

# UNITED KINGDOM (ENGLAND)

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**Table 1: Housing in England, by tenure (2022)**

Tenure	# of Dwellings	% of total
Social Housing	4,151,000	16.5
– of which: Local Authorities	1,609,000	6.4
– of which: Housing Associations	2,542,000	10.1
Private Rental	4,885,000	19.4
Owner Occupiers	16,124,000	64.1
<b>Total</b>	<b>25,160,000</b>	

Source: UK Housing Review (Tables 17a and 17b)

### Origins and brief historical overview

England (and indeed the rest of the United Kingdom) developed a distinctive model of social rented housing based on its direct ownership and management by local authorities ('councils'). Although local authorities were permitted 'to purchase sites and build and improve working-class homes'<sup>1</sup> as early as 1866, little council housing was constructed before the First World War, and what became the dominant mode of provision emerged only in the aftermath of the war in 1919.

Whilst popular accounts of this development attribute the decision to provide 'homes fit for heroes' (as the government's election slogan had it) to the threat of revolution<sup>2</sup>, more persuasive research places the decision within the context of a housing market that was failing even before the War. The UK was the world's 'first industrial nation'<sup>3</sup> and the first where a majority of the population was recorded (by the 1851 census) as living in urban areas. Public health concerns led to permissive legislation in the second half of the C19th, including granting councils powers to demolish unfit housing and themselves to build housing for rent.<sup>4</sup> However, there was little political appetite for the subsidised construction of housing, with the Liberal Party, then the principal progressive party, attributing housing problems to the land question.<sup>5</sup>

The housing market was, however, beginning to fail before the First World War, as councils increased property taxes ('rates') to finance the burgeoning costs of paying for expanding infrastructure (such as utilities and transport) and services (notably education, the provision of primary education having been made compulsory in 1870).<sup>6</sup> With landlords' costs, including interest rates, rising but tenants' incomes stagnant tensions in the market were inevitable. These came to a head with the rent strikes on Clydeside (Glasgow) during the War, prompting the government to impose a rent and mortgage interest freeze (based on the levels on the eve of the War) in 1915 to prevent landlords from charging scarcity rents.<sup>7</sup>

<sup>1</sup> Boughton, J (2018) *Municipal Dreams: The rise and fall of council housing*, London: Verso, p. 13

<sup>2</sup> Swenarton, M (1981) *Homes Fit for Heroes. The politics and architecture of early state housing in Britain*

<sup>3</sup> Mathias, P (1969) *The First Industrial Nation: the economic history of Britain 1700-1914*, London: Methuen

<sup>4</sup> For a summary of public health and housing legislation 1848-1914, see Malpass, P and Murie, A (1987) *Housing Policy and Practice*, Second edition. Basingstoke: Macmillan, pp. 33-34

<sup>5</sup> Daunton, M J (1984) Introduction, in Daunton, M J (ed.) *Councillors and tenants: local authority housing in English cities, 1919-1939*, Leicester: Leicester University Press

<sup>6</sup> Offer, A (1981) *Property and Politics 1870-1914. Landownership, law ideology and urban development in England*. Cambridge: Cambridge University Press

<sup>7</sup> Daunton, op. cit.

These rent controls were intended to be temporary and to expire six months after the war ended. However, the scope for scarcity rents was greater in 1918 than in 1915, prompting the government to extend control over rent increases. However, so long as rent (and interest) controls remained, there was little prospect of the private sector meeting the shortage. The granting of central government subsidies to councils with which to build council housing was therefore 'seen as a finite emergency measure to deal with wartime shortages before the restoration of the free market.'<sup>8</sup>

In the event, the housing programme was scrapped in 1921 due to rising costs and budgetary pressures, with 170,000 houses built – well short of the 500,000 target. Logic – and expediency – led to the continuation of rent controls. That subsidised housebuilding was seen principally as a temporary intervention to facilitate the return to the market was implied by the 1923 Act under which the presumption was in favour of subsidised housebuilding by private builders rather than by councils.

It was only after the election of the first Labour government in 1924 that legislation was passed that established long-term subsidies for council housing and effectively made such provision a permanent feature of the housing market. Rent controls also became permanent, meaning that private landlords were 'rejected as a crucial component of state policy in Britain, rather than incorporated as one element amongst a range of approaches.'<sup>9</sup> With private renting being replaced by owner-occupation for the middle classes and 'artisans' by 1930 the Conservatives accepted that private enterprise would never provide for the working-classes. They therefore accepted the permanence of rent controls for working-class private rental housing and the necessity of council housing targeted at this group.<sup>10</sup>

Early council housing was not intended to house the poorest households. Architecturally, it was influenced by the Garden City movement through the Tudor-Walters Committee and, in turn, the Ministry of Health's Housing Manual. Whilst designs varied, a typical design was a block of four flats located within a cottage-style building. In addition, estates were generously laid out. Whilst standards diminished somewhat after the 1919 Act, they remained generally high until the 1930s.

However, high standards also meant high costs. Rents, whilst subsidised, were out of the reach of poorer households. Preference in allocations was initially given to ex-servicemen ('homes fit for heroes'), and

... in practice, council houses went largely to a limited range of income groups – small clerks and tradesmen, artisans and the better-off semi-skilled workers with average-sized families and safe jobs... Typically... the council tenant of the 1920s and early 1930s was a man in a 'sheltered' manual job which had not been seriously endangered by the depression, who earned slightly more than the average wage and a family of two young children.<sup>11</sup>

By 1930 social rented housing had been established as being a permanent feature of the English housing system, and council housing as its monopoly provider. Since then, though, there have been several evolutionary milestones that affected the scale and function of the sector.

### **General needs versus targeting**

The function of social rented housing has swung between meeting general needs and targeting poorer households, the latter often associated with slum clearance. As noted, early council housing was beyond the reach of the poorest households and was targeted on clerical and skilled working class households. This changed after 1930 when the government adopted a slum-clearance policy which entailed rehousing affected households in council housing. Since these households were among the

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<sup>8</sup> Ibid., p. 9

<sup>9</sup> Ibid., p. 5

<sup>10</sup> Ibid.

<sup>11</sup> Burnett, J (1986) *A Social History of Housing 1815-1985*. Second edition. London: Methuen, p. 238

poorest, council housing had to change to accommodate them. Various efforts were made to reduce costs, such as building on suburban locations where land was cheaper, reducing quality, and sometimes building flats in city centre locations. However, the main innovation was the introduction of a proto-type housing allowance (see below).

After the Second World War, the first majority Labour Government (1945-51) shifted the emphasis away from targeting subsidies on slum clearance and back towards general needs.<sup>12</sup> Council housing was seen as playing a mainstream role in the housing market, housing people from across classes. Quality was also raised with a renewed emphasis on 'parlour' houses.<sup>13</sup> However, with such pressing housing needs electoral politics led to competition between the parties to build the most houses. Quality began to diminish and 'general needs' subsidies were ended by the Conservatives in 1955, a policy continued by the subsequent Labour Government. The emphasis therefore switched back to prioritising slum clearance. Additional subsidies were provided to incentivise the construction of high-rise estates, shifting the character of social rented housing towards flats, in contrast to the houses built for the growing owner-occupied sector.

That said, the scale of council housebuilding meant that by its peak around 1980 around one-third of households lived in social rented housing, and the purpose of social rented housing in this period can still be seen as providing a 'wider affordability function'.

### *Shifting to a 'safety net' function*

The move away from housing a broad range of the population in social rented housing began from the 1970s onwards. The key drivers were:

- Reduction in new social rented housebuilding arising from the economic crisis of 1976 when spending cuts were required as a condition of a loan from the IMF. Subsequently, the ideological shift against social rented housing associated with the Thatcher governments of the 1980s ensured that reductions would continue.
- The Right to Buy, which provided council tenants with the right to purchase their home at a discount linked to their length of residence, was introduced in 1980, leading to the loss of almost two million homes and over time reducing the supply of lets.
- A greater emphasis on allocation according to need in the 1970s, particularly after the Homeless Persons Act 1977 which placed a statutory duty on local authorities to find suitable 'settled accommodation' for statutorily homeless households who were (a) in priority need groups and (b) unintentionally homeless. Until 2011 councils discharged this duty by rehousing qualifying households in a secure social tenancy (often following waits in temporary accommodation).

These drivers were responsible for the process – often labelled 'residualisation' – whereby social rented housing became more of a 'safety net' for poorer and more vulnerable households. This long-term process was exacerbated by social and economic changes associated with deindustrialisation, labour market casualisation and the growth in income inequality and poverty from the low point reached in the late 1970s.

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<sup>12</sup> Based on revenue subsidies from central government to local authorities, usually through the 'Public Works Loan Board'.

<sup>13</sup> 'They were called 'parlour houses' as they had a separate front parlour or snug, normally later used as a Dining Room.' – Domestic Surveys (2019). <https://www.domesticsurveys.co.uk/2019/08/06/domestic-surveys-blog-local-authority/#:~:text=They%20were%20called%20parlour%20houses,to%20side%20across%20the%20back>

### *Shifting provision from councils to housing associations*

From 1988, the Government decided that housing associations should become the principal providers of new social rented housing. Until this point, the social rented sector had been dominated by council housing. Housing associations, which are generally charitable NGOs, often the legacy of small-scale local philanthropic initiatives, expanded after 1974 when they received grants from government. They were especially associated with upgrading sub-standard housing stock (after a backlash against full-scale slum clearance) and providing special needs housing for groups neglected by mainstream council housing.

The motivation for the 1988 change in policy focus arose from an antipathy towards the public sector as a direct provider of housing with a particular view that many councils had grown to be too big to be managed efficiently. In contrast, housing associations were seen as being small, local and responsive.

