



Rewiring council housebuilding

A programme for the 21st century

September 2026

Executive summary

The new Prime Minister has promised to deliver the “biggest council housebuilding programme since the post-war period”, with the aim of helping break the UK out of what he has called its “housing trap”.¹ He is right – a well-designed and bigger council housebuilding programme would boost overall supply, contribute to economic growth in cities, and provide decent housing for those most in need.

Achieving this is not without its challenges. Council housebuilding rates have started to increase, but in many cities building remains at very low levels.

The Government has already committed to the biggest funding pot since the 1990s. For this funding to go as far as possible, further action across all levels of government will be required.

This briefing sets out the package of actions that needs to be taken to maximise council housebuilding. In summary, the recommendations are as follows:

- **Mayors must play a much larger role in orchestrating council housebuilding.** Control over funding should be devolved to Established Mayoral Strategic Authorities as part of the Government’s plans for fiscal devolution. Mayors in large cities should also play a role in managing waiting lists across authorities.
- **Large cities should receive a larger share of total grant funding,** responding to higher levels of need.
- **The Treasury should seek to maximise the share of total government spending allocated to subsidising public housebuilding.** This will determine the maximum potential for the council housebuilding programme. Every other action will

¹ Pell M (2026), [Andy Burnham’s speech in full as he promises to give UK ‘new direction’](#). Manchester Evening News. [Accessed 31 /07 /2026]

determine whether this potential is achieved. Achieving the highest sustained building rates since the 1970s will require more money than Government has committed so far.

- **A new council housebuilding programme should support building within and outside of councils' Housing Revenue Accounts (HRAs).** The Government should consider writing off HRA debts and give councils greater flexibility to use grant to fund non-HRA building activity.
- **The Government should coordinate test cases for new compulsory purchase powers, and support councils to develop expertise in compulsory purchase more generally.**
- **Council housebuilding schemes should seek to maximise income from cross-subsidy across their area** to ensure highest possible council housebuilding rates. This will require that both national and local policies are flexible on tenure mix, and any prescriptive policies should focus on the programme, not the site-by-site, level.
- **The Government should consider altering fiscal rules to exclude 'public non-financial corporations'.** This will be essential if a significant shift in the share of funding going to council-led programmes is to be fiscally neutral, and will require in-tandem efforts to shape council-led delivery vehicles such that they can be considered 'market-producers'.
- **The Government should act on anti-supply measures which worsen viability of both public and private development.** This will require setting second-staircase height limits and minimum space standards on one-bedroom flats to those in European countries, and removing Biodiversity Net Gain requirements on brownfield sites.

Section 3 provides a more detailed and complete list of recommendations.

1. Introduction

The new Prime Minister has promised to deliver the “biggest council housebuilding programme since the post-war period”.²

Achieving this goal would help break the UK out of what he has called its “housing trap”. More council housebuilding would boost overall supply, provide decent housing for those most in need, and help reduce the housing benefit bill.³

But delivering a reinvigorated council housebuilding programme is easier said than done. The new Government's policy paper published in August recognises progress made in recent years, makes further announcements to “reinvigorate” council housebuilding, and yet insists “we need to go much further”.⁴

2 Pell M (2026), [Andy Burnham's speech in full as he promises to give UK 'new direction'](#). Manchester Evening News. [Accessed 31/07/2026]

3 In places where new housing is needed for those on low incomes, the public sector will need to play a leading role in subsidising development. On quality: The 2024 English Housing Survey found that 10 per cent of social rented housing did not meet the Decent Homes Standard. This compares to 22 per cent of private rented housing and 15 per cent of owner-occupied housing. MHCLG (2026) [English Housing Survey data on dwelling condition, security and fire safety](#). GOV.UK.

On affordability: Of the two lowest income quartiles in social rented housing, 42 per cent spend more than 30 per cent of household income on rent. This compares to 71 per cent of lower income private renters and 33 per cent of lower income mortgagees. MHCLG (2025) [English Housing Survey 2023 to 2024: experiences of the 'housing crisis'](#). GOV.UK.

On housing benefit: See Footnote 15.

4 MHCLG (2026), [The Social and Affordable Homes Programme and the reinvigoration of council housebuilding](#). GOV.UK.

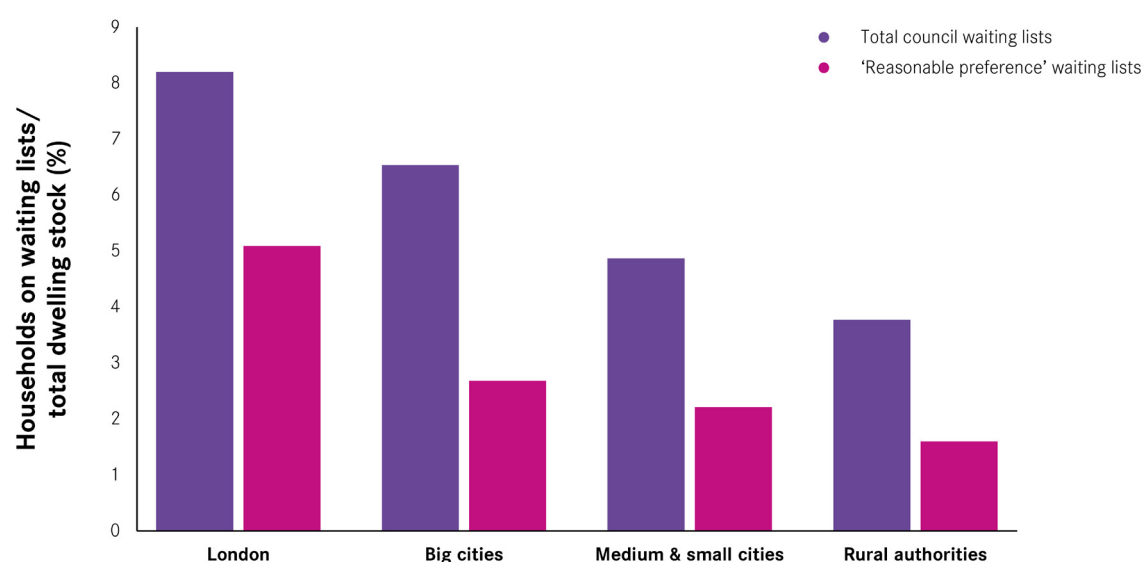
This assessment is right. Recent reforms have improved councils' and the wider social and affordable housebuilding sector's ability to build. But these will be insufficient to achieve council housebuilding rates comparable to the post-war period, or to tackle present-day issues with temporary accommodation and council waiting lists.⁵

As previous Centre for Cities research has shown, the post-war programme was built on far more money and land than is available for council housebuilding at present.⁶ Finding more of both will be central to building a substantial programme today.

A council housebuilding programme for the 21st century will also need to focus on cities, just as it did in the post-war period.⁷ As Figure 1 shows, the sharpest end of the housing crisis is in cities, and any programme aimed at improving housing outcomes will have to be disproportionately urban.⁸

Figure 1: The largest cities have the longest council housing waiting lists

Ratio of households on local authority waiting lists to total housing stock, 2024/25



Source: MHCLG Local Authority Housing Statistics returns 2024/2025; MHCLG Table 100

This paper sets out the steps that need to be taken to deliver the Prime Minister's stated goal of "the biggest council housebuilding programme since the post-war period", and what will be needed to ensure a successful programme in cities. It covers how council housebuilding should be funded; how land can be obtained and planned for development; how councils' financial positions to build can be strengthened; and how mayors can help council housebuilding. It concludes with recommendations to central and local government.

5 Lange M (2025), [The sharp end of the housing crisis is in cities. Will the Government's plan help?](#) Centre for Cities.

6 Lange M & Lin X (2024), [Restarting Housebuilding II: social housing and the public sector](#). Centre for Cities.

7 See Section 2 in Lange M & Lin X (2024), [Restarting Housebuilding II: social housing and the public sector](#). Centre for Cities.

8 See Figure 18 in Lange M & Lin X (2024), [Restarting Housebuilding II: social housing and the public sector](#). Centre for Cities. Council housing waiting lists are not a perfect measure of need – councils manage lists in different ways limiting direct comparability. Nevertheless, the Localism Act 2011 requires that all councils admit household with 'reasonable preference' characteristics to their lists. This category is probably the best single indicator of how need varies. See point 3.33 here: MHCLG (2025), [Allocation of accommodation: guidance for local authorities, Chapter 3](#). GOV.UK.

Box 1: What is council housebuilding?

Council housebuilding can be defined narrowly or broadly, and the definition chosen will inform the policy actions required to achieve the Prime Minister's goal.

In public debate, the term “council housebuilding” often assumes a narrow definition: local authorities building homes directly for social rent which they then manage as the social landlord.

In the broadest sense, often adopted in contemporary academic literature, council housebuilding can be defined as any that a local authority has a direct hand in delivering.⁹ This could include building any tenure, through council-owned development companies, joint ventures, or even just the act of assembling and/or selling land for development. This broader definition reflects the fact that councils currently engage in a wide range of activities to directly increase market and non-market housebuilding.

In this report, we reflect the approach taken by the Government in its August policy paper, such that:¹⁰

Council housebuilding refers to public housebuilding in which local authorities play a direct role. This includes delivering ‘council houses’ managed within local authority Housing Revenue Accounts, as well as housing delivered through council-owned development companies, joint ventures or similar.

