FOUNDATION TO THRIVE

HOW TO UNLOCK A COUNCIL HOUSING REVOLUTION

THE KEYS TO UNLOCKING A COUNCIL HOUSING REVOLUTION

- **A financial package to get councils building,** including cancelling Housing Revenue Account debt in full and realigning the fiscal framework to unlock grant and loan financing for council-built social homes
- **Establish a national council housing mission,** backed with a social rent target and greater support and resources for councils to align planning and housing objectives
- **Prioritise land for council homes with a duty for public land to be used to maximise public good,** including for delivery of social rent homes, and backing for councils to use their compulsory purchase powers to **disapply 'hope value' for low-cost land assembly**
- **A council-led programme to acquire empty and neglected homes and convert them for social rent,** with the aim of reducing the number of low-income households living in expensive and low-quality private rented sector homes

Photography: Millie Harvey/Shelter; Dan Stockman.

EXECUTIVE SUMMARY

Council-built social homes were the making of modern Britain. The huge post-war building programme, driven by local authorities, delivered genuinely affordable social homes which gave millions of people the foundation to thrive.

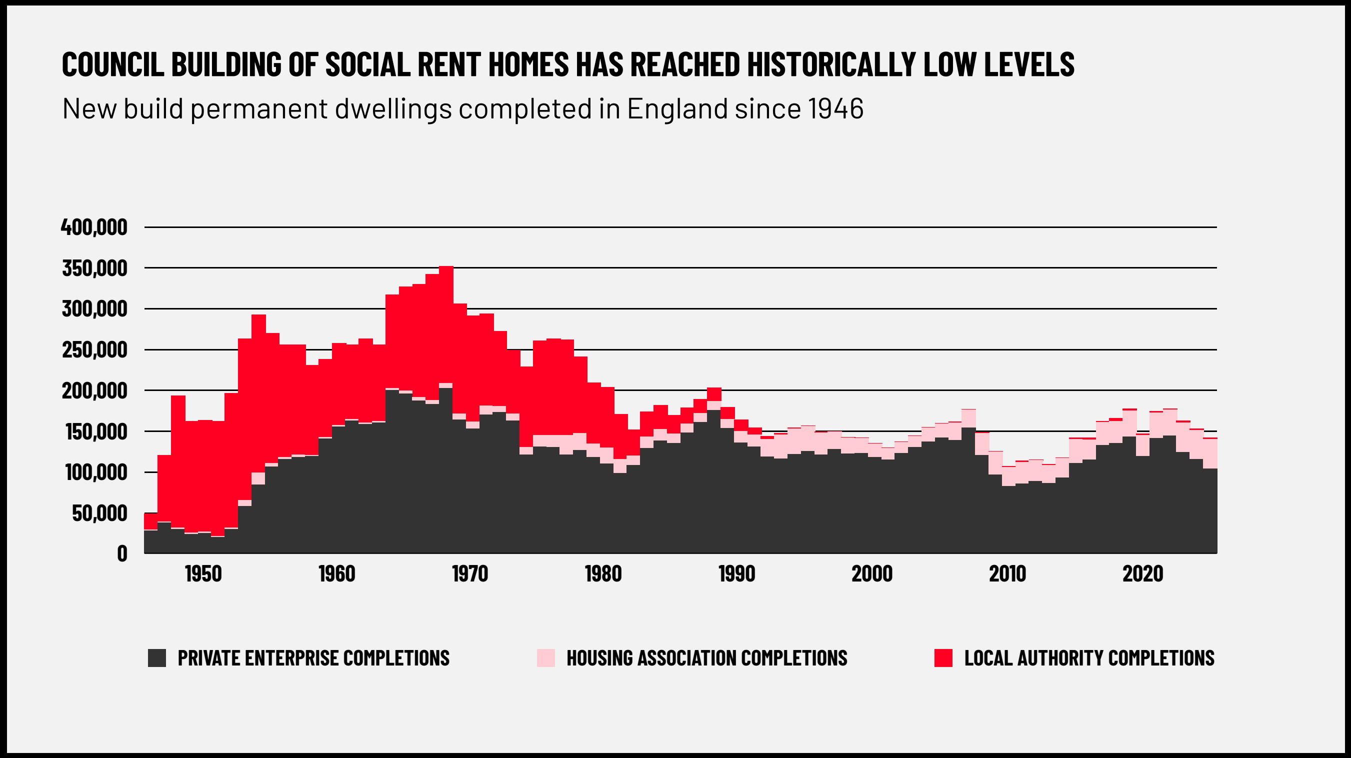
Local authorities were empowered to build the homes their communities needed, backed by a central government which understood council housing as a national asset and an inherent social and economic good. Although never realised, post-war Minister for Health Nye Bevan conceived of a second NHS – a National Housing Service – and the high-quality council homes built in the immediate post-war period are testament to a vision of home as the foundation for a good life.