A further attraction arose from the Treasury's accounting convention whereby borrowing by housing associations did not score as public spending, in contrast to borrowing by local authorities which did.<sup>14</sup> This began the process of using private finance for investment in social rented housing. This began in the 1990s, since when capital grants have been greatly diminished. Especially after 2010, housing associations have become even more reliant on private finance, and finding resources other than grants to subsidise social rented housing.

### *Large Scale Stock transfers*

The Housing Act 1988 also made provision for council housing stock to be transferred to housing associations, following a ballot of tenants. When the government introduced 'negative' subsidies for local authorities whose revenue subsidies had been withdrawn, these councils had an incentive to transfer their stocks to housing associations. However, the big upswing in 'large scale voluntary transfers' occurred as the 1997-2010 Labour government saw this as a means of refinancing the stock and paying for renovations to meet new 'Decent Homes' standards. Whilst councils with 'positive value' stocks could do this unaided, those with 'negative value' stock required government subsidy. Some 1.3 million units of council housing were transferred to housing associations, contributing to their emergence as the main providers of social rented housing. (See 'Renovation' below)

### *The crucial role of housing allowances*

A very important feature of the English housing system is the extent of reliance on means-tested housing allowances, generally referred to as Housing Benefit.<sup>15</sup> Forms of means-tested support for tenants date back to the 1930s, but it was from the 1980s that the role of Housing Benefit grew. Its reform in 1988 introduced a structure whereby tenants with no other income than social assistance could receive the whole of their rent in Housing Benefit. Moreover, it offered pound-for-pound compensation for higher rents. It cannot be accidental that this structure was introduced in the same year that legislation allowed private sector rents to be deregulated and required housing associations

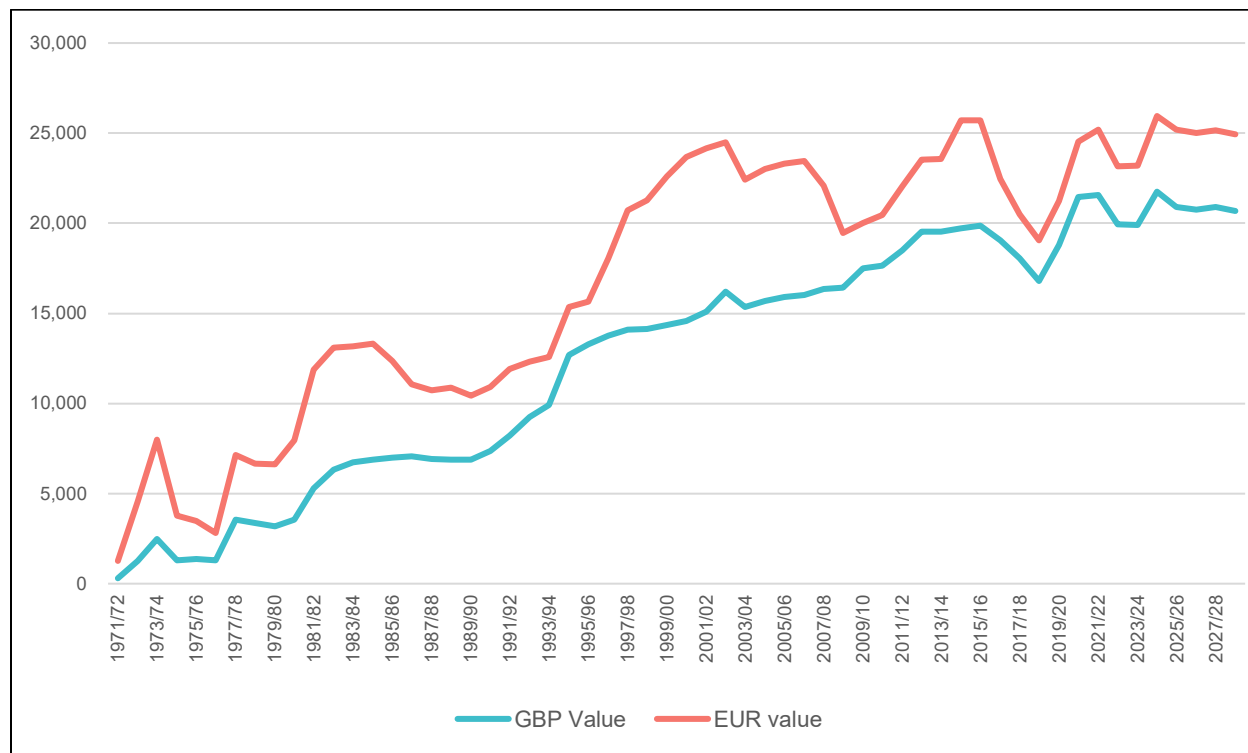
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<sup>14</sup> In 2015 the Office of Budgetary responsibility decided that the government's exercise of its power over housing associations was such that they should be treated as being public sector, so their debts were reallocated to the government's balance sheet. However, it had no material impact on the government's finances. The government did enough to reverse this in 2017 by passing regulations that limited the number of local authority nominees in a housing association board and removed local authority voting rights. See OBR (2019) Housing associations, classification changes and fiscal risks, <https://obr.uk/box/housing-associations-classification-changes-and-fiscal-risks/> (accessed 22 May 2025)

<sup>15</sup> See Stephens, M (2024) Housing benefits, housing policy and social security – the long view, in Stephens, M et al (eds) *UK Housing Review 2024*, Chartered Institute of Housing, pp. 45-56

to charge higher rents to secure private finance. In the words of the then housing minister, 'Housing benefit will take the strain.'<sup>16</sup>

**Figure 1: The cost of housing benefits for social tenants 1971/72-2027/28**



Source: DWP (2023) *Benefit expenditure and caseload tables 2023 – Outturn and forecast tables – Autumn Statement 2023*. (Originally prepared for UK Housing Review 2024)

Notes: Forecast from 2023/24; UC housing allowance not reported prior to 2019/20. This affects data over the period 2014/15-2018/19. Prior to 1987/88, rental support delivered through supplementary benefit is also excluded. Prior to 1999, no annual GBP/EUR data are available, as the EUR was not yet traded. In order to estimate the historic EUR value, the GBP value was first converted to Deutsche marks (DEM), and then the 'fixed' pre-2002 EUR/DEM exchange rate of €1 = 1.95583 DEM was applied. This is, of course, an imperfect solution, but was the best available option.

Figure 1 shows how the cost of housing benefits for social tenants rose from £1.2 billion in nominal terms (€4.4bn) in the first full year of its introduction in 1972/73 to more than £20 billion (€24bn) today. Claimant statistics for Great Britain show that the numbers of social tenants receiving housing benefits rose strongly from around 1980 until the mid-1990s, reflecting economic change and tenure residualisation. Since then, the number of social tenants receiving housing benefits has stabilised (although the tenure has shrunk absolutely), suggesting that the main driver of rising costs since then has been rising rents.<sup>17</sup>

More recently, the government's decision to force social landlords to reduce their rents by one per cent a year for four years from 2015/16 was motivated by a desire to contain housing benefit costs.<sup>18</sup> Other measures, such as a 'tax' on under occupation (popularly known as the 'bedroom tax') and broader social security constraints (such as the two-child limit and the benefits cap), whilst of material

<sup>16</sup> Quoted by Stephens (2024), op cit, p. 49

<sup>17</sup> See UK Housing Review (website version), Table 108 <https://www.ukhousingreview.org.uk/ukhr25/compendium.html> (accessed May 22, 2025)

<sup>18</sup> However, rents did recover somewhat subsequently. This reflects a need to help HAs to raise private finance to pay for development and renovations. Rent policy (i.e. the amount by which govt will allow HAs to increase rents each year) is a vital part of their business model. HAs are valued by the NPV of their future rental stream - hence higher rents boost their borrowing capacity. Thus, efforts to reduce rents also impact on future investments.

significance to those impacted, save far less money.<sup>19</sup> The cost of housing benefits (both in the social and private sectors) remains an unresolved issue.

### The role of government and other actors in social housing

The UK is a unitary state. Whilst Scotland, Wales, and Northern Ireland have their own parliaments and governments/executives, England does not. Therefore, the UK Government is responsible for housing in England, with legislation going through the UK Parliament.

The government department with responsibility for housing (and within which the Minister responsible for housing is located) has been subject to repeated name changes. It is currently known as the Ministry for Housing, Communities and Local Government (MHCLG).

MHCLG's housing responsibilities can be summarised<sup>20</sup>:

- Setting housing objectives, introducing legislation and coordinating cross-government approaches to housing;
- Funding housing programmes and overseeing the social housing sector through Homes England and the Greater London Authority;
- Overseeing the land use planning system, in particular by issuing the National Planning Policy Framework, and deciding nationally significant planning applications;
- Overseeing the housing funding system for local authorities, and leading on local authorities' statutory duties on housing and planning.

The Department of Work and Pensions (DWP) is responsible for the design and funding of housing allowances in England. These represent the largest financial subsidy to housing in England. These include:

- The housing cost element within Universal Credit, the main social assistance benefit for working-age people.
- Housing Benefit which is still in the process of being absorbed into Universal Credit; pensioner households are now the main recipient.
- Income Support for Mortgage Interest, which helps low income homeowners with their mortgage interest costs, now in the form of a loan.

There is no uniform scheme of local government across England. The main types of councils that have housing responsibilities are:

- Metropolitan authorities
- Unitary authorities
- District councils
- London Boroughs

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<sup>19</sup> Stephens (2024), op cit.

<sup>20</sup> This is based on the following publication, updated where necessary: National Audit Office (2017) Housing in England: overview. HC 917, Session 2017-17

Local authorities have several duties relating to social rented housing<sup>21</sup>:

- Some 166 councils still own housing stock of some 1.6 million units<sup>22</sup>. They are responsible for its allocation, management, and maintenance.
- To assess housing need and to develop a housing strategy.
- To maintain a social housing allocations policy, even if they no longer own stock.
- To provide free advice for people about their right to apply for a social home.