The definition excludes pure land-assembly activities and market-rate housebuilding by councils, to reflect what the Government means by council housebuilding and to narrow the scope of this paper, though as discussed below, both activities will be important for maximising council housebuilding.

Public housing is a ‘catch-all’ term, referring to all housing except that for market rate rent or sale. It can be provided by local authorities, housing associations or any other provider. It means the same as the industry standard ‘affordable housing’, and includes social rent, intermediate or affordable rent, and shared ownership.¹¹

9 Morphet J & Clifford B (2024), [Local authority Direct Provision of Housing: Fourth Research Report](#). University College London.

10 The Government's August policy paper does not introduce a formal definition of council housebuilding, but it refers to direct delivery by councils, saying “we want to encourage greater partnership working between councils and housing associations, but we are also determined to enable councils themselves to once again build at scale.”. MHCLG (2026), [The Social and Affordable Homes Programme and the reinvigoration of council housebuilding](#). GOV.UK.

11 Centre for Cities do not use the term ‘affordable housing’ because under a consistent definition of affordability, private housing may be affordable, and public housing may not be. Intermediate and ‘affordable’ rent housing tends to be let at 80 per cent of local market rents. Shared ownership does not necessarily offer any subsidy to the buyer.

2. How to deliver a council housebuilding programme for the 21st century

A successful council housebuilding programme will require money, land, and institutions capable of delivery. National, mayoral and local government will need to change policy across these areas if the programme is to succeed.

National government will need to shape and enable the programme. Section 2.1 explains why the size of the central government funding commitment and where it is allocated will establish the potential for what will be achieved. Section 2.1 also explains, however, that there are other fundamental national decisions, including those on tenure policy, land acquisition, planning, and building regulations, that will determine whether that potential is reached.

Section 2.2 explains the changes needed to ensure councils are able to invest in a new building programme. Finally, Section 2.3 sets out why mayors, especially those in large cities, will need to play an expanded role in delivering a council housebuilding programme for the 21st century.

2.1. How money and land can be best used for council housebuilding

Building public housing, and especially social housing, in the UK today requires subsidy – money to plug the gap between build and maintenance costs, and the income from rents, service charges and/or sales.

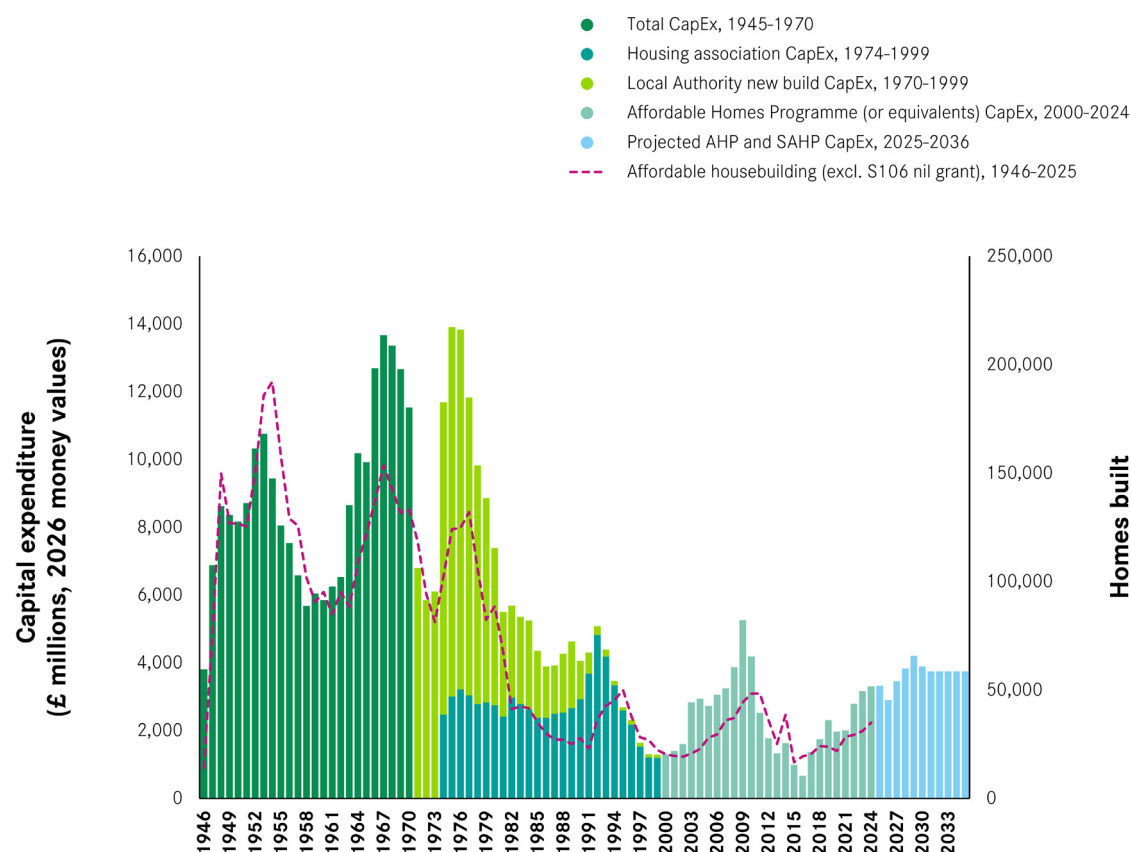
This means that the scale of any council housebuilding programme will be determined by first the amount of money available in subsidy, and second the policies and other factors impacting the subsidy required per home built.

Increasing central government grant funding would increase council housebuilding rates

The primary source of subsidy is, and will continue to be, grant funding from central government. As Figure 2 shows, since the Second World War, the number of public homes built has tracked total central government capital expenditure on new build housing, albeit with fluctuations in grant spent per home built.

Figure 2: Central government grant funding is the key determinant of the scale of public housebuilding

Government capital expenditure on public housing grants, outturn and projections 1950-2035 (2026 money values) and grant funded public housebuilding 1946-2024, England



Source: Holmans A (2005), Historical Statistics of Housing in the UK, Cambridge University Housing and Planning statistics; Chartered Institute of Housing - UK Housing Review; Centre for Cities projections • Note: 2026-2035 projections assumes spending allocated from the SAHP reaches £4bn in nominal terms in 2029/30, and funding rises in real terms after that point, as per the commitment at the 2025 Spending Review. 2025-2030 projections include estimates of future spending from pre-SAHP programmes, using data from Homes England and GLA accounts, so total amounts spent 2026-2026 exceed the SAHP.

Figure 2 also shows that, **while the new £39 billion Social and Affordable Homes Programme (SAHP) is twice that spent during the 2010s, it is relatively small by historical standards.** The planned spending is also ‘backloaded’, with the highest expenditure not achieved until the end of this parliament.¹²

Councils and housing associations are currently calling for spending to be brought forward.¹³ Doing this would avoid the drop-off in funding shown in Figure 2, but would leave questions about funding in the medium term unanswered.

12 Spending is highest in 2029/30 due to use of small amount of remaining funding from AHP 2021-2026. Sources used for projections: Homes England (2025), [Annual Report and Accounts 2024/25](#). HMSO HC 1063; Homes England (2026) [Annual Report and Accounts 2025/26](#). GOV. UK; Greater London Authority (2026) [Final Consolidated Budget and Capital Spending Plan 2026-27](#). London.gov.uk; Homes England (2026), [Affordable Homes Programme \(AHP\) 2021-2026](#). GOV.UK.

13 Both Homes England and the Greater London Authority’s allocated budgets have been significantly overbid, suggesting the sector could ramp up development faster than the SAHP has allocated funding for. Parr E & Bowman L (2026), [NHF urges Reeves to bring forward SAHP funding after Homes England asks providers to re-profile bids](#). Inside Housing. [Accessed 06/08/2026]

Achieving the highest building rates since the 1970s will require a larger funding commitment again, while Centre for Cities has previously calculated that matching the sustained period of high public housebuilding in the post-war period would need £16.6 billion per year.¹⁴

A large share of spending on grant could be earned back as recipients moving from private to social tenancies would reduce the housing benefit bill over the long run.¹⁵ The rest, however, will need to be funded through savings made elsewhere in the budget or additional borrowing.

Ultimately, the Treasury will need to decide whether and by how much central government grant funding can increase, and **every additional pound committed will raise the potential for what the council housebuilding programme could achieve.**

Large cities should be given an increased share of grant funding

Whatever the amount of money committed, a council housebuilding programme will need to prioritise where the money is spent.

Cities should be prioritised to maximise the growth impact and fairness of central government spending on grant subsidy. These considerations are two sides of the same coin.

