Submission to the All Party Parliamentary Group for Council and Social Housing inquiry on the barriers to building and acquiring social rent council homes

LABOUR CAMPAIGN FOR COUNCIL HOUSING

thelabourcampaignforcouncilhousing.org

Summary

Council housing is not a priority for the government. There is no funding specifically for councils to build council housing and no duty on them to do so.

In the Social and Affordable Homes programme 2026-36 (SAHP) there is only funding for 18,000 social rent homes a year; just 6% of the government's annual target.

There needs to be a fundamental change in its housing policy. The most economical and socially useful means of beginning to resolve the housing crisis is the provision of a large scale building/acquisitions programme of council homes, in the region of 90,000-100,000 social rent homes a year. That requires a significant increase in central government grant; a minimum of £11.7 billion a year over 10 years.

The SAHP should devote all available funds to social rent homes, the most economical and most affordable for tenants.

To pay for the upfront costs of building/buying, councils need much lower interest rates than are currently available from the Public Works Loans Board.

The government should make land available at use value and eradicate “hope value”.

There should be no limits to councils utilising grant to acquire council homes.

Councils should have a legal obligation to build/acquire council housing, and be given the funds necessary to do so.

Barriers

The main barriers to building/acquiring social rent council homes reside in current government policies, including policies of the previous government which have been continued.

1. There is no duty on councils to provide their own housing. Because of stock transfer 134 councils have no housing revenue account, so they cannot build council housing.

2. In the government's SAHP there is no funding specifically for councils to build council homes.

3. There is no definite level of grant per property in the SAHP. The government has said that bidders “will be expected to minimise the level of grant requested and maximise their own contribution”. They are bidding in the dark, so to speak.

4. The SAHP offers funding for only 30,000 “affordable” homes a year, of which 18,000 are to be social rent; that is only 10% and 6% respectively of the government's 300,000 a year target, far too low.[1]

5. Interest rates for councils are prohibitive. They usually borrow from the Public Works Loans Board to pay for the upfront cost of building. Whilst a concessionary rate for building gives a 0.6% reduction, a 30 year maturity loan is still 5.81%. Councils will not borrow long-term at these rates. In contrast the government is offering an interest rate of 0.1% to housing associations and for-profit providers. Councils are denied this rate “for fiscal reasons”.

6. Over the last six years in England, 44% of additional council homes have been acquisitions (properties bought on the market), often ex-council homes. The government has said that whilst there will be funding for acquisitions, it will be limited, though by an unspecified amount. This makes no sense given the lack of central government funding for councils. In any case, many metropolitan areas, especially inner city ones, have little land available. Hence for them acquisitions are the only means of increasing stock, other than small scale infill projects.

1 Historically there have been only 6 years in which 300,000 or more homes have been built in England, all during the 1960s under the Wilson governments. Of these six years the average percentage of council homes comprised 41% of the total built.

7. Whilst legislation will now enable councils to end 'hope value' by way of compulsory purchase, government legislation offers a 'fair price' for compulsory purchases rather than use-value. This is a slippery term which will be subject to contest by developers.

8. The government has retained the Tory definition of 'affordable housing' meaning that funding which might be spent on social rent council homes is instead spent on “affordable rent” (80% of market rent) and various forms of “affordable ownership”. “Affordable rent” drives up the benefit bill because the average rent is £90 a week higher than social rent in London, £60 a week higher in the rest of England .[2]

Impact on communities

1. **The acute shortage of council housing.** The acute shortage of council housing (less than 1.6 million left in England) is one of the main reasons for rising numbers in temporary accommodation. For instance, only 52,569 tenancies were given to new tenants in 2024/25, whilst there were over 134,000 households in temporary accommodation (TA), including 176,000 children, in December 2025. There are 1.3 million households on the waiting lists.

2. **Temporary accommodation.** Because of the increasing cost of placing homeless people in TA, councils (and housing associations) are using some of their own stock for it – more than 33,000. This ultimately means that people on the waiting list have to wait longer.

The rising cost of TA is crippling many councils, especially those without any council housing. Some (e.g. Eastbourne) are having to spend up to 50% of their General Fund income on TA.

The human cost is considerable owing to the poor quality of accommodation, the disruption of multiple moves, whilst 43,000 households are placed in accommodation outside their local authority area.

3. **Right to Buy.** Although the government has significantly reduced discounts for Right to Buy, which will reduce the number of homes sold, and is introducing measures to restrict sales of new homes, councils will still have to spend to replace homes sold. It is not only a home that councils lose with each sale, it is the rental income as well, which means there is less funding available for maintenance and improvement of existing stock. For example, the loss of rent over a nine year period to 2021/22 has been estimated at nearly £480 million.[3]

Even with the reduction of discounts there were 7,500 homes sold in 2024/25.

