Resolution Foundation

The Resolution Foundation Housing Outlook

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Britain's new Prime Minister has put "council housing" at the heart of his programme for government.[1] The case for building more affordable homes is strong: near-record numbers of families in England are living in temporary accommodation today, and 1.3 million households are on local authority housing waiting lists. But whether Andy Burnham means building more homes for social rent, councils building more themselves or both, there is a price tag attached.

As social rent homes need more upfront subsidy than other 'affordable' tenures, building more social rent units means spending more or delivering less. We estimate if all of the Government's £39 billion grant programme was ring-fenced for social rent, just under 25,000 affordable homes annually could be delivered compared to the current target of 30,000. But other levers could be pulled to offset that loss. At least while demand is weak, private developer contributions via Section 106 could be tilted towards 'affordable rent' (which requires less subsidy), adding around 2,000 additional homes a year. Likewise, the new National Housing Bank's £2.5 billion low-interest loan facility for housing associations could deliver another 4,700 affordable homes a year.

Carefully pulled, these three levers would allow the new Prime Minister to boost the number of social rent homes built and increase the total number of affordable homes over the rest of the Parliament. But this is still a far cry from the "biggest council house building programme since the post-war period" that Burnham has promised. That would require significantly more money, especially if local authorities that currently build just 2,000 homes a year are to be at the helm.

And with the best will in the world, new homes still take years to build. But those at the sharp end of our housing crisis cannot afford to wait for the diggers, so as the gap between housing support in Universal Credit and actual housing costs heads towards a record level, the Government must re-peg housing support for lower-income private renters to actual rents come the Budget.

Putting 'council housing' centre-stage is a welcome, albeit ambiguous, promise

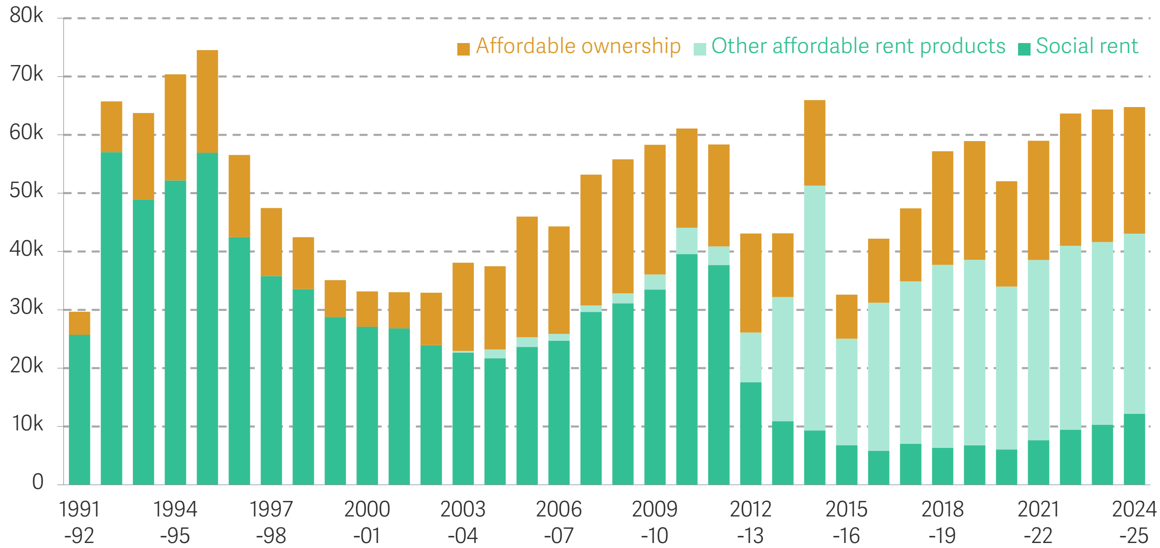
The new Prime Minister has pledged to put building "council homes" at the centre of his programme for transformation.[2] His commitment to boosting the number of affordable homes is welcome in the face of growing housing need: in England, for example, private renters spend, on average, more than a third of their income on housing costs; a near-record high 134,000 households are living in temporary accommodation; and 1.3 million households are on local authority housing waiting lists, the highest number since 2014.[3]

