SHELTER

A COUNCIL HOUSING REVOLUTION

BRIEFING: ROADMAP TO THE FUTURE OF COUNCIL HOMES

Bourne Estate. ©Millie Harvey/Shelter

EXECUTIVE SUMMARY

With homelessness at record levels, it is widely recognised that we need to build 90,000 social rent homes a year for 10 years in England to end the housing emergency.

The last time we built social housing on the mass scale that is now required, councils were the driving force, delivering over 120,000 social homes a year on average during the 1960s.

The government has taken some important steps towards increasing delivery of social homes, including changes to Right to Buy, the announcement of a £39bn Social and Affordable Homes Programme and a recognition that social rent homes are crucial for tackling homelessness and child poverty.

However, there remain significant barriers to councils delivering social rent homes at scale. In the past 5 years, English councils combined have delivered just over 2,200 social rent homes on average per year. Analysis by Arup for Shelter in 2024 found that, with the right support and powers, councils could ramp up to delivering 34,000 of the 90,000 social rent homes a year we need through both new build and acquisition of existing homes.[i]

To significantly boost council building, the **government must make the five key changes** set out in this roadmap:

1. **Remove historic debt** from councils' housing revenue accounts, which holds back delivery and sucks away money which could be invested in new homes towards interest repayments.
2. **Unlock low-cost financing for council housebuilding** with low interest loans and adjustments to Treasury rules which disincentivise council borrowing.
3. Enable councils to buy land at the right price to build social rent homes, with powers and **support to use compulsory purchase powers** to disapply 'hope value'.
4. **Bring empty homes back to life** with more support and funding for council acquisition of existing homes.
5. Raise ambitions to deliver a council housing revolution, with **a clear mission for all levels of government to make council delivery a priority**.

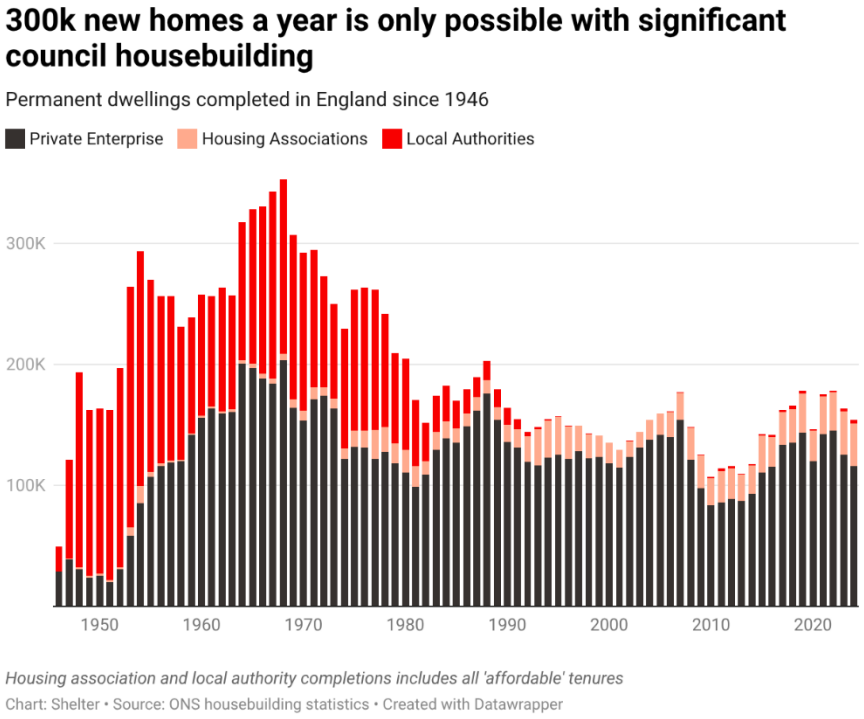
Redbrick Estate. ©Millie Harvey/Shelter

ROADMAP TO THE FUTURE

Social homes provide a stable foundation for families to put down roots and for communities to thrive. They are the only genuinely affordable homes, with rents tied to local incomes. That's why we need a new generation of 90,000 social homes a year for 10 years - to provide decent homes families can afford to live in for decades to come. History shows, the way to do this is to get councils building.

The government promised a council and social housing revolution, pledging to build a new generation of social homes everyone could afford. They have made some very important steps forward; limiting the Right to Buy, launching a new £39bn Social and Affordable Homes Programme and rightly focusing on social rent homes as the answer to record homelessness. But despite this progress, delivery remains far below the 90,000 a year we ned and the government has no target for how many council and social homes it wants to build.

With over 175,000 children stuck homeless in damaging temporary accommodation,[ii] which can be insecure and unsettling, cramped and lacking in the basics for family life – **this is urgent.** Social rent homes are the only ones which can end homelessness for good.



Source: ONS, Indicators of house building, UK: permanent dwellings started & completed by country, Table 3b.