4. Scapegoating migrants. The failure to deal with the housing crisis, in particular the shortage of council housing, is enabling the far-right to scapegoat migrants for the crisis.

5. “Affordable housing”. Government planning regulations mean that rules in relation to “affordable housing” can be adhered to without *any* social rent council homes being built.

Solutions

1. **Funding for building/acquisition of social rent council homes.** Funding for councils to build/acquire homes should be provided on a planned basis rather than through competitive bids. The scale of building/acquisitions required is at least the 90,000 a year which Shelter and many others have called for. The average funding for social rent homes at the end of the previous government's Affordable Homes Programme was £89,995 per social rent property (outside of London). This is insufficient.

Since the £39 billion SAHP over 10 years is for 300,000 “affordable homes”, this implies an average grant of £130,000. The 90,000 social rent homes year which Shelter and many others are calling for would require £117 billion, or £11.7 billion a year. The government should provide a definite amount of funding per property, with a minimum amount on a regional basis.

Whatever grant is available should all be devoted to social rent, the most affordable for tenants. That will save on the housing benefit bill because social rent is considerably less than “affordable rent”. The Tories austerity measure, “affordable rent”, should be abandoned together with “shared ownership”. No grant should be provided to for-profit providers. Indeed for-profit companies should not be registered.

2 Despite the government talking of prioritising social rent, for the first time ever social rent homes fell to less than 1.5 million in 2024/5, with a loss of 27,936.

3 https://thelabourcampaignforcouncilhousing.org/wp-content/uploads/2023/08/what-does-a-council-lose-from-rtb.pdf

Instead of central government determining how much funding can be used for acquisitions, councils should be free to spend their grant as they wish, spending all of it on acquisitions if they deem it the best means of using it.

2. **End Right to Buy.** Whilst the government has significantly reduced the discount for Right to Buy and is proposing legislation to restrict sales of new homes, councils will still have to use resources to replace homes sold, which could otherwise be spent on existing homes. The government should end RTB as has been done in Scotland and Wales. This will ensure that every new home built or bought will increase the available stock.

3. **Council housing debt.** Shelter has called on the government to remove the debt which councils owe to the Public Works Loans Board since it is based on an "outdated financial settlement" from 2012. Cancelling this debt would provide councils with approximately £1.2 billion funding extra a year, the cost of servicing that debt. The government would lose that amount per year, but it would provide councils with additional funding which is crucial for maintenance and renewal of existing stock. Debt cancellation is justified because we know that in the 25 years to 2008, under a previous financial system, councils received 'allowances' of £60 billion but council tenants paid £91 billion in rent. The £31 billion difference was more than outstanding debt associated with previous building programmes.

When 'self-financing' was introduced in 2012 the 'debt' was based on

- estimates of the low level of RTB sales of the time; less than 3,000 a year. The coalition government introduced higher discounts which increased sales more than fourfold. As a consequence far more rent was lost than was estimated in 2012.
- The coalition government also changed the basis of annual rent increases from RPI+0.5% to CPI+1%, which meant less rental income than was estimated in the debt settlement, and
- They introduced a four year rent cut of 1% a year, which meant that income was far less than was included in the debt settlement.[4]

All these factors justify debt cancellation.[5]

Government has written off council housing debt before. According to the UK Housing Review, more than £7 billion HRA debt was written off to facilitate stock transfer of council housing to housing associations. Even the Tories wrote off £13.4 billion in the case of the NHS.

4. **Interest rates.** The government should apply a policy of "cheap money" as the Atlee government did. If they can offer housing associations and for profit providers a borrowing rate of 0.1% there is no reason why they could not offer a similar rate to councils, though on a larger scale than the £2.5 billion. Councils wouldn't object if it was offered at 1%. Interest rates for building/acquisition of council homes should be determined on the basis of their social purpose rather than connected to market rates. Even within the confines of the government policy of the "independence" of the Bank of England they have the ability to overrule the bank in "exceptional" circumstances. The scale and acuteness of the housing crisis can be deemed as such.

5. **Land.** The Levelling-Up and Regeneration Act 2023 enables councils to use compulsory purchase to remove 'hope value' to build more "affordable homes", though with Ministerial agreement only. The New Economics Foundation estimated that scrapping 'hope value' would reduce the cost of building 90,000 social homes by around £4.5 billion. The current government is changing this by removing the need for the Minister to agree, instead an inspector judging it.