More housing in cities is essential for economic growth to ensure access to jobs, to grow the size of local labour markets and reap the benefits of agglomeration. Growing cities generate both high and lower paid jobs, and housing for those on a range of incomes will be needed to sustain that growth.¹⁶

But housing cost pressures are also the downside of agglomeration.¹⁷ Competition for land increases, especially in larger cities with lots of higher paid jobs, meaning lower-income households are more likely to struggle to find decent housing. This is likely a reason why private rental affordability tends to be worse in urban areas and why London and other large cities have the longest council housing waiting lists (see Figure 2 above).¹⁸

Despite the clear rationale, London and other large cities are not currently receiving grant funding sufficient to build at higher rates than other places.¹⁹ This lack of prioritisation means the 2026-36 SAHP will likely result in slower delivery against need in cities as compared to rural areas, as Figure 3 shows. Centre for Cities projects that rural

14 Previous Centre for Cities work estimated that £16.6 billion in 2024 money values would be needed to build 211,000 public homes per year.

This would match the building rate achieved on average between 1956 and 1979, the last period in which there was both high public and private housebuilding rates. Lange M & Lin X (2024), [Restarting Housebuilding II: social housing and the public sector](#). Centre for Cities.

15 Housing benefit is paid to both some private and some social housing tenants. As social rents are usually lower, moving a household from a private rental to a social home reduces the amount spent on housing benefit. 2021 modelling by the National Audit Office found that in London 69 per cent of grant for social housebuilding would be covered by reduced housing benefit spending over 30 years, and 110 per cent over 60 years. This saving reduces the higher the employment rate of social housing tenants and the narrower the gap between social and private rents.

16 Rodrigues G & Bridgett S (2023), [Capital losses: The role of London in the UK's productivity puzzle](#). Centre for Cities.

17 Combes P-P, Duranton G & Gobillon L (2019), [The Costs of Agglomeration: House and Land Prices in French Cities](#). The Review of Economic Studies. 86, 4. 1556-1589.

18 See Figure 18 in Lange M & Lin X (2024), [Restarting Housebuilding II: social housing and the public sector](#). Centre for Cities.

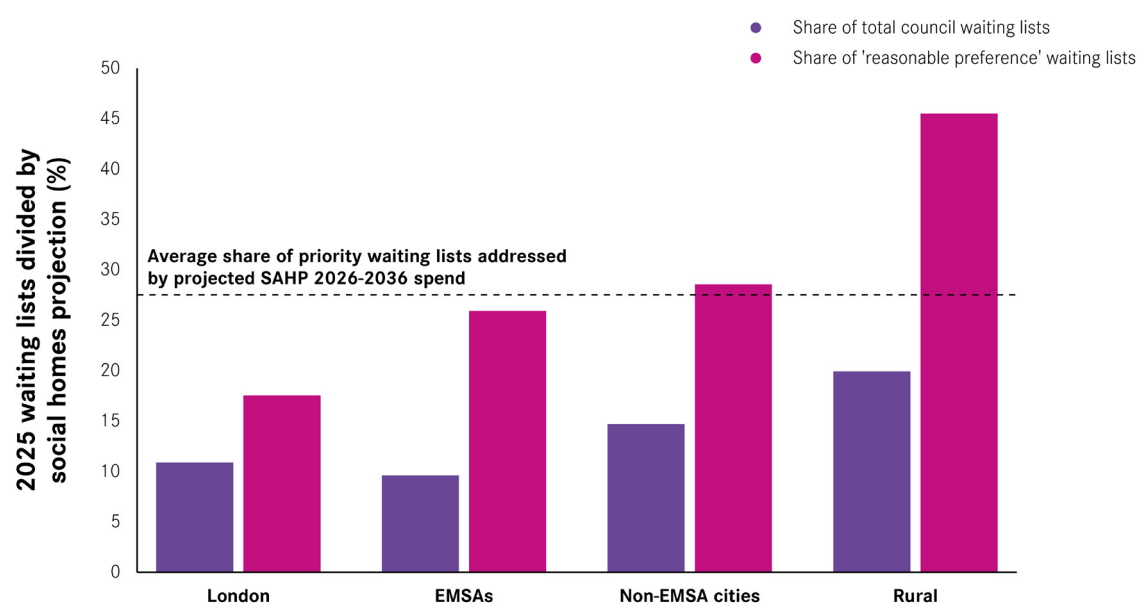
19 Homes England does not publish local breakdowns of grant funding, so Centre for Cities estimates are calculated based on: Government spending announcements and 2020-2025 affordable housebuilding rates by tenure. We use the share of grant funded social and other 'affordable' housebuilding to estimate share of grant received in other urban and rural categories. We assume the average cost of delivery per home is the same in all categories outside London.

Our estimates are as follows for London/EMSAs/other urban/rural: Share of grant funding: 30%; 18%; 15.6%; 36%. Share of grant funded building: 21%; 20%; 18%. Share of overall housing stock: 17%; 23%; 19%; 41%. Share of households on 'reasonable preference' waiting lists: 35%; 22%; 18%; 26%.

areas will build social homes equivalent to 46 per cent of priority category council housing waiting lists, compared to only 26 per cent in the Established Mayoral Strategic Authorities (EMSAs), and 18 per cent in London.

Figure 3: The current distribution of grant subsidy will result in those on waiting lists in cities waiting longer for housing than those in rural areas

Projected social homes funded by SAHP 2026-2036 as a proportion of 2025 council housing waiting lists, on the basis of funding announcements so far by location



Source: MHCLG Local Authority Housing Statistics returns 2024/2025; Centre for Cities projections. See Footnote 19 for details.

A grant programme more directed at need will require grant subsidy to be directed toward cities. Exactly how need should be measured – and the redistribution thus required to achieve outcomes commensurate with need – is beyond the scope of this paper, but all of rental affordability, temporary accommodation costs and waiting list lengths should probably be taken into account.

To indicate the scale of redistribution likely required, Centre for Cities has calculated what would be to achieve social housebuilding equivalent to the same percentage of priority waiting lists in London, all EMSAs, in other urban areas, and in rural areas. If the total grant pot remained the same, their funding allocations would increase by 32 per cent, reduce by 10 per cent, reduce by 18 per cent and reduce by 49 per cent, respectively.²⁰ To achieve the same nationwide social housebuilding rate, total funding would need to increase by 23 percent (£0.9 billion per year), resulting in a 63 per cent increase in funding to London, a 10 per cent increase to EMSAs, no aggregate change for other urban areas, and a 37 per cent reduction in funding to rural areas.²¹

²⁰ This would result in a slight decrease in the total number of social homes built, but this could be justified as those built would be targeted where need is measured to be greatest.

²¹ An increase in funding (£0.9bn per year) is required because it costs more to deliver social homes in London. The funding estimate may also be a slight underestimate as the model assumes the same build costs per home in urban and rural authorities.

Decisions on grant funding will set the maximum potential for public housebuilding at both a national and a city level. But as the rest of this section sets out, a series of fundamental decisions will be crucial to get the rest of the system making the most of the resources available.

Councils should use market-rate housebuilding to cross-subsidise council housebuilding

While grant funding will always be the primary source of funding for subsidised tenures, **councils should also seek to generate additional subsidy through market-rate development.** Where market-rate housebuilding is viable, profits generated by selling land to private developers, or by selling or renting at market rates directly, can be used as subsidies for new social and other non-market tenures.²² This is all the more possible when councils are able to acquire land cheaply (discussed below).

Importantly, policymakers should understand that **using cross-subsidy can significantly increase the number of public homes delivered**, even when public housing comprises a smaller share of houses built.

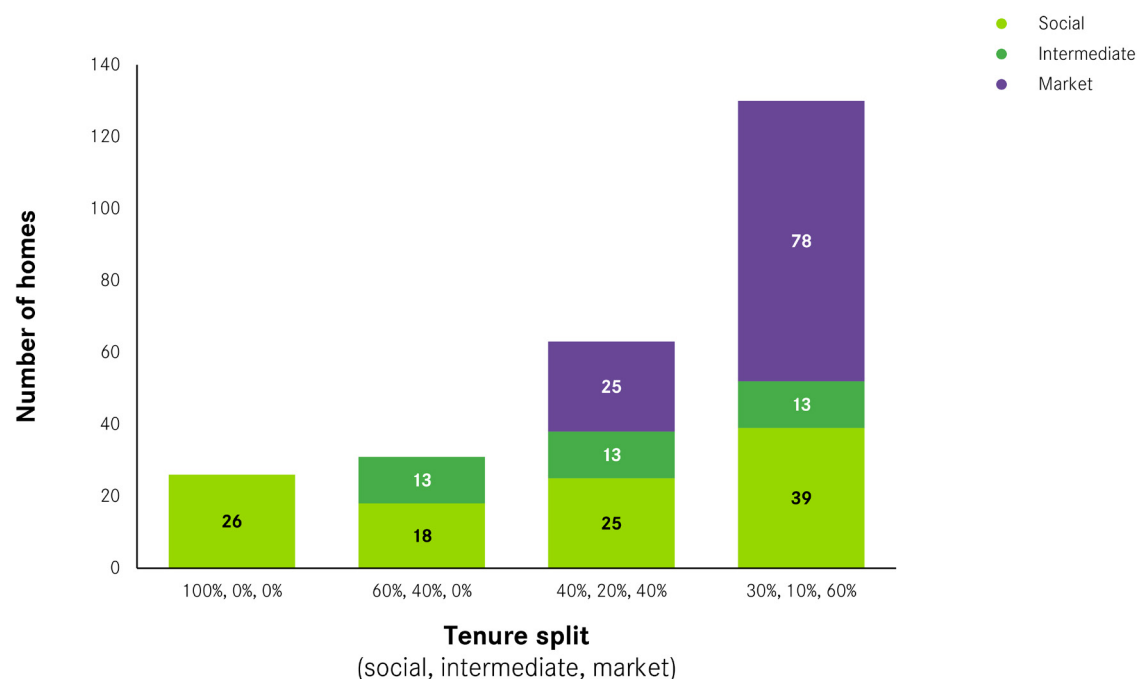
Figure 4 shows how this works. The model assumes the same grant subsidy is available in all scenarios, and that market-rate housebuilding generates a modest additional subsidy per market unit built.²³ Scenario 4, in which 30 per cent of homes are for social rent and 10 per cent for intermediate rent, delivers 50 per cent more social homes (and twice as many non-market homes) as the 100 per cent social rent Scenario 1, because of additional subsidy secured through market-rate development.

