completions reaches 90,000 social homes by 2032–33. In the near-term, this scenario could deliver an additional 40,700 social homes by the end of the spending review period, requiring £8bn in additional SAHP funding, or £7bn if a large share of the £1.5bn autumn budget top-up is ring-fenced for council and social housing delivery. **Scenario 4** is the most ambitious scenario, showing the pace and scale of funding required to deliver 90,000 social homes per year by the final year of this parliament (2029–30), which is the widely understood minimum level required to meet current housing need.

Building on these illustrative scenarios and recognising the mismatch between the government’s council housing delivery ambitions and current funding commitments, we recommend that the government increase the SAHP by £7bn within the current spending review period, at spending review 2027. Ringfencing a large share of the £1.5bn small uplift announced at autumn budget 2026 and this further £7bn top-up for council and social housing could support the delivery of approximately 41,000 additional council and social homes, bringing total social housing delivery to 105,000 by 2029–30. Future spending reviews should go further, setting the SAHP on a trajectory to deliver 90,000 council and social homes per year by the end of the programme.

Table 1: Indicative funding scenarios and delivery outcomes

Scenario	Overview	By 2029–30 End of spending review	By 2035–36 End of the SAHP
Baseline	Target outcomes under the SAHP, assuming even delivery rate over programme years.	Capital: £13.3bn cumulative (annual spend by 2029–30: £4bn) Cumulative delivery: Social homes: 64,000 Aff homes: 56,000 Total homes: 120,000	Capital: £39bn cumulative (annual spend by 2035–36: £4.5bn) Cumulative delivery: Social homes: 180,000 Aff homes: 120,000 Total homes: 300,000
Scenario 1 Moderate top up	Ramp up the SAHP each year by +£375m/year up to 2029–30; then maintain steady top up of +£1.5bn/year until 2035–36.	Capital: +£3.8bn (annual spend by 2029–30: +£1.5bn) Additional social homes: +13,800 Additional affordable homes: +10,300 Total homes: 144,100	Capital: +£12.8bn (annual spend by 2035–36: +£1.5bn) Additional social homes: +47,000 Additional affordable homes: +35,000 Total homes: 382,000

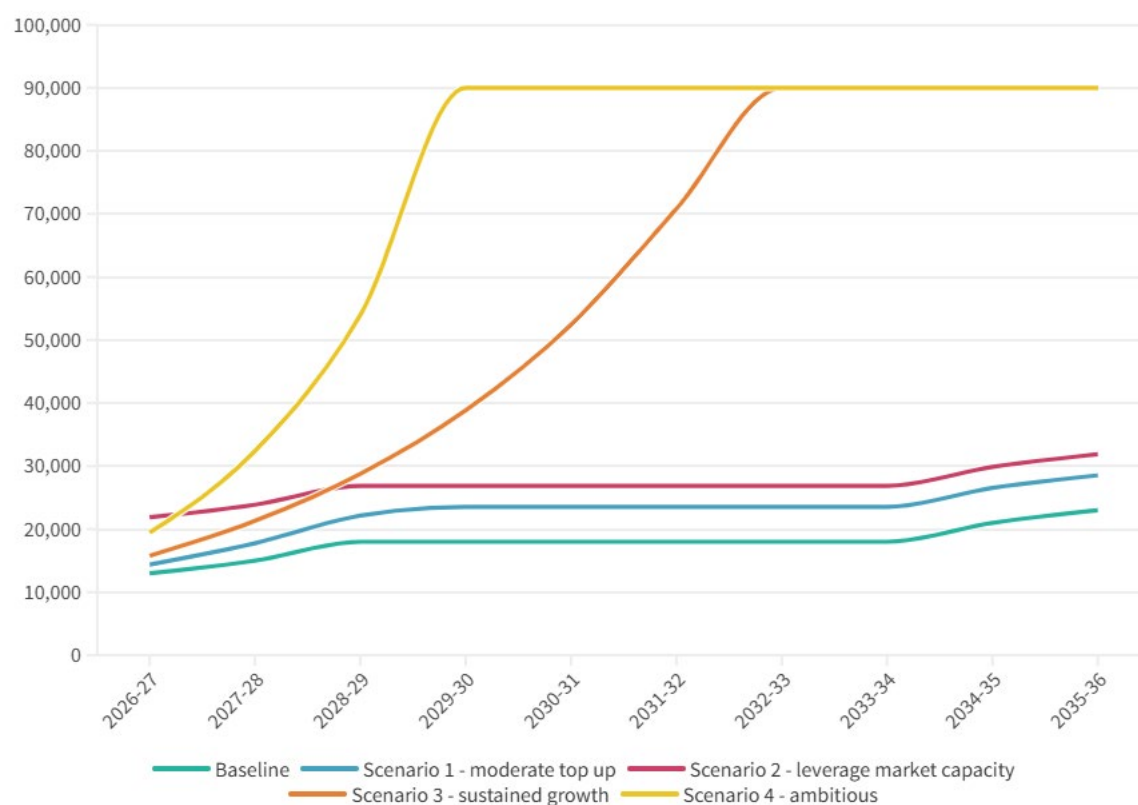
Scenario 2 Leverage market capacity	Excess delivery capacity in the private sector is re-directed to social delivery. ^e	Capital: +£7bn (annual spend by 2029-30: +£1.7bn) Additional social homes: +35,500 Additional affordable homes: +0 Total homes: 155,500	Capital: +£17bn (annual spend by 2035-36: +£1.7bn) Additional social homes: +88,750 Additional affordable homes: +0 Total homes: 388,750
Scenario 3 Sustained growth	This scenario assumes delivery of 90,000 social homes/year by 2032–33.	Capital: +£8bn (annual spend by 2029-30: +£4bn) Additional social homes: +40,700 Additional affordable homes: +0 Total homes: 160,700	Capital: +£79bn (annual spend by 2035-36: +£14bn) Additional social homes: +408,000 Additional affordable homes: +0 Total homes: 708,000
Scenario 4 Ambitious	This scenario gets to 90,000 social homes/year by the final year of this parliament (2029-30).	Capital: +£25.6bn (annual spend by 2029-30: +£14bn) Additional social homes: +131,800 Additional affordable homes: +0 Total homes: 251,800	Capital: +£108bn (annual spend by 2035-36: +£14bn) Additional social homes: +550,800 Additional affordable homes: +0 Total homes: 735,800

