The past, present and future of public housebuilding in England

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Abstract:

This paper presents new analysis of the geography of public (social and other 'affordable' tenure) housebuilding in England, since 1945.

New local authority-level data shows that between 1956 and 1979, public housebuilding was focussed disproportionately in urban areas (often accompanying demolition programmes), lower value locations, and on large-scale urban expansions. This geographic concentration shows it was doing what can reasonably be expected of the public sector in a mixed private and public housing system: focusing on what the private sector wasn't.

The paper compares this period to today and observes that public housebuilding is now not only far lower but is also less geographically focussed. The paper reviews the many reasons for this and explains that increasing reliance on delivery through Section 106 agreements has inevitably led to the poorer targeting of public housebuilding today.

The paper argues that public housebuilding should be targeted in cities, on the basis that doing so would make the greatest contribution to improving access to labour markets, affordability, quality, and to meeting statutory responsibilities.

The paper concludes by setting out recommendations for Government on what is needed to return public housebuilding to its purposive role.

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Notes: This paper is a slightly shorter version a paper originally published as 'Restarting Housebuilding II: social housing and the public sector' in December 2024, part of a 3-part series from Centre for Cities. Policy commentary has been updated to reflect and respond to more recent Government announcements.

This paper is being submitted under only one author's name, while the Centre for Cities report credits two authors. I (Maurice) wrote all text except Box 2 for the original report, coordinated all data work including the digitisation process, and have made all edits for this submission.

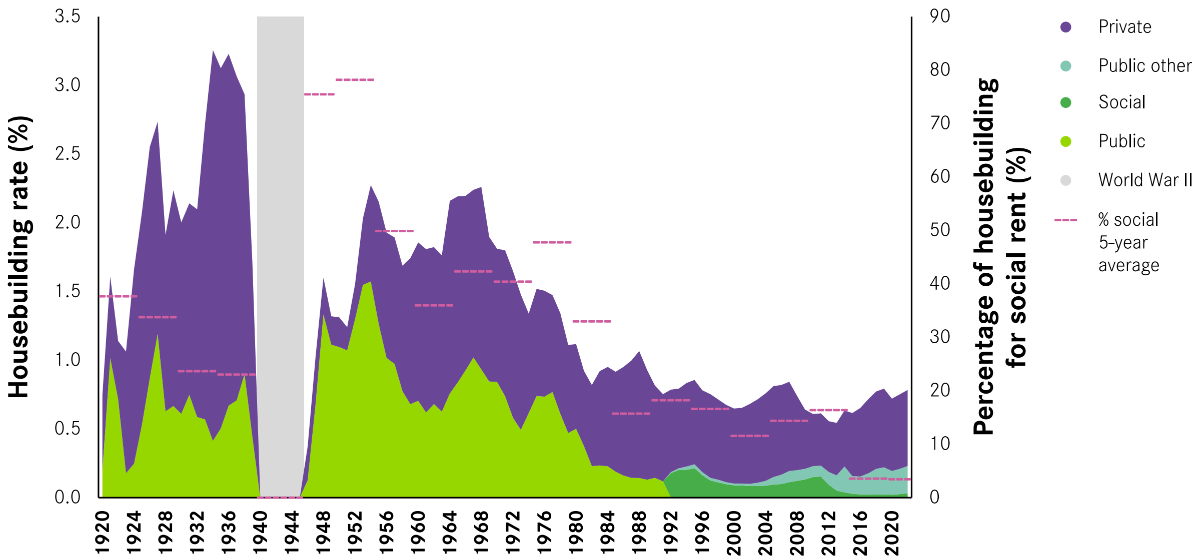
Contents

01. Introduction

The familiar story of public housebuilding in England is typically based on Figure 1. Public housebuilding grew in importance before World War 2, before becoming the major housebuilder afterwards. Public housebuilding continued to play a significant role, albeit with peaks and troughs, until 1980. After this point, public building rates declined significantly and have remained low ever since.

Figure 1: The highs and lows in public housebuilding rates over the last 100 years

Annual public and private housebuilding rates in England, 1920-2022; 5-year average percentage of housebuilding that was public, 1920-2020



Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Ministry of Housing, Communities and Local Government, Table 253 and Table 1011, Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics.

Using new data on housebuilding at the local authority level, the headline trend shown in Figure 1 can now be broken into the stories of the hundreds of local areas that built it. It is now possible to look at how many houses the public and private sectors built in each place and how this has changed over time.

As the Government has declared its ambition to achieve a 'generational increase' in public housebuilding, **this report asks: what was the role of public housebuilding in the past, and how should this inform how we think about it in the future?**[1 2]

Section 2 reviews the geography of public housebuilding during the post-war period and outlines what this suggests the priorities of the public sector should be. Section 3 looks at public housebuilding today and reviews the reasons it isn't performing as it did in the past. Section 4 section reviews evidence on housing needs today, before the final section reviews what is needed to see public housebuilding become a purposive tool. Appendix 1 provides more information on the data used in this report.

Box 1: What is public housing?

This report uses the term 'public housing' as a catch-all term. It includes any housing built and managed by the state or not-for-profit providers such as housing associations, except housing for full market rate sale or market rent built by those same providers. It also includes houses built by private housebuilders but made available for rent or purchase at sub-market rates.

During the post-war period, almost all public housing built was social rented housing, owned and managed by local authorities. The rents offered were typically below those in the private rented sector (at least for the same quality of housing) though the extent of the subsidy varied over time and in space. Housing associations built a growing proportion of all public housing, rising from 2 per cent in 1963, when they were first publicly regulated, to 99 per cent in 2003.[3]

Since the 1990s, and especially after 2010, the diversity of public housing types has increased, and now includes sub-market homeownership, equity sharing schemes, and a range of sub-market rent levels. These changes and the comparability of the subsidy they provide is discussed further in Box 3. The inclusive term normally used is 'affordable homes', rather than public housing, as they do not necessarily involve state building, ownership or management. But **for the sake of consistency in this report, we refer to all these forms of housing as public housing**.

This report focuses on public intervention in the building of new housing. It does not discuss other public sector interventions, such as mortgage subsidies, housing-linked savings schemes, and housing benefit.

02. Understanding the role of public housebuilding during the post-war period

Between 1956 and 1979, there were relatively high rates of both public and private housebuilding

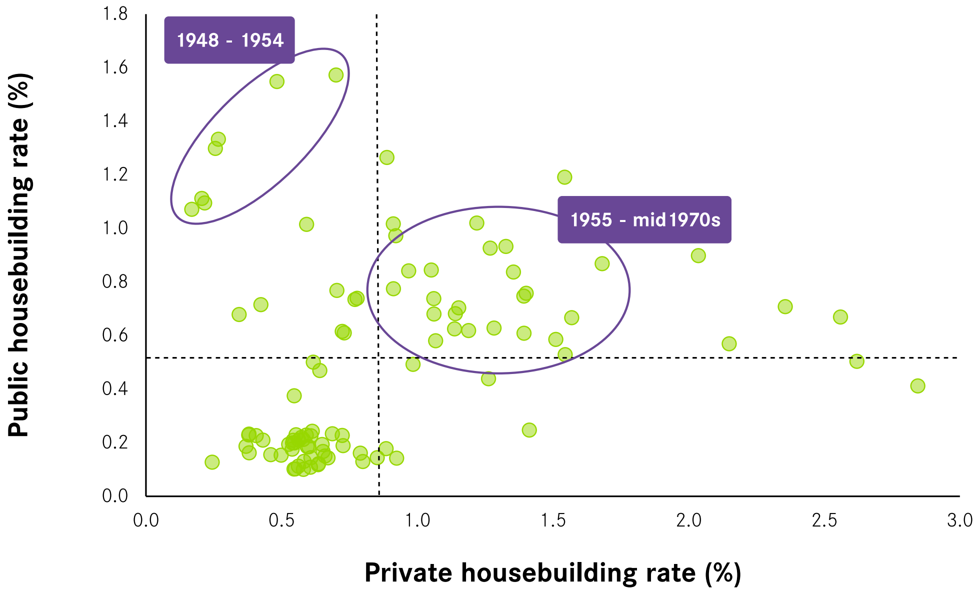
Public housebuilding played two distinct roles during the 35 years after the end of the Second World War.

For the first decade, local authorities coordinated nearly all housebuilding. As with other things, building materials were rationed and priority was given to public housebuilding.[4] Central government instructed local authorities to build four public houses for every permission they granted to private builders, subsequently increasing this to nine in ten, before relaxing the ratio again.[5] As Figure 2 shows, private housebuilding rates were therefore low during this initial period. Public housebuilding reached its peak in 1954, adding 1.6 per cent (192,000 houses) to the existing stock in a single year.[6]

Between 1956 and 1979, there were relatively high rates of both public *and* private housebuilding. Private housebuilding experienced its post-war peak, adding 1.4 per cent to stock in 1964, while public housebuilding added between 0.5 and 1.2 per cent each year.

Figure 2: High public housebuilding with and without private housebuilding

Public housebuilding rate vs private housebuilding rate in England, 1920-2022

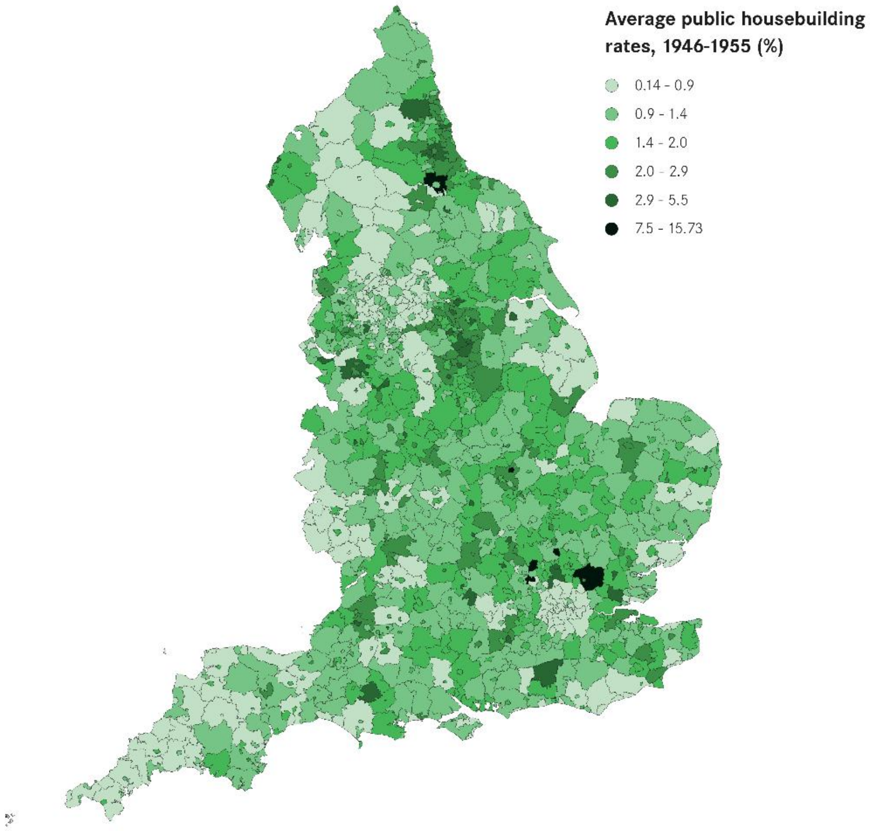


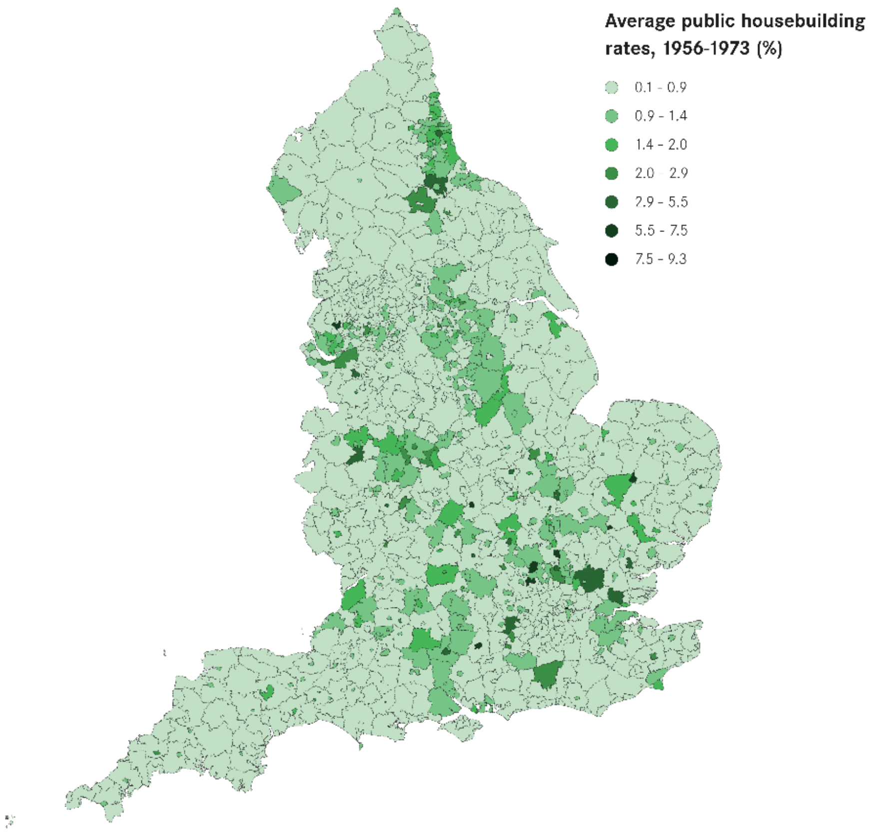
Source: UK Government, Local Housing Statistics annual reports, 1946-2001; Ministry of Housing, Communities and Local Government, Table 253 and Table 1011; Holmans, A. (2005), “Historical Statistics of Housing in the UK”; Cambridge University Housing and Planning statistics.

