Budget: council housing remains a marginal part of the government's housing programme

These are initial observations on the housing component of the budget.

Despite the addition of £1.5 billion towards the Social & Affordable Homes Programme in the budget, council housing remains a *marginal part* of the government's housing programme. We are told that the £1.5 billion will support the building of 10,000 “social and affordable homes”. The government says that “This funding will be prioritised for Social Rent, especially council homes.” What exactly this means when the prioritisation of social rent in the SAHP only means 60% of homes will be social rent, is not clear. Even if all the 10,000 were social rent, this would only increase the SAHP's 18,000 social rent homes a year (6% of the government's 300,000 a year target), by an extra 1,000 a year over 10 years.

The £1.5 billion will be over 4 years, *including two in the next Parliament*.

It is still the case that the SAHP does not devote, or ringfence, a single penny of the funding to council housing. Councils have to compete for grant with housing associations, 'for profit providers', builders and developers.

In the first tranche of funding for 33 “strategic partners”, only three councils were given funding for 2,811 homes (out of 73,617) over 10 years. As we have since discovered, even this small number is not all council homes nor all social rent.

The budget does nothing to move towards “the largest council house building programme since the post-war years”. The OBR makes reference to “the ambition to carry out the biggest council housebuilding programme 'since the post-war boom ended in the early 1980s' ”. Who they are quoting isn't clear. Their choice of the 1980s is somewhat strange since this was when Thatcher was gradually preventing councils from building council housing. The OBR chose a 40,000 figure (the 1982 total), assuming 22,000 on top of the 18,000 social rent homes. The OBR says that this would require an additional £3 to £4 billion a year. This is based on their assumed grant for social rent homes of between £150,000 and £200,000. Grant of £175,000 would require £3.85 billion to support 22,000 social rent homes, on this basis.

The Budget Red Book says that the government “is supporting local authorities to build new council homes by providing a one year extension of the preferential rate from the Public Works Loans Board”. What is this? It is a reduction of 0.6% from “the normal rate”. As of today a 30 year maturity loan (paid back at the end of the loan period) is 6.66%. So even with the reduction it's just over 6%. Councils are not going to borrow over long periods at these rates. In contrast the government has offered an interest rate of 0.1% to housing associations and 'for profit registered providers'. It has refused the offer to councils “because of the fiscal implications”.

The OBR points to the rising costs for Housing Revenue Accounts.

“The cost of construction and maintenance in the housing sector has increased substantially over the past decade, growing by over 40 per cent.a The impact of this is illustrated in the right panel of Chart A, which shows that the total costs of HRA capital works has risen even while the volume of works has fallen. Following the Grenfell Tower fire and subsequent reforms to social housing regulation, social landlords, including councils, have faced further spending pressure to meet the growing obligations to improve the quality and safety of housing, while also meeting separate obligations to improve the

energy efficiency of the housing stock."

It adds

"Many of the factors that have driven higher spending are likely to persist. While rental revenues are now set to rise above inflation, an ageing housing stock, growing regulatory requirements, and a backlog of repair, remediation and energy efficiency works, will continue to place pressure on expenditure. For example, the Government expects that meeting the new Decent Homes standard, set to be fully enforced by 2035, will cost local authorities around £5 billion. b The financial positions of individual HRAs vary significantly across local authorities, but *these pressures are also likely to severely constrain the ability of many local authorities to significantly increase new council house construction*." (my ephasis)

If the government wants to build council housing on a scale not seen since the post-war years then it needs to recognise that it cannot do that without devoting funding directly to councils, and on a far larger scale than the SAHP. Councils cannot afford more debt (currently estimated at £31 billion), which is serviced by tenants' rent.

In a recent Shelter report it was estimated that an average £177,000 grant was required to fund a social rent home. The OBR assumes somewhere in that region. For the 90,000 social rent homes a year that Shelter and many others consider a minimum for seriously addressing the housing crisis, then more than £15 billion a year would be required. £40.5 billion over 13 years falls way short of this. This would provide 'good growth', that is socially useful growth, all over the country. It would create jobs. Social rent council housing on that scale would save government money by taking people out of the expensive private rental sector and cutting the housing benefit bill; taking people out of housing which ruins their health and costs the NHS money. You have to invest to save.

Martin Wicks
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