Note: Baseline assumes delivery ramps up from 13,000 social homes per year in 2026-27 to 18,000 by 2028-29. Scenarios 1–4 show the increase in capital funding and homes delivered compared to the baseline which is based on estimated SAHP outcomes. Figures show homes funded, not homes completed, as estimating delivery timelines is highly context dependent; the model treats funding and completion as occurring in the same year while in practice grants typically take two to four years to translate into completion. Each scenario uses the same grant rate assumptions derived from initial SAHP allocations and AHP grant rates for London and tenure-specific estimates. While London grant rates are negotiated, the model uses rates from the Accelerated Funding Route Guidance (2025) as an estimate.⁵¹ Rest of England grant rates are calculated based on AHP 2021–26 transparency data and August 2026 allocations.^{52,53} Social home figures include council and housing association delivery, as the model applies the same social grant rates regardless of provider.

^e Private completions declined by 14.5% between 2023–24 and 2025–26; this scenario assumes that half of that additional capacity is redirected into social housing delivery.

Figure 5: The Social and Affordable Homes Programme is a major advance in housebuilding, but will fall a long way short of the full level of need for additional social and affordable homes

NEF indicative scenarios for annual social housing delivery, 2026-27 to 2035-36



Source: NEF analysis

The scenarios illustrate a range of scales and paces of how SAHP funding could increase. But delivery is contingent on more than just the availability of funding; it also depends on the sector's capacity to absorb and deploy it. The fact that applications to the first round of SAHP allocations (announced in August 2026) were significantly oversubscribed suggests there may be excess capacity within the social housing delivery system. Both Homes England and the Greater London Authority (GLA) had to ask housing providers to reprofile their initial bids because funding applications exceeded available grant.⁵⁴

In addition, only three councils were named as strategic partners, falling short of the generation-defining council housing programme the government envisioned. While more councils will likely receive SAHP funding through Continuous Market Engagement (CME), which is open to smaller providers and allocated on a rolling basis, CME allocations have yet to be announced, making it difficult to size the total share of funding directed to councils. As the modelled scenarios do not distinguish between

providers, delivering a high council share of homes will depend on the capacity-building measures set out below.

Beyond the capacity to absorb additional funding, which the sector has signalled it has, there are other potentially binding constraints on scaling up delivery. The planning system, access to land, availability of skills and labour, and the cost of materials may also constrain how quickly the sector can respond to a step change in funding. The skills shortage will be particularly acute because the last housing market downturn did not see the requisite countercyclical investment to sustain the building sector.⁵⁵ The urgency of countercyclical investment is now all the more apparent to prevent compounding a further skills shortage that will reduce delivery capacity enabled by future boosts to the SAHP.