Public housebuilding became more geographically focussed after 1956

These two periods had very different geographies. As Figures 3a shows, during the decade after the war, public housebuilding was the main form of housebuilding in all parts of the country.[7] Rural and urban authorities were building lots of public housing, while new towns built the fastest.

Figures 3.a and 3.b: **Public housebuilding became more geographically concentrated**





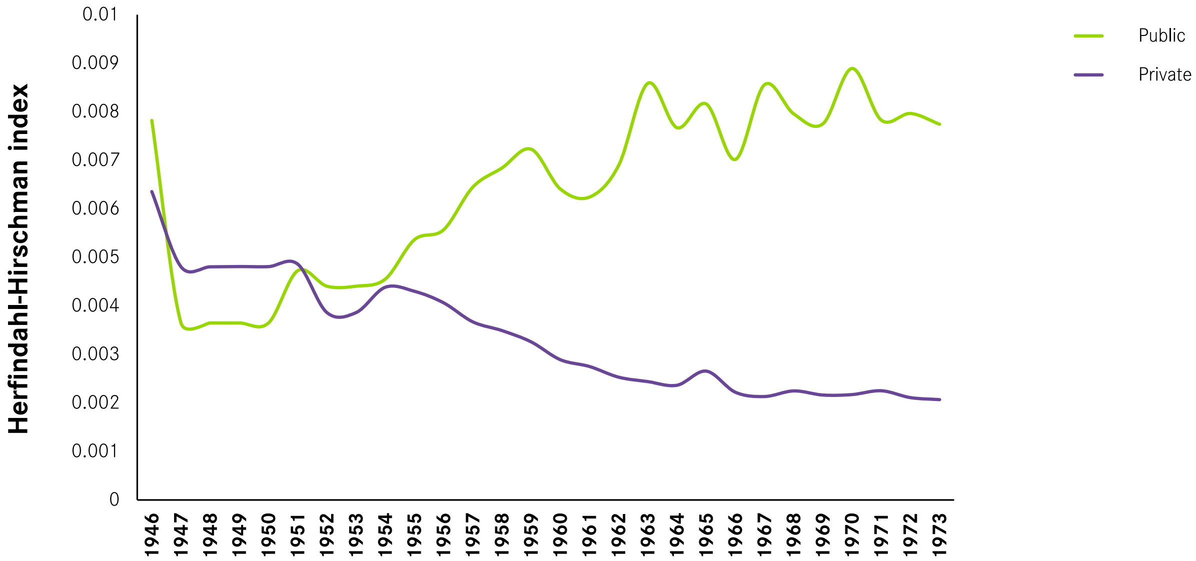
Source: UK Government, Local Housing Statistics annual reports, 1946-1973. Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics. Note: 1973 local authority districts

Figures 3b and 4 show what happened after the uncoupling of private building permissions from public housing delivery. Public housebuilding continued across the country, but it became disproportionately focused in urban areas, town expansions and new towns.[8]

Private housebuilding occurred in a wider range of locations. It rapidly increased in Shire counties from a low of 0.2 per cent on existing stock in 1952 to a peak of adding 1.9 per cent in 1964.

Figure 4: Public housebuilding became more spatially concentrated after the mid-1950s

Herfindahl–Hirschman index measure of concentration, public and private housebuilding, 1946–1973



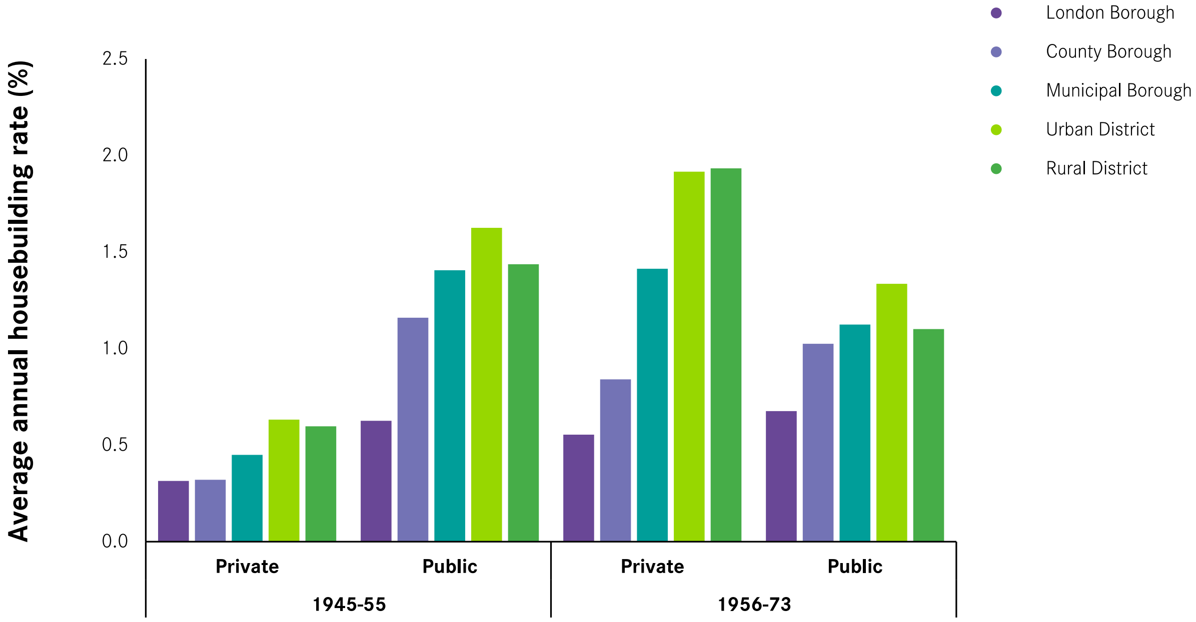
Source: UK Government, Local Housing Statistics annual reports, 1946-1973. Holmans, A. (2005), “Historical Statistics of Housing in the UK”; Cambridge University Housing and Planning statistics.

Public housebuilding had an urban focus

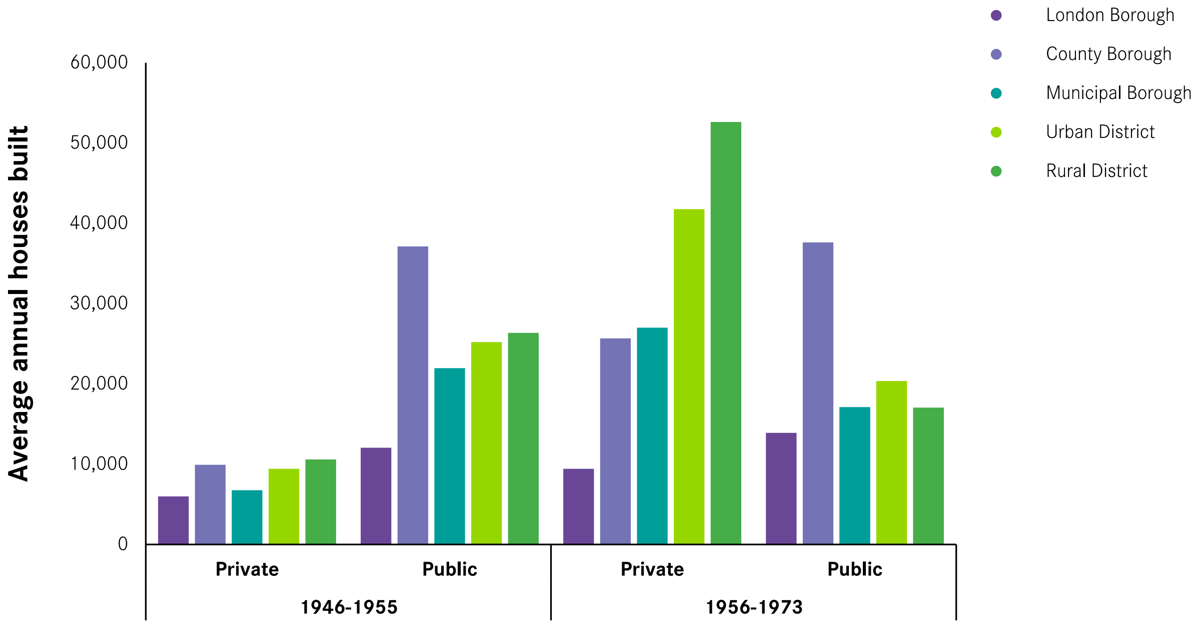
Public housebuilding was mostly built in and around larger cities. Figures 5a and 5b show the relative importance of different kinds of places to private and public housebuilding through this period.[9]

Figures 5.a and 5.b: Most public housing was built in more urban authorities. Private housebuilding built fastest in rural areas

Average annual housebuilding rates by public and private sector, 1945-1955 & 1956-1973



Average annual houses built, by public and private sector, 1946-1955 & 1956-1973



Source: UK Government, Local Housing Statistics annual reports, 1946-1973. Notes: Before 1974, the 1,174 local authorities were divided, from most to least urban, into London Boroughs, County Boroughs, Metropolitan Districts, Urban Districts,10 and Rural Districts.

There are two key lessons from this analysis. First, rural areas built more quickly. In terms of development speed, there was no substitute for the ease of building on green fields, whether it was the public or private sector doing the building. When the private sector was allowed, it took the lead in the most straightforward locations and public housebuilding in the same locations fell away.

Second, in terms of absolute numbers, the public sector delivered most of its housing in larger urban areas, while private housebuilders built most in rural districts. Even when it was the primary housebuilder, the public sector was more focussed on urban places. County Boroughs include the central boroughs of large cities like Manchester and Birmingham, as well as medium sized places like Preston, Gloucester and Plymouth.

These patterns highlight that **the challenges to housebuilding, and incentives faced by private housebuilders, were different in different places.**

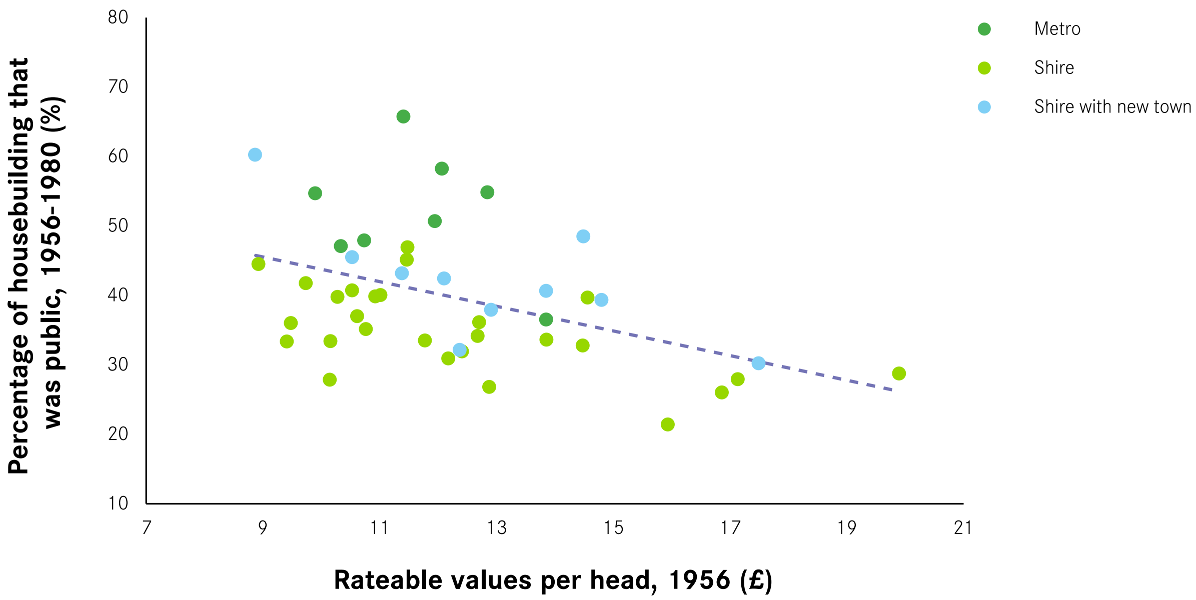
Public housebuilding was more important where the private sector wouldn't build

After 1956, public housebuilding generally went against the grain indicated by market signals, as shown in Figure 6. Public housebuilding comprised a lower proportion of total housebuilding in places where rateable values were higher.[10] This makes sense: **private housebuilders built most in places where they'd see greatest returns and the planning system allowed**.[11]

Meanwhile, public housebuilding prioritised locations and challenges the private sector wasn't. Firstly, it was focussed in Metro areas. All urban areas, except Avon, had a higher proportion of houses built by the public sector than the trend line would predict given their rateable values.[12]

Figure 6: In lower value, metro counties, the public sector built a higher proportion of all houses

Rateable values per head in 1956, versus percentage of total housebuilding that was public between 1956 and 1979, English counties



Source: UK Government, Local Housing Statistics annual reports, 1956-1979; UK Government, Rateable Values 1956.