22 Lange M (2024), [Restarting Housebuilding III: new towns and land value capture](#). Centre for Cities.

23 The model assumes: £4 million available in grant subsidy. £40,000 generated per market home built; social homes require £151,000 in subsidy and intermediate rent require £98,000 both in line with the average costs reported by Homes England, August 2026. In reality, costs and values per unit would depend on the context (densification vs. more land take) as more homes are built.

Figure 4: Council housebuilding rates can increase, even as the share of non-market rate homes delivered reduces

Number of homes delivered with £4m grant, different modelled cross-subsidy and tenure scenarios



Source: Centre for Cities modelling. See Footnote 23.

A further implication of this is that policies that require a high percentage of public housing per development may make it harder to build it. By limiting the potential to generate additional revenue through cross-subsidy, such policies can place an unnecessary cap on absolute public housebuilding. **A council housebuilding programme focused on maximising public housebuilding rates will require flexibility on tenure mix requirements,** in both planning policies and those related to how central government grant can be used.

More important than targeting tenure mixes at the policy level will be giving councils the financial flexibility to invest in housebuilding and their internal capacity.²⁴ Section 2.3 below discusses how this can be ensured through devolution.

Further, any policies that do specify the tenure mix of council housebuilding programmes should focus on delivery across a portfolio of projects, rather than site-by-site. This would give councils the flexibility to secure maximum cross-subsidy from higher value sites if councils choose.²⁵

²⁴ It should be noted that some London councils, including Camden and Hackney, already operate models which incorporate significant cross-subsidy from market-rate housing to top-up grant allocations. eg. Camden Council (2025), [Community Investment Programme Annual Report 2025](#); Camden Council (2025), [Housing Investment Strategy 2025-2030](#). Camden.gov.uk.

²⁵ Some councils will likely want to balance making the most of maximising cross-subsidy from high-value locations with other policy objectives regarding creating mixed communities.

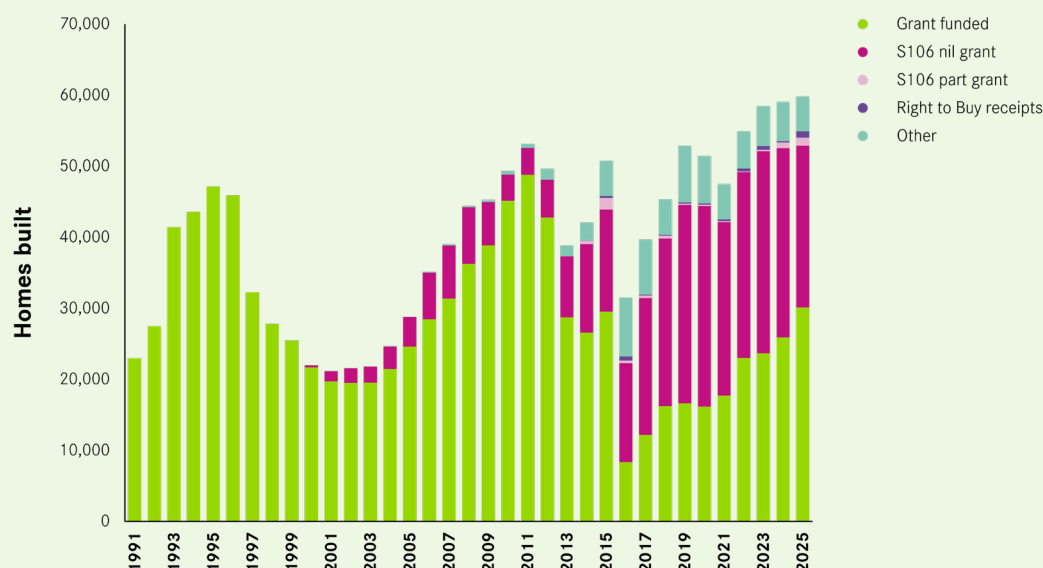
Finally, additional subsidy for direct council housebuilding can be secured through planning obligations on private development. Box 2 discusses how these could be reformed, and why cash-in-lieu and land assembly schemes could increase both council and private housebuilding.

Box 2: Council housebuilding programmes could help simplify development obligations for private housebuilders

Figure 5 shows that, over the last 15 years, public housing delivery has increasingly depended on private developers delivering it in kind, as a condition of securing planning permission (arranged through Section 106 agreements).

Figure 5: Private developers have delivered nearly half of all public housing over the last decade

Social and other affordable homes built by funding mechanism, 1991-2025



Source: MHCLG Affordable housing supply open data

But while this form of ‘land value capture’ has successfully maintained public housebuilding rates, it also results in frictions which likely reduce the rate of private housebuilding.²⁶

Section 106 agreements rely on case-by-case negotiation, sometimes resulting in protracted court battles between local authorities and developers.²⁷ These are all the more likely when conditions for building change, such as materials cost increases,

²⁶ For discussion of forms of land value capture, see Section 1 and Box 1 of Lange M (2024), [Restarting Housebuilding III: new towns and land value capture](#). Centre for Cities. For discussion of the impact of increasing reliance on private delivery of public housing, see Section 3.5 in Lange M & Lin X (2024), [Restarting Housebuilding II: social housing and the public sector](#). Centre for Cities.

²⁷ One prominent example is that of Stag Brewery in the London Borough of Richmond, in which the local authority refused to approve plans with reduced affordable housing commitments (produced following changes to design required due to second-staircase regulations), and the developer subsequently won their case with only 7 per cent affordable housing. Osborne C (2025), [Stag Brewery developers win appeal to build 1,075 homes in Mortlake after ten-year battle](#). The Chiswick Calendar.

leaving policies on affordable housing contributions playing catchup.²⁸ Further, in recent years, many developments have stalled as developers have struggled to find buyers for Section 106 agreed public housing.²⁹

An improved system would make it easier to build both public and private housing, while retaining the benefits of capturing land value uplifts. The results of doing so would be positive sum.

A first step to reducing frictions in this system would be allowing more cash-in-lieu payments, rather than requiring on-site housing delivery. This would benefit small- and medium-sized developments in particular as they face challenges building and selling small numbers of on-site public housing.³⁰ While the Government has recently stopped short of allowing cash-in-lieu payments on all 10–49 unit sites nationwide, **councils should establish their own cash-in-lieu tariff rates, especially where they have fundable council housebuilding programmes.**³¹ Contrary to the approach for council-led building (discussed above), policy-level contribution requirements will still need to be set to embed expectations into land values, but predictable tariffs would give developers greater flexibility as to how they deliver the required contribution.³²

In the long run, if municipal building programmes grow in scope, a local council housebuilding and infrastructure levy could be introduced across a wider range of private developments to reduce frictions further and channel more money into those programmes. More local or mayoral government-led land assembly could also remove the need for public housing-related Section 106 agreements, as public housing would be delivered directly and land value uplift secured either directly also, or through the sale of land for market-rate only housing.

National and local government should change planning policies to improve the viability of council housebuilding and make subsidy go further

Achieving high rates of council housebuilding will require minimal subsidy required per unit built in cities, to ensure that the total subsidy stretches as far as it can.

The economic context is that construction costs have risen significantly faster than social rents over the last decade, as Figure 6 shows.

28 See Lange M (2025), [Support package: London housebuilding, the ‘emergency measures’, and what further action is needed](#). Centre for Cities.

29 Such is the scale of this issue, the Government have now set up a ‘Clearing Service’ for uncontracted Section 106 houses. MHCLG (2026) [Policy statement: a roadmap for Section 106 delivery in England](#). GOV.UK.