But how could this laudable ambition be achieved? To begin, this depends on exactly what Burnham means when he says he wants the country to build "more council homes". The phrase is ambiguous: it could refer to all types of 'affordable housing', which include homes for 'affordable rent' (priced at around 80 per cent of the market rate) or shared ownership (whereby households buy a share of their home and pay a sub-market rent on the part they do not own).[4] But colloquially, 'council housing' is most often used to refer to homes let at a social rent (equivalent to around 50 per cent of the market rate), regardless of whether they are owned and operated by local councils or housing associations.[5]

A pledge to build more homes of this most affordable tenure would be welcome indeed. As Figure 1 shows, the number of affordable homes built for social rent has fallen considerably over time. In the 1990s, an average of 42,000 social rent homes were built each year (79 per cent of the total). But during the 2010s, the tenure rapidly fell away: in the past ten years, 78,000 social rent homes were built overall, a number that would have been achieved in less than two years in the 1990s, and equivalent to 14 per cent of the total affordable housing built. This drop in social rent happened when the central government funding available to build affordable housing was cut: shifting from social rent to affordable rent meant that less money was needed upfront to make each home viable, and so the total number of affordable homes being delivered did not fall as much as did the funding.

FIGURE 1: **In the last year just 12,000 social rent homes were built in England, a fifth of the affordable total**

Affordable home completions, by tenure: England



SOURCE: RF analysis of MHCLG, Affordable housing supply open data.

Directing more grant to social rent means building fewer homes or spending billions more

So, what options are open to a government with its sights set on building more social rent homes? The most direct way that central government supports the development of affordable homes is through grant funding programmes, the current version of which is the Social and Affordable Homes Programme (SAHP) 2026-2036. With a funding envelope of £39 billion, the SAHP is the largest grant programme since 2011 and aims to deliver 300,000 affordable homes over its lifespan. It expects at least 180,000 (60 per cent) of these new homes to be social rent, a big shift given the SAHP's predecessor programme which had no social rent target. In fact, just 29 per cent of homes it funded between 2021 and March 2025 were for social rent.[6]

The Burnham government starts from a strong place when it comes to grant and could take this further by ring-fencing all the SAHP funding for social rent homes. But this comes with an inevitable trade off. All homes cost the same amount to build regardless of their final tenure, but because social rent homes offer housing associations a lower lifetime rental income than other affordable products, they require more grant funding upfront to be viable products. All else being equal, if every house built with the SAHP funding were for social rent, then that would mean building fewer affordable homes overall.

FIGURE 2: **Building more social rent homes using grant funding comes at the cost of the overall numbers**

Number of affordable homes delivered (left axis), and cost (right axis), of the Social and Affordable Homes Programme (SAHP) in different scenarios: England, 2026 to 2036

NOTES: Based on the Affordable Homes Programme 2021 to 2026, the same amount of grant can support the development of 20 shared ownership homes, 18 affordable rent homes or 11 social rent homes. We apply this ratio to the funding envelope and tenure mix aimed for under the Social and Affordable Homes Programme 2026 to 2036, which we assume to be 60 per cent social rent, 20 per cent affordable rent and 20 per cent shared ownership.
SOURCE: RF analysis of Chartered Institute of Housing, UK Housing Review 2026 Table 2.43; MHCLG, Social and Affordable Homes Programme 2026 to 2036.