But today we are far from this vision. Councils have not been able to build social homes in any great numbers for decades, and many no longer even own a housing stock.

> **Since the 1980s, barriers have been put in the way of council housing because successive governments have treated council-owned social homes as a financial liability rather than a public good.**

Housing associations have stepped in as both builders and managers of social housing, taking on many homes originally built by councils. Central government has largely left housing delivery to the private sector, reliant on speculative development of homes for private sale. Neither have replaced the loss of council building in terms of number of new build social homes, while Right to Buy has decimated the stock owned by councils, leading to a net loss of social homes almost every year since 1981.

This net loss has left a huge number of households in need of a genuinely affordable social rent home. Over 135,000 homeless households are now stuck homeless in temporary accommodation – which last year cost councils a staggering £2.8 billion. And over 1.3 million households are now waiting for social homes, with many more struggling with unaffordable private rents. It is widely recognised that ending this housing emergency requires the country to build 90,000 social rent homes a year for 10 years.



New build permanent dwellings completed in England since 1946. Source: MHCLG, Live tables on housing supply: indicators of new supply, Table 244. Accessed September 2026'

The government has already laid important foundations for change. It has boosted grant funding, limited Right to Buy discounts, agreed a long-term rent settlement, and returned focus to social rent as a tenure. Social housing delivery has begun to improve as a result, but nowhere near enough to meet the scale of the crisis.

The new Prime Minister has rightly called for council housebuilding to once again return to post-war levels. This is an ambitious commitment – but it is absolutely the right one to get us on track to building social homes at scale again. This report sets out how to deliver on that ambition by dismantling the in-built bias against council housing with interventions in finance, land, and delivery. Crucially, meeting the ambition will require a united purpose between central and local government, with Westminster loosening the grip that has stifled council housebuilding for decades.

SUMMARY OF RECOMMENDATIONS

A FINANCIAL PACKAGE FOR A COUNCIL HOUSING REVOLUTION

Since 2012, council housing has relied on a self-financing settlement for the Housing Revenue Account (HRA), which ringfences income from rents and spending. The settlement was supposed to mean that rents would cover spending on maintaining and building homes and paying back debt. But successive government have broken the terms of the agreement, by cutting rents and raising the standards for homes without adequate funding. This has left councils holding £31.8bn in unsustainable debt. Analysis by Savills for Shelter shows that the outlook for the health of HRAs is very poor, with many councils struggling to meet requirements to invest in existing homes.

The government should cancel HRA debt in full. This would unlock capacity for over 280,000 new council-built social rent homes, by removing the interest payments that currently drain HRA financial capacity. Cancelling the debt and building these homes would generate a net benefit of £141.5 billion to the economy over 60 years. Cancelling the debt would have next-to-no immediate impact on fiscal headroom, given it is money the public sector owes to itself. Analysis in this report shows the government can afford the resulting ramp up in council housebuilding within its fiscal framework, and that over 20 years the homes built as a result would more than pay for themselves in direct and indirect benefits to the economy.