The Attlee government facilitated council house building by legislation which enabled councils to pay for land at use value. In effect development values of all undeveloped land were nationalised. The current government, instead of imposing use value, is proposing a "fair price", which is a notoriously elastic concept, contestable. Land should be available at use value to stop speculative land buying by developers and builders.

6. **Local Plans**. Local plans should include social rent homes.

4 The Office for Budget Responsibility estimated that housing providers would lose 12% of their expected income by 2020. The Chartered Institute of Housing estimated that councils would lose £2.56 billion over four years and £42.7 billion over the 30 year life of their business plan.

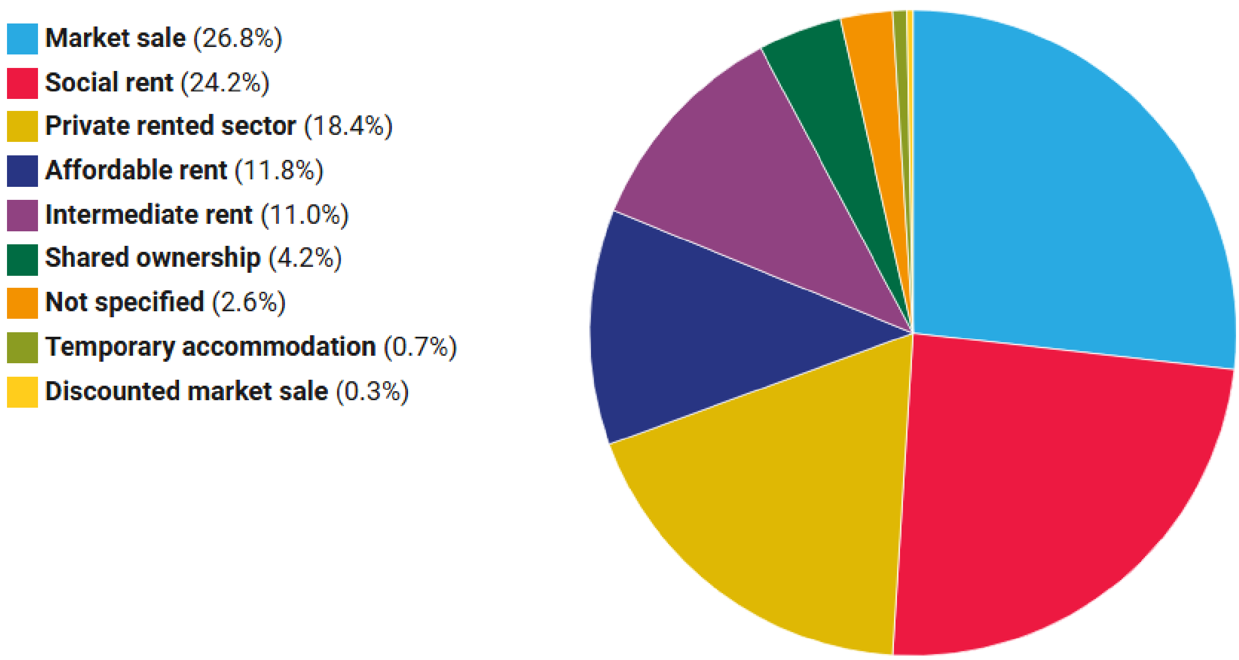
5 For a more detailed explanation see https://thelabourcampaignforcouncilhousing.org/wp-content/uploads/2024/07/caseforcancellingchdebt.pdf

7. **Local Housing Companies.** Local Housing Companies were set up because of the shortage of grant for councils to build council housing and because of cuts in central government funding for the General Fund. For some councils they were considered a means of providing funding for their General Fund, either through receipts for housing sales, or revenue stream from private rents. Given that the funding for house building was from private sources those homes have focussed on maximising income. Some have also sought revenue streams through private rent, for their General Fund. Moreover, given the increasing financial constraints on councils, the scale of building has been very small. Many private housing companies have been closed down as a result of their failure. Most notable was the collapse of the company owned by Croydon Council which brought the council down with it.

A survey carried out by Inside Housing showed that only 24.2% of homes built by LHCs were for social rent as compared to nearly 28% for market sale and 18% for private rent (see chart below). Just 1,386 homes were built in 2024/25. LHCs are not required to rent under secure tenancies.

We therefore, strongly believe that LHCs have no role in relation to building social rent homes. The focus should be on building via HRAs, funded by central government rather than by more expensive private funding.

Tenure breakdown of homes completed by council-owned housing companies, 2024-25



Source: Inside Housing Freedom of Information requests • Created with Datawrapper