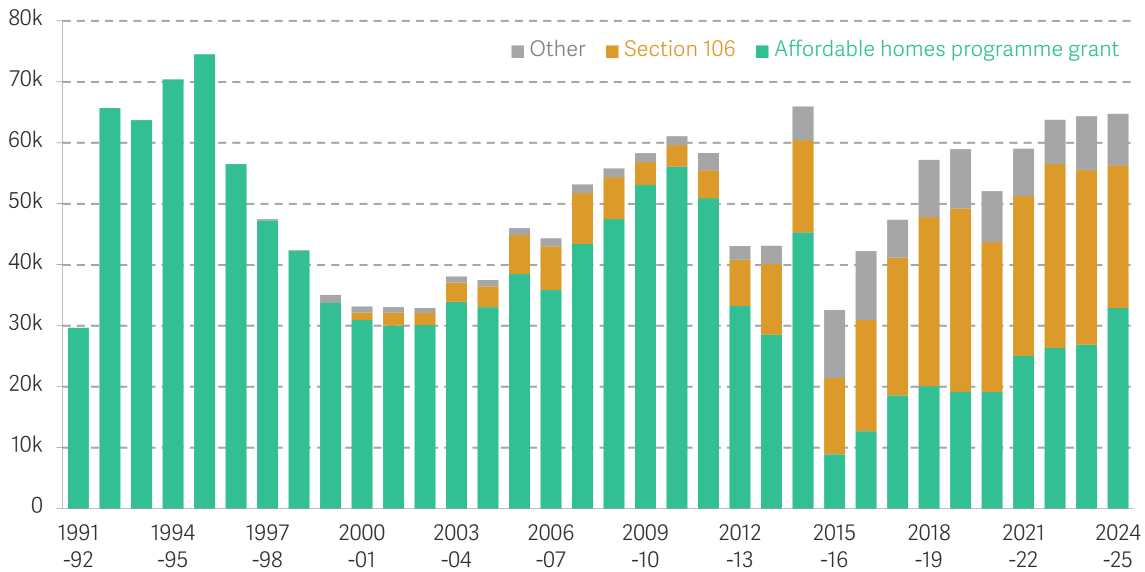
We illustrate that trade off in Figure 2. If all the £39 billion SAHP funding were allocated to social rent, just under 250,000 homes could be delivered by 2036, much higher than the social rent numbers we have seen since 2011-12, though a lot lower than in the mid-1990s. But that would mean building 50,000 fewer affordable homes overall in the next decade. To reach 300,000 homes for social rent (the number of affordable homes the SAHP currently aims to deliver), we estimate that another £800 million would be needed each year over the programme's 10-year lifespan.

Pushing private developers to build more social rent could backfire in the current market

But grant funding is not the only nor even the main way that affordable homes are delivered in England today. Section 106 of the 1990 Town and Country Planning Act introduced a requirement that developers of housing for the private market contribute to the supply of affordable housing. As a result, agreements are negotiated between planning authorities and private developers which stipulate what proportion of homes in a development are to be sold to housing associations at a discount, thereby making it viable for housing associations to let them out at a sub-market rent. Since the early 2000s, Section 106 agreements have become an increasingly important means of delivery of affordable homes: between 2015-16 and 2024-25 private developers contributed 244,000 homes (45 per cent of the 542,000 total), more than the 210,000 supported by grant funding (see Figure 3).

FIGURE 3: **Private developer contributions have become a prominent route to building affordable homes**

Affordable home completions, by delivery mechanism: England



NOTES: Section 106 includes only those receiving nil grant. 'Affordable homes programme grant' are those receiving funding via Homes England or the Greater London Authority. 'Other' includes among others: the use of Right to Buy receipts by local authorities and the Affordable Homes Guarantees scheme.
SOURCE: RF analysis of MHCLG, Affordable housing supply open data.

But, just as with grant funding, using Section 106 obligations to build more social rent homes comes with the same trade off: if private developers provide a deeper discount that will mean fewer affordable homes overall. In fact, in the current market, rather than push Section 106 further towards delivering social rent, there is a strong case to push it the other way, lowering social rent expectations in exchange for a higher number of affordable rent homes. Effective demand in the private market is currently very weak, and being able to sell a higher number of homes upfront to a housing association does not change the developer's bottom line but it does help with cash flow and lender confidence at a time when it is taking longer to sell homes on the open market.