Although not strictly a social housing responsibility, of relevance is the duties of local authorities to formulate and publish a homelessness strategy, and to furthermore provide advice and assistance to people who are homeless or threatened with homelessness.

There is also no uniform system of regional government within England. However, the Greater London Authority (GLA) enjoys some housing powers. Under the Localism Act 2011, it is responsible for:<sup>23</sup>

- drawing up a London-wide housing strategy;<sup>24</sup>
- allocating capital grants under the Affordable Homes Programme 2021-26 for the construction of affordable homes (half of which must be for social rent);
- a land fund<sup>25</sup> for the acquisition and preparation of land for housing.

Outside London, allocations of the Affordable Homes Programme are made by Homes England, a non-departmental public body sponsored by MHCLG.

This landscape of local governance has been changing in recent years with the establishment of ten 'combined authorities', which are groups of local authorities that agree to co-operate. Nine of these combined authorities now have directly elected mayors.

The current Labour Government published a devolution White Paper in December 2024 seeking to accelerate this process, by creating Strategic Authorities across the entire country.<sup>26</sup> This has been characterised as effectively merging local authorities into areas of 500,000 and ending two-tier governance where both county and district councils exist.<sup>27</sup> The government's preference appears to be for Mayoral Strategic Authorities (i.e. ones with elected mayors). These would be given strategic planning powers, the right to introduce a community infrastructure levy, and would benefit from a more regionalised approach to distributing housing grants. The White Paper envisages that they would have control over housing and regeneration funds and 'the ability to set the strategic direction of any future affordable housing programme.'<sup>28</sup>

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<sup>21</sup> Ashfield District Council (2023) Statutory Housing Duties <https://moderngov.newcastle-staffs.gov.uk/documents/s41589/Appendix%201-Housing%20Duties%20Report.pdf>

<sup>22</sup> National Audit Office (2017) Housing in England: overview. HC 917, Session 2017-17 <https://www.nao.org.uk/reports/housing-in-england-overview/>

<sup>23</sup> Sandford, M (2024) The Greater London Authority, House of Commons Library Briefing <https://researchbriefings.files.parliament.uk/documents/SN05817/SN05817.pdf>

<sup>24</sup> London Housing Strategy <https://www.london.gov.uk/programmes-strategies/housing-and-land/london-housing-strategy>

<sup>25</sup> Homes for Londoners Land Fund <https://www.london.gov.uk/programmes-strategies/housing-and-land/homes-londoners/homes-londoners-land-fund?ac-53224=53222>

<sup>26</sup> MHCLG (2024) English Devolution White Paper, December <https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper> (accessed 24 January 2025)

<sup>27</sup> Holland, J (2024) Devolution White Paper sets out vision for integrated settlements and strategic authorities, Room151, 16 December <https://www.room151.co.uk/funding/devolution-white-paper-sets-out-government-vision-for-integrated-settlements-and-strategic-authorities/> (accessed 24 January 2025)

<sup>28</sup> MHCLG (2024) English Devolution White Paper, op cit.

In terms of links with the private sector, local authorities can use private properties for the purposes of providing temporary accommodation for homeless households. There were some 123,100 homeless households housed in temporary accommodation in June 2024.<sup>29</sup> Of these, 27,040 were housed under private sector leasing schemes, whereby local authorities or registered providers lease accommodation from private landlords. This is not, however, 'social' housing as rents are at or near market levels. Other forms of temporary accommodation include B&B and hotels (18,380), local authority or housing association stock (28,830), hostels (6,770) and nightly paid accommodation (36,790).

### The financing of social housing and public housing supports

The financing arrangements for housing development are distinct for housing associations and other private registered providers on the one hand, and local authorities on the other.

#### *Housing associations and other private registered providers*

Since 1988, housing associations have been the main providers of new social rental housing, whilst local authorities have for much of this period become peripheral. The system of financing housing association development has become complex and heterogeneous, and it is therefore simply not possible to try to define a 'typical' or 'average' new development, and the breakdown of funding sources used.

Before 1988, housing association development was financed by 100 per cent capital grants from government. To facilitate the sector's expansion, a mixed funding model was introduced consisting of a grant from government and private finance. The Housing Act 1988 also made it possible for housing associations to borrow from the private sector and for this not to score as public expenditure. These arrangements became known as the 'new financial regime'.

Government grants to housing associations are 'technically interest-free, undated, subordinated debt'. When the new financial regime began, grant rates could be as high as 90 per cent, meaning that only 10 per cent needed to be raised in private finance. Over time grant rates fell as housing associations developed greater capacity to raise private finance, but also because interest rates, which were 10% or more in the late 1980s, began to fall. By around 2008 grant rates had been reduced to 50 per cent. As a result of the 2010-15 government's 'austerity' programme, grant rates were cut further and are now around 15 per cent.

In the original model the balance between the grant and development costs was met by private finance. This comes in the form of a loan from a bank or other lender such as a building society, housing associations issuing public/own-name bonds, or through funds raised by the bond aggregator.

**Loans:** Loans are obtained from banks and building societies. They are straightforward products, akin to a mortgage. They can also offer flexibility through revolving credit facilities. They come with covenants, which reduce flexibility in other ways, for example if an association wishes to merge.

**Own-name bonds:** These are issued mostly, but not exclusively, by larger housing associations, which are subject to credit ratings (usually at A or A+, although these do vary). They have higher fixed costs than bank loans, but the cost of funds may be lower. They are therefore suitable for associations requiring larger amounts of finance, e.g. £100 million or more, although the range is between £50

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<sup>29</sup> MHCLG (2024) Statutory Homelessness in England: April-November. Detailed Local Authority Tables, Table TA1 <https://www.gov.uk/government/statistics/statutory-homelessness-in-england-april-to-june-2024>

million and £350 million or more.<sup>30</sup> The length of bonds ranges from between 10 and 40+ years. Capital market funding has delivered some £25 billion (€30bn; at €1 = £0.82993) in funding over the years.<sup>31</sup> Examples of margins over gilts (UK government bonds) are: 0.88 per cent for a £50 million (€58m) 2048 bond issued by Clarion in 2021, and 0.9 per cent for a £250 million (€291m) 2056 bond issued by LiveWest.<sup>32</sup>

**Bond aggregator:** The Housing Finance Corporation (THFC) was formed in 1987 on the initiative of the National Housing Federation (the representative body for housing associations) and the Housing Corporation (a non-departmental public body that distributed grants to and regulated housing associations until 2008). It is a not-for-profit body (registered under the Co-operative and Community Benefits Act 2014) that raises finance (in sterling) exclusively for registered providers of affordable housing in the UK. It enables smaller associations to benefit from bond finance, but also caters for large ones. THFC assesses the credit-worthiness of the beneficiaries, and issues loans on standard terms. The diversity of beneficiaries is also an attraction for investors. When the UK was a member of the EU, THFC also acted as a conduit for some £4 billion (€4.5bn; at €1 = £0.88125) of funds from the European Investment Bank.<sup>33</sup> THFC main group has a loan portfolio of £6.5 billion (€7.8bn) in England (£7.5 billion (€9bn) in UK), and has credit ratings of A+.<sup>34</sup>

**Government guarantee:** A government guarantee scheme, known as the Affordable Housing Guarantee Scheme (AHGS20)<sup>35</sup> was introduced in 2020 to support new housebuilding:<sup>36</sup> it was extended in 2024 when renovation work became eligible and the amount of backing rose from £3 billion (€3.4bn) to £6 billion (€7.1bn) running until April 2026. The scheme is operated by ARA Venn (a limited liability partnership) on behalf of the government and is open to private registered providers, and must relate to developments in their pipeline. The guarantee relates to bond issuances by the providers, with a minimum value of £5 million and a maximum 30 year maturity.<sup>37</sup> For example, in 2023 Yorkshire Housing Limited and Thirteen Group shared a £256 million 10 year issuance (€294m). Initially Yorkshire Homes drew down £74 million (€85m) to build 380 homes while Thirteen Group drew down £100 million (€115m) to build 700 homes.<sup>38</sup>

When the 'new financial regime' began, interest rates were in excess of 10 per cent, but fell in the 1990s and went to very low levels during the period between the Global Financial Crisis and the inflationary resurgence following the COVID-19 pandemic and Russian invasion of Ukraine in 2022.