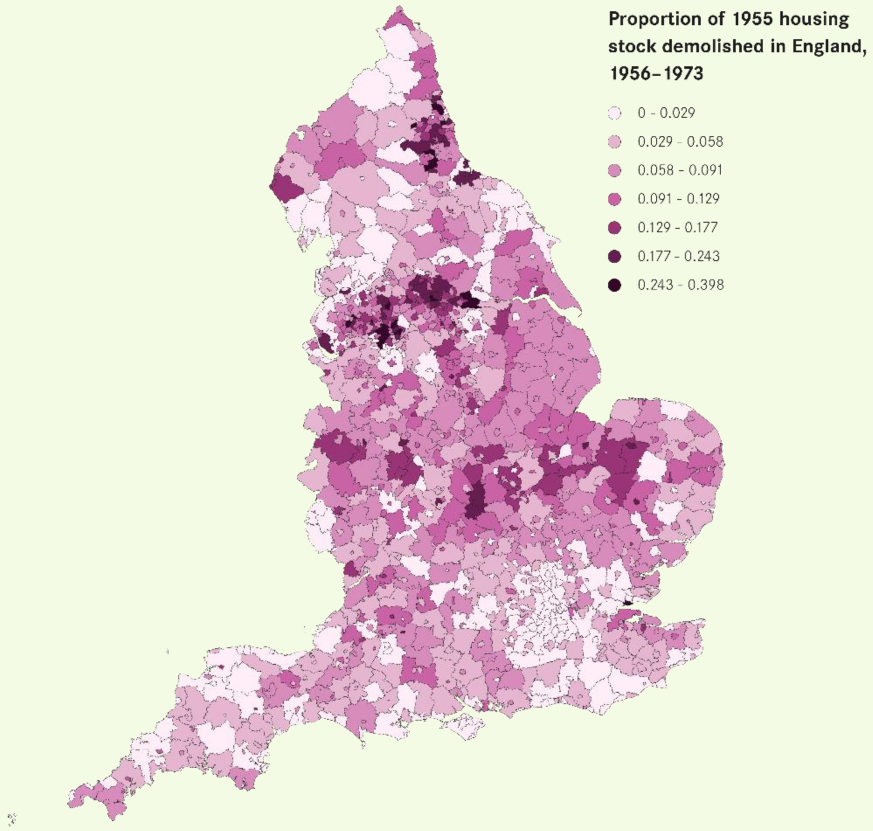
Between 1956 and 1979, the public sector built 53 per cent of houses in Metro counties outside London, compared to 36 per cent in Shire counties. One key reason for this was that much of urban housebuilding was related to slum clearance and bomb-damaged areas. The complexity of many of these projects, and the need to rehouse low-income households, meant they weren't prime opportunities for private housebuilders. As Box 2 discusses, **the public sector was focused on improving the quality of housing conditions**, and this didn't necessarily lead to significant increases in total housing stock.

Secondly, the public sector also focused on coordinating and managing the building of new towns and town expansions. Before 1980, between 66 and 95 per cent of all new town housebuilding was public. Here the public sector took on projects with uncertain, long-term trajectories, with high up-front infrastructure and planning costs.[13] Private housebuilders, especially at the time, were ill-equipped to manage and deliver such projects. The public sector was also able to assemble land more pro-actively using compulsory purchase powers.[14]

Box 2: Demolition derby – public housebuilding and slum clearances

The 1956 Housing Act encouraged councils to demolish poor quality housing and replace it with new build. **Between 1956 and 1979, nearly one in ten houses in England were demolished - an average of 52,000 every year.** By comparison, over the last ten years, 8,400 houses have been demolished per year– only 15 per cent of the rate between 1956 and 1979.[15]

Figures 7: Demolitions were disproportionately in large urban areas



Source: UK Government, Local Housing Statistics annual reports, 1956-1973 Note: 1973 local authority districts

As Figure 7 shows, a disproportionate number of demolitions occurred in large urban areas. Dwellings built during the 19th Century in Manchester, Liverpool, Leeds, Sheffield and Birmingham were no longer fit for human habitation but continued to house large populations in slum conditions.

Public housebuilding didn't necessarily increase total housing stock

As Figures 8a-d show, in Northern regions in particular, the demolitions programme meant that public housebuilding was as much about replacement as it was adding stock.[16] In the North West, the number of public houses built was only 24 per cent greater than the total demolished.

Figures 8.a, 8.b, 8.c and 8.d: Public housebuilding programmes did not lead to significant increases in absolute housing stock in the North

Source: UK Government, Local Housing Statistics annual reports, 1956-1979

Outside of the North, public housebuilding *was* adding a significant amount of additional stock. Across the Greater South East, 1 million public houses were built between 1956 and 1979, seven times the total number of houses demolished.[17]

Thus, the public sector was playing different roles in different places – in the de-industrialising North it was focussed on improving quality, while in the South where the population was growing, the public sector was making a significant contribution above private supply for those less well served by it.

03. Why public housebuilding plays a less meaningful role today

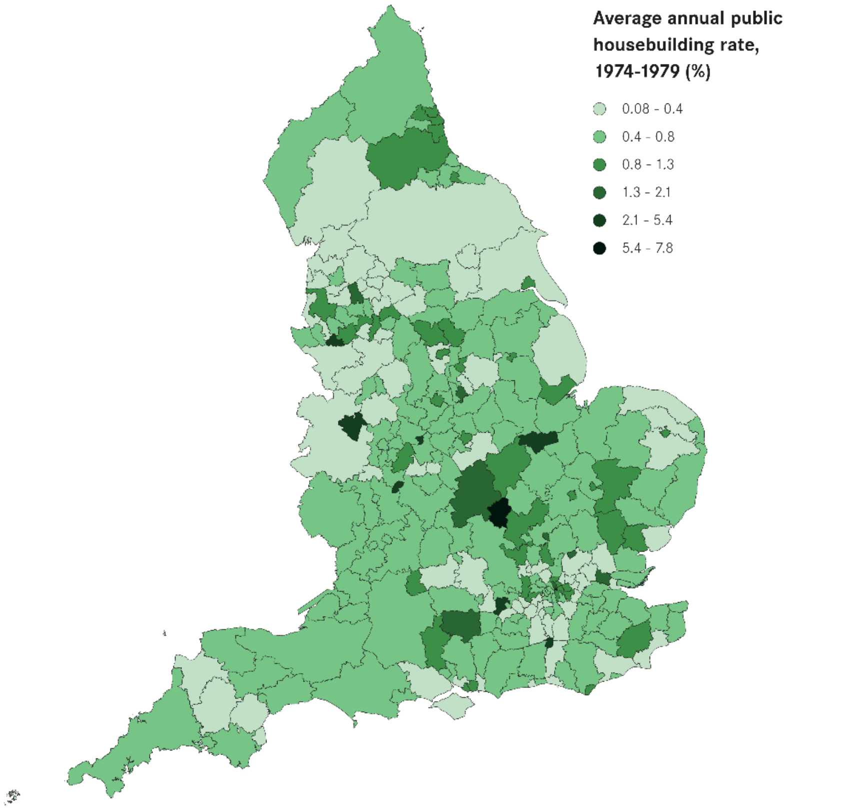
Public housebuilding declined sharply and lost geographic focus after 1980

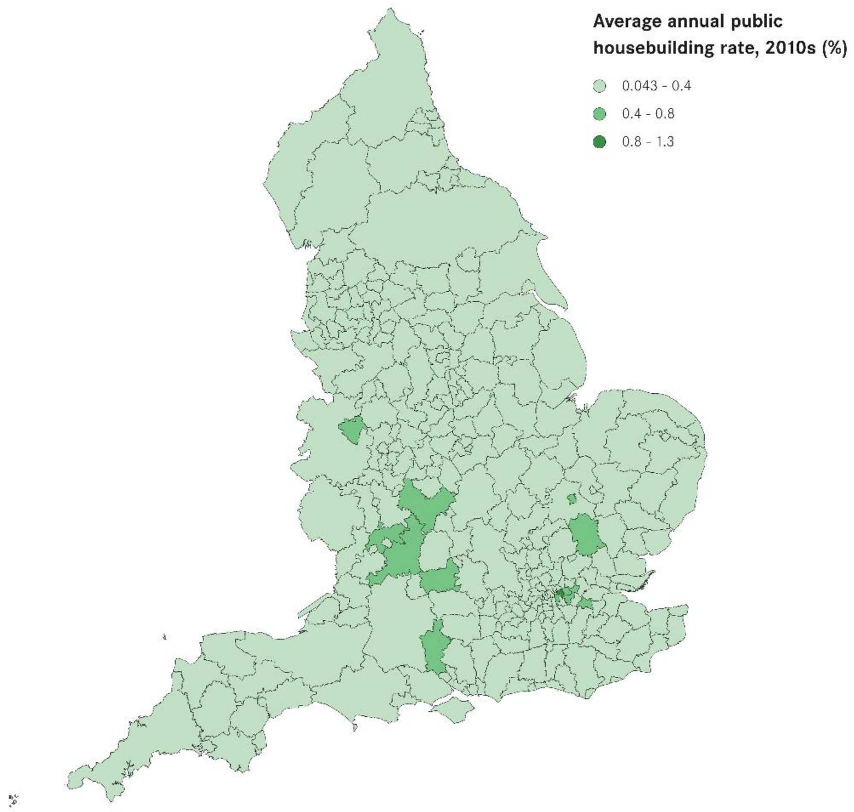
Public housebuilding looks very different today to how it did before 1980.

Looking at Figures 9a and 9b, two things stand out. First and most obviously, today's public housebuilding rates are far lower than they used to be. Across England, public housebuilding rate averaged 0.8 per cent between 1974 and 1979, and all these houses were for social rent.[18] In the 2010s, the total public housebuilding rate averaged 0.2 per cent, and less than one third of these were for social rent (See Box 3 for discussion of how tenure types have changed in recent decades).

Secondly, public housebuilding is much less geographically focused today (as can be seen in more detail in Figure 16). Between 1974 and 1979, local authorities with new towns and some urban authorities stand out as having the highest public building rates. In the 2010s, higher rates in London authorities indicate some intent, but it is not obvious what housing need would justify the fastest rates elsewhere being in Telford, Test Valley, Cambridge, Tewkesbury, and Uttlesford.

Figures 9.a and 9.b: **The public sector stopped building houses and lost geographic focus**





Source: UK Government, Local Housing Statistics annual reports, 1974-1979; Ministry of Housing, Communities and Local Government, Housing Live Table 1011. Note: 2023 Local Authority Districts

Box 3: What does 'public housing' mean these days?

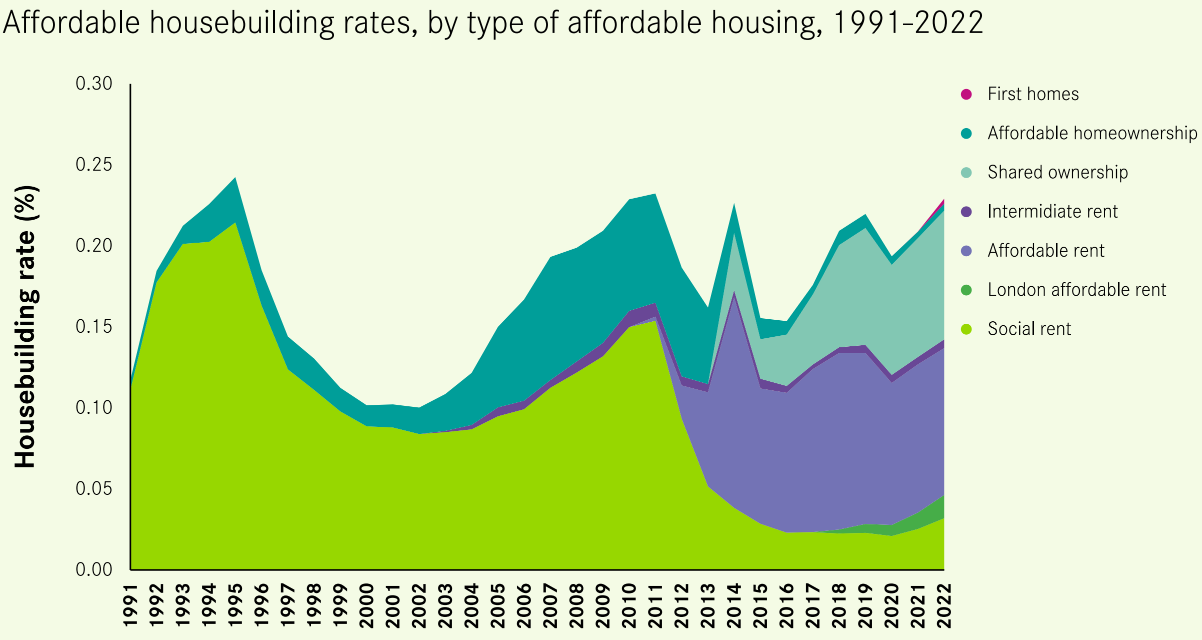
Tracking changes in public housebuilding over time is complicated by the fact that the subsidised and alternative tenure types built today are different to those built before 1980.