Allowing Section 106 delivery to be all affordable rent while the market is weak would increase the number of affordable homes but we should not expect this to be game-changing in terms of supply. In the past five years, 12 per cent of Section 106 homes have been built for social rent: we estimate that if all those had been affordable rent instead of social rent, another 10,000 affordable homes would have been built.[7]

The National Housing Bank provides a new way to boost affordable housing supply

There is another mechanism the Government can use to secure the finance needed to kickstart a new era of social homes: the National Housing Bank (NHB) a newly established public financial institution with the purpose of accelerating housing delivery.

In terms of affordable housing, the NHB has a facility to allocate up to £2.5 billion of loans with a 0.1 per cent interest rate repaid after 25 years to housing associations by 2029. Low-interest loans can be particularly beneficial for affordable housing supply: housing associations need less grant if they pay less in interest on the money they borrow to build or buy a home. With an interest rate that low, these loans have the potential to make an affordable home viable without the need for grant funding. With every £1 of loan offered on the NHB's terms equivalent to 70p of grant,[8] we estimate the £2.5 billion of loans currently available could support the delivery of 11,200 homes if they were all for social rent; 18,400 homes if they were all for affordable rent; and 13,500 more affordable homes overall if it aimed for the same tenure mix as the SAHP as currently planned.[9]

But this is a new and untested facility: the NHB only launched in April 2026, and housing associations are not yet able to bid for loans.[10] If those bids offer value for money, then Burnham should consider if there is room to allocate more funds to this pot in future, which would still cost against the fiscal rules, to further boost the supply of social housing.

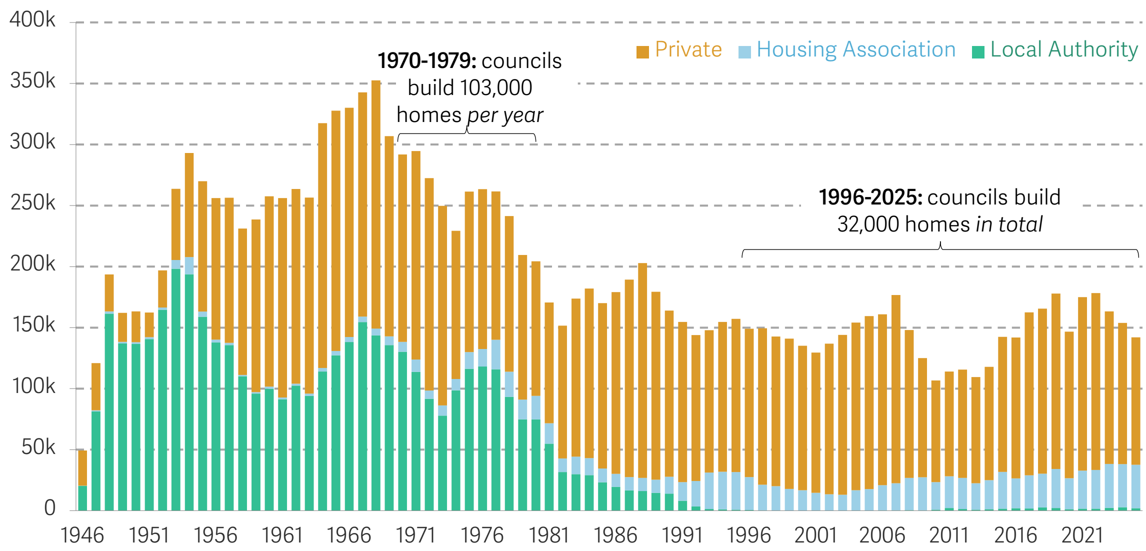
Councils will need to rebuild their capacity before they can build at scale

A final option that the Prime Minister appears to be considering to boost the supply of social homes is for local authorities to play a much bigger role as housing developers themselves. Certainly, that was the norm in the post-war era Burnham referred to in his speech. At their peak, local authorities in England were building over 150,000 homes a year (see Figure 4), although they were also demolishing large numbers of homes as part of post-war slum clearance programmes which continued into the 1970s. Local authority building ground to a halt in the late 1980s and, since the 1990s, most of what is referred to as 'council homes' has been built by housing associations. Councils themselves built just 2,000 homes a year in the five years to 2025.