Frontload allocations to release funding ASAP

While the SAHP secures a longer-term funding settlement for social and council housing, the allocation of spending is backloaded to both the later years of the spending review period and the later years of the 10-year programme, delaying the delivery of needed homes. Backloading carries a further cost, given that annual programme spend is forecast to rise with inflation only from 2029–30, once the current spending review period ends.⁵⁶ The early years of the programme – the period we’re currently in – bear the risk of higher-than-expected inflation eroding the real value of the programme’s fixed cash funding. Over the long-term, frontloading spending will provide better value for money, address pressing housing needs in a more timely fashion, and provide the countercyclical investment that is required to sustain sector-wide housebuilding.

For the government to oversee the biggest council housing delivery programme since the post-war years, the pace of SAHP disbursements needs to be reformed in three ways: bring CME and future strategic partner bidding rounds forward so that the current full settlement is allocated within this spending review period; shift grant payment milestones earlier in the development process to strengthen social landlords’ and councils’ ability to acquire land, reduce financing costs, and compete more effectively for suitable sites; and publish a year-by-year allocation and spend profile for the SAHP to increase transparency and accountability.

Bring more homes into public and community control

Leverage public land

As NEF has argued previously, publicly owned land should be managed as a strategic public asset, helping to deliver long-term social and economic objectives rather than

simply maximising short-term capital receipts.⁵⁷ A new general disposal consent and accompanying guidance should create a clear duty for public bodies to buy, manage, and sell land in ways that optimise the achievement of public policy objectives, including delivering council and social housing. This duty will ensure public land is not sold off for the highest profit (as routinely happens) and is instead used for the public good. It would effectively separate the market for public land from the market for private land, ensuring they meet different development needs.

Remove acquisitions cap on the SAHP

In the near term, we propose removing the SAHP cap on acquisitions of existing homes, allowing local authorities to ramp up acquisitions and respond to market opportunities. In essence, this would see regional authorities establishing their own version of London's Council Homes Acquisition Programme (CHAP). As part of the increase in the SAHP within the spending review period (until 2029–30), £1bn should be ringfenced to fund regional acquisition programmes. Investment of this scale could bring nearly 10,000 homes per year back into public control for people in housing need. The acquisition push should have a continued focus on family homes which are harder to deliver through the new-build programme.

Invest in a Cooperative and Community Housing Fund

The government should establish a new Cooperative and Community Housing Fund, managed regionally, to ensure that it is tapping into grassroots energy and capacity to solve the housing crisis. This new fund should be designed to support community-led housing organisations seeking to bring forward new-build projects across a range of tenures, including discounted market sale (DMS), and those organisations using an acquisition and retrofit model. It should include a capacity-building element and should be specifically designed to enable participation from place-based community organisations that are not registered providers (RPs). An initial £200m of investment (capital and revenue) could test the sector's appetite and be scaled up as required.

Build capacity and devolve powers

Devolve the SAHP to regional mayors to ensure grant funding meets communities' needs

Except for London, the SAHP is centrally run by Homes England. While funding is “directed to” mayoralities, they do not make funding decisions. And devolving funding does not guarantee genuine public control. As Centre for Cities has argued, mayoral authorities should be given control over grant funding as part of a wider fiscal

devolution settlement.⁵⁸ Mayors should agree funding arrangements directly with councils rather than administering a Homes England designed programme. Since 2012, London has had such a devolved model, with London councils applying for multi-year funding pots, rather than competitively bidding for each development scheme. Extending this model to other mayoralities will empower regional authorities to set locally tailored delivery targets, calibrated to total grant envelope and local viability conditions, as well as local delivery capacity, whether council led or housing association led in the short term.

Rebuild councils as delivery organisations

Many local authorities are still in the relatively early stages of scaling up their capacity to build social homes, following decades in which they have been discouraged from taking an active role in housing provision. Research from University College London shows growing numbers of councils establishing housing delivery teams, often bringing back experienced staff who left local government in earlier decades.⁵⁹

In England, 45% of local authorities do not have a Housing Revenue Account (HRA), the ringfenced account through which councils manage rental income and the costs of building and owning social homes.⁶⁰ Many councils closed their HRAs after transferring stock to housing associations over the last four decades. The government's decision in January 2026 to increase the number of homes councils can own without establishing an HRA from 200 to 1,000 therefore removes an important institutional barrier for many authorities, but councils will need support to use this new freedom.