The last time we built genuinely affordable homes at the scale now required in England, local authorities were the driving force, on average delivering 120,104 social homes per year during the 1960s.[iii] As the graph above indicates, most of the decline in housebuilding since 1980 is due to the loss of council building. Once again, councils must be at the heart of the government plans for delivering social housing at scale.

Councils spent an eye-watering £2.8bn on temporary accommodation for homeless households last year[iv] because there is a desperate shortage of permanent, affordable social rent homes. And they see the wider human and financial costs of poor conditions and insecure housing across local services, from education to social care. Councils know their communities and, given the chance, can build the right homes in the right places to lift thousands of families out of temporary accommodation and many more households out of unsuitable homes or housing cost-induced poverty. Analysis by Arup for Shelter in 2024 found that, with the right support and powers, councils could ramp up to delivering 34,000 of the 90,000 social rent homes a year we need through both new build and acquisition of existing homes.[v]

Right now, council delivery is far below its potential. In the past five years on average there were only 1,315 social rent homes built by councils in England each year in total, with an additional 898 existing homes purchased for conversion to social rent.[vi] Faced with the spiralling cost of temporary accommodation, many councils have fought hard to re-establish their delivery programmes and attempt to replace some of the more than 2 million homes lost to Right to Buy since 1980.[vii] They have also come together to campaign for national policy changes.[viii] Councils have managed to make some strides: last year, they started building 2,264 new social rent homes compared to just 102 a decade before.[ix] But to get councils delivering homes again at scale, there are huge barriers that central government needs to knock down.

This roadmap sets out the key changes central government must make to remove the blockers that stand in the way of a council housing revolution. Government has shown it is willing to take bold steps to empower councils, such as the Right to Buy reforms which are already stemming the flow of homes out of the social housing stock. But government must go further and take the following steps to deliver **a culture shift across central and local government to get on and build a new generation of council homes.**

1. Remove historic debt from councils' housing revenue accounts

The Housing Revenue Account (HRA) is effectively a local authority's 'landlord account' which ringfences the money raised through rents from the council's housing stock. In 2012, the HRA moved to a self-financing system. Local authorities welcomed this settlement at the time as fairer than the subsidy system it replaced: however, decisions by central government almost immediately began to undermine the financial basis for the settlement. A coalition of more than 100 councils say this is a critical challenge for the financial sustainability of council housing.[x]

As part of that settlement councils took on the payment of £29bn of historic debt, supposed to be representative of the money central government had spent to build their

housing stock decades before. This debt is mostly owed to the central government (Public Works Loan Board) and was meant to be sustainable based on the financial assumptions about income and expenditure made in 2012. But government broke its side of the HRA agreement: freezing social rents and encouraging more sales through a reinvigorated Right to Buy meant councils were stuck with less income and fewer homes but the same level of debt, destabilizing HRA finances.[xi]

For councils, debt repayments hold back investment in new homes and can even put them at risk of needing to sell assets.[xii] But unlocking capacity for delivery of more council-owned social rent homes would save both central and local government money and have wider economic benefits.[xiii] Forgiving or reducing the debt could be achieved with a limited impact on the headline measure of national debt, depending on how government chose to do so, because the HRA is already included in this measure. **The government must urgently remove HRA debt to restabilise HRA finances and unlock councils' capacity to borrow to build.**

2. Unblock low-cost financing for council building

The way that government accounts for public spending means that Treasury policy puts barriers in the way of council building. The grant that government provides through the Social and Affordable Homes Programme is not sufficient to cover the full cost of building social rent homes, so that councils have to be able to borrow to make building social housing financially viable. But the Treasury's fiscal rules makes it hesitant to allow councils to borrow more, because it treats this borrowing as a cost to the national balance sheet rather than an investment in vital infrastructure.

The consequences of this are exemplified by the recent announcement of £2.5bn of loans at ultra-low interest rates (0.1%) for social and affordable housebuilding by housing associations, but which councils have been excluded from bidding for.[xiv] Councils are therefore at a huge disadvantage when they borrow to build social rent homes, facing higher interest rates even though most loans are from central government itself via the Public Works Loan Board (PWLB).[xv]

Alongside historic debt removal to rebalance the HRA, it is therefore essential that government unlocks borrowing capacity so that councils can top-up grant to invest in social rent homes. **Government must increase access to low-cost loan financing via the PWLB for councils and permit them to refinance or repay over longer terms**. Research by Arup for Shelter proposed that councils should be supported with £6.2bn in loan funding, fixed on low interest rates and with extended repayment periods in support of ramping up to delivery to 34,000 social rent council homes a year.[xvi]

As it stands, self-imposed fiscal rules disincentivize government from taking the action needed. But with the economic benefits of investment in social housing clear,[xvii] it is essential the path to more investment is unblocked. To remove the disincentive to action, **government should change its debt accounting measures to exclude the assets of public corporations (including the HRA), as is common in the EU and most**

OECD countries. It should also exclude revenue-generating infrastructure, like social housing, from the debt rule.