30 Breach A (2026), [‘Medium’ sites should be exempt from on-site affordable housing](#). Centre for Cities.

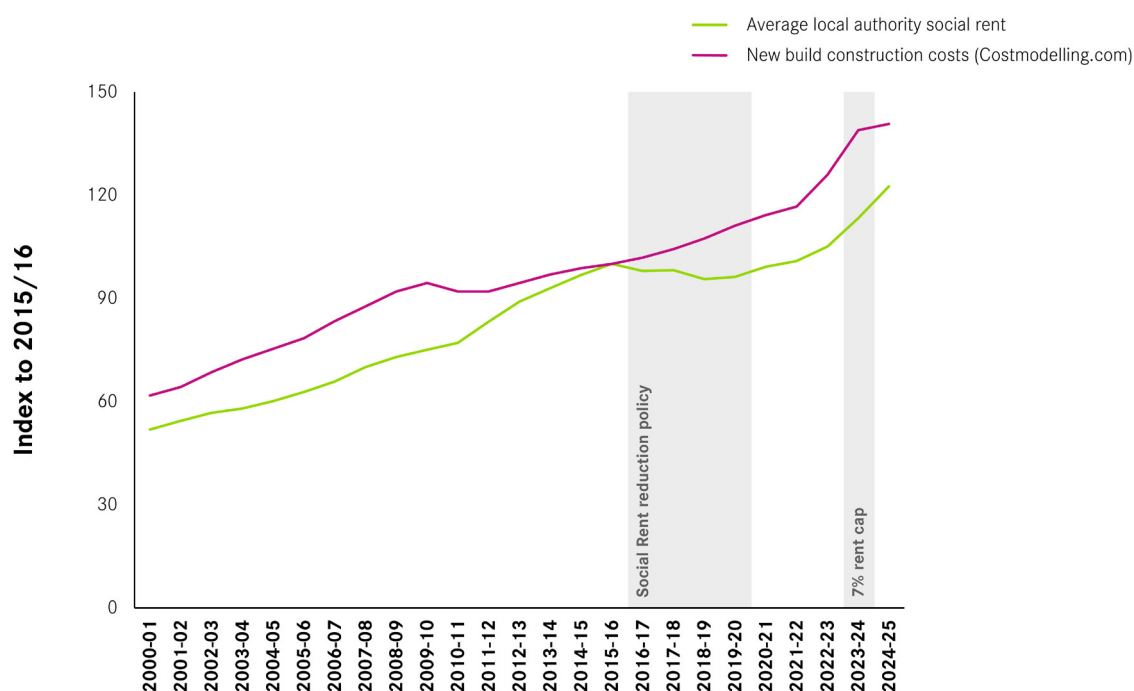
Separately, there is also a strong argument that greater division of labour between public and private sectors could increase the quality of public houses built. Swindells K (2026), [What our exclusive data tells us about who is taking Section 106](#). Inside Housing. [Accessed 13/08/2026]

31 In December 2025, the draft NPPF included this policy, but the recent finalised NPPF (August 2026) leaves the door open to local authority discretion – when schemes “contribute toward the objective of creating mixed and balanced communities”, cash-in-lieu payments are acceptable in-line with national policy. Government is due to publish guidance on doing so shortly. MHCLG (2026) [National Planning Policy Framework](#). GOV.UK.

32 Councils could provide flexibility by allowing ‘off-site’ delivery, where they arrange for developers to build council homes on discrete parcels of land, securing homes in a block they can then manage directly while developers focus on delivery for the private market.

Figure 6: Construction cost increases outstripping social rents means more subsidy is required per home built

Average social rents and build costs, indexed to 2015/16, 2000/01-2024/25



Sources: MHCLG annual and historic local authority social rent tables; Costmodelling.com Note: Measures are indexed to themselves, this does not mean social rents covered build costs in 2016. Note 2: Costmodelling.com used for continuity over time. ONS Construction Output Prices Indices only available since 2015/16. ONS and Costmodelling nearly match exactly, with ONS index increasing marginally more since 2020.

While material and labour price increases are outside the control of housing policymakers, **there are a number of national and local policies which compound, rather than ameliorate, the impact of rising construction costs.**³³ As previous Centre for Cities research has highlighted, these ‘anti-supply measures’ often do not achieve their intended goals and have the unintended consequences, in particular reducing urban housebuilding.³⁴ Three key measures the Government could address quickly are:

- **Dual staircase requirements on all buildings above 18m.** This makes mid-rise buildings between 6 and ~10 storeys particularly unviable, as the balance of costs versus income from sale or rents is worse than shorter or much taller buildings. The result has been schemes being ‘chopped’ to below 18m, and fewer homes being built as a result.
- **Minimum space standards of 37m² for single-person one-bed flats.** This threshold is 50 per cent higher than is occupied by the average private renter, meaning only single person households with high incomes could reasonably be expected to afford them. It is also much higher than ‘stepping stone’ accommodation for young single people can be viably provided at.³⁵

33 Other policymakers can shape these costs. Eg. Merryweather Powell J and Shibeika A (2025), [Brexit and beyond: addressing skills shortage in the UK construction industry](#). Proceedings of the Institution of Civil Engineers – Management, Procurement and Law. 179, 1. 50-57.

34 Breach A (2025), [Breaking the Bottlenecks: Reforming ‘anti-supply measures’ to support urban housebuilding](#). Centre for Cities.

35 For example, Centrepoin, the homelessness charity, has been trying to expand its direct delivery of ‘stepping stone’ accommodation, by providing 20 to 25m² rooms. They spent four years securing planning permission from one South London borough and have campaigned for a reduction in minimum space standards generally to enable the scale up of their model, and a more broad-based supply of more affordable housing.

- **Biodiversity net gain charges on brownfield sites.** These requirements are particularly onerous for brownfield development on constrained sites, and have hit cities with lower land values especially hard. They are currently under review by DEFRA.³⁶

Changing these policies – by adopting European standards – would reduce the cost of building new homes, thereby reducing the subsidy required per home delivered. It would also improve viability for private housebuilding, serving the Government's broader goal of increasing housebuilding rates, and increasing scope for cross-subsidy.

On the same grounds, **councils should also consider the impact of both local planning policies and policies on the quality of council housebuilding which require higher costs or reduce rentable floorspace.** Just as for the above nationally imposed costs, local policies, such as those on dual-aspect or especially high-quality standards, can narrow scope for cross-subsidy and increase the subsidy required per public home built. Such policies may be financially justified as reducing maintenance costs over time, but where this is not the case, councils will have to make tough decisions on whether more homes or especially high standards is their priority.

Councils will need to buy more land, and use new compulsory purchase powers to minimise costs where possible

Council housebuilding requires land on which to build, and the price of that land will determine the level of subsidy required per unit.

Recent discussion has focused on how councils can use their own and other public sector land for council housebuilding.³⁷

But **there are limitations to focusing on using only existing public land:**

- Not all public land is necessarily a good location for housing. Most authorities report a lack of land and suitable sites as a constraint on delivering housing directly.³⁸
- Departments and public authorities transferring land to local authorities always face the opportunity cost of selling that land for more money for a different use.³⁹

Councils will need to acquire new land for development, in addition to using existing public landholdings. In the post-war period, council housebuilding programmes involved buying often very large amounts of land.⁴⁰ The principles guiding how they did so – preference for negotiation, with compulsory purchase powers as a backstop if necessary –

36 Centre for Cities view is that defining brownfield land as sites where building curtilages make up more than 20 per cent of the site area will remove the BNG burden of environmentally friendly development on most urban sites while still retaining it for greenfield developments. DEFRA (2026), [Biodiversity Net Gain – considering a targeted exemption for residential brownfield development](#). GOV.UK. [Accessed August 2026]

37 For example, see: Delahunty S (2026), [Sector bodies welcome Burnham pledges of public land for housing and focus on large-scale council housebuilding](#); Morphet J & Clifford B (2024), [Local authority Direct Provision of Housing: Fourth Research Report](#). University College London.

38 In a 2023 survey, 57 per cent of authorities listed lack of land as a challenge impeding direct delivery. Morphet J & Clifford B (2024), [Local authority Direct Provision of Housing: Fourth Research Report](#). University College London.

39 14 per cent of authorities who directly deliver housing are currently using land delivered through the last major attempt to pool public land for housebuilding (the One Public Estate). This compares to 95 per cent using their own land and 34 per cent purchasing sites to develop. Morphet J & Clifford B (2024), [Local authority Direct Provision of Housing: Fourth Research Report](#). University College London.

40 The purchase of hundreds of acres for development was historically not unusual. For example, 921 acres by the London County Council in Oxhey, and 944 acres for the Clifton Estate outside Nottingham.

House of Commons (1949), [HC Deb 17 November 1949 vol 469 c2181](#); Transport Nottingham (2024), [8A. Clifton Estate & Ruddington Appendix](#). Transportnottingham.com.

remain the same today, but there are two key barriers to similarly widespread land purchasing by councils today.

Firstly, **many councils lack the capacity and expertise to buy land regularly**. Some councils do regularly acquire land and use compulsory purchase powers, but most do not – only 90 out of 317 local authorities issued at least one CPO for housing, planning or regeneration purposes between 2019 and June 2026.⁴¹ The Government will need to do more to ensure all authorities have CPO expertise to enable council housebuilding across all authorities.⁴²

Secondly, **there is a lack of clarity on the circumstances in which local authorities can buy land at existing use value (EUV)**, rather than market value. Specifically, the Levelling Up and Regeneration Act (2023) introduced the power to remove ‘hope value’ (the uplift in land values above EUV due to planning permission or the prospect of it) from compulsory purchases when land is to be used for ‘affordable’ housebuilding, and the Planning and Infrastructure Act (2025) made further amendments to simplify the procedure for doing so, but the power has yet to be used.