As Figure 10 shows, through the 2000s, affordable homeownership – homes available for sale at least 20 per cent below local market sale value, with conditions on recycling an equivalent proportion in future sales – made up an increasing proportion of non-market homes built.

The most significant changes have happened since 2010. Building for social rents has all but stopped, replaced by affordable and 'intermediate' rents – typically set at 80 per cent of market rent.[19] A social rented property requires between double and two and a half times the subsidy an 'affordable' rented property requires (the difference is greater in more expensive locations). Affordable rent properties typically do not house those on social housing waiting lists, and housing benefit does not cover the entirety of the rents in most locations.

Shared ownership has also now comprises a significant proportion of 'affordable' homes built. Shared ownership does *not* offer any subsidy to the buyer. Instead, it is 'a foot on the ladder' to home ownership. Buyers can initially purchase between 25 and 75 per cent of the home's value, increasing their stake if they want to, and pay market rent to the freeholder on the rest of the property.

Figure 10: Public housebuilding has a different meaning today than it did in the past



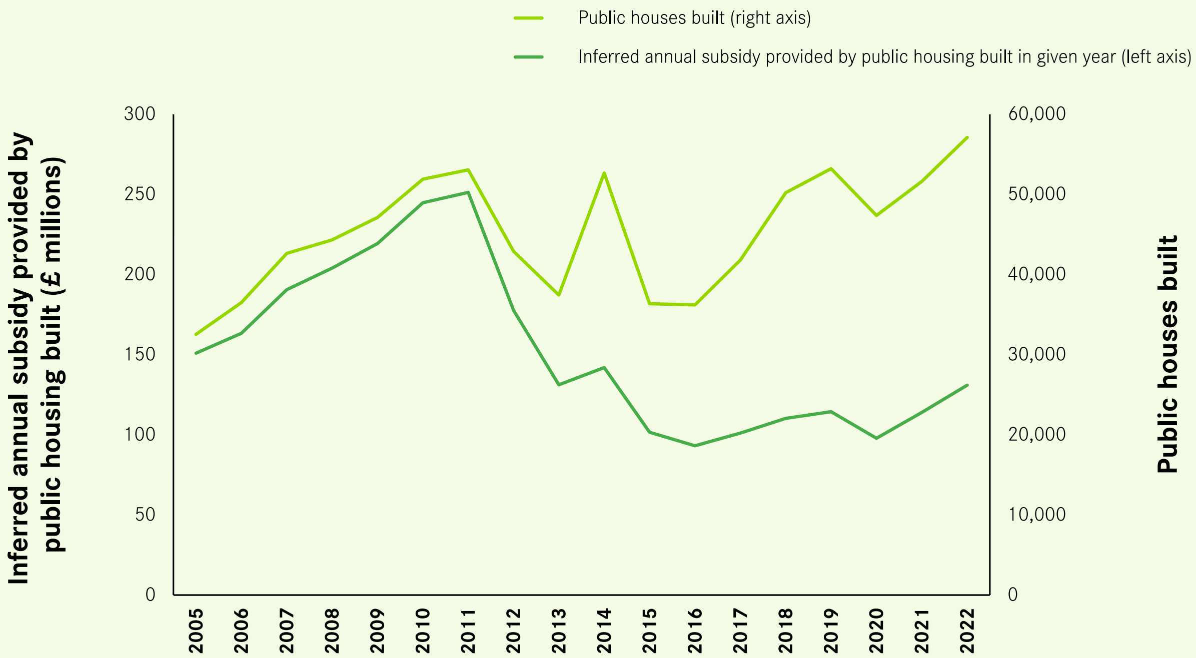
Source: Ministry of Housing, Communities and Local Government, Table 1011

Public housebuilding therefore means something different today than it did in the past - total 'affordable homes' numbers obscure the overall decline in the amount of subsidy per house being provided.

As Figure 11 shows, the effective subsidy from public housing delivery has uncoupled from the total number delivered since the changes 2010. Centre for Cities calculations suggest that the subsidy provided for an average public home delivered in 2020 was just 44 per cent of that provided by one built in 2010.[20]

Figure 11: The uncoupling of housebuilding numbers and effective subsidyn provided by new public houses

Affordable housebuilding rate; Nominal inferred subsidies from new public houses, Centre for Cities calculations, 2005-2022



Source: Ministry of Housing, Communities and Local Government, Table 1011; ONS House price data; ONS Private rents and house prices, UK

The Government have recently responded to calls for a return to delivering a higher proportion of affordable homes at social rents, committing to social rented properties comprising 60 per cent of homes funded through the next Affordable Homes Programme. [21] [22]

Doing this is traded off against reducing the total number delivered, but does represent a return toward public sector's historic role – providing what the private sector is least likely to provide.

Local authorities have faced conditions which disincentivise new public housebuilding

The expansion of social tenants' Right to Buy and restrictions on how receipts from those sales could be spent strongly disincentivised investment in public housebuilding by local authorities. While sales to tenants had been allowed since 1936, the 1980 Housing Act mandated that councils sell to residents and introduced significant discounts, initially up to 50 and then to 70 per cent of the property's value.[23]

Importantly for public housebuilding, councils were not able to spend the money from selling houses on replacing them. They initially were allowed to retain 75 per cent of receipts, but this deal was eroded over time and after 1989, authorities were only able to keep 25 per cent (the rest had to be set aside for repaying debt until the local authority became debt free).[24] [25] Centrally imposed expenditure limits, with grant penalties on councils that exceeded them, also disincentivised councils borrowing to build.[26]

These conditions, whereby building additional public housing would likely mean the local authority losing money, saw local authority new build capital expenditure drop to almost zero.[27]

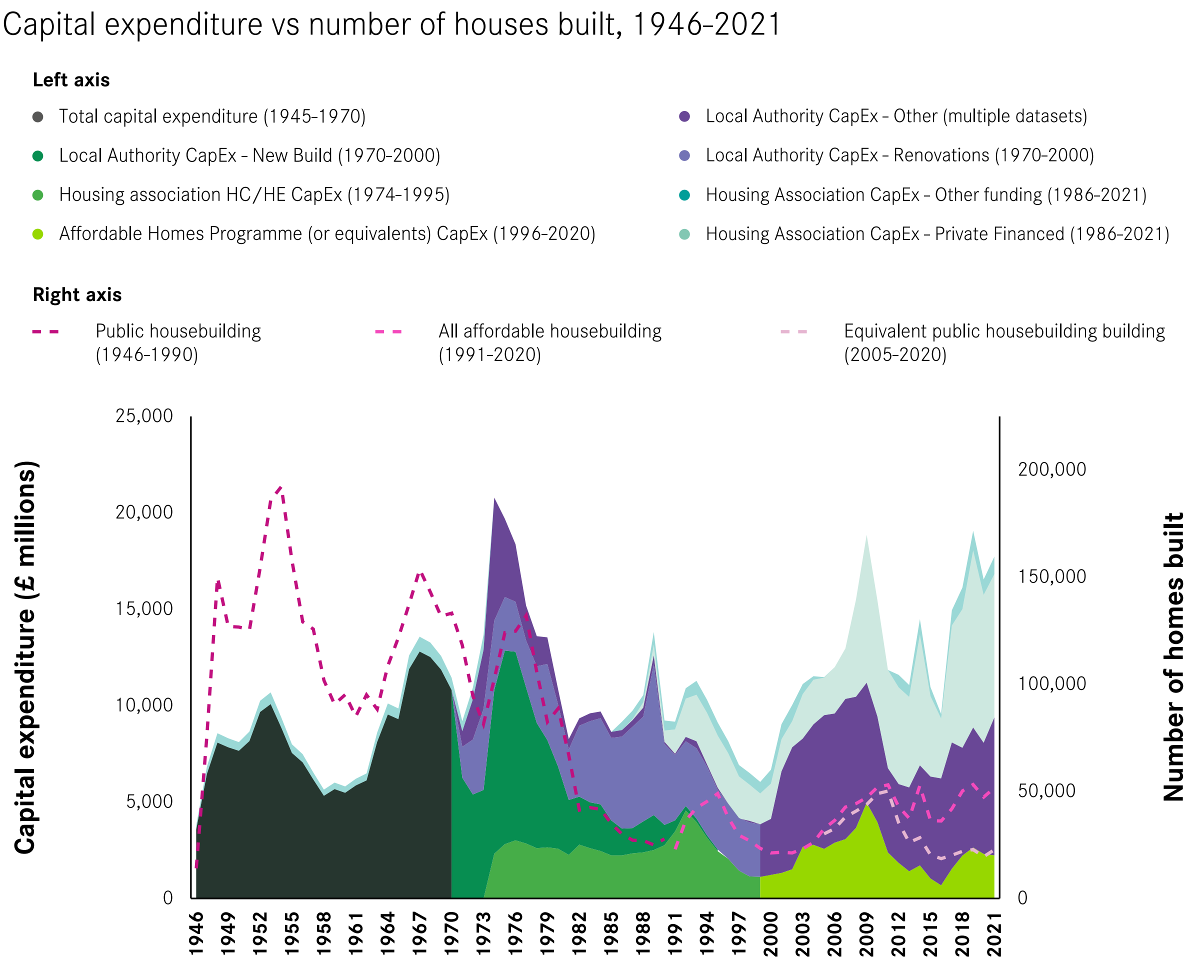
Public housing has become more expensive to manage

The fall in local authority spending on new builds was partially made up for by increased building by housing associations, which weren't subject to the Right to Buy.[28] But, as stock aged and specific issues with 1960s housing emerged,[29] managing existing public housing became more expensive generally.[30] This meant that **an increasing proportion of public housing capital expenditure was spent on renovations, rather than new builds.**

Figure 12 shows that local authorities were increasing spending on renovations (light purple) through the 1980s. During the 1970s, average annual renovation spending was £2.6 billion (in 2024 money values), but this rose to a peak of £7.8 billion in 1989.[31] In 1999, the last year that direct data is available, renovations made up 96 per cent of local authority capital expenditure. While data isn't available beyond this point, it seems reasonable to assume that most of the dark purple represents spending on maintaining existing stock, given very low rates of building directly by local authorities.

Recent legislation on damp and mould and fire safety issues will ensure that high capital expenditure on existing stock is set to continue.[32 33 34]

Figure 12: The relationship between number of houses built and capital expenditure by local authorities and housing associations has changed over time



Sources: UK Government, Local Housing Statistics annual reports, 1946-2001; Ministry of Housing, Communities and Local Government Table 1011; Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics; Chartered Institute of Housing - UK Housing Review 2003, 2017, 2018 & 2024.

Cuts made to public investment in new building have led to low building rates – which will have to be reversed if rates are to increase

The second observation from Figure 12 is that there is a relatively consistent relationship between public spending on new building (greens) and the number of houses delivered (dotted lines). Before 1971, a breakdown of spending types isn't available, but there is clearly a tight relationship between the number of homes built and total capital expenditure.[35]

Reduced local authority and housing association spending through the 1970s and 1980s led to fewer houses being built. Boosts to spending via housing associations in the early 1990s, and through the Affordable Homes Programme (AHP) in the later 2000s, both resulted, with a lag of a few years, in more homes being built. After adjusting for the effective subsidy offered by contemporary affordable houses (see Box 3), the tight positive relationship remains beyond 2010.

By contrast, borrowing from private capital markets by housing associations (light grey blue) has increased significantly, exceeding £9 billion in 2019, but doesn't appear to influence the shape of the dotted line - its impact on new public housebuilding seems limited at best.