3. Say 'nope to hope' and unlock land at the right price for social rent homes

Shelter successfully campaigned for landmark reforms in the Levelling Up and Regeneration Act 2023 which make it possible for councils to buy land without paying 'hope value'.[xviii] This means that public bodies can once again use compulsory purchase powers to buy land without having to pay the landowner the increase in value they might expect if the land was sold for high-end development. Use of compulsory purchase orders (CPOs) was an essential element of how councils drove the post-war construction boom, as it meant they could buy land at the right price to make social housing financially viable.

Although the powers now exist to compulsorily purchase land without paying hope value, Shelter is unaware of any councils making use of them as yet. This is likely because of potential legal challenges that could be involved in testing the new power as well as limitations in the legislation over how much of a site is covered. But it is absolutely vital that these changes are bedded in: research by Arup for Shelter estimated that hope value disapplication could reduce the cost of land acquisition by approximately 15% for councils intending to build social housing, resulting in an additional 4,000 council homes a year.[xix] It would lay the groundwork for councils to take a bolder approach to land assembly and master-planning in their areas, driving development that benefits local communities. Removing hope value is also essential to the government's priority aim of building New Towns at pace and including high levels of genuinely affordable social rent

Victoria Square. ©Millie Harvey/Shelter

homes. Emboldening councils to use their CPO powers would also have wider benefits, for instance using them to unblock stalled private developments by buying the sites for social housing.

To ensure that CPO powers are once again used to build a new generation of social homes, **government must support councils with subsidised legal advice, expertise and liability insurance to give councils the authority and confidence to say 'nope to hope' and clarify the legislation to encourage its use.**

4. Bring empty homes back to life with more support for council acquisitions

During the post-war council housing boom, acquisitions were a common route for social landlords to expand their housing stock. In the late 1970s in England, councils purchased up to 14,000 properties annually, many of which were empty, as a way to deliver social housing.[xx] But policy decisions since the 1980s have made it much harder for councils to acquire existing homes for social rent: in the past 5 years, on average councils in England acquired a combined total of just 898 homes for social rent per year.[xxi] Shelter's 2024 report *Home Again: A 10-City Plan to rapidly convert empty homes into social rent homes* set out a plan for how to rapidly increase social housing stock through acquisitions in areas where there are high numbers of long-term empty homes but a desperate need for social housing. Additional modelling found that scaling up these measures could deliver 22,600 new social rent homes in total across five years in both rural and urban areas.[xxii]

In the face of record homelessness, there has been a recent return from some councils to purchasing existing homes, often to be used as temporary accommodation.[xxiii] While an understandable response to urgent pressures, a vital opportunity is being missed to secure the future of council housing by making these into decent, permanent social rent homes. While acquisitions can only be part of the picture alongside mass council housebuilding, they offer an excellent opportunity for councils with limited or no housing stock to build up skills and experience in managing homes. This is especially important given the recent welcome announcement that councils will be allowed to own up to 1,000 homes before they need to establish an HRA, giving smaller and rural local authorities greater opportunity to expand their capacity before taking on the administration this entails. To further support this, Shelter will set out additional measures later in the year which would support councils to expand their programs to acquire market homes to convert to social rent beyond just long-term empties.

Although Social and Affordable Homes Programme (SAHP) grant is available for empty home conversions, the desperate need for new building means dedicated funding is required for acquisitions to avoid this pot being spread too thinly. **The government should establish a dedicated long-term empty homes programme, backed by adequate funding and powers, to support councils to bring suitable empty homes back into use for social rent.**

5. Raise ambitions for central and local government to deliver a council housing revolution

It has been more than a generation since councils were building social rent homes at scale. Many local authorities have made remarkable efforts to build new homes despite all the challenges they face. But for too many, stock transfer, years of austerity and intense pressure on statutory services means that building and managing homes is no longer seen as a core function of local government.

Central government too will need to be laser focussed if it is to deliver on the promise of a council and social housing revolution. The changes set out in this roadmap require close co-ordination and alignment of priorities between different departments, particularly the Ministry for Housing, Communities and Local Government and the Treasury. **That's why we're calling for a 'Get Councils Building Bill' in the King's Speech 2026** – to mark the urgency and importance of the government's social housing mission and bring about crucial policy changes needed to ramp up delivery.

The historic culture change needed goes beyond legislation and will require government to bring ambition and focus to build the council homes we need. It should put in place measures to hold itself and local authorities to account with a council housing tsar or targets for council building to **make it clear that all levels of government must work together to deliver a council housing revolution**.

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Shelter exists to defend the right to a safe home and fight the devastating impact the housing emergency has on people and society.

We do this with campaigns, advice and support – and we never give up. We believe that home is everything.

Shelter

88 Old Street

London EC1V 9HU

0300 339 1234

shelter.org.uk

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