So, while there is the potential to reduce the price councils pay for land, there is currently a first-mover problem – without case law, councils are unlikely to risk resources preparing cases; without cases, case law will not be generated.⁴³ **The Government should ensure these new compulsory purchase powers are tested using obvious test cases**, to remove the barrier to their more widespread use.⁴⁴ Until they do this, the price councils pay for land will be higher on average as a result, or they will buy less land, or both.⁴⁵

Further planning reform is needed to maximise council housebuilding

Council housebuilding rates, like any development, will also be impacted by the amount of land made available for development by the planning system, and what the system allows on that land.

Firstly, save for if/when ‘hope value’ can be set aside using new CPO powers, all else being equal, **the market price of land for development will be determined by the amount of land the planning system designates as developable**, and the strength of the local economy.⁴⁶ Lower land availability will mean higher prices for land, impacting both market and non-market housebuilders.

Secondly, planning policies often restrict what can be done with any given piece of land. Height restrictions, overlooking angles, and amenity space requirements all impact how much housing can be delivered on a given piece of land.

41 MHCLG (2026) [Compulsory purchase orders: Register of decisions](#). GOV.UK.

42 Local Government Association (2025), [LGA response to MHCLG consultation on Compulsory Purchase Process and Compensation Reforms](#). Local.gov.uk.

This is all the more necessary, given the arrival of new powers, such as ‘conditional’ CPOs. MHCLG (2026) [Compulsory purchase process: guidance](#). GOV.UK. [Accessed 20/09/2026]

43 Technically ‘the power’ means applying Section 14A of the Land Compensation Act 1961.

44 The Government have published extensive guidance on applying Section 14A in June 2026. See Section 27 of MHCLG (2026), [Guidance on the compulsory purchase process \(accessible version\)](#). GOV.UK.

45 Councils can also sometimes use the ‘no-scheme principle’ to reduce the value assigned to land in a CPO. The no-scheme principle applies when the scheme would not otherwise have come forward without public sector intervention – for example had it not provided key transport infrastructure.

46 In reality the relationship between price and availability is not completely straightforward. If planning allows more housing to be delivered on a given piece of land, price per unit of land will likely go up, though prices per unit of housing floorspace permitted should go down.

It is important that the Government maintains its focus on planning reform and goes further than it has so far this Parliament. Councils and mayors will also have to ensure lots of land is available for development through local plans and spatial development strategies, respectively. Together, all levels of government will need to aim to:

- **Increase the supply of developable land in cities.** In addition to action on the anti-supply measures discussed above, this will require policies which permit medium-rise development across urban cores, proactively support development outside of allocated sites, reduce car parking requirements and weaken the importance of adherence to ‘local character’.⁴⁷
- **Allow development on green belt land around big cities.** Recent national policies will need to be supported by permissive policies in local and strategic planning documents.

In the medium to long term the Government should replace the discretionary planning system – which is unusually restrictive by international standards, especially in cities – with a flexible zoning system.⁴⁸

2.2. How to maximise the national and local fiscal sustainability of council housebuilding

The Prime Minister has been clear that his ambition is for councils to play the leading role in delivering public housing in the future. This shift is already under way – currently local authorities directly deliver 12 per cent of all new public housing, up from below 1 per cent during the 2000s.⁴⁹

There are good reasons to have councils lead public housebuilding: they have statutory responsibility for homelessness prevention and managing waiting lists; they have planning and compulsory purchase powers; and they are politically and locally accountable.

But increasing councils’ role is not as straightforward as returning to what worked in the post-war period. At a national level, there are fiscal constraints imposed by slower growth. At a local level, maintenance costs mean councils’ ability to borrow is also far more constrained than it was in the past.

Keeping costs down, maximising land availability and the use of that land, and making the most of cross-subsidy, as discussed above, are all part of the solution to managing these challenges.

But as this section explains, there are other, contingent decisions that central government needs to make to maximise the fiscal sustainability of its council housebuilding programme.

47 For more detailed recommendations on increasing housebuilding in cities through planning reform see Centre for Cities recent paper series: Lange M, Breach A & Kovacevic L (2025), [Flat Britain: the urban density gap and how to solve it](#). Centre for Cities; Lange M & Kovacevic L (2026), [Course correction: How to densify British cities](#). Centre for Cities; Lange M, Kovacevic L & Breach A (2026), [Mind the Density Gap: How Britain's big cities can build more homes near train stations](#). Centre for Cities; Lange M (2026), [Croydon calling: Lessons on rules-based planning](#). Centre for Cities.

48 For more on how the planning system can evolve incrementally or ‘boldly’, with reference to higher performing comparators in France, Japan and Germany, see Lange M & Kovacevic L (2025), [Planorama: How the England planning system can learn from abroad](#). Centre for Cities.

49 These percentages relate to the proportion of public housing built taken on by councils directly, and are likely slight underestimates against the definition of council housebuilding used in this paper. Unfortunately, the data does not distinguish clearly between building by housing associations and building by council-owned companies, joint ventures and under development agreements.

Accounting blocks in the fiscal rules need to be removed to enable investment in council housebuilding through public corporations

The first change needed is to put council housebuilding and other types of public housebuilding on a level playing field. **National fiscal rules need to change to enable greater investment in council housebuilding through ‘public non-financial corporations’.**

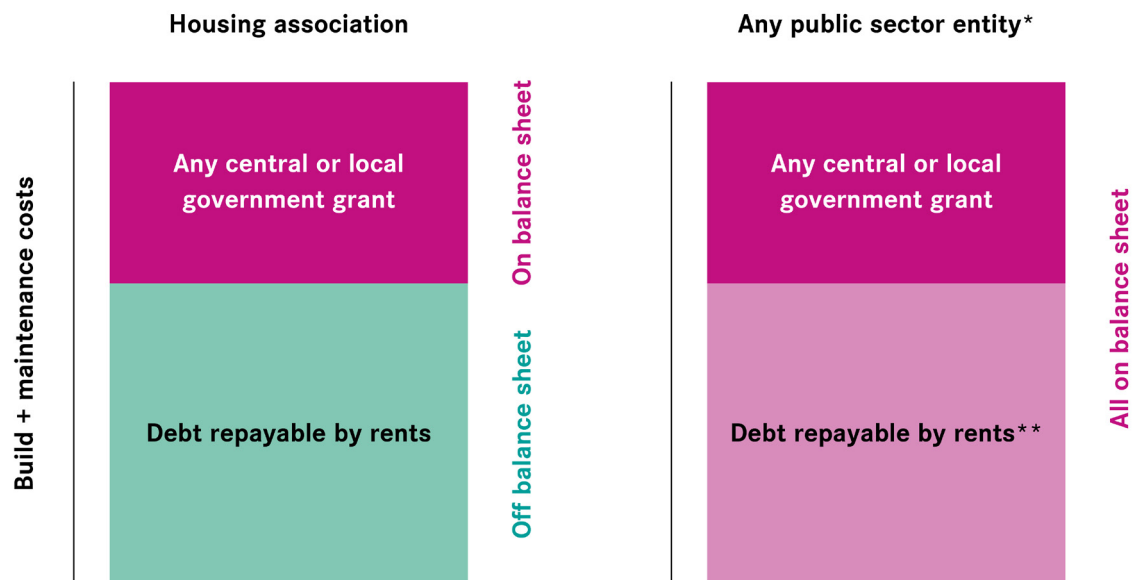
The Government has fiscal rules to manage real fiscal constraints, but the rules at present have knock-on implications for public sector investment.

Figure 7 illustrates how the existing fiscal rules differentiate between spending by housing associations and spending by public sector entities (eg. councils, council-owned companies or development corporations).

Grant funding (required to close the gap between income from rents and build and maintenance costs) counts against the fiscal rules whoever does the building, as it is general government expenditure that will not be repaid directly. However, debt that will be repaid by rents may or may not be considered on balance sheet, depending on the entity doing the building.

Figure 7: The current fiscal rules treat housing associations and public sector delivery bodies differently

How housing association and public sector funding is considered under the existing fiscal rules (Public Sector Net Financial Liabilities)



Note: *Specifically, any non-financial entity or general government sector. This includes councils themselves, council-owned companies and other public non-financial corporations like development corporations. **This would include borrowing directly from central government via the Public Works Loan Board or from public or private banks.

This is because, **under the Government's current fiscal rule on public debt**, which requires that public sector net financial liabilities (PSNFL) are falling as a share of GDP by 2029/30, **all debt taken on by central government, local government or 'non-financial public corporations' counts on the negative side of the balance sheet**. This is the case, regardless of the potential for any assets produced (eg. houses) to generate an income (eg. rents) to repay that debt.⁵⁰ Housing associations meanwhile, as 'private non-financial corporations', are not considered part of government, so their debts do not count against the fiscal rules, including if they take out loans from National Housing Bank.⁵¹

This approach is out of keeping with standard European fiscal rules, which focus only on debt held by central and local government, but not public non-financial corporations.⁵² This makes sense because public non-financial corporations are, by definition, financially independent of government.⁵³

Importantly, **if the Government changed fiscal rules to exclude public non-financial corporations, a range of public-led vehicles could deliver housing while having a limited impact on its measured fiscal position**.