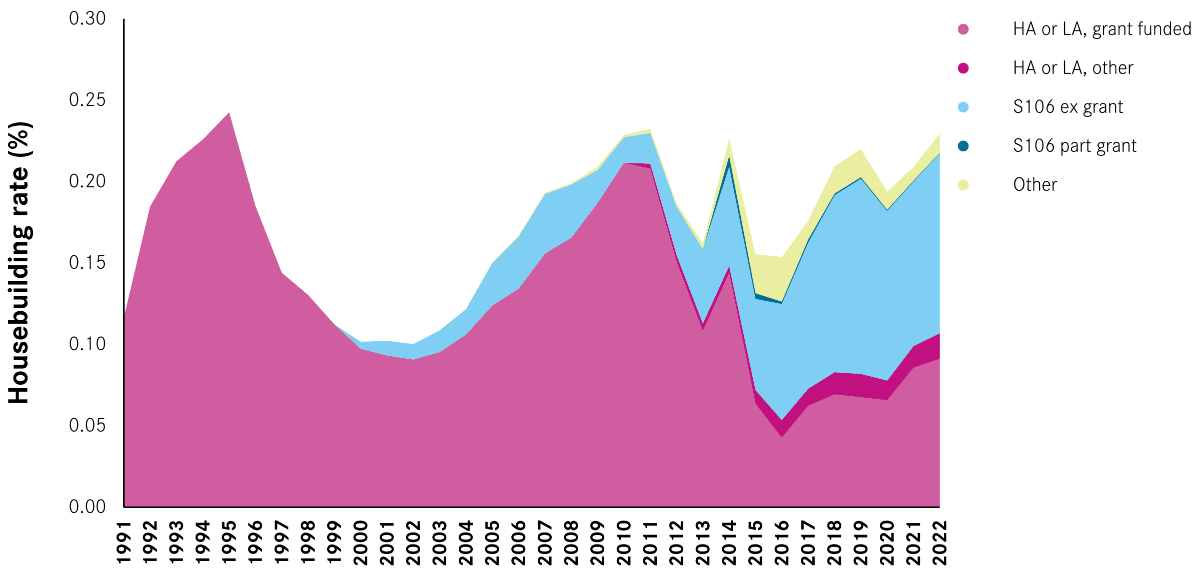
It is direct public subsidy through the AHP (green) that makes the biggest difference to annual public housebuilding rates. **If the Government wants public housebuilding to increase, it will need to allocate more money to it.**

Public housebuilding is now reliant on private housebuilding

Today almost half of all public housebuilding is delivered by private housebuilders as a condition for receiving planning permission, as Figure 13 shows.

Figure 13: Public housebuilding has become increasingly reliant on cross-subsidy

Annual public housebuilding rates by delivery mechanism, 1991-2022



Source: Ministry of Housing, Communities and Local Government, Table 1011

This change in delivery mechanism was pursued for two key reasons. First, placing obligations on developers is a form of land value capture, and secures at least some of the windfall increase in land value after granting planning permission for the public benefit. Second, in the face of fiscal constraints (self-imposed or otherwise), and in recognition of the continued need for more affordable housing, the Government and planning authorities have used private sector development to deliver it.

Increased reliance on private sector cross subsidy has reduced the purposiveness of public housebuilding. Firstly, **increasing delivery through Section 106 agreements has not made up for the reduction in public grant.** The numbers appear positive at first glance – just as many public houses have been built with less public grant. But this is mostly because of the effective diluting of the subsidy per public house (see Box 3).

In fact, Centre for Cities' calculations suggest that the increasing use of private sector cross-subsidy has only marginally decreased public spending per public home delivered, if the effective subsidy per home is adjusted for.[36]

Meanwhile, reliance on Section 106 has also meant that *where* public houses are delivered has increasingly become a function of development viability. In a complete reversal of the trends seen between 1956 and 1979, **public houses are now built where the private sector builds houses.**

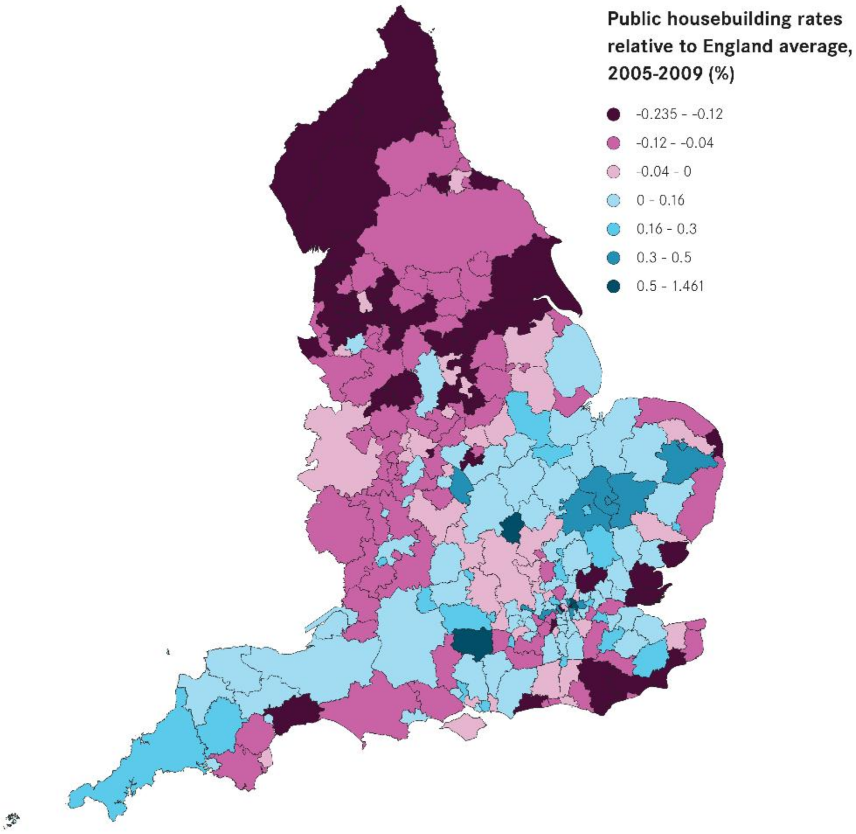
Figures 14a and 14b show the difference between public housebuilding in the late 2000s (the 30-year high period for public housebuilding, led by public grants) compared to public housebuilding between 2015 and 2019 (the most Section 106-reliant period).

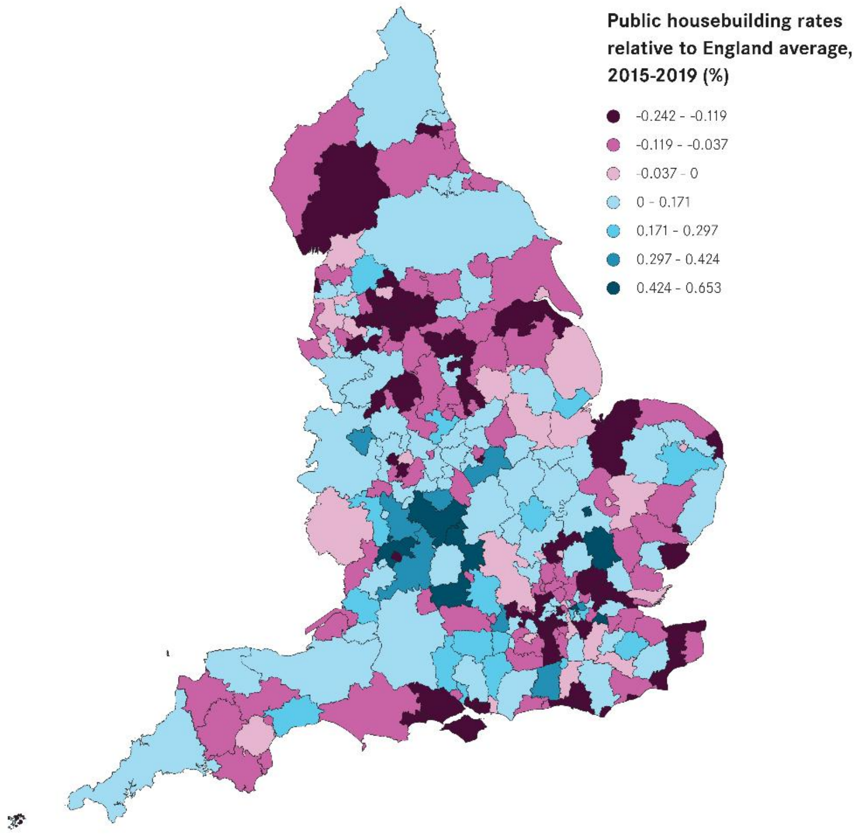
The late 2000s focus on building more public homes in the less affordable parts of the country (largely in the Greater South East), has since dissipated. Public housebuilding now mostly happens where private housebuilding rates are highest. The strength of the correlation between private and public housebuilding has increased,[37] while the geographic concentration of public housebuilding has reduced.[38]

Reliance on private sector cross-subsidy also results in other negative outcomes. The more public housebuilding relies on private housebuilding, the more public housing supply becomes vulnerable to ups and downs in the private housing market. As a result, it is less able to play the counter-cyclical role that some have called for it to play.[39]

It can also, in at least some situations, lead to reduced private housebuilding. Generally, the higher the development contributions expected, the greater the likelihood they will make a development non-viable or push the land price below that which the landowner will accept.[40] More perversely, in recent years, a failure to coordinate and fund the purchase of Section 106-provided public housing has led to some private developments grinding to a halt.[41]

Figure 14.a and 14.b: **Public housebuilding has become less concentrated since 2010**



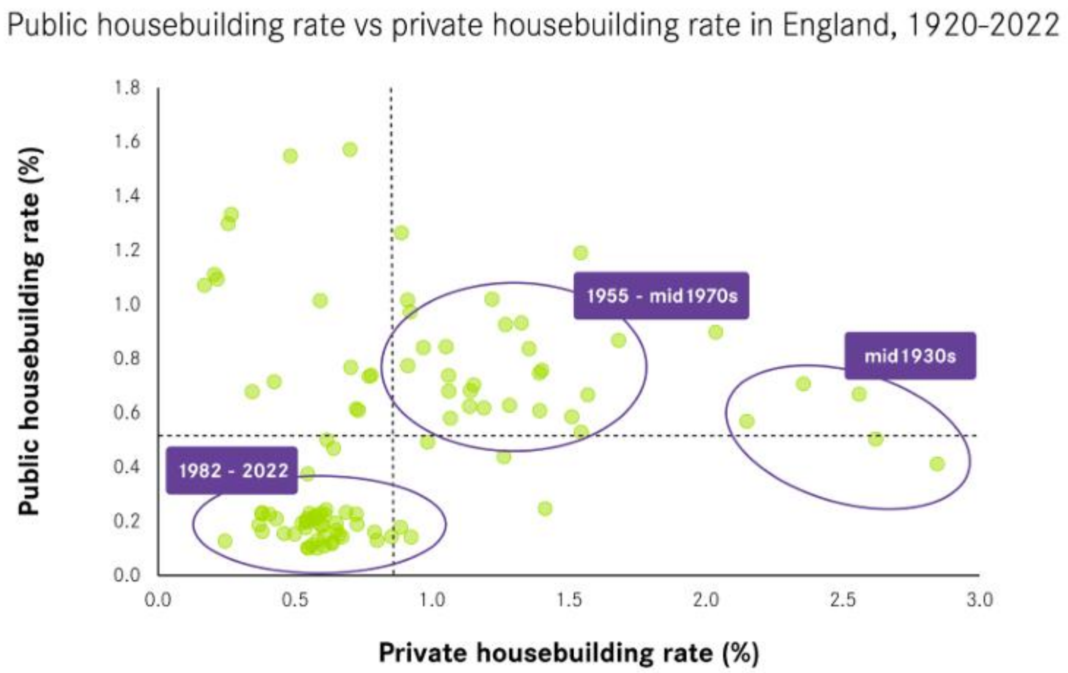


Source: Ministry of Housing, Communities and Local Government, Table 1011

Private housebuilding has declined at the same time as public housebuilding

While public housebuilding has been relatively low since the 1980s, there hasn't been a commensurate increase in private housebuilding to make up it. In fact, private housebuilding has also declined, as Figure 15 shows.

Figure 15: Lower public housebuilding rates weren't accompanied by higher private housebuilding rates



Source: Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics; UK Government, Local Housing Statistics annual reports, 1946-2001; Ministry of Housing, Communities and Local Government, Table 253 and Table 1011.

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Between 1954 and 1973, the current Government's baseline housebuilding rate of 0.8 per cent was achieved by the private sector alone, every year. [42] Since then, the private sector has only reached it in two years, 1987 and 1988.[43]

Currently, the system isn't working to promote any kind of housebuilding, so it is no wonder that increased reliance on the private sector to deliver public housebuilding hasn't led to high public housebuilding.

This reinforces a broader point about the relationship between public and private sector housebuilding – they are more likely complements than cannibals. A less uncertain planning system and increased land availability for development (and lower land prices) would serve to benefit both, as it did during the 1930s.[44]

If the Government wants to make the most of a private sector cross-subsidy model for delivering public housebuilding, it could. *If* a significant amount of land around cities is released for development and it can be assembled at a low cost, modelling in the third paper in this series suggests that up to 18,500 'real' social homes per year could be built.[45]

But **maximising the purposiveness of public sector housebuilding ultimately requires a break from reliance on private cross-subsidy.** Section 2 showed that this is how public housebuilding operated at its peak. And evidence reviewed in the next section argues that public housebuilding in the future should be doing more than it can if coupled to private development.