<sup>30</sup> Partridge, S (2023) Private finance for affordable housing investment: from debt to equity, in Stephens, M et al (eds.) *UK Housing Review 2023*, Chartered Institute of Housing

<sup>31</sup> Ibid (Partridge)

<sup>32</sup> Ibid. (Partridge)

<sup>33</sup> THFC website <https://www.thfcorp.com/about-us/> (accessed 10 January 2024)

<sup>34</sup> THFC (2024) Annual Investor update, 6 November <https://www.thfcorp.com/wp-content/uploads/2024/11/Investor-Update-Nov-24-vF.pdf>

<sup>35</sup> MHCLG (2020) Affordable Home Guarantee Scheme 2020, Guidance on scheme rules, updated February 2024 <https://www.gov.uk/government/publications/housing-guarantee-scheme-rules-affordable-homes-guarantee-scheme-2020/affordable-homes-guarantee-scheme-2020> (accessed 25 January 2025)

<sup>36</sup> The exact rationale for the introduction of this scheme is not clear. For example, the public documents that accompanied its launch were rather vague on this point, citing simply a desire to boost investment: The gov't statement announcing the scheme did not give a rationale beyond that it would boost investment and provide more affordable homes. See

<https://hansard.parliament.uk/commons/2020-07-22/debates/20072232000017/AffordableHomesGuaranteeScheme2020>

<sup>37</sup> ARA Venn (undated) Affordable Homes Guarantee Scheme (information sheet) [https://www.ara-venn.com/wp-content/uploads/2024/02/ahgs\\_leaflet\\_202403.pdf](https://www.ara-venn.com/wp-content/uploads/2024/02/ahgs_leaflet_202403.pdf) (accessed 25 January 2025)

<sup>38</sup> Grigor, G (2024) Gove's changes to the Affordable Housing Guarantee Scheme make it a better funding option, *Housing Today*, 22 March <https://www.housingtoday.co.uk/comment/goves-changes-to-the-affordable-homes-guarantee-scheme-make-it-a-better-financing-option/5128542.article> (accessed 25 January 2025)

The 'regime' was successful in leveraging in private finance to part-fund new social rented and other forms of affordable housing. Its success is attributed in part to the buffer provided by the grant element, the strong regulatory framework that gave comfort to lenders, rents being indexed and the vital role that housing allowances play in the UK housing system. In 1988 the means-tested Housing Benefit system was reformed. It could meet the entire rent of tenants with incomes at or below social assistance levels, and for other tenants it provided 100 per cent subsidy at the margin: in other words if the rent went up by £10 a week, Housing Benefit would also rise by £10. It is estimated that 57 per cent of housing association rents are paid by housing allowances which represents 'a significant embedded revenue subsidy that flows through the tenant.'<sup>39</sup>

The sector is still able to present itself as having a 'zero loss-from-default record.'<sup>40</sup> Nonetheless, some housing associations have encountered financial difficulties, but to protect the reputation of the sector as a whole a 'merge to rescue' model operates, whereby the distressed association merges with a financially stronger one.

In 2010, the government cut grant funding to housing associations by more than 60 per cent. A new form of subsidised housing known as 'affordable rent' was introduced with rents that could be as high as 80 per cent of market rents; in contrast to traditional social rented housing where rents are around half of market rents.

In addition to reduced grant rates, housing associations' ability to raise private finance has been constrained by government rent policy. This had allowed rents to rise by the rate of consumer price inflation plus one per cent. However, for four years from 2015/16, housing associations were obliged to reduce their rents by one per cent a year. In addition, in response to the cost of living crisis, rent increases were capped at 7 per cent in 2023/24. The cumulative impact of these measures has been estimated at a loss of revenue of £2.3 billion (€2.7bn) which could have levered in £40-50 billion (€47-59bn) in finance for investment.<sup>41</sup>

Under these arrangements, housing associations had to draw on a wider range of funding to finance traditional social rented housing. These include:

- ***Cross-subsidy***: This entails housing associations building housing for sale (including shared ownership), and using the receipts to subsidise social and affordable housing. The viability of this model is questionable, particularly as the market has become less favourable. It has been described as being 'a small driver in a faltering market, rather than one that has ceased to be viable at all.'<sup>42</sup>
- ***Land value capture***: This has become a key mechanism in providing new social rented housing. It takes the form of 'Section 106' contributions from private developers that are negotiated with the local (planning) authority and are made possible by the increase in land value arising from planning permission. S106 contributions have accounted for between one

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<sup>39</sup> Piers Williamson oral evidence to Finances and sustainability of the social housing sector, HC 1268, 19 June 2023 <https://committees.parliament.uk/event/18695/formal-meeting-oral-evidence-session/> (accessed 11 January 2025)

<sup>40</sup> National Housing Federation (2023) Written evidence submitted to Finances and sustainability of the social housing sector, HC 1268 [FSS 032] <https://committees.parliament.uk/work/7406/the-finances-and-sustainability-of-the-social-housing-sector/publications/written-evidence/> (accessed 11 January 2025)

<sup>41</sup> Chartered Institute of Housing (2023) Written evidence submitted to Finances and sustainability of the social housing sector, HC 1268 [FSS 035] <https://committees.parliament.uk/writtenevidence/121227/pdf/> (accessed 11 January 2025)

<sup>42</sup> Chartered Institute of Housing Written evidence submitted to Finances and sustainability of the social housing sector, HC 1268 [FSS 035], op cit.

and two thirds of social housing over time and in 2023 were reported to be responsible for some 43 per cent of it.<sup>43</sup> (See also 'Developer contributions' below)

### *Private equity and for-profit registered providers*

Since 2008, it has been possible for for-profit companies to become 'registered providers' and to supply social and affordable housing. These for-profit registered providers (FPRPs) have grown from a base of zero, particularly over the past decade. They are attracted by factors such as the structural imbalance in the housing market and the prospect of long-term stable cash flows.<sup>44</sup> There were just 13 FPRPs in 2013 owning 187 homes (affordable as well as social).<sup>45</sup> By 2023 the number of providers had grown to 69, owning 28,164 homes. Savills expects the number of FPRPs to grow to around 100 by 2028 with ownership of 113,000 homes.

In 2023, almost 60 per cent of homes owned by FPRPs were shared ownership (i.e., not social rent), although most of the balance was general needs rental, and this segment has grown quickly in recent years. There is a growing tendency for not-for profit providers to partner with FPRPs to take advantage of their ability to supply capital. In return, more traditional providers may have a comparative advantage in management. FPRPs include housebuilders wanting to retain control over social and affordable housing provided as part of planning agreements, private equity companies and life assurance companies.

### *Local authorities and financing*

Turning to the financing of the local authority arm of social housing provision. Historically, local authorities have been responsible for developing most of England's social housing stock. They borrowed funds, often at near risk-free rates by borrowing through the Public Works Loan Board. Government support took the form of an annual revenue subsidy paid to local authorities' Housing Revenue Accounts (HRAs).

A complication to this model arose from the payment of means-tested housing allowances ('Rent Allowance') to qualifying tenants. These evolved from schemes operated by each local authority and took the form of a reduction in a qualifying tenant's rent, and were administered by the local authority. However, the costs were reimbursed by central government, also as a distinct payment into the HRA. These became part of the national Housing Benefit system from 1972/73.<sup>46</sup> Local authorities could (and at times were obliged) to supplement the HRA with payments from local taxes, but these were outlawed in 1989, as HRA were 'ringfenced'.

The recurrent subsidies were reduced in the 1980s (placing an upward pressure on rents). After many local authorities lost all of their revenue subsidy, from 1989 the government started to withdraw the second subsidy stream, that which met the cost of the Rent Allowances. This can be conceived of as effectively a tax or 'negative subsidy' applied to most local authorities. This allowed remaining revenue support to be directed towards councils, which still qualified for revenue subsidy by virtue of the levels of outstanding debt.<sup>47</sup>

<sup>43</sup> House of Commons Levelling Up, Housing and Communities Committee (2024) The finances and sustainability of the social housing sector, HC 60, p. 34

<https://publications.parliament.uk/pa/cm5804/cmselect/cmcomloc/60/report.html> (accessed 25 January 2025)

<sup>44</sup> Partridge, op cit.

<sup>45</sup> This section is based on: Savills (2023) Private Capital and Affordable Housing, Spring <https://pdf.euro.savills.co.uk/uk/residential---other/private-capital-and-affordable-housing---spring-2023.pdf>

<sup>46</sup> See Stephens, M (2024) Housing benefits, housing policy and social security – the long view, in Stephens, M et al (eds) *UK Housing Review 2024*, Chartered Institute of Housing, pp. 45-56

<sup>47</sup> Whitehead, C (2014) Social Housing in England, in Scanlon, K, et al (eds) *Social Housing in Europe*, Wiley Blackwell, pp. 105-122

In 2012, the government reached an agreement with local authorities to reallocate debt between local authorities so that they might become self-financing; i.e. able to support their own stock from their own income. Stocks were valued (using 30 year cash flow).<sup>48</sup> Where the housing debt was greater than the value of the stock, then the government would pay off the difference. Conversely, where the value of the stock exceeded the value of the debt, the local authority would be required to pay the difference. This gave 'some local authorities headroom to borrow to invest in social housing again.'<sup>49</sup>

However, a recent report by the Chartered Institute of Housing and Savills found that:

"The impact of rent controls, sustained higher-than-expected inflation, loss of stock through right to buy, and new regulatory burdens have all undermined the original settlement. The result is that councils have unsustainable debt levels and there is simply not enough money in the system to allow council housing to be run properly."<sup>50</sup>

The authors suggest that local authorities are carrying £17 billion (€20bn) of unsustainable housing debt which, if transferred to the government, would enable councils to borrow to invest in the stock. However, at present it seems unlikely that this transfer will occur.