This would include development corporations set up to manage regeneration or large-scale infrastructure projects, where they could cover a significant share of their costs with future commercial revenues. As previous Centre for Cities research has shown, there are a large number of sites across the UK where this is possible.⁵⁴

This could also include council-owned housing companies, as is the case in countries like France and Finland.⁵⁵ In both countries, grant subsidies and loans from central government are counted as general government debt, but municipal-owned companies are public non-financial corporations and off-balance sheet. In simple terms, this is because rents cover a significant share of costs, and they are managed as commercial enterprises distinct from, though owned by, local government.⁵⁶

50 ONS (2024) [Public sector net financial liabilities \(PSNFL\)](#). GOV.UK.

51 The National Housing Bank is a public financial corporation, meaning under PSNFL, its liabilities net off against its assets. Note also that the NHB will face trade-offs in terms of how it uses the capacity it has. CBRE has suggested as an alternative to expanded loans to housing associations (or future public corporations) allocating £8 billion NHB capacity to 'risk capital' for private developers would help deliver 200,000 homes without grant requirement and assuming delivery compliance with local plan affordable housing requirements. CBRE (2026), [Accelerating Housing Delivery Through Risk Capital Approaches](#).

Delahunty D (2025), [New bank launches under Homes England with £16bn investment and 500,000-home target](#). Inside Housing. [Accessed 07/08/2026]

52 Darvas Z, Welslau L & Zettelmeyer J (2024), [The implications of the European Union's new fiscal rules](#). Bruegel; Aubrey, T (2024), [Townscapes: Avoiding the pitfalls of private finance initiatives and departmental budgets to fund the next wave of sustainable new towns and urban extensions](#). University of Cambridge Bennet School of Public Policy.

53 To be corporations, organisations must:

- be classed as a 'market producer': at least 50 per cent of the cost of production is covered by market-based revenues (this can include rents); it must charge 'economically significant' prices (they must not be, overall suppressed such that they don't impact consumer behaviour), and not be only a supplier to government directly (supplying to households would meet this condition, in most circumstances).
- be sufficiently independent, in that local or central government does not fully determine its activities through personnel or policy. They must have separate balance sheets.

Eurostat (2013), [European system of accounts: 2010](#). Publications Office of the European Union.

54 Lange M (2024), [Restarting Housebuilding III: new towns and land value capture](#). Centre for Cities.

55 Insee (2025), Fiche méthodologique COFOG – La fonction Protection sociale (10) dans la ventilation fonctionnelle des dépenses des administrations publiques. Insee.fr; Norris M & Jordan B (2025), [Categorisation of Social Housing in EU National Accounting Rules: Implications for Social Housing Finance, Provision and Implementation of the EU Affordable Housing Action Plan](#). EqualHouse.

56 Note that the organisation(s) these entities borrow from also impacts how they would be treated under current and future fiscal rules. If, as is common for existing British council-owned housing companies like Barking & Dagenham's BeFirst, the council first takes out a loan from the Public Works Loan Board, and then 'on-lends' to the housing company, this would count as public-sector debt. Alternatively, if the housing company were to borrow from the private sector (via loans or issuing bonds), this would not be counted on-balance sheet.

Barking & Dagenham Council (2025) [Minute of Cabinet, March 18 2025](#). Lbbd.moderngov.co.uk.

Norris M & Jordan B (2025), [Categorisation of Social Housing in EU National Accounting Rules: Implications for Social Housing Finance, Provision and Implementation of the EU Affordable Housing Action Plan](#). EqualHouse.

Emulating European accounting standards could also, in future, bring Housing Revenue Account (HRA) debt outside the fiscal rules. At present, however, it would not.⁵⁷ This is primarily, though not exclusively, because HRAs (the financial silo which separates councils' general spending from that on the development and upkeep of council-owned housing stock) borrow directly from the Public Works Loan Board (a part of central government). Minimising the impact of HRA borrowing on the Government's fiscal position will therefore require a greater share of borrowing to be from sources outside government, alongside steps to consolidate HRAs' existing self-sustaining status. This will include understanding the implication of any moves to write-off HRA debts, as discussed below.

Government should support council housebuilding inside and outside the HRA to ensure flexibility for councils

The council housebuilding landscape today is complex – some councils own little or no stock directly and do not build directly, while others deliver housing through multiple vehicles and processes all at once. Given these different starting points, **the objective for Government should be to help councils build houses through HRA and non-HRA strategies.** This would also ensure a new council housebuilding programme can tread a path that responds to both local and national financial challenges.

One step the Government could take would be writing off all or some Housing Revenue Account debts, linking this to councils committing to new housebuilding. Recent Savills research has estimated that writing off all HRA debts (£32 billion) would free up fiscal capacity for councils to deliver 280,000 additional social homes.⁵⁸

This would ensure that councils with HRAs are in the best position to take on new debt and make the most of other measures taken over the last decade to remove financial barriers to councils building directly.⁵⁹

Though there are recent precedents for such a move, it would not be without risks.⁶⁰ First, writing off debts could set expectations that local government does not face real budget constraints.⁶¹ Second, while any debt write-off itself would be fiscally neutral (as it moves the locus of general government debt back to central government), the interaction between writing off HRA debt and how HRAs would be considered under future fiscal rules is not

57 The ONS currently classifies HRAs as 'quasi-corporations'. These are not legally institutionally distinct from general government but operate as if they are and must pass the 'market-producer' test (see Footnote 53). The ESA 2010 states in section 20.40 that quasi-corporations are to be treated as corporations – i.e. in the same category as institutionally separate public non-financial corporations. It therefore follows that if fiscal rules excluded public non-financial corporations, HRAs would not be counted. As noted in Footnote 56, however, any borrowing from the central government would always remain on balance sheet. See: ONS (2023) [Monthly statistics on the public sector finances: a methodological guide](#). GOV.UK; Eurostat (2013), [European system of accounts: 2010](#). Publications Office of the European Union.

58 Note that this relates to debt for the capital expenditure not covered by subsidy. Savills estimates that the subsidy required for these 280,000 homes would be £59 billion. Shelter & Savills (2026) [Options for reducing Housing Revenue Debt](#). Shelter.org.uk.

59 Caps on borrowing within HRAs were removed in 2018: this was lauded at the time as a 'radical change'. Doolittle I (2019), [Removing the Housing Revenue Account debt cap](#). Trowers & Hamlin Insights blog. [Accessed 12/08/2026]

Right to Buy: for discussion of the impact of 2024 and proposed 2026 reforms, see Lange M (2026), [Why grant funding matters more than the Social Housing Bill](#). Centre for Cities.

Finally, the 10-year CPI+1 per cent social rent settlement gives councils have a predictable funding stream. MHCLG (2025), [How to implement Social Rent convergence](#). GOV.UK.

60 One recent equivalent write-off is for debts related to Special Educational Needs provision. See Department for Education (2026) [Explanatory note on the government's approach Dedicated Schools Grant deficits](#) and [Provisional Local Government Finance Settlement 2026-2027 to 2028-2029 consultation summary of responses](#). GOV.UK.

61 Though on average councils have maintained relatively stable HRA debts, there will be councils that have managed HRA debts better than others and in the event of a write-off they would see no benefit to having done so. Savills states that councils have generally been financially prudent since they became 'self-financing' in 2012. Shelter & Savills (2026) [Options for reducing Housing Revenue Debt](#). Shelter.org.uk.

straightforward.⁶² Government will need to ensure that any moves to write off HRA debts can be reconciled with any efforts to move HRAs off balance sheet.

Government should also support councils to use delivery vehicles outside the HRA, including council-owned development companies (eg. Barking & Dagenham’s BeFirst and Newham’s Populo Living), joint ventures (eg. Manchester’s Victoria North new town) and development agreements.⁶³

This would support both the strengthening and replicating of leading existing programmes and give flexibility for councils with or without HRAs to use vehicles best suited to their circumstances.⁶⁴ Even financially secure HRAs will not offer the best delivery vehicle for all types of development in all situations. Non-HRA vehicles would also be more likely to be considered off-balance sheet (at least in the short term) and using them could minimise the impact of increased council housebuilding on measures of government debt.

2.3. Why mayors should help orchestrate council housebuilding

As the Government has identified across a wide range of state functions, there is a strong argument for moving a greater share of money and responsibility to mayors.⁶⁵ This is also the case for council housebuilding.

Housing and land markets do not stop neatly at local authority boundaries, and councils will struggle to manage the supply and demand for public housing as islands on their own. This is especially the case in larger cities with multiple constituent authorities. Equally, national government and Homes England are not always best placed to understand the nature of the council housebuilding programme needed in any given place, or to help councils develop them.

This section sets out how a new system can be structured to make best use of mayors as close-to-the-ground coordinators of council housebuilding.

Mayors should distribute grant funding for council housebuilding

The first issue mayors can tackle is the system for distributing grant funding. At present, Homes England relies heavily on competitive bidding for funds provided with relatively short time horizons, often site by site.⁶⁶ While it is understandable that a national organisation would choose to ensure oversight over its spending, this means any bidding council cannot be sure of funding now or in the future. This makes it difficult for them to plan long-term and build their internal capacity, and means they will often waste resources preparing plans for unfunded projects.⁶⁷

62 Centre for Cities’ understanding is that HRA’s current classification as quasi-corporations may be jeopardised in the event of a debt write-off, though this could potentially be addressed by adding conditions to that write-off that consolidated the HRA’s financial independence moving forward.

63 Development agreement example, see: Islington Council (2026) [Subject: Procurement Strategy for a Developer Partner and a revised delivery approach for land at Maygood Street](#). Islington.gov.uk.