04. The case for public sector intervention in cities

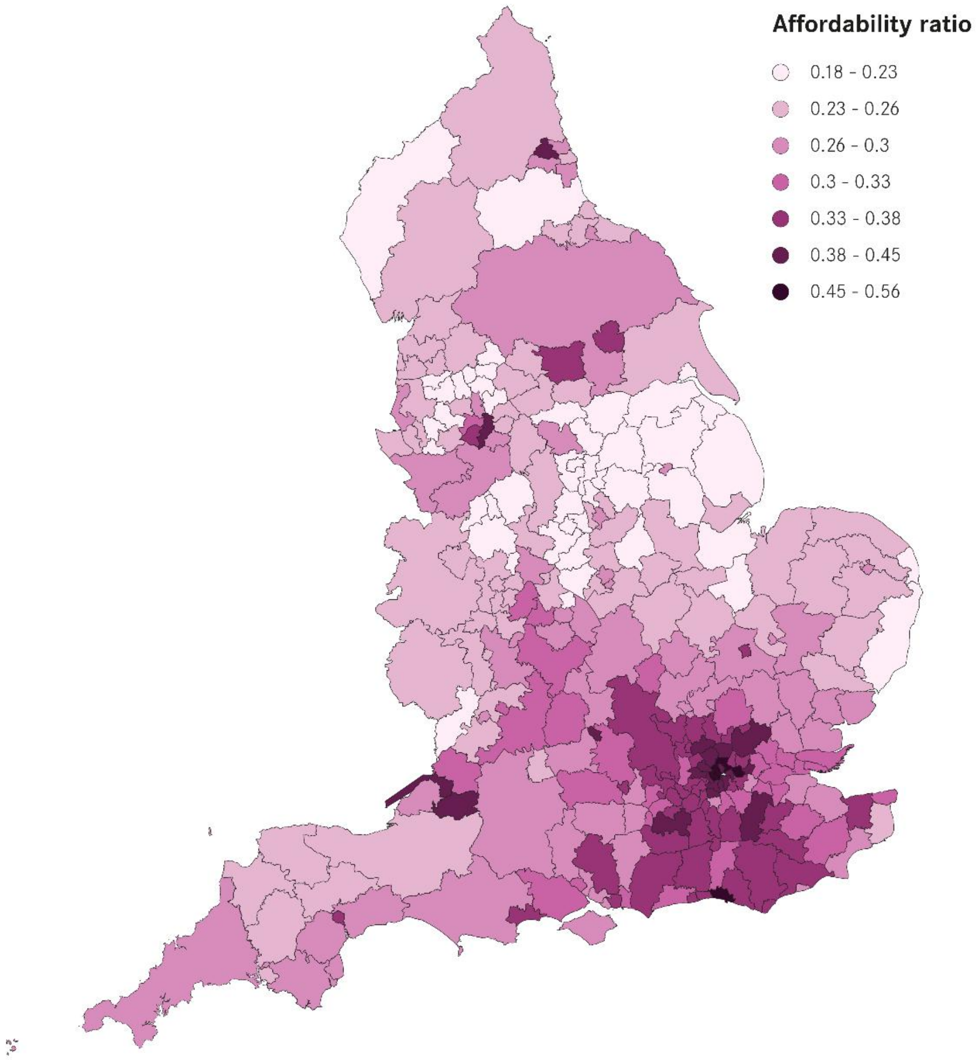
Cities perform a key role as hubs of the UK's innovation economy, upon which national economic growth depends. Innovative firms and high-paid workers both require and generate more lower-paid work - jobs in cafes, restaurants, gyms, and security are all created and sustained by those who can afford to use them regularly.[46] But, high housing costs can be a barrier for those working lower-paid jobs and can also disincentivise firms from choosing a given location.[47]

Growing urban economies therefore depends not only on access to housing for higher-paid workers, but also on improving housing availability for those on lower incomes.

Many cities are unaffordable, especially for low-income households

Private rental affordability is generally worse in cities than in surrounding rural areas, as Figure 16 shows.

Figure 16: Rental costs are a barrier to entry to cities



Source: ONS Private rental affordability ratios 2023

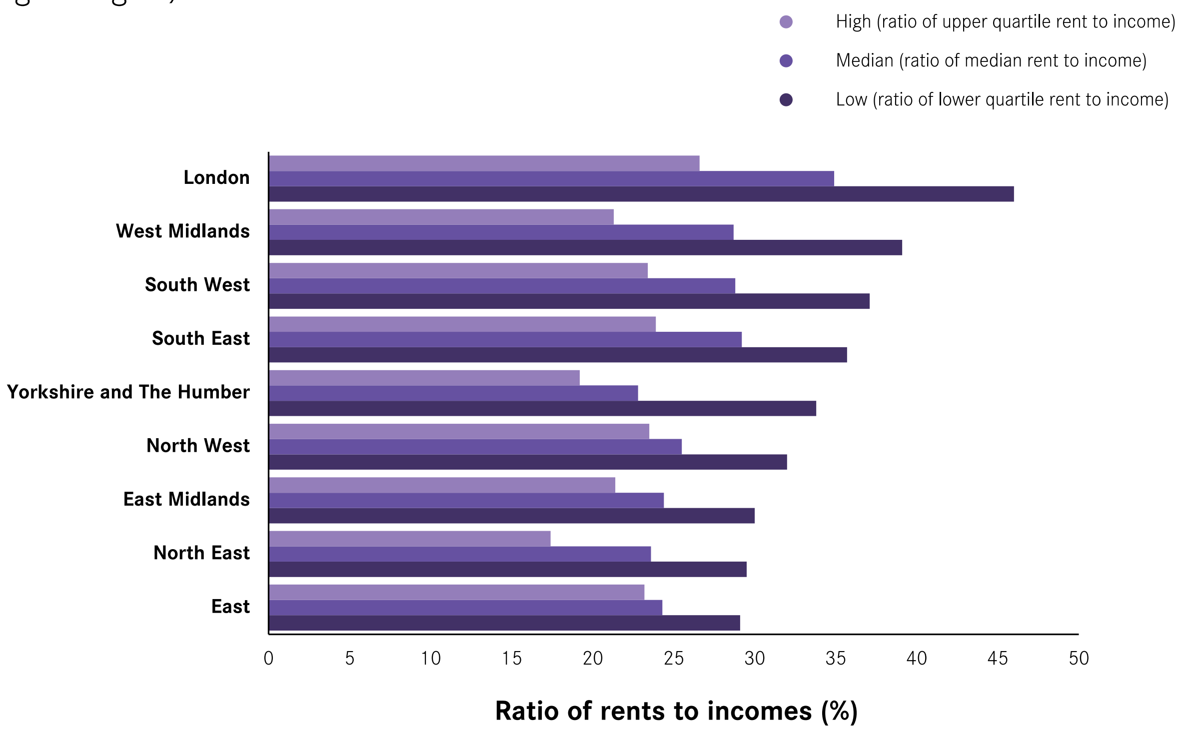
For example, both Central Manchester and Bristol have affordability ratios above 40 per cent while their hinterlands are mostly below 30 per cent (the threshold the ONS deems 'affordable'). And, while almost all of the South East is unaffordable, average private rents in Brighton and Inner London are exceptionally so, exceeding 45 per cent of private renting households' incomes.

Affordability issues affect those on lower incomes the most because rents vary less than incomes do. Across England, the 25th percentile income distribution household would pay 9 percentage points more of their income on a 25th percentile property than a 75th percentile household would pay for a 75th percentile property.[48]

While data isn't available at the local authority level, evidence from the London region shows that a low-income household would expect to pay nearly 20 percentage points more of its income for a lower-cost house, than a high-income household would for a high-cost house – the greatest difference of any region in the country, as Figure 17 shows.

Figure 17: Low-income households pay the largest share of their incomes on renting, and they pay the most in London

Ratios of low, median and high rents to low, median and high private rental incomes by English region, 2022



Source: ONS Private rental affordability, England, Wales and Northern Ireland: 2022

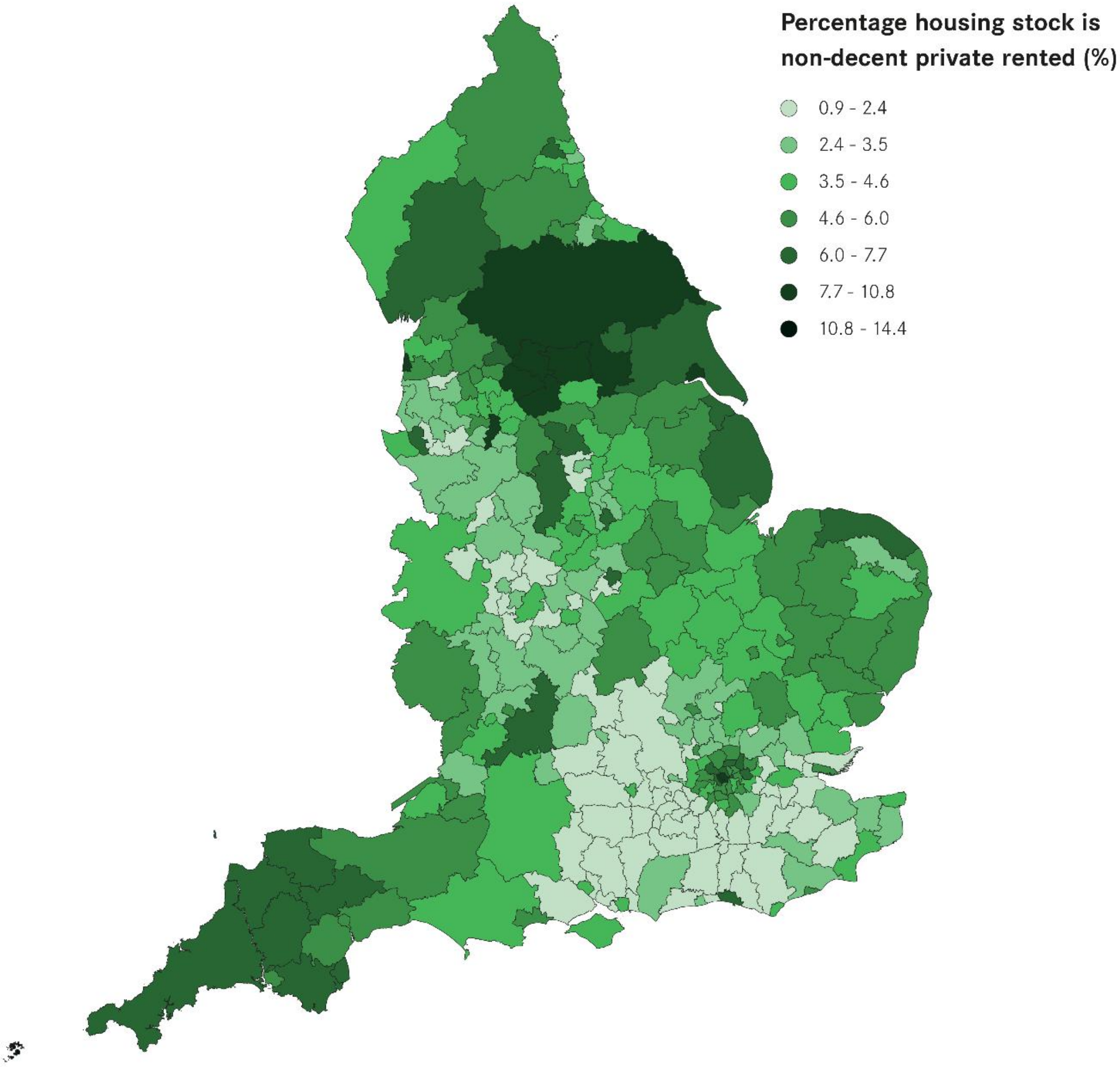
Housing outcomes are also worse in cities

In addition to focusing on labour market related issues, a common and historic justification for public housebuilding has been as a way of improving insecure and low-quality housing. As Figures 18 and 19 show, today, these problems also occur in cities.

Figure 20 maps Government estimates of the proportion of housing stock that is private rented and currently doesn't meet the Decent Homes Standard. Because private rented housing today is generally lower quality than other tenures, and a higher percentage of all houses in cities are private rented, cities often have worse housing quality issues than the areas around them.[49] While Decent

Homes regulations introduced recently aims to improve this, building more quality public houses would also improve the average quality of housing lived in by low-income households.