Governments introduced controls on local authority borrowing after the economic crisis in 1976, which greatly limited councils' ability to build. Indeed their building rates never recovered. However, in 2018 the government ended these borrowing caps. At the time it was estimated that this would enable councils to build an additional 20-27,000 units by 2023/24, although it was noted that, in contrast to Scotland, the Right to Buy remained as a deterrent to new build by English councils.<sup>51</sup> Since 2012 a proportion (generally 20-25%) of receipts has been remitted to the Treasury according to self-financing agreements with government. Local authorities were temporarily to retain all of their receipts for two years (2022/23 and 2023/24).<sup>52</sup> Until recently, only a proportion of retained receipts could be used to finance replacement housing. In 2024 this proportion was raised from 40 to 50 per cent (in the Spring Budget)<sup>53</sup> and the new government has raised it to 100 per cent, as well as introducing other flexibility.<sup>54</sup>

However, in reality, the uplift in local authority completions has been modest. Whilst completions fell as low as 50 in 1999, they were 2,230 in 2011 and 840 in 2013.<sup>55</sup> Since then the highest number of local authority completions was 2,690 in 2018 which was one-tenth of the combined housing

<sup>48</sup> DCLG (2011) Implementing self-financing for council housing <https://assets.publishing.service.gov.uk/media/5a75ba70ed915d506ee810b2/1831498.pdf> (accessed 28 January 2025)

<sup>49</sup> Whitehead, op cit, p. 111

<sup>50</sup> Partridge, S, et al (2024) Why councils are underinvesting in housing and how an updated debt settlement could put things right, p. 2 <https://www.cih.org/media/ocljn5sc/0508-briefing-on-hra-report-v3.pdf> (accessed 28 January 2025)

<sup>51</sup> Judge, L and Tomlinson, D (2018) Lifting the lid on the HRA cap, Resolution Foundation, 31 October <https://www.resolutionfoundation.org/comment/lifting-the-lid-on-the-hra-cap-is-a-new-era-of-council-housing-about-to-dawn/> (accessed 28 January 2025)

<sup>52</sup> Local Government Association (2024) Right to Buy Position Statement, 9 February <https://www.local.gov.uk/parliament/briefings-and-responses/right-buy-position-statement#:~:text=Retain%20100%20per%20cent%20of,23%20and%202023%2F24>. (accessed 22 May 2025)

<sup>53</sup> House of Commons Levelling Up, Housing and Communities Committee (2024) The finances and sustainability of the social housing sector, HC 60, p. 11 <https://publications.parliament.uk/pa/cm5804/cmselect/cmcomloc/60/report.html> (accessed 25 January 2025)

<sup>54</sup> MHCLG (2024) Retained Right to Buy receipts and their use for replacement supply: guidance, 30 July <https://www.gov.uk/government/publications/retained-right-to-buy-receipts-and-their-use-for-replacement-supply-guidance/retained-right-to-buy-receipts-and-their-use-for-replacement-supply-guidance> (accessed 22 May 2025)

<sup>55</sup> MHCLG Live Table 244 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building> (accessed 30 January 2025)

association and local authority output. The average over the eleven years to 2023 was 1,749, which is six per cent of the combined total.

### General government spending on housing

The UK Housing Review estimates that planned government support and investment in new affordable and private market housing amounted to some £42 billion (€49bn) over the period 2021/22-2024/25. Of this around half is attributable to affordable housing (Table 2).

**Table 2: Summary of government support for affordable and private new build investment in England, 2021/22-2024/25**

Programme	Period	Grant (€m)	Loan (€m)	Guarantee (€m)	
<b>Affordable Homes Programme 2020/21-2025/26</b>	2020/21 onwards	13,430	-	-	
<b>Affordable Homes Guarantee Scheme (AHGS)</b>	2020 onwards	-	-	3,370	
<b>Care and Support Specialised Housing Fund</b>	2021/22-2023/24	330	-	-	
<b>Removal of HRA borrowing caps</b>	2018/19-2023/24		5,250		
<b>Local Authority Housing Fund</b>	2022/23-2025/26	1,420			
<b>Total Affordable Rent and low-cost home ownership</b>		15,180	5,250	3,370	<b>Total = €23,800</b>

Source: Perry, J (2024) *Housing Expenditure Plans in* Stephens, M, et al (eds) *UK Housing Review 2024*, CIH, Table 2.4.1  
Notes: Converted from original GBP denominated figures. Rounded to the nearest €10 and then summed.

Some £11.5 billion (€13.4bn) is allocated in grants to the Affordable Homes Programme 2020/21-2025/26, or an average of £2.3 billion (€2.7bn) per year. This figure is dwarfed by the subsidies that social tenants receive through housing allowances. In 2023/24 across Great Britain 3.5 million social tenant households received assistance with their rent at a cost of £19.5 billion (€22.7bn).<sup>56</sup> Unfortunately, these figures cannot be broken down to the individual country within Great Britain, or between housing association and local authority tenants.

The English Housing Survey (a household survey) suggests that 59.5 per cent of social tenant households received housing benefits in 2022/23, with an average receipt of £87 per week (€101).<sup>57</sup> This illustrates the high level of dependence of the social sector on housing allowances, despite sub-market rents—although the proportion of social tenants receiving support has declined from 65.6 per cent in 2012/13.<sup>58</sup>

<sup>56</sup> Calculated from DWP Benefit expenditure and caseload tables 2024  
<https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2024>

<sup>57</sup> English Housing Survey 2022/23. Headline Report, Annex Table 2.10  
<https://www.gov.uk/government/statistics/annex-tables-for-english-housing-survey-headline-report-2022-to-2023> (accessed 30 January 2025)

<sup>58</sup> Ibid. Please note that as the statistics are based on a survey of a sample of the population, the percentage in receipt of support is an estimate, rather than a calculation based on the full sample of social tenant households.

**Table 3: Affordable housing completions in England by tenure, 2014/15 to 2023/24**

Year	Social rent	Affordable Rent	Intermediate rent	London Affordable Rent	Affordable ownership	Shared Ownership	First Homes	Unknown	TOTAL
2014/15	9,331	40,860	1,105	-	3,535	11,128	-	-	65,959
2015/16	6,803	16,544	1,697	-	3,486	4,084	-	-	32,614
2016/17	5,827	24,454	938	-	1,966	9,021	-	-	42,206
2017/18	7,049	26,934	791	103	1,459	11,048	-	4	47,388
2018/19	6,363	28,957	1,383	1,002	2,460	17,028	-	33	57,226
2019/20	6,766	28,263	1,748	1,797	2,108	18,239	-	43	58,964
2020/21	6,051	23,786	2,026	2,102	1,134	16,945	-	28	52,072
2021/22	7,659	26,471	1,477	3,101	1,047	19,338	-	42	59,135
2022/23	9,499	24,516	2,701	4,296	1,172	20,497	35	120	62,836
2023/24	9,866	24,155	2,303	3,916	1,071	20,364	1,021	-	62,696

Source: Statistics: UK Housing Review, Compendium Table 20a; explanation of tenure types: BBC (2024) *New Homes, What's the new government's housebuilding target?*, 2 August<sup>59</sup>

Notes: Social rent: affordable housing, usually owned by local authorities or housing associations with rents set by a national rent formula. Affordable rent: properties rented Registered Providers (usually local authorities or housing associations) at up to 80% of local market rents. Intermediate rent: Rent capped at 80% for key workers, sometimes as part of a scheme to help save up to buy a home. London Affordable rent: a separate classification offered by the Greater London Authority, also capped at 80% of market rents. Affordable home ownership: Homes offered at no more than 80% of local market values. Shared ownership: purchaser buys between 25% and 75% of a home and pays rent on the remaining share. First Homes: a first-time buyer with a limited income may purchase a house from a developer for between 30 and 50 per cent below its market value. PRP: Private Registered Provider (usually a housing association), but may be a for-profit provider HE: Homes England GLA: Greater London Authority S106: Section 106 – a form of developer contribution

Table 3 presents the numbers and types of affordable housing completions over the ten years up to and including 2023/24. Overall, there were almost 5.5 million affordable housing completions during this period. Of these, more than two-thirds (68.7%) were forms of affordable rental housing and just under one-third (31.2%) were forms of affordable home ownership.

Of the 372,640 units of rental housing completed in this period, one fifth (20%) were social rented and 71 per cent affordable rent. The balance took the form of London affordable rent and intermediate rent. Housing associations and other Private Registered Providers were responsible for the great majority (86.6%) of grant-funded rental housing (both social and affordable rent), whilst local authorities were responsible for 13.4 per cent. Some 41 per cent of Affordable Rent and Social Rent (combined) was grant-supported. However, only 26 per cent of social rented housing was grant-supported whilst 45 per cent of Affordable Rent was grant-supported.

Developer contributions (S.106) accounted for 38 per cent of all social and affordable rent completions over the period. Almost three-quarters of these (74%) were Affordable Rent and just under one-quarter (26%) were Social Rent. However, developer contributions accounted for a higher proportion of social rent completions (44%) compared to Affordable Rent completions (37%). Other funded (non-local authority) completions accounted for 12 per cent of social and affordable rent completions combined, with similar proportions attributable to social rent (14%) and affordable rent (12%).

<sup>59</sup> Available at:

<https://www.bbc.co.uk/news/61407508#:~:text=intermediate%20rent%20%2D%20rent%20capped%20at,80%25%20of%20local%20market%20values> (accessed 30 January 2025)

Overall, this analysis demonstrates that most social and affordable housing completions are not supported by grants, and that developer contributions are an important source of funding for social and affordable housing.

Turning to the issue of the cost of renovating and maintaining social housing. By the turn of the century, there was a great need to renovate or rehabilitate much of the stock of local authority social housing. The government set a target to bring all social homes up to the Decent Homes Standard by 2010. It assumed that housing associations that primarily owned newer stock could maintain their own stock from their own resources and by borrowing.

The main ways in which were available to local authorities to upgrade stock were:

- Large Scale Voluntary Transfers (LSVTs) to housing associations, allowing refinancing to fund renovation.
- Establishing Arm's Length Management Organisations (ALMOs) to manage the stock on behalf of the local authority

Local authorities that chose these pathways were able to access Decent Homes 'gap' funding from Government. Those that chose to retain their stock were not able to access this funding; instead they might benefit from the major repairs allowance within their HRA budget and controlled access to borrowing.<sup>60</sup>

#### *Large Scale Stock Transfers as a means of rehabilitation*

Restrictions were placed on local authorities' powers to borrow for new housing or to rehabilitate older stock from 1976, as a means to contain public expenditure. By the 1990s there was a large backlog of major repairs and renovation in the council housing stock. A solution emerged based on stock transfers to housing associations utilising their borrowing being off the government's balance sheet.

The Housing Act 1988 made provision for council housing stock to be transferred to housing associations, following a ballot of tenants. This provision was initially attractive to some councils with little housing debt, which were penalised by the system of government grants to local authorities. Historically, central government subsidies took the form of an annual revenue subsidy. This was reduced and eventually withdrawn as housing debts reduced and some local authorities' Housing Revenue Accounts moved towards surplus.