64 Councils may also, at least in the short term, prefer to support local housing associations’ activities. As the Housing Minister has recognised recently, housing associations have existing expertise, as well as revenues to borrow against, putting them in a position to scale-up some councils will not be. Parr E (2026), [Government focus on council housebuilding should not threaten housing associations, Pennycook says](#). Inside Housing.

65 Cabinet Office (2026), [Rewiring the State – Cabinet Statement](#). GOV.UK.

66 Efforts have been made to distribute money using longer-term, more flexible agreements, namely through ‘Strategic Partnerships’.

67 Only 3 councils have secured Strategic Partnerships through Homes England’s initial SAHP funding round. Homes England (2026), [Homes England and government confirm strategic partners set to help deliver once-in-a-generation increase in social and affordable homes across England](#). GOV.UK.

These issues could be resolved by mayors playing an intermediary role in distributing grant funding. While, as discussed above, national government will need to prioritise funding allocated to cities, they should do so through mayors rather than by allocating to local authorities directly. Mayors should then manage how grant is distributed. **They maintain closer relationships with councils, meaning they are well placed to offer longer-term, flexible funding agreements.**⁶⁸

Mayors should agree that councils can draw down grant funding up to a funding cap over an agreed period, with relatively few strings attached to the kinds of projects they fund. This will be important to enable councils to coordinate planning policies, land use and acquisition, and plans for cross-subsidy, in the knowledge that they have a given level of grant funding available to them.

The Government has already set out plans to move in this direction, ensuring funding flows “directly to EMSAs outside London”, building on the substantial growth in council housebuilding programmes London has developed over the last decade.⁶⁹ As the next section discusses, the next step will be changing how these funding flows arrive with mayors through fiscal devolution.

Fiscal devolution to mayors will enable better long-term planning for council housebuilding

While mayors taking greater control of grant pots would be an improvement on the status quo, their ability to plan long-term would still be limited for as long as the size and policy requirements attached to these pots are decided by central government. For example, while the Greater London Authority is in control of grant distribution in London currently, uncertainty around funding for public housebuilding from central government has constrained what they can do.

Fiscal devolution would give much greater certainty over funding available for council housebuilding. Mayors would know they will have a defined income stream, and only if they decided to prioritise spending elsewhere would this funding reduce over time.

As discussed above, London and Established Mayoral Strategic Authorities will need to receive a higher share of all grant funding than they do currently, if a new council housebuilding programme is to best support both economic growth and meet need. **A fiscal devolution settlement for affordable housing spending will need to reflect the greater rationale for supporting public housebuilding in large cities.**

Mayors should help resolve issues with mismatched supply and demand for public housing in cities

Mayors should see their role as coordinating the council housebuilding programme so it functions at a city level. While local authorities will continue to lead – as they have statutory responsibilities on homelessness prevention, manage waiting lists, and many own significant

⁶⁸ London has already been able to do this to some extent, allowing councils to apply for five-year funding streams, signing contracts which describe circumstances in which grant funding can be drawn on, without requiring every scheme to be described ahead of time. Morphet J & Clifford B (2024), [Local authority Direct Provision of Housing: Fourth Research Report](#). University College London.

⁶⁹ This presumably means going beyond initial steps to involve established MSAs, which have so far left most responsibility with Homes England. Shaw J (2026), [What's the Future for Homes England?](#) Notes on Local Government.

housing stock – mayors can help to solve coordination problems between them. This applies to managing both the supply of and the demand for council housebuilding.

First, once in control of grant funding, **mayors should set targets for local authorities on public housing delivery, based on the grant they allocate them and an assessment of land availability and local development viability.** Mayors could then also incentivise councils to use all levers at their disposal to maximise council housebuilding by distributing a larger share of grant to councils that can demonstrate effective use of their funding settlements, against these targets. This would be better than the current system which asks councils to assess their own need for social housing and would be better connected to deliverability and need than any nationally derived system for social housing delivery.

Mayors should also ensure consistent land availability for council housebuilding using Mayoral Development Corporations and other land assembly and planning powers. Whether this should involve providing land for councils to build on, or mayors delivering homes before passing them to councils to manage, will vary site to site.⁷⁰

Finally, **on the demand side, mayors should ensure equitable outcomes across their city.** While all local authorities have capacity to build more houses, some will always be able to deliver more than others. This means that, under the current system which manages demand council by council, some waiting lists are more manageable than others. **Mayors should establish schemes which allow high-priority households to move across authorities** to locations delivering large numbers of council homes, where those households would rather prioritise speed of rehousing over staying local.

3. Summary of recommendations

The Prime Minister has set the goal of delivering the “biggest council housebuilding programme since the post-war period”.

The Government has already committed the biggest funding pot since the 1990s, and council housebuilding rates are increasing. For this funding to go as far as possible, further action across all levels of government will be required.

Central government will need to create the best possible environment for council housebuilding, addressing challenges across a wide range of policy areas. Mayors will need to play a greater role in facilitating and orchestrating councils’ activity. Councils need to focus on building capacity and delivering.

This section sets out recommendations for each level of government.

National government

National government needs to take a wide range of steps to put councils in the best possible position to deliver. It should:

- **Maximise funding available for public housebuilding grant.** The share of total government spending allocated to grant subsidy will in large part determine the future

⁷⁰ For example, the Mayor of London delivers homes through GLA Land and Property Limited (a wholly owned company), multiple development corporations and joint ventures. Public homes delivered are often passed to housing associations, but they could be transferred to councils.

scale of council housebuilding. Achieving the highest sustained building rates since the 1970s will require more money than has been committed so far.

- **Fully devolve grant funding for public housebuilding to London and established MSAs through fiscal devolution.**
- **Ensure London and large cities receive a larger share of total grant funding than they do currently.** London's share should increase by the most. Fiscal devolution and changes in shares of funding can and should occur in tandem.
- **Refrain from setting national level targets on the numbers of homes delivered and tenure mix achieved to ensure flexibility for local government.**
- **Give councils more control over the Right to Buy through an amended version of the Social Housing Bill.** The present draft bill would achieve the central aim of eliminating Right to Buy as a risk to council housebuilding but does not go far enough in giving councils the ability to fully end the Right to Buy, or to sell stock, as they see fit.
- **Strengthen councils' ability to build homes by restructuring or writing-off HRA debts, linking this to commitments to future building.** This would especially benefit councils which retain large council-owned housing stock, many of which are in large cities.
- **Ensure grant funding is not focused only on HRA building,** to support councils to deliver using vehicles best suited given their local and internal capacity.
- **Consider altering fiscal rules to exclude debts in 'market-producing non-financial public corporations'.** This would ensure any expansion in the use of development corporations and other publicly owned vehicles for council housebuilding would not count against government targets on debt. It would not represent a fundamental change in approach to the fiscal rules and would be in line with European standards.
- Ask the ONS to set out explicitly under what conditions HRAs would be considered off-balance sheet under altered fiscal rules.
- **Coordinate test cases for new compulsory purchase powers** and support councils to use new conditional CPOs.
- Provide support to councils that currently have limited expertise in using compulsory purchase powers.
- **Support the establishment of Mayoral Development Corporations** to expand urban housebuilding and redevelopment and increase land available for council housebuilding.
- **Write guidance to support councils to establish planning policies which enable cash-in-lieu Section 106 payments,** so councils that want to channel money into municipal building can do so easily.
- **Act on anti-supply measures which worsen viability of public and private development.** This will require setting second-staircase height limits and minimum space standards on one-bedroom flats closer to those in European countries, and removing Biodiversity Net Gain requirements on brownfield sites.

- **Support Mayors to establish schemes which allow high-priority households to move across local authorities.** This would help better manage demand for public housing, especially in cities with multiple constituent authorities.

Metro mayors

As set out above, mayors should take on a much expanded role in managing both the supply and demand for public housing. This means they should:

- **Prepare to take control of grant funding for public housebuilding.** Established MSAs can learn from London's experience since 2012, but all will need to prepare for new freedom and responsibility following fiscal devolution.
- **Set targets for constituent local authorities on delivery of public housing,** calculated with reference to their land availability, viability, and agreed grant settlements.
- **Establish schemes to share housing waiting lists across constituent local authorities.** This will be especially important for the London Mayor, which covers 33 constituent authorities that have significantly varying levels of demand for public housing and land availability.
- **Set up Mayoral Development Corporations to manage large housebuilding and regeneration projects.**

Local authorities

Councils will need to build capacity and work to deliver more council housing, as quickly as possible. They start from significantly different positions – some already have established housebuilding programmes which can grow further, others will need to build capacity from scratch. All will need to:

- **Build up capacity across housing, land acquisition and planning teams to support more council housebuilding.** This will include preparing to follow central government guidance on how to establish housing delivery vehicles which can be considered market producers, where this is possible.
- **Ensure their development programmes make the most of cross-subsidy** generated through development, to maximise income streams for council housebuilding.
- **Establish planning policies which enable cash-in-lieu payment from Section 106** to fund council building programmes.
- **Enact planning policies which release more developable land,** including by planning to enable change in existing urban form and releasing green belt land.

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To find out more please visit: www.centreforcities.org/about/partnerships

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