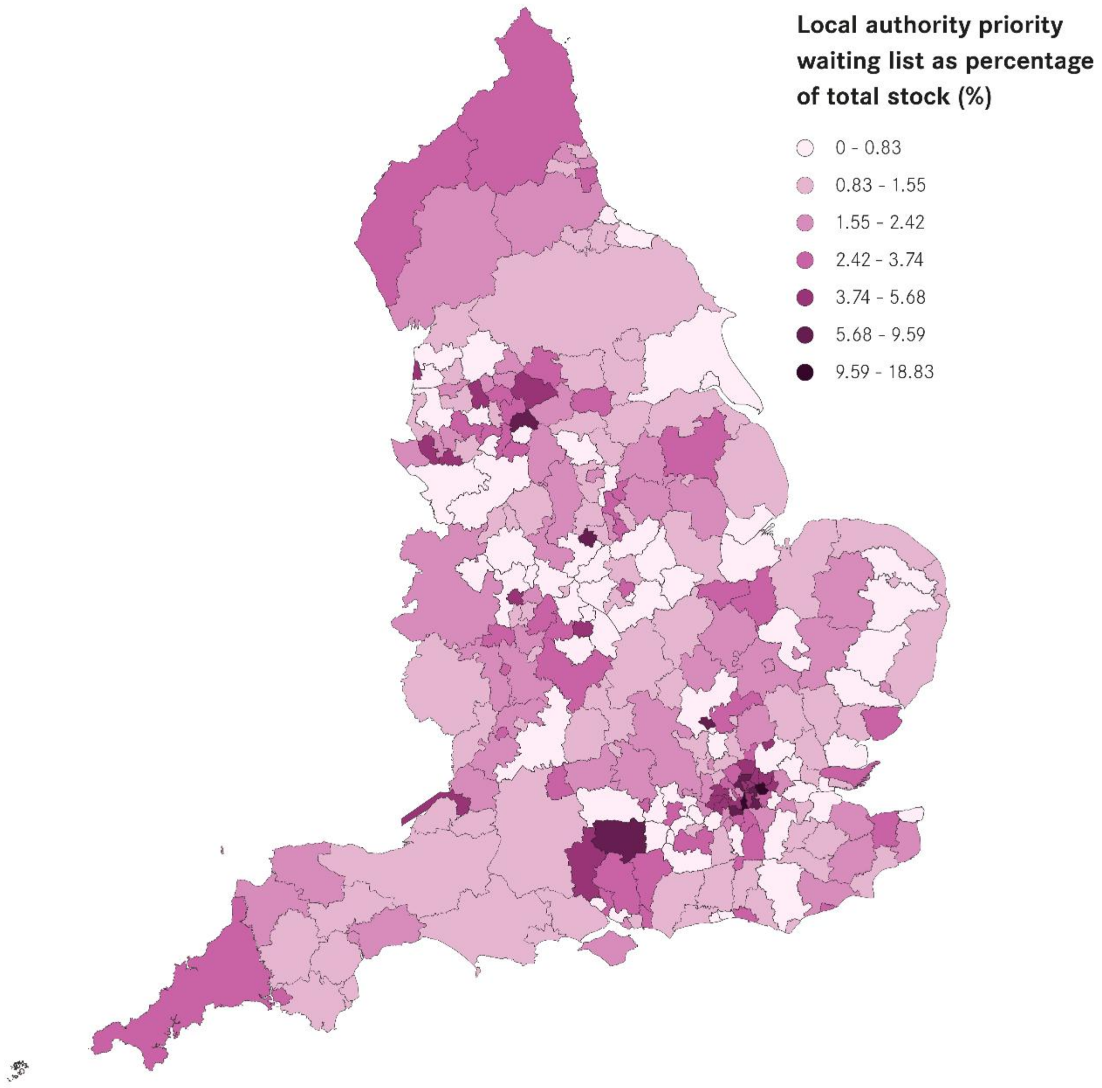
Figure 18: Low quality private rented housing is most common in cities



Source: DLUHC English Housing Survey: local authority housing stock condition modelling

Those at the sharpest end of the housing crisis are also disproportionately located in cities. Figure 19 shows households on high-priority local authority housing waiting lists as a proportion of current housing stock.

Figure 19: **Cities also have the longest local authority waiting lists**



Source: DLUHC English Housing Survey: local authority housing stock condition modelling58; DLUHC Local Authority Housing Statistics data returns, England 2022-23

'Reasonable preference' households must be at least one of the following: homeless; overcrowded; living in unsanitary conditions; have medical or welfare needs, including due to a disability; be owed a statutory duty by the local authority; have an urgent need to move to a particular locality (for example, following domestic abuse). Many of these households live in temporary accommodation, at great cost to them and local authorities, but many others simply continue to live in statutorily unacceptable conditions – often in poor quality private rented stock.[50]

In 2022, **the average urban authority waiting list was almost twice as long as a non-urban authority list**, as a proportion of current housing stock.

The negative outlook for households on local authority waiting lists in cities is further compounded by the fact that public housebuilding rates are currently *lower* in cities (as seen in Section 3).

If social rented housebuilding[51] continues at current rates, it will take 30 years to house all non-urban households currently on priority waiting lists and 78 years to build enough houses for all urban households. If Newham, the local authority with the largest waiting list to current housing stock ratio (19 per cent), were to be solely responsible for building social housing for those on its waiting list, it would take 1,286 years to clear. Across London as a whole, it would take 220 years at current social housebuilding rates – though waiting lists are not currently managed at a Mayoral level.[52 53]

Therefore, on the basis of access to labour markets, affordability, quality, and as a contribution to statutory responsibilities, **additional public housebuilding would make the greatest difference if it was located in cities.** A reinvigorated programme of public housebuilding should look to address this.

Facilitating housebuilding in cities also requires public sector intervention

A key challenge for the English economy today is the underperformance of its big cities.[54] This is partly because English cities are low density by international standards.[55] Lower densities limit the number of people who can reasonably commute into city centres, so reducing the 'effective size' of their labour pools, and hitting that city's economic performance.[56]

Economic policy should therefore aim to increase residential densities in these cities. Part of the answer, as discussed in paper one of this series, will be introducing a zoning system to reduce planning risk and ensure a competitive housebuilding market. [57 58]

But especially on more complex sites, where there is fragmented land ownership and more costly remediation challenges, the tightened (or non-existent) margins for private developers necessitate public sector intervention. Even in the most successful cities, greater public sector intervention is often required – the King's Cross redevelopment just outside central London wouldn't have happened were it not for public land assembly, and upfront investment and using public sector institutions as anchor tenants.[59] The lower land values in other large cities increases the role the public sector will need to play if there is to be a sufficient change in the urban form of places like Leeds, Manchester and Birmingham.

We know from the historic data that the public sector played a major role in reshaping housing outcomes in cities, and it should be doing the same today.

07. Conclusions

The role of the public sector

Evidence from the past demonstrates what should be obvious – the public and private sectors operate to different imperatives and should therefore be expected to build houses for different people and often in different places. **Before 1980, public and private housebuilding played complementary roles, with public housebuilding disproportionately focussed on specific tasks.**

This doesn't mean that they should be expected to always recreate the patterns of the past. For example, as compared with the post-war period of suburbanisation and inner-city deindustrialisation, many cities have reinvented their economies around innovation and knowledge, and are at the leading edge of the economy. With major reform to the planning system to make it easier to build in cities, the private sector should respond and deliver more urban houses in the future.

But there will always be scenarios in which the public sector is the more likely, or only, actor.

Where household incomes cannot pay for the cost of development, incentives for private housebuilders to build high quality homes will never stack up. Even if sub-market housebuilding generated a return on investment, private housebuilders will always be faced with the opportunity costs of not building to serve the buyer with the greatest ability to pay. In places where new housing is needed for those on low incomes, the public sector will need to play a leading role.

The public sector will also need to be involved in developments that involve longer time horizons, deep pockets or otherwise public subsidy. In the past, major regeneration projects (slum clearances) and large urban expansions were led by the public sector. Today, an equivalent role should include enabling brownfield development in cities, and as discussed in the third paper in this series, in the development of new towns and large urban extensions.

Realising this role

The public sector currently plays a very limited role in housebuilding by historical standards. Returning to anywhere near previous levels will require substantial changes to be made. The following lays out a framework for doing so:

A truly generational increase in public housebuilding will require a truly generational increase in direct capital investment.

In July, the Government set out its plan for a 10-year Affordable Homes Programme (AHP). In addition to two recent top-ups to the existing AHP, it has committed to spending £39 billion up to 2036.[60]

While this figure represents more than double spend over the last decade, and has been broadly welcomed by the industry, it falls short of what many have called for. For context, a maximum of £4 billion per year is less than one quarter of that required to match the *average* public housebuilding rate achieved between 1956 and 1979.[61]

Public housing spend should be focussed in cities. Alongside the size of the AHP, the Government have also announced that the share going to London will be reduced. This leaves the city likely unable to build enough homes to house those currently in temporary accommodation, let alone noticeably shorten council housing waiting lists. Other cities will fare better but will erode their waiting lists at less than half the rate of rural authorities, unless Homes England is more strategic about funding allocations than it has been in recent years.[62]

Currently the Affordable Housing Programme is managed by Homes England and the Greater London Authority. Understanding that cities each face distinct housing challenges, and building on growing capacity within combined authorities, **Metro Mayors should be responsible for managing public housebuilding within their areas**. This would remove the need for the complex and time-consuming bidding system currently used to allocate AHP funding.

Just as with overall housebuilding, **public housebuilding targets should be set for each local authority** based on a predictable formula which incorporates data on housing affordability and demand for local authority housing. Strategic authorities, rather than urban local districts, should be assigned targets, and be responsible for how those targets are met within their area.

Strategic authorities should also play a role in managing waiting lists. Doing this would better match responsibility for building with demand. If properly managed this would balance the need to house people near to their existing community, as per current statutory requirements, and to meet the housing need of as many people as possible, giving those who would accept a move anywhere within the city the option to do so.

Returning to widescale public housebuilding also requires reform of the conditions faced by the organisations responsible for building and managing it.

The Right to Buy should be reformed. Government proposals would effectively do this, by significantly reducing discounts, all but banning Right to Buy on new social housing and enabling councils to retain 100 per cent of receipts to reinvest in new housebuilding.[63] These proposals would be strengthened further by enabling strategic authorities to reduce discounts further if they see fit.

The Housing Revenue Account (HRA) system should be secure and predictable. Policy volatility, including rent freezes and self-financing requirements, alongside decent homes obligations, have led many local authority HRA accounts to build up significant deficits. Additional public housebuilding requires steady and predictable income and funding commensurate with new expectations placed on housing providers.

The recently confirmed 10-year rent settlement of CPI + 1 per cent is therefore welcome, and the Government should implement Social Rent convergence to support the ability of providers to invest in new stock.[64]

Responsibility for meeting public housebuilding targets should dovetail with the public sector enabling regeneration within cities. Prior efforts to dispose of public land for private development have under-delivered, and designating 'growth areas' is not sufficient to overcome the challenges of developing complex sites.[65] This role should begin with strengthened spatial planning powers for Mayors, but also requires more active intervention in the land market and in masterplanning sites.[66] Mayoral development corporations and/or a form of 'city developer' would allow coordination of these tasks across functional economic areas, sharing costs and revenues between sites.[67] [68]

The public sector should also play a role in ensuring that sites are secure opportunities for investment. This may be through increasing viability of small sites by parcelling them together for development. Where the difference between making development viable or not is the lenders' risk appetite, the public sector should step in to enable the housing development to go ahead.[69]

Finally, shifting to a flexible zoning planning system would increase certainty for any potential developer (public included) and allow a larger range of housebuilders to enter the market, increasing overall housebuilding rates. This system could reduce the adversariness of public land acquisition.[70] It could also, incorporate up-zoning functions for public or community housebuilding.[71] A zoning system could also be the vehicle for introducing simpler developer contributions mechanisms, potentially replacing Section 106 agreements with a development charge (except on larger sites which necessitate negotiations). The collection of a higher proportion of development contributions in cash rather than in kind would also enable public authorities to direct revenue toward need – for example to increase public housebuilding where waiting lists are longest.

Appendix 1: The data used in this report

This report uses multiple data sources to compare housebuilding and spending on public housing over time.

Housebuilding and demolitions data:

Before 1945, housebuilding data is taken from Holmans (2005),[72] adjusted for household numbers in England and Wales at each Census.

Between 1945 and 1990, all housebuilding and demolitions data uses Local Housing Statistics annual reports, digitised by Centre for Cities in 2024. This data is published and free to download from Centre for Cities' GitHub page.[73]

After 1991, data on public housebuilding, and including the different forms of affordable housing, is taken from Table 1011.

Between 1991 and 2000, total housebuilding and private housebuilding continues to use Local Housing Statistics annual reports. After 2001, total housebuilding and private housebuilding data uses MHCLG Table 253. Since publishing this report, Centre for Cities has updated the data source for recent housebuilding, and now uses MHCLG Table 123, instead of Table 253, from 2011 onward. This change is minor and has no bearing on any conclusions made in this report.

Housebuilding rates are calculated using housing stock data for the appropriate geography. Between 1945 and 2000, housing stock in each year is calculated using housebuilding data, adjusted to stock in Census years. Before 1981, local stock in Census years is calculated on the basis of housing totals from Holmans (2005), apportioned according to local household numbers from Aucott & Southall (2022).[74]

After 2001, total housing stock data is taken from MHCLG Table 125.

Recent demolitions data is taken from MHCLG Table 120.

Public housing capital expenditure data:

Data before 1995 is taken from Holmans (2005). Between 1945 and 1970, English spending is estimated on the basis of English and Welsh populations.

Recent capital expenditure data is taken from the Chartered Institute of Housing's annual UK Housing Review.

Housing quality data:

Historic data on housing quality is taken from the Great Britain Historical Database.

Contemporary data on housing quality uses the DLUHC English Housing Survey for local authority housing stock condition modelling.

Housing affordability and price data:

Data on private rental affordability ratios is taken from ONS Private rental affordability, England and Wales, 2023.

Data on house prices is taken from the ONS Annual Tables on House Prices.

Data on average private rents is taken from the ONS Private rent and house prices data.