From 1989 the government introduced *negative* subsidies in surplus authorities whose revenue subsidies had been withdrawn by clawing back housing benefit subsidy for local authority tenants. This provided some councils with a financial incentive to transfer their stocks to newly formed housing associations. Valuation was based on the net present value of the next 30 years' anticipated rental income and management and maintenance costs. Provided this was sufficient to clear any outstanding housing debt, a transfer could proceed, with a 'dowry' paid to the Treasury in partial recompense for lost claw back.

Some councils also saw this as a way to pay for stock upgrades, by refinancing on transfer. However, this route was not open to many of the councils with the stock in most need of upgrading because they tended to have lower or even negative value stocks. A relatively small-scale Estates Renewal Challenge Fund was established to facilitate such transfers by using central government subsidy to pay off local authorities' housing debt. This became a full-blown strategy under the 1997-2010 Labour Governments to help to upgrade the social housing stock, backed by 'gap' funding from government. Since 1988/89 more than 1.3 million units of council housing have been subject to large-scale stock

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<sup>60</sup> House of Commons Committee of Public Accounts (2010) *The Decent Homes Programme*, HC 350 <https://publications.parliament.uk/pa/cm200910/cmselect/cmpubacc/350/350.pdf> (accessed 30 January 2025)

transfers generating some £22 billion (€29bn) of housing association loan facilities.<sup>61</sup> Between 1996/97 and 2015/16 around 237,000 units with negative values and 377,000 with positive values were transferred.<sup>62</sup> There have been no further transfers of this nature over the past decade, so it appears to be a policy that has run its course.

### *Arm's Length Management Organisations*

Provision was also made for local authorities which did not transfer their stock to housing associations to rehabilitate stock if they transferred management (but not outright ownership) to Arm's Length Management Organisations (ALMOs). The idea was to make funding conditional on driving up management standards, but may also have reflected an ideological antipathy towards local authorities as managers.<sup>63</sup> ALMOs grew from the early 2000s and at their peak there were more than one million homes being managed by 69 ALMOs. Once funding had been secured and renovation taken place, many local authorities took back control of housing management, whilst ten went on to transfer their stock to housing associations.<sup>64</sup> There are now 15 ALMOs that are members of the National Federation of ALMOs, managing some 172,275 properties.<sup>65</sup>

### *Densification*

A third strategy for stock rehabilitation involves 'densification' strategies. These involve local authorities sanctioning the demolition of council estates, selling the land (usually) to private developers. The private developers then redevelop the area at a higher density, using profits from for-profit housing to pay for new social and affordable housing through developer agreements (i.e. land value capture). The strategy usually depends on high land values so is most prevalent in London. This practice also reflects the reality that many councils simply did not have the resources to directly build new homes themselves. Such schemes are not mandated, and are at the discretion of the local authorities involved.

There are some notorious examples where densification was more akin to social cleansing and has been characterised as 'state-led gentrification'. In the most egregious example 1,194 social rented flats in Heygate estate in Southwark (inner London) were demolished and the land sold to Lend Lease. The redevelopment – renamed Elephant Park – of 2,500 flats included only 74 social rented and 500 affordable flats.<sup>66</sup> In the nearby Aylesbury Estate, which at its peak had 2,700 properties, tenants voted against a stock transfer. This led to the adoption of a densification strategy. The on-going densification programme is led by Notting Hill Genesis, a housing association. The redevelopment, which is scheduled to be completed in 2036, will have 3,500 properties, half of which will be social (37.5%) and affordable (12.5%).<sup>67</sup>

In terms of outcomes, the proportion of homes owned by local authorities that met the Decent Homes standard rose from 68 per cent in 2006/07 to 89 per cent in 2022/23. The figures for housing

<sup>61</sup> *UK Housing Review*, Compendium Table 68a

<sup>62</sup> *UK Housing Review*, Compendium Table 68b

<sup>63</sup> The Government tried to test the theory that LAs were not adequate housing managers, going so far as to commission research in 1988. However, local authorities largely refused to cooperate with this work.

<sup>64</sup> See Merrick, N (2023) The future of arm's length management organisations, Housing Quality Network <https://hqnetwork.co.uk/wp-content/uploads/2023/01/1.-Almo-future-final-formatted-JB.pdf>

<sup>65</sup> National Federation of ALMOs webpage <https://www.almos.org.uk> (accessed 13 January 2025)

<sup>66</sup> Wainwright, O (2015) Revealed: how developers exploit flawed planning system to minimise affordable housing, *Guardian*, 25 June <https://www.theguardian.com/cities/2015/jun/25/london-developers-viability-planning-affordable-social-housing-regeneration-oliver-wainwright>

<sup>67</sup> Aylesbury Now <http://www.aylesburynow.london> (accessed 13 January 2025)

associations are 75 per cent in 2006/07 and 90 per cent in 2022/23.<sup>68</sup> The overall figure of 90 per cent in the social sector as a whole compared with 86 per cent in the owner-occupied stock and 79 per cent in the private rented sector.

### Current challenges

The government intended that following the Decent Homes programme, which ended in 2010, the restructuring of local authority debt would enable them to become self-financing in the future.<sup>69</sup> However, as described above, these hopes have been disrupted by rent controls and increased pressures to prioritise stock renovation over new development.

These arises not only from the age of stock (which now also affects more housing associations), but from recent demands arising from net-zero policies and requirements to improve building safety in the aftermath of the Grenfell Tower fire in 2017. A further pressure is anticipated when a new Decent Homes Standard is set.

There is some grant funding available from the government's Social Housing Decarbonisation Fund, which was to be released in tranches totalling £3.8 billion (€4.6bn) up to 2028. However, the costs of decarbonisation facing housing association is £36 billion (€43bn), in addition to £23 billion (€28bn) for councils.<sup>70</sup> Funds for building safety are highly targeted on the private sector with very little going to social housing. Meanwhile the funds for the government's Affordable Homes Programme can only be used for schemes that lead to a net increase in the number of units – so are only applicable for regeneration when homes are demolished and replaced.

Social landlords are therefore prioritising the use of their own funds for renovation over new development. The economics of renovation remains particularly constrained where stock have negative values. Investment in decarbonising stock is also particularly challenging because benefits (e.g. lower energy bills) do not accrue to the landlord or investor.

### Land acquisition

Land acquisition is a barrier to social housing development – land markets are competitive and where there is high demand prices get bid upwards. Indeed, a survey in 2019 found that 78 per cent of housing associations cited land as the 'main constraint' to development.<sup>71</sup> Moreover, public land disposal is of limited help as it has to be sold to the highest bidder. Housing associations are, however, moving away from purchasing properties from private developers under S106 agreements, due to concerns which include quality, and towards 'land-led' approaches, which gives them ownership of the development process as well as control of what is built.

The 2019 survey found that 39 per cent of associations had strategic land, with a focus on smaller sites of around 50-100 units. However, almost two-thirds (64%) would seek to acquire strategic land over the next five years.<sup>72</sup> This raises the prospects of housing associations competing against each other in the land market and bidding up prices—something that might be limited through partnerships between housing associations. Particularly the larger housing associations have development arms.

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<sup>68</sup> Figure from *UK Housing Review*, Compendium Table 23

<sup>69</sup> DCLG (2011) Implementing self-financing for council housing <https://assets.publishing.service.gov.uk/media/5a75ba70ed915d506ee810b2/1831498.pdf> (accessed 28 January 2025)

<sup>70</sup> See House of Commons Levelling Up, Housing and Communities Committee (2024) The finances and sustainability of the social housing sector, HC 60, Chapter 4

<sup>71</sup> Savills (2019) *The Savills Housing Sector Survey 2019*, [https://www.savills.co.uk/research\\_articles/229130/283846-0](https://www.savills.co.uk/research_articles/229130/283846-0)

<sup>72</sup> Savills (2019), op cit.

For example, Clarion, the largest English housing association, owns a development company (Latimer Developments Ltd) whose specialist land team works with landowners, agents, local authorities and developers to buy land for housing development.<sup>73</sup>

There is much debate about housing land supply, not only for social housing. There seems to be potential for a greater role for Homes England, a non-departmental public body formed in 2018 to acquire land for development, to play a more active role in land acquisition and assembly. Recent and proposed changes to compulsory purchase laws are intended to allow Homes England and other public bodies to purchase land at a 'fair' value rather than at 'hope' value that reflects its likely intended use.<sup>74</sup>

### Accessing social housing in England

Social housing is generally scarce. In March 2024 there were 1.33 million households on local authority housing registers. In 2023/24 some 261,000 households received a new social letting, 64 per cent of which were new social tenants.<sup>75</sup> As a random example, Thurrock Council's webpage outlining its housing register contains a warning: "For most households the chances of being offered a property by us are extremely low, and you should think about other housing options."<sup>76</sup>

Although local authorities are not required to maintain a housing register, they are required to have an allocation scheme for determining priorities between applicants. To be allocated social housing by a local authority, an applicant must be both eligible and a qualifying person. Eligibility, which is determined by the UK Government, applies to people aged 16 or over subject to immigration status. People are eligible for council housing if they:

- are a British or Irish citizen;
- have settled status from the EU Settlement Scheme;
- have indefinite leave to remain;
- have refugee status or humanitarian protection;
- have right of abode;
- have leave to remain in the UK as a 'stateless person'.<sup>77</sup>

Who counts as being a qualifying person is determined by the local authority, subject to the Equality Act 2010 which prevents discrimination against nine 'protected characteristics'.<sup>78</sup> However, councils may exclude people on grounds of unacceptable housing-related behaviour. This may include anti-social behaviour, criminal activity, rent or local tax ('council tax') arrears. All but 11 per cent of councils require a minimum period or residency in the area and/ or a local connection. (Some 45% of councils

<sup>73</sup> See Clarion's website: <https://www.clarionhq.com/about-us/partner-with-us/land-deals> (accessed 13 January 2015)

<sup>74</sup> See House of Commons Library (2024) *Compensation for the compulsory purchase of land*, <https://commonslibrary.parliament.uk/compensation-for-the-compulsory-purchase-of-land/> (accessed 13 January 2025)

<sup>75</sup> MHCLG (2024) *Social housing lettings in England, tenants: April 2023 to March 2024*, 5 December <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2023-to-march-2024/social-housing-lettings-in-england-tenants-april-2023-to-march-2024#:~:text=In%20this%20release%3A&text=492%2C000%20people%20in%20261%2C000%20households.67%25%20in%202022%2F23> (accessed 13 January 2025)

<sup>76</sup> Thurrock Council 'Finding somewhere to live' <https://www.thurrock.gov.uk/finding-somewhere-to-live/before-you-apply-for-council-housing> (accessed 13 January 2025)

<sup>77</sup> Citizens Advice Getting on a waiting list for a council home <https://www.citizensadvice.org.uk/housing/applying-for-council-housing-or-a-housing-association-home/getting-a-council-home/> (accessed 22 May 2025)

<sup>78</sup> These are: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation. See <https://www.legislation.gov.uk/ukpga/2010/15/section/4> (accessed 13 January 2025)

operate both residency and local connection tests; 31% only a local connection test and 12% only a residency test.<sup>79</sup>) Historically, there were no income limits, but these are now permitted.