It is not yet clear what kind of expanded role Burnham wants local authorities to play in future house building. On the one hand, history tells us that England has never built more than 300,000 homes a year (the goal implied by Labour's manifesto target of 1.5 million homes in a parliament) without local authorities playing a major role. When local authorities stepped back from building, the private sector did not step into the void: in the boom years of the mid-2000s it built, on average, just 138,000 homes a year; in the late 2010s, a time of low interest rates and Help to Buy, the private sector built just 128,000 homes a year. On the other hand, for local authorities to build more homes in practice, two challenges will need to be overcome: the first is developing the in-house expertise when they have not been building at scale for 40 years and the second is finding the additional money.

FIGURE 4: **In the past 30 years local authorities have built as many homes as they averaged over four months in the 1970s**

Number of permanent dwellings completed, by developer: England



NOTES: This measure relates to the total number of completions of new dwellings, and does not, for example, include the effect of demolitions or changes of use on the housing stock.
SOURCE: MHCLG, Live table 244.

The dawn of a new era?

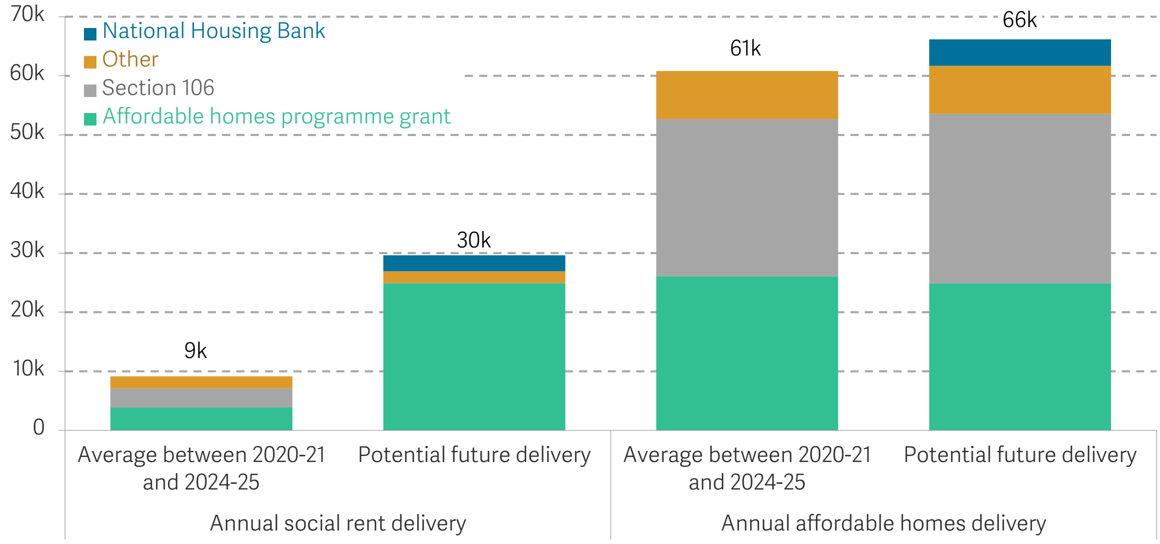
The new Prime Minister's promise to prioritise "council housing" is a welcome recognition that, for many people, their housing needs are not being met by the private market. But he must also grapple with present realities: fiscal rules, weak viability and depleted local authority capacity.

If Burnham means to deliver more social rent homes, then his best bet is to push the existing grant funding further towards social rent. This comes with a trade-off of getting fewer affordable homes overall from the money on the table, but it is the route most able to deliver homes let at very low rents. And there are two ways at least in the short term to offset that loss. First, local authorities could at least temporarily shift Section 106 requirements on private developers away from social rent and towards affordable rent, which we estimate could increase overall affordable supply by 2,000 homes a year. Second, the National Housing Bank's new low-interest loan facility could be used to deliver a further 3,700 (if all social rent) to 6,100 (if all affordable rent) homes a year. Together, these gains outweigh the cost of ring-fencing SAHP funding for social rent which would reduce total affordable homes built by 5,100 a year.