HRA debt cancellation will provide the capacity to build council homes, but it will take additional government investment to deliver it. To ramp up investment, the government should bring forward planned spend earmarked for later stages of the Social and Affordable Homes Programme (SAHP) and concentrate it mostly on social rent, topping up later years. To accelerate progress further, the government should take interim steps within its fiscal framework to exclude HRAs and public corporations (such as development corporations) from its current measure of debt. This would revive public-led housing delivery after decades of self-imposed restriction. The changes will make government loans for council housebuilding fiscally neutral. As a result, the government could bring down council borrowing costs and unlock a loan-only financing model for social homes with 0.1% interest loans to ease the pressure on the limited levels of grant currently available in the SAHP.

ESTABLISH A NATIONAL COUNCIL HOUSING MISSION

Councils have huge potential to build at scale again through their master planning and land assembly powers. But decades of market-led housing policy have drained the expertise and political will that supported the post-war building boom. Councils see the need for social homes every day in their services and, as local planning authorities, are too often left standing by while new building fails to deliver the social homes their communities need. Planning and housing objectives need to be aligned around the most urgent housing need: to reduce the social housing waiting list and get homeless households out of temporary accommodation.

Change must start with a national target for social rent homes and a new delivery compact with local authorities to return to largescale council housebuilding in return for HRA debt removal, with homes for social rent as the priority. Supporting this aim, the government must continue to build council's in-house resource and capacity for delivery, particularly within planning teams. A council housing champion within the Office of the Prime Minister and Cabinet should co-ordinate priorities between central and local government, including ensuring that devolution and local government reorganisation support greater council housebuilding rather than distracting from it.

PRIORITISE LAND FOR COUNCIL HOUSING

Public land offers a rapid route to unlocking new sites, but this requires more than just land release. The government should introduce an 'optimal use duty' requiring public landowners to maximise social and economic value from their land, including high levels of social rent housing. This should replace the outdated General Disposal Consent 2003 which continues to encourage councils to prioritise short-term sale receipts over public policy goals.

Beyond public land, government should support councils and development corporations to acquire and assemble private land at a fair price. This means using the powers already available under the Levelling Up and Regeneration Act 2023 to disapply hope value in compulsory purchase, providing councils with the legal expertise to use these powers, and introducing a broader 'Right to Assemble Land' that would permit hope value disapplication across categories of site rather than case by case.

ACQUIRE HOMES TO DELIVER SOCIAL HOUSING QUICKLY

Councils have a vital role to play in rebalancing the housing system in their local areas so that everyone can access a home they can afford. They should be empowered to do this by converting neglected homes in private ownership into good quality, genuinely affordable social homes. Acquisitions are a relatively rapid, green and cost-effective way for councils to grow their social housing stock, particularly for councils who have not managed or built homes in decades.

Many councils already recognise the benefits of acquisitions, particularly of empty homes, but there has long been a lack of focus, resource and purpose from Westminster. To ensure acquisitions are targeted to improve the whole housing system and deliver as many social rent homes as possible, local action must be supported by a policy direction from central government. The forthcoming housing strategy must set out an ambition to reduce the amount of low-income households in expensive and poor quality private rented homes. Building on this ambition, the government should launch a dedicated national acquisitions programme, backed with adequate funding and guidance for councils to target long-term empty homes in England and poor-quality private rented stock. This programme should run for at least five years and sit outside the Social and Affordable Homes Programme so that it does not compete with new build funding.

CONCLUSION

Ending the housing emergency requires the government to choose a different path from the last 45 years of reliance on speculative private development. The government must urgently take the bold action needed to get councils building again, so that we can ramp up to delivering the 90,000 genuinely affordable social rent homes a year the country desperately needs.

SCAN THE QR CODE TO READ THE FULL REPORT:

If you would like to speak to Shelter about how to get councils building, please contact **public_affairs@shelter.org.uk**

We exist 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.

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