The government should build on this momentum by providing the long-term certainty over subsidy, finance, and regulation needed for councils and housing associations to recruit permanent staff, retain specialist expertise, and invest confidently in development capacity. This will allow councils to recruit permanently, develop specialist expertise and build development programmes over many years, rather than responding to successive short-term funding opportunities.

5. UNLOCKING FISCAL AND FUNDING CAPACITY

Delivering more social homes and at a faster pace than currently planned requires additional capital spending and borrowing capacity. Scaling up and frontloading SAHP funding by a further £7bn by 2029–30, on top of the £1.5bn announced at autumn budget 2026, and setting up councils to deliver social homes at scale will require sequenced structural reforms. With the Bank of England concerned about inflation persistence, we recommend funding changes to the SAHP through new tax revenue in the near term, followed by fiscal rules reform and additional borrowing in the longer term, once the Bank signals that it is less concerned with second-round effects. Additional monetary and financial instruments can further reduce the cost of borrowing for councils and other housing providers.

At spending review 2027, the government should use additional revenue generated through tax reforms to support the reprofiling and topping up of the SAHP. This section outlines one tax reform option that could fund this, though others are available. Taking a tax-and-spend approach in the immediate term avoids further constraining fiscal headroom; it also sets up the SAHP to meaningfully combat the severe shortage of social housing, which the current funding envelope will fail to deliver. Boosting and bringing grant spending forward will rely on both councils and housing associations to increase delivery capacity. While the prime minister has been emphatic in his commitment to supporting councils to lead on social housing delivery, that ambition will fail without more structural reforms to the fiscal framework.

The existing fiscal rules penalise council borrowing, instead directing concessional finance – loans and guarantees – to housing associations and the private sector, where the same lending is fiscally neutral. Under the fiscal rules, a council home carries a higher “cost” to public finances than a social rent home owned by a housing association, a treatment which ignores the long-term value of the asset to the council. That is why, in the longer term, the fiscal framework must be reformed to more adequately account for the value of council homes. Reforming how council borrowing is treated under the fiscal rules will create the headroom councils need to build at scale.

Fiscal rules favour private delivery

There are two fiscal rules. The first is the current budget rule, which requires day-to-day spending be in balance by 2029–30. The second rule requires that public sector net financial liabilities (PSNFL) fall as a percentage of gross domestic product in 2029–30.

Borrowing that is not matched by a financial asset (such as a loan or a non-controlling equity stake) adds to PSNFL. While the debt interest on gilts issued to fund capital grant affects the current budget rule, the primary fiscal rule consideration for social housing delivery is PSNFL.

The fiscal treatment of funding and financing for social homes varies depending on the borrower and the type of spending. Capital grant for land acquisition and development costs counts against PSNFL, regardless of who is borrowing. Grants issued to councils and housing associations are counted in full against the fiscal measure. The fiscal neutrality of loans, on the other hand, depends on the borrower. Borrowing by councils, as public sector entities, counts against PSNFL. In comparison, borrowing by housing associations – as private entities – is off the public ledger.

The uneven application of the fiscal rules distorts the viability of public sector borrowing. Under PSNFL, government loans to anyone outside the public sector – including housing associations, developers, and investors – are neutral. The loan counts as a financial asset that nets off from the liability incurred to finance them, while the additional borrowing private providers take out alongside low-cost government loans sits on their own balance sheets – not the government's. Government loans to councils are also initially fiscally neutral, because they consolidate out within the public sector, but the additional council expenditure on housebuilding that they enable increases PSNFL, because the resulting homes are non-financial assets excluded from the measure. From an HM Treasury perspective, the “cheapest” way to support housebuilding is to lend to bodies outside the public sector. Directing delivery through housing associations and the private sector is incentivised, and low-cost lending instruments, such as the National Housing Bank's (NHB) new low-cost loans, are designed to channel financing for housing associations, for-profit registered providers and developers rather than councils.

Even if the fiscal treatment of council borrowing is reformed, many councils have limited capacity to take on new debt. Many Housing Revenue Accounts (HRAs) continue to service historic Public Works Loan Board (PWLB) debt that carries detrimental costs. Councils, on average, are spending 15% of rental income on debt servicing, while some councils' debt servicing costs exceed 100% of rental revenue.⁶¹ This is why, in addition to calling for reforms to the fiscal treatment of council borrowing, debt relief is also needed.