These limits are determined by local authorities and vary according to household size and required property size. In the random example of Thurrock, the income limit (based on income after tax) varies between £27,100 (€32,653) for a single person to £86,500 (€104,226) for a single person or couple with children requiring a four-bedroom property. The income limit rises to as high as £284,000 (€432,198) for extra care housing.<sup>80</sup> Birmingham, the largest individual council landlord in England, sets an (after tax) income limit of £57,880 (€69,740) and an asset limit of £16,000 (€19,279); without variation.<sup>81</sup>

There have been several legal challenges against exclusionary policies, usually on grounds of direct or indirect discrimination, or because they conflict with another statutory obligation.<sup>82</sup> A relatively recent innovation is that local authorities may apply income limits (which traditionally were not a feature of the system). Social landlords may charge higher rents to existing tenants with very high incomes, but their eligibility does not cease—see rent setting below.

For example, Reigate Council requires a minimum residency of three years or 12 months' employment in the area, alongside income limits of £30,000 (€36,148) for a single person or £35,000 (€42,172) for a couple. Thurrock Council operates a six-year residency requirement and income limits based on the size of property that the household type would require: for a single person, the limit is £27,700 (after tax) (€33,376); for a households needing a four-bedroom property the limit is £86,500 (after tax); (€104,226).<sup>83</sup>

In allocating housing, local authorities must apply 'reasonable preference' to certain categories of applicant:

- People who are statutorily homeless;
- People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory living conditions;
- People who need to move on medical or welfare grounds (including those relating to a disability); and
- People who need to move to a particular locality where failure to meet that need would cause hardship.<sup>84</sup>

Since 2012, local authorities have also been obliged to give 'additional preference' to former armed services personnel.

The Homeless Persons Act 1977 introduced statutory duties for local authorities to find settled accommodation for certain homeless people (those who are unintentionally homeless and in priority need). Although amended since then, notably with the Homelessness Reduction Act 2018, the 'main duty' remains to provide temporary accommodation until such time that the duty is ended, either by an

<sup>79</sup> MHCLG (2024) *Social housing lettings in England*, op cit.

<sup>80</sup> Thurrock Council, op cit.

<sup>81</sup> Birmingham City Council information on applying for housing <https://www.birminghamchoice.co.uk/content/Information#:~:text=Applicants%20who%20do%20not%20have,normal%20qualify%20for%20social%20housing.&text=Household%20income%20and%20assets%20are,normal%20qualify%20for%20social%20housing>. (accessed 22 May 2025)

<sup>82</sup> Wilson, W (2022) *Allocating social housing (England)*, House of Commons Library Research Briefing. Section 3.1 <https://researchbriefings.files.parliament.uk/documents/SN06397/SN06397.pdf> (accessed 13 January 2025)

<sup>83</sup> Thurrock Council 'Finding somewhere to live' <https://www.thurrock.gov.uk/finding-somewhere-to-live/before-you-apply-for-council-housing> (accessed 13 January 2025)

<sup>84</sup> Wilson, W (2022) *Allocating social housing (England)*, House of Commons Library Research Briefing <https://researchbriefings.files.parliament.uk/documents/SN06397/SN06397.pdf> (accessed 13 January 2025)

offer of settled accommodation or for another specified reason. Although private tenancies are now an accepted way to discharge the main duty, allocations to homeless people accounted for more than one-fifth of social housing allocations in 2021/22.<sup>85</sup> Government statistics suggest that more than half (53%) of new social lettings were to households given reasonable preference in 2023/24, up from 34 per cent in 2014/15.<sup>86</sup>

Of course, housing associations now account for more than half of English social rented housing. A proportion of their allocations are conducted under nominations from local authorities, using the framework outlined above. Otherwise, their allocations policies are subject to a looser Regulatory Framework with allocations covered by the Tenancy Standard. This requires housing associations to 'let their homes in a fair, transparent and efficient way.... [taking] into account the housing needs and aspirations of tenants and potential tenants.' They are expected to 'contribute to local authorities' strategic housing function, and their duties to meet identified local housing needs. This includes assistance with local authorities' homelessness duties, and through meeting obligations in nominations agreements.'<sup>87</sup>

Leeds City Council, for example, operates a common housing register with 15 housing associations that operate in the city.<sup>88</sup> This entails a common allocations policy which utilises the same application form and computer system across social landlords. The housing associations are expected to allocate at least half of their lets through the common register as local authority nominations, meaning that they can use their own criteria for the balance.

A more recent phenomena has been the growth of income checks by housing associations intended to ascertain whether potential tenants will be able to sustain a tenancy by paying the rent. This has arisen in part from the emergence of 'affordable rent' tenancies where the rent may be as much as 80 per cent of market rents, as opposed to the 50 per cent for traditional social rented housing. Another factor is the introduction of the Benefit Cap which limits the overall amount of social security that a household may receive, which tends to bite in higher rent areas. A survey undertaken by *Inside Housing* in 2017 found that around one in three housing associations that responded to a survey were taking a closer interest in prospective tenants' incomes. The report found that households affected by the Benefit Cap were 'subject to "stringent affordability checking" and if they are not able to demonstrate that they can afford the rent after their benefit is capped, then the allocation "will be returned to the council as unavailable".'<sup>89</sup>

Housing registers themselves generally operate by a points system, whereby points are awarded for elements of housing need and for time waited. Since 2002, local authorities have been able to operate 'choice-based lettings' whereby eligible households (in this instance those with sufficient points) can 'bid' for a property which is advertised when it becomes available. The intention was, as the name suggests, to provide tenants with more choice, rather than simply being allocated a particular property.

In terms of the 'target groups' for social housing. Social rented housing is generally divided into 'general needs' and 'supported' housing, the latter being 'housing with special design facilities or

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<sup>85</sup> Fitzpatrick, S, et al (2023) *The homelessness monitor: England 2023*, Crisis [https://www.crisis.org.uk/media/utehvxat/homelessness-monitor-england\\_report-2023\\_v11.pdf](https://www.crisis.org.uk/media/utehvxat/homelessness-monitor-england_report-2023_v11.pdf) (accessed 13 January 2025)

<sup>86</sup> MHCLG (2024) *Social housing lettings in England*, op cit.

<sup>87</sup> The Tenancy Standard, quoted in Wilson (2022), op cit, pp. 25-26

<sup>88</sup> See Leeds City Council 'Lettings Policy' <https://www.leeds.gov.uk/housing/finding-a-home/lettings-policy> (accessed 13 January 2025)

<sup>89</sup> Quoted by Wilson, W (2022), op cit, p. 26.

features targeted at a specific client group requiring support, for example housing designed for older people.<sup>90</sup>

The thrust of homelessness policy since the late 1970s has been to integrate homeless people within the mainstream housing system, including social rented housing, as the responsibilities of local authorities outlined above indicates.

Asylum seekers are the responsibility of the National Asylum Support Service and not eligible for council housing.<sup>91</sup> They are often housed by government-approved private companies which generally lease properties from private landlords, or temporary accommodation such as hotels at great cost.<sup>92</sup>

Refugees (i.e. successful asylum seekers) are eligible for social housing, but there is no specific scheme. They accounted for 2 per cent (4,100) of social housing allocations in 2023/24, up from 0.3 per cent in 2013/14.<sup>93</sup>

There are no specific social housing schemes for gypsies and travellers. However, people who identified their ethnicity as being 'Gypsy or Irish traveller' in the 2021 Census were more than twice as likely to live in social rented housing compared to the average (42% against 17%). Whilst the majority of this group lived in bricks-and-mortar accommodation, 22 per cent lived in caravans or temporary structures.<sup>94</sup> In 2023 local authorities and housing associations provided some 282 sites containing 4,476 pitches for residential (4,211) and transitional (565) use. The total caravan capacity on these sites was 7,233.<sup>95</sup>

Rents in social rented housing have been set under various regimes dating back decades. Local authorities are obliged to balance their Housing Revenue Accounts, and housing associations obviously have to cover debt and management and maintenance costs, too. It is important to note that rents are not set in relation to individual tenants' household incomes. (An exception for tenants with high incomes is described below.) 'Rent pooling' has been an historic feature of English social housing since the 1930s. This allows debt and rents to be placed into a single pool, rather than have them attached to a particular development. This has the benefit of meaning that new properties with high levels of debt can have similar rents to older ones with low levels of debt. However, there are numerous anomalies arising from different rent policies being adopted over the years by different providers. Since the early 2000s a national formula for new lets has been used to bring greater consistency to rent setting.