So, in theory, it is possible to shift grant funding towards social rent while still slightly increasing the total number of affordable homes built under the current funding envelope, just not by much. Figure 5 puts this together to show how potential future supply compares to what has been delivered in the past five years. Alongside existing supply channels, pushing grant even further towards social rent than the 60 per cent already promised could deliver 30,000 social rent homes a year – a significant boost on the 9,000 delivered annually in the past five years. But the change to total affordable supply is much more marginal, reaching 66,000 homes a year – this rivals the number delivered in the mid-1990s (see Figure 3) but it is significantly less than what was achieved in the post-war era when local authorities themselves were building 100,000 homes a year (see Figure 4). More money will need to be found to prompt a genuine gear-change in affordable housing supply in aggregate.

FIGURE 5: **Pulling all the levers can lead to a big increase in social rent homes, but not affordable supply overall**

Annual number of affordable and social homes built in the last five years and potential future delivery by delivery mechanism: England



NOTES: Affordable homes programme grant is assumed to target 100 per cent social rent. Section 106 is only those homes without grant and assumed to deliver more affordable rent homes in lieu of social rent homes in future years. The National Housing Bank's £2.5 billion low-interest loan fund is assumed to be spread over three years and is funded by the equivalent amount thereafter and to target 60 per cent social rent homes. 'Other' delivery mechanisms are assumed to continue to deliver as many homes in future as they did in the previous five years.
SOURCE: RF analysis of Chartered Institute of Housing, UK Housing Review 2026 Table 2.43; MHCLG, Affordable housing supply open data; MHCLG, Social and Affordable Homes Programme 2026 to 2036.

And whatever the lever, all should be pulled cautiously. Shifting the SAHP's aims should avoid undermining the progress already made by housing associations that have submitted funding bids to the programme. And pivoting Section 106 towards affordable rent is most effective when and where private demand is weak but should not become the long-term norm. In the medium term, Burnham should focus on the ongoing role that the NHB can play in delivering affordable homes and building capacity within local councils to take a more active role in delivery.

All these changes will take time to bear fruit. Land will need to be found, and sites planned before a brick can be laid. In the meantime, the support provided to lower-income private renters via Local Housing Allowance (LHA) has been frozen since April 2024 (when it was pegged to the 30th percentile rent level in the 12 months to September 2023). The average gap between the help available and the actual 30th percentile level has already passed 20 per cent and will reach record levels this autumn. Just under a million households (950,000) receiving Universal Credit in Britain already pay a rent above the LHA; they cannot afford to wait a decade for social housing to be built for help to arrive.

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[1] With thanks to Lindsay Judge, Elliott Christensen and Gregory Thwaites (Resolution Foundation), Will Jeffwitz (National Housing Federation) and John Perry (Chartered Institute of Housing) for their insights and expertise. Any errors remain the author's own.
[2] Housing policy is devolved to the UK's four nations; this Housing Outlook covers England only.
[3] Figures for housing cost to income ratio for private renters are for 2023-24; number of families in temporary accommodation are for December 2025; and number on local authority waiting lists are for March 2025.
[4] Unhelpfully, there is another way of defining affordability whereby housing is considered affordable if the occupying household spends 30 per cent or less of their gross income on housing costs
[5] In this briefing, we use 'housing associations' as a shorthand for all Private Registered Providers.
[6] Source: Chartered Institute of Housing, UK Housing Review 2026, Table 2.43.
[7] Here we apply the same arithmetic for grant funding to subsidies via developer discounts.
[8] Assuming the market interest rate is 5 per cent, the present value of a loan that pays 0.1 per cent interest that is repaid after 25 years is 30p on the £1. As a result, the value of £1 of these loans to a housing association is equivalent to 70p of grant.
[9] As noted above, the SAHP currently aims for at least 60 per cent of the homes it funds to be for social rent.
[10] Housing associations can only bid for NHB loans after initial grant allocations have been made through the SAHP.