Council housing is different

Unlike most other categories of capital spending, housing acts like a financial investment as well as a public asset. While investment in physical or social infrastructure

(such as roads, schools, hospitals) does not generally generate an income stream to recoup the upfront cost, housing does. Over time, rental income from council homes pays back part of the build cost and supports the current budget.

Investing in non-market housing has the further benefit of cutting other spending. Building council homes can generate savings on temporary accommodation, which is a rapidly growing cost for councils and impacts the current budget rule. It can also reduce spending on housing benefit and the housing element of universal credit for households that would otherwise be renting privately, which is classified as annually managed expenditure (AME), and counted as day-to-day spending under the current budget rule. This is the bricks versus benefits trade-off, discussed in more detail in Chapter 3.

The income generated from council housing and the savings from avoided spending both help the current budget rule over time. The sooner homes are built, the sooner those savings start, which further strengthens the case for frontloading SAHP funding. Yet the fiscal rules do not give credit for this upfront: PSNFL counts the cost of building immediately, but ignores the value of the home, and the savings only show up gradually (and often beyond the forecast horizon). The fiscal framework must support, rather than discourage, investment in productive public assets.

Recommendations for reform

The following section sets out a range of levers available to the government to support council housebuilding at scale. They vary in cost, timing, and specific delivery objectives served. These levers could be deployed in different combinations, depending on the government's priorities; we present them as a range of options for consideration, with further analysis required to understand the full implications of implementation.

Create new tax revenue

While there are constraints elsewhere in the social housing delivery system – whether skills and labour, planning capacity, or access to land – grant funding is a core binding constraint, and the one most directly within the government's control. Overcoming it requires additional spending capacity, which relies on new tax revenue. This paper does not develop detailed revenue options, as many could be chosen, but flags one potential option: reform of capital gains tax.

CenTax estimates that a package of structural capital gains tax (CGT) reform, including equalising CGT rates with income tax, would raise approximately £19.7bn a year by 2029–30.⁶² Around 70% of that extra revenue would come from people in the top 0.1% by average remuneration over five years.

A share of the additional revenue generated from CGT reform could be directed to council housebuilding, enabling the speed and scale of delivery that the government has promised. CGT revenue has a degree of correlation with the economic cycle which may not make it suitable to fund all of the additional costs proposed in this paper. In the near term, this additional revenue can enable the frontloading of the SAHP, reprofiling spending from the later years of the programme to be allocated sooner. Revenue from reformed CGT will ramp up over time, supporting a scaled-up SAHP envelope in the programme's later years and aligning the capital grant committed with the level of ambition the government has promised. New borrowing should become a larger part of the funding mix only once interest rate conditions are more settled rather than locking in borrowing costs during a period of uncertainty.

Fix the fiscal framework

The current approach to fiscal rules is shortsighted, as NEF has argued for years.^{63,64} Productive investment is treated inconsistently; PSNFL recognises an asset only if it counts as a "financial asset" in the narrow definition of national accounting, meaning revenue-generating public investment – including council housing – registers as a liability, with no credit for the value or income it generates. EU member states largely avoid this problem by using general government gross debt (GGGD) as a key fiscal aggregate, which excludes public corporation debt from the headline measure entirely.⁶⁵

As NEF has previously argued, the government should shift away from hard-and-fast fiscal rules, moving towards a system of independent fiscal referees.⁶⁶ An expert fiscal body should be established with responsibility for judging sustainable borrowing based on what it is spent on, looking at the asset side of the balance sheet, not just financial assets. Moving beyond a system of fiscal rules, while ensuring continued fiscal responsibility through fiscal referees, will increase borrowing capacity for councils to deliver the publicly controlled social homes the government has promised.

Cancel historic Public Works Loan Board (PWLB) debt

Shelter's recent analysis finds that cancelling the £31.8bn of HRA-related PWLB debt would cost central government approximately £43.4bn over 60 years, but will generate significant returns through reduced demand on other government departments. Department for Work and Pensions (DWP) savings are projected to equal £26.3bn, while HM Revenue and Customs (HMRC) could see a £16.8bn boost to revenue. A partial relief option, targeting £21.6bn of debt, is a lower-cost route that would offer similar outcomes. Either approach will free up council borrowing headroom for

increased investment in existing and new council homes. This is a transfer within the public sector: councils' savings are the Treasury's lost interest income from the PWLB.