Endnotes & references

Section 1

[1] The first paper in this series looks at the role of the private sector. See Breach, A (2024) Restarting Housebuilding I: planning reform and the private sector. London: Centre for Cities.
[2] The Municipal Journal (2024) Rayner promises 'biggest increase in affordable housebuilding in a generation'.
[3] The increasing reliance on housing associations to build public housing occurred progressively between these dates. They built 12 per cent in 1973, 33 per cent in 1983, 95 per cent in 1993. Their ability to build was most substantially changed following the 1974 Housing Act which allowed them to receive public funding for housebuilding, and the 1988 Housing Act which allowed them to borrow capital on private markets. The 1988 Act also allowed (encouraged) local authorities to transfer their existing housing stock to non-governmental bodies. Recently, local authorities have begun to build more, especially in London, but they still build fewer than 5 per cent of all public houses annually.

Section 2

[4] Dorset History Centre (2024) Building Licenses. 1946-54. Dorchester: Dorset Council.
[5] This was justified on the basis of prioritising materials after World War Two. Discussed in:
House of Commons (1946) Debate 18 April 1946 vol 421 cc2938-63; London: Hansard
House of Commons (1951) Debate 17 April 1951 vol 486 cc1781-92; London: Hansard
[6] As noted in: House of Commons (1954) Debate 02 November 1954 vol 532 cc186-8; London: Hansard
[7] Data at this geography, with 1173 local authorities, ends in 1973 due to local government organisation in 1974.
[8] It is worth noting that, between 1956 and 1979, 99.5 per cent of authorities still built public housing faster than the 2022 English average public housebuilding rate.
[9] Note that 'Urban Districts' typically cover small- and medium-sized towns.
[10] Prior to 1990, Rateable Values were used as a measure of the residential and commercial property tax base for local authorities.
Note: London is excluded. It has by far the highest average rateable values, driven up by some very high value areas. It also had a high proportion of public housebuilding (61 per cent).
[11] For further discussion see the first paper in this series: Breach, A (2024) Restarting Housebuilding I: planning reform and the private sector. London: Centre for Cities.
[12] It is worth noting that counties with low rateable values, but also lower proportions of public housebuilding are all Shire counties, such as Staffordshire, Lincolnshire and Cornwall. In these places, most building would be greenfield, delivering a faster, more predictable return on investment for private housebuilders. This would have reduced the need for public sector intervention in these places relative to urban areas with similar rateable values (notwithstanding the fact some of the explanation will be due to different political attitudes toward public housebuilding between counties).
[13] For more data, see Lange, M (2024) Are new towns the solution to the UK's housebuilding crisis? London: Centre for Cities. And Figure 15 in Lange, M (2024) Restarting Housebuilding III: new towns and land value capture. London: Centre for Cities.
[14] Paper 3 in this series discusses the potential for doing the same again and using private housebuilding to fund public housebuilding and other public infrastructure.
[15] Source: Ministry of Housing, Communities and Local Government. Table 120
Despite comprising less than 20 per cent of all housing stock, 60 per cent of recent demolition has been of social housing, split roughly 50/50 between housing associations and local authorities.
[16] In some places, the pace of public housebuilding was the constraining factor on the speed the demolitions programme could be pursued at.
Yelling, J (2000) The incidence of slum clearance in England and Wales, 1955-1985. *Urban History*. 27, 2. 234-254.
[17] Of which 10 per cent were built by New Town Development Corporations.
[18] This is the time period between local government reorganisation in 1974, which consolidated 1174 local authorities into about 300, and the major policy changes regarding public housebuilding from 1980 onwards.
[19] Social rents are set according to the 'rent restructuring' policy, which takes into account 1999 property values, local earnings and the size of the property. Effective subsidy currently varies across the country. For example, in 2022, social rents were 62 per cent of average market rents in the North East, 54 per cent in the West Midlands, 45 per cent in the South West, and 33 per cent in London.

[20] Calculations made on the basis that: social rent is 50 per cent of private rent; affordable or intermediate rent is 20 per cent of private rent; affordable housebuilding is 20 per cent of average house price, divided by 30 (to spread instant saving over reasonable number of years); shared ownership represents no subsidy.
[21] A good example of calls for higher social rented proportion is: Bramley, G (2018) Housing supply requirements across Great Britain: for low-income households and homeless people. Edinburgh: Heriot-Watt University
[22] MHCLG (2025) Government confirms plans for a social rent revolution.
[23] The result was a large transfer of public housing stock to private ownership, and a net-negative change in public housing stock almost every year since. While 1 million social houses have been built since 1980, 2.2 million have been sold. Private housing stock has increased by 8.5 million homes over the same period – three quarters due to new building, one quarter due to privatisation of public stock.
[24] Beckett, A (2015) Promised You a Miracle: UK80-82. London: Penguin
[25] Wilson, W (1999) The Right to Buy. Research Paper 99/36. London: House of Commons Library.
[26] Eardley, F (2022) Right to buy: Past, present and future. London: House of Lords Library
[27] The Government are currently consulting on reforming the Right to Buy. Proposed changes include exempting new builds, reducing discounts and enabling councils to have greater flexibility with what they can use sales receipts for.
[28] The 1996 Housing Act introduced a Right to Acquire, but with much smaller discounts than available for local authority properties.
[29] Broughton, J (2018) Municipal Dreams: the Rise and Fall of Council Housing. London: Verso Books.
[30] This was also partly due new rights to demand repairs granted to tenants in the 1984 Housing Defects Act.
[31] Before stock transfers from local authorities to housing associations and other non-profit bodies were permitted after the 1988 Housing Act.
[32] Awaab's Law, part of the Social Housing (Regulation) Act 2023, introduces strict timeframes for housing providers to respond to issues with damp and mould.
[33] After the Grenfell Tower fire disaster in 2017, and the 2022 Building Safety Act, many housing associations and local authorities have redirected capital expenditure toward remediating old stock.
[34] Housing associations were allowed to receive public funding for the construction of social homes after the 1974 Housing Act. The total capital expenditure figures before 1974 will therefore underestimate the total capital expenditure on public housing. Holmans (2005) suggests that total capital expenditure estimates for the 20th century are a 5 to 7.5 per cent underestimate, mostly because of missing housing association data. Figure 20 therefore includes an estimated housing association capital expenditure equal to 6 per cent of total public expenditure, before real data becomes available in 1974.
[35] The gap between spending and houses delivered also suggests that building homes was cheaper in the post-war period.
[36] Spending on the Affordable Home Programme per effective subsidy delivered through public housebuilding built was only 18 per cent lower between 2015 and 2019 than it was between 2005 and 2009, while in the last few years, spending per home delivered has been 38 per cent higher (these years are impacted by the Coronavirus pandemic). Centre for Cities calculations divide total Affordable Home Programme spending in year X by effective subsidy-adjusted affordable housebuilding in year X+2, to account for lag time in spending and completions data.
[37] 5-year average R^2: 2005-2009 = 0.425, 2015-2019 = 0.598
[38] 5-year average H-H index: 2005-2009 = 0.0073; 2015-2019 = 0.0064. Note, these figures are not comparable with pre-1973 concentration index figures above as the number of authorities included has reduced from around 1174 to 296.
[39] Formston, D, Buckle, C, Williams, E (2024) Delivering 300,000 homes per year in England. London: Savills it did after the financial crisis when private house building fell to an historic low.
[40] Except in scenarios with inelastic land prices, for example when land is publicly owned or acquired through compulsory purchase.
[41] Jefferson, N (2024) The Time to Fix the Section 106 System is Now. P31 in Worral, C & Allnut, A (2024) Get Britain Building. London: LGH Fabians
[42] MHCLG (2024) Proposed reforms to the National Planning Policy Framework and other changes to the planning system.
[43] During the short 'Lawson' boom in the late 1980s – a result of expanded demand following cuts to income tax rates (which were swiftly followed by high inflation, including 20 per cent house price increases, and interest rate hikes in response).

[44] Urban zones allocated enough land for 350 million people to live in. This nascent planning system, combined with loose monetary policy and the proliferation of the car enabled the highest housebuilding rates ever seen in England.
[45] Lange, M (2024) Restarting Housebuilding III: new towns and land value capture. London: Centre for Cities

Section 4
[46] Magrini, E (2019) Opportunity knocks? Economic outcomes for low-skilled people in cities. London: Centre for Cities
[47] For example, Samsung chose Berlin over London for its European HQ on the grounds that London is too expensive. Independent (2017) Samsung snubs London in favour of Berlin because it's 'not a fun place to live unless you are really rich'.
[48] This narrows slightly, by 1.2 percentage points if post-tax incomes are used. Regional analysis uses gross incomes following the ONS and because and income distributions aren't available at regional level.
[49] Across England, the percentage of houses not meeting Decent Homes Standard is 23 per cent of private rented homes, 14 per cent of owner-occupied homes, and 11 per cent of social rented homes. The proportion of households that privately rent is generally higher in urban areas than in non-urban areas – 20.4 per cent compared to 16.6 per cent.
[50] At least 117,000 households are currently living in temporary accommodation – the highest rate in the OECD. Shaw, J (2024) Temporary accommodation nation. London: Prospect
[51] Other forms of 'affordable' housing are generally not suitable for priority households – 80 per cent of market rents, or a deposit for a shared ownership property are still out of reach for those on the lowest incomes, especially in more expensive locations. If waiting-list households *could* move into every kind of affordable housing built, these timelines would fall to 4 and 10 years respectively.
[52] The London Mayor has attempted to shorten waiting lists by creating a form of public housing – 'London Affordable Rent' – which offers rent at roughly 50 per cent of market rents (compared to the social rent average of 33 per cent). This is low enough that rents are fully covered by housing benefit. If building rates of social and LAR continued at average rates seen between 2020 and 2022, it would still take 38 years to build enough houses for those on waiting lists in London, and 47 years to build enough houses in Newham.
[53] These numbers should be taken as indicative. They assume that the length of waiting lists won't change, when in reality they are generally getting longer (increasing by 18 per cent over the last five years). They also assume that households can only have their cases resolved by a move into social rented housing. Currently, households are removed from waiting lists after they are found what authorities deem to be suitable private rented tenancies.
[54] Swinney P (2021), So you want to level up? London: Centre for Cities
[55] Breach A and Swinney P (2024), Climbing the summit: Big cities in the UK and the G7. London: Centre for Cities
[56] Rodrigues, G & Breach, A (2021) Measuring Up: Comparing public transport in the UK and Europe's biggest cities. London: Centre for Cities
[57] Breach, A (2024) Restarting Housebuilding I: planning reform and the private sector. London: Centre for Cities.
[58] This would make permanent the kind of increased building rates seen in Croydon after it introduced a Supplementary Planning Document (2019-2022) providing guidelines for small redevelopments, infill sites and extensions. See Lange, M (2024) Designing density: How to increase the supply of housing in existing residential areas. London: Centre for Cities
And Croydon Council (2019) Suburban Design Guide: Supplementary Planning Document. London: Croydon Council
[59] Falk, N (2018) Capital Gains: A better land assembly model for London. London: Greater London Authority

Conclusion
[60] Ministry of Housing Communities & Local Government (2024) Budget boost for housing, local growth and remediation.
[61] On average over the last 10 years, one public house has been delivered for every £79,000 of Affordable Homes Programme spending. This is the estimated subsidy required to make public housebuilding viable based on current returns from the AHP, not total capital expenditure.
[62] See M, Lange (2025) The sharp end of the housing crisis is in cities. Will the Government's plan help? London: Centre for Cities.

[63] MHCLG (2025) Government response to the consultation on Reforming the Right to Buy.
[64] MHCLG (2025) How to implement Social Rent convergence
[65] National Audit Office (2019) Investigation into the government's land disposal strategy and programmes.
[66] Carter, A (2024) Do metro mayors need more authority over decision-making? London: Centre for Cities
[67] Kerslake, B (2022) Review of GLA Group housing delivery. London: Greater London Authority
[68] Local authority-owned regeneration companies, such as Barking & Dagenham's 'Be First', are another potential, complementary, vehicle.
[69] This has been used to good effect, with an initial £300 million fund being recycled two and a half times in 8 years in Greater Manchester. Hatmaker, J (2023) GMCA's investment in city region tops £1bn mark. Place North West
[70] See recent Centre for Cities publication comparing planning and public intervention in development in England vs in Germany, France and Japan: M, Lange & L, Kovacevic (2025) Plamorama: how the English planning system can learn from abroad. London: Centre for Cities.

Appendix 1
[71] Hemmingway, A (2024) Time to scale up: next steps for non-market housing in BC. Policy Note
[72] Holmans, A. (2005), "Historical Statistics of Housing in the UK"; Cambridge University Housing and Planning statistics
[73] See Centre for Cities public GitHub page, accessible at: https://github.com/CentreforCities/local_housebuilding_1946_2023
[74] Aucott, P., Southall, H. R. (2022). Great Britain Historical Database : Census Data : Housing Amenities Statistics, 1951-1971. [data collection]. 2nd Edition. UK Data Service. SN: 4553, DOI: http://doi.org/10.5255/UKDA-SN-4553-2