Make development corporations work for council homes

The government is considering a fiscal rule exemption to let development corporations, a type of non-financial public corporation, borrow for infrastructure, including housing, without having that borrowing count against the fiscal rules.⁶⁷ This would build on the 2024 decision to exclude public financial institutions such as the National Wealth Fund and NHB from the same constraints, and is reported to have backing from major investors.⁶⁸ If confirmed, it would mark a significant, if partial, break from the accounting treatment discussed earlier. A development corporation could issue long-term debt underwritten by projected rental income, combined with existing grant and borrowing capacity to scale up the acquisition of existing homes and land assembly for development.⁶⁹

This reform would only help councils that deliver council homes through development corporations; it would not address the direct HRA and PWLB borrowing that most council housebuilding relies on.

If the fiscal rule carve-out goes ahead, the government must ensure it is designed to cover council-owned public development corporations that deliver social rent homes which are funded through an SAHP grant. It must also be additional to – not a replacement for – direct grant funding; a fiscal rule exemption for borrowing does not close the viability gap for social rent, which can only be solved with a grant.

Extend concessional loans to councils

The government's new £2.5bn low-cost loan scheme for housing associations provides 25-year finance at a fixed interest rate of 0.1%, enabling them to deliver more homes with the same level of borrowing capacity. This approach should be made a permanent feature of the social housing finance system, and access to the low-cost loans should be extended to councils. Under the current fiscal framework, government loans to councils consolidate out, but the additional council capital expenditure they enable increases PSNFL. But cutting councils' borrowing costs will support development viability and reduce the interest burden, which impacts the current budget rule.

New monetary and financial instruments

Monetary and financial instruments could further reduce borrowing costs. A social housing term funding scheme (TFS), modelled on the Bank of England's term funding scheme with additional incentives for small and medium enterprises (TFSME), would let

the Bank of England lend to banks and building societies at a discount.⁷⁰ Lending would be conditional based on their onward lending to social housing. Benefits of a TFS would be marginal for borrowers who already have access to the PWLB's discounted HRA rate (eg councils, NHB-eligible providers). Smaller housing associations, community land trusts, and other providers that do not have access to PWLB or NHB lending, or ones that are close to reaching their borrowing limits, would benefit most. Bank of England lending to banks would create a public financial asset. Any additional borrowing by councils from those banks to finance housebuilding would increase PSNFL as the proceeds are spent; housing associations' borrowing from private banks would remain outside the public accounts.

Another approach to explore would be to adapt a version of France's Livret A model.⁷¹ This tax-free "social housing ISA" would direct deposits through the NHB into long-term, fixed-rate loans for councils and housing associations that are building social rent homes. This is a prime moment for the creation of such a product: the forthcoming cut to the cash ISA allowance in April 2027 reduces the limit reserved for cash from £20,000 to £12,000, requiring the remaining £8,000 be directed towards investments. This rules change could create demand for a new, socially beneficial investment product. While this approach would count as public borrowing, loans to housing associations would offset that borrowing under PSNFL. Lending to councils would not provide the same offset once the money is spent on building homes. The tax relief would be a capped cost against the current budget rule and would give councils and housing associations long-term fixed-rate financing from a new pool of retail savings, providing access to patient funding beyond capital grants. Further thinking is required to understand how this model could best be adapted to the UK context.

6. CONCLUSION

The scale of ambition the government has set for itself on council housing is achievable only if it is matched with a comparable scale of action. As this paper sets out, delivering on Andy Burnham's ambition requires more than the £40bn of investment already committed through the SAHP. It requires that funding be scaled up and frontloaded, paired with reforms that rebuild councils' capacity to deliver and bring more homes into public and community control. Together, this will reestablish council and social housing's role as a countercyclical driver of economic stability.

Delivering social homes at the scale and pace the government has promised requires a sequenced approach. In the near term, with the Bank of England concerned about inflation persistence, grants should be increased and frontloaded through new tax revenue rather than additional borrowing. Over time, reforms to how council housing is treated in public financial accounting is needed to boost funding and borrowing capacity once macroeconomic conditions allow.

The government must act quickly, and at scale. The private housing market's current fragility, and the sector capacity it risks eroding for good, mean delay carries sizeable and compounding costs. The post-war council housebuilding programme was built on the conviction that housing is an investment that recoups over decades. Reestablishing that conviction, aided by immediate revenue-raising mechanisms and followed by reforms to the fiscal rules, is what will determine whether this government delivers the mass council housing programme it has promised.

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