#### CASE STUDY / KEY POLICY FEATURE

##### Formula rents for social rented housing

Social rents are set using a formula resulting in a rent known as the 'formula rent'. This is set out in government guidance, which is updated from time to time. The guidance outlines the formula for rent setting:

<sup>90</sup> MHCLG (2024) *Social housing lettings in England*, op cit.

<sup>91</sup> Chartered Institute of Housing (2024) 'Dispelling myths about migrants and housing', 7 August <https://www.cih.org/blogs/dispelling-myths-about-migrants-and-housing/> (accessed 14 January 2025)

<sup>92</sup> See Wearing, K (2024) Accommodation for asylum seekers – provide it more effectively and at lower cost, in Stephens, M et al (eds.) *UK Housing Review Autumn Briefing Paper*, Chartered Institute of Housing <https://www.cih.org/media/ox2gxc55/ukhr-autumn-briefing-2024.pdf>

<sup>93</sup> MHCLG (2024) *Social housing lettings in England*, op cit.

<sup>94</sup> Cromarty, H and Barron, C (2024) *Gypsy and Traveller Accommodation in England*, House of Commons Research Briefing <https://researchbriefings.files.parliament.uk/documents/CBP-10070/CBP-10070.pdf> (accessed 14 January 2025)

<sup>95</sup> Cromarty, H and Barron, C (2024), op cit.

- 30 per cent of a property's rent should be based on relative property values
- 70 per cent of a property's rent should be based on relative local earnings; and
- A bedroom factor should be applied so that, other things being equal, smaller properties have lower rents.<sup>96</sup>

The formula can be calculated as follows:

70% of the national average rent  
Multiplied by relative county earnings  
Multiplied by the bedroom weighting

**Plus**

30% of the national average rent  
Multiplied by relative property value.

– Where

National average rent means the national (England) average rent in April 2000

Relative county earnings means the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels

Relative property value means an individual property's value divided by the national (England) average property value, as at January 1999 prices.<sup>97</sup>

- The formula is subject to 'rent caps' which override the formula rent; local authorities are also permitted to exercise some flexibility (up to 5% of general needs properties) to take into account local factors. Rent caps, earnings and average property values used in the formula are updated using an inflation-linked formula.

### **Affordable Rents**

Although treated as 'social' housing, the guidance on social rents does not apply to 'Affordable Rent' properties. The guidance suggests that the rent on these properties should be no lower than the rent implied by the formula rent (i.e., social rent) and no higher than 80 per cent of market rents. Whilst social/affordable housing lets are not subject to the restrictions on eligible rents in the private rented sector for the award of housing allowances (i.e. Local Housing Allowance/Housing Benefit or housing cost element in Universal Credit), the guidance states that local authorities should 'have regard to the local market context'<sup>98</sup> including the rent used for private tenants' housing allowances.

### **- Tenants with high incomes**

Since 2015 social landlords have been able to charge higher (up to market) rents to tenants with high incomes, which are defined as being over £60,000 (€72,295) per year (based on the taxable income of no more than two members of the household).<sup>99</sup>

<sup>96</sup> MHCLG/ DLUHC/ Regulator of Social Housing (2022) Policy statement on rents for social housing <https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing> (accessed 14 January 2024)

<sup>97</sup> MHCLG/ DLUHC/ Regulator of Social Housing (2022), op cit., para. 2.4

<sup>98</sup> MHCLG/ DLUHC/ Regulator of Social Housing (2022), op cit., para. 3.7

<sup>99</sup> MHCLG/ DLUHC/ Regulator of Social Housing (2022), op cit., paras 4.2-4.9

### - Rent increases

Since the early 2000s, rent rises in social rented (and more recently affordable rent) housing have been subject to maximum increases set by government. These are expressed as an amount in excess of the inflation rate. However, the government required social landlords to reduce their rents by one per cent a year for four years from 2016/17 to 2019/20. This was aimed at reducing housing allowance costs to the government. However, it came at the price of reducing housing associations' borrowing capacity to invest in existing and new stock. A five-year policy of allowing rents to rise by one percentage point over CPI inflation was introduced in 2020, but this was suspended in 2023/24 when a cap of 7 per cent was applied in response to the cost-of-living crisis. (If the CPI + 1% formula had been applied, the rise would have been 10.1%.) Since then, the CPI + 1% formula has been restored. The new government elected in 2024 has extended this for another year, but has also conducted a consultation in which it is considering longer-term rent policies to bring more certainty to the sector.<sup>100</sup>

### New social housing and meeting targets

Social rented housing in England has two main types of provider, which must be registered with the Regulator of Social Housing (RSH). They are now referred to as 'Registered Providers':

- Local authorities (councils) which (usually) own and manage stock and (for regulatory purposes) are called 'Local Authority Registered Providers' (LARPs);
- Housing associations which are not-for-profit organisations which are categorised by the RHR as 'Private Registered Providers'.

There is also a small but growing number of for-profit registered providers, which are also 'Private Registered Providers'.

#### Local Authority Registered Providers

There were 226 Local Authority Registered Providers (LARPs) in 2024, all of which must complete an annual return to the RSH, which publishes the information available on its website.<sup>101</sup> LARPs owned 1,564,208 properties in 2024. Some 92 per cent of this stock (1,448,040 units) was low-cost rental, with almost all of this (1,412,224) being social rent and only two per cent affordable rent.

**Table 4: Number of LARPs and stock owned by LARP size, as at 31 March 2024**

Size of LARP (units)	Number of LARPs	% total of LARPs	Stock	% total stock
0	13	5.8	0	0.0
1-250	51	22.6	2,137	0.1
251-1,000	2	0.9	776	0.0
1,001-2,500	8	3.5	14,440	0.9
2,501-10,000	99	43.8	544,885	34.8
10,001-50,000	51	22.6	890,305	56.9
>50,000	2	0.9	111,745	7.1
<b>Total</b>	<b>226</b>		<b>1,5664,288</b>	

Note: Stock figures include low cost rental (social rent), Affordable Rent and low cost home ownership

Source: Regulator of Social Housing (2024) Local Authority registered provider additional tables (Table 3.1)

<sup>100</sup> MHCLG (2024) Future social housing rent policy, 22.6 30 October

<https://www.gov.uk/government/consultations/cons0.9ultation-on-future-social-housing-rent-policy/future-social-housing-rent-policy> (accessed 14 January 2025)

<sup>101</sup> Local authority provider local housing stock in England <https://www.gov.uk/government/collections/local-authority-registered-provider-social-housing-stock-in-england> (accessed 15 January 2025)

Two LARPs (Birmingham with 58,813 and Leeds with about 52,932 units<sup>102</sup>) own 7 per cent of the LARP stock. Around 57 per cent of the stock is owned by 51 LARPs with stocks between 10,001 and 50,000, and just over a third by 99 LARPs with stocks between 2,501 and 10,000. However, thirteen own no stock usually because they aspire to do so.

### Private Registered Providers

The Regulator of Social Housing conducts an annual census of Private Registered Providers (PRPs) which are required to complete a Statistical Data Return (SDR).<sup>103</sup> These show that in 2024 PRPs owned 3,234,235 million units, of which 2,676,570 (83%) were either social rent or affordable rent. A further 262,675 were Low Cost Home Ownership (8.1%) and 159,093 (c. 5%) were non-social housing.

The ownership of the stock is concentrated among the 231 large PRPs that own stock of at least 1,000 units (see Table 5). Large PRPs represent 17 per cent of all PRPs, but own 96 per cent of the PRP stock. The largest 81 PRPs (with stocks in excess of 100,000 units) own 74 per cent of the stock.

**Table 5: Number of PRPs and stock owned by PRP size (as at 31 March 2024) (weighted)**

Size of LARP (units)	Number of PRPs	% total of PRPs	Stock	% total stock
0	112	8.2	0	0.0
1-250	861	63.0	45,004	1.5
251-1,000	162	11.9	80,806	2.7
1,001-2,500	52	3.8	80,332	2.7
2,501-10,000	98	7.2	552,430	18.8
10,001-50,000	73	5.3	1,589,221	54.0
>50,000	8	0.6	592,544	20.2
<b>Total</b>	<b>1,366</b>		<b>2,940,337</b>	

Note: PRPs who are registered with RSH that own no social housing include non-asset owning parents of group structures]  
 Source: Regulator of Social Housing (2024) Private registered providers: additional tables (Table 3.1)

These examples of the largest PRPs (all housing associations) have been taken from their websites:<sup>104</sup>

- Places for People owns more than 245,000 units<sup>105</sup>
- Clarion owns more than 125,000 units<sup>106</sup>
- Sanctuary owns around 125,000 units<sup>107</sup>
- L&Q owns more than 105,000 units<sup>108</sup>
- Peabody owns 108,000 units<sup>109</sup>

<sup>102</sup> Regulator of Social Housing (2024) LARP social housing stock and rents in England 2024: additional tables, Table 1.6 <https://www.gov.uk/government/statistics/local-authority-registered-provider-social-housing-stock-and-rents-in-england-2023-to-2024> (accessed 15 January 2025)

<sup>103</sup> Private registered provider social housing stock and rents in England 2023 to 2024 <https://www.gov.uk/government/statistics/private-registered-provider-social-housing-stock-and-rents-in-england-2023-to-2024> (accessed 15 January 2025)

<sup>104</sup> Not all of this stock is social housing and some of it may be in parts of the UK other than in England.

<sup>105</sup> <https://www.placesforpeople.co.uk> (accessed 15 January 2025)

<sup>106</sup> <https://www.myclarionhousing.com/about-us> (accessed 15 January 2025)

<sup>107</sup> <https://www.sanctuary.co.uk/about-sanctuary> (accessed 15 January 2025)

<sup>108</sup> <https://www.lqgroup.org.uk/about-landq/our-history> (accessed 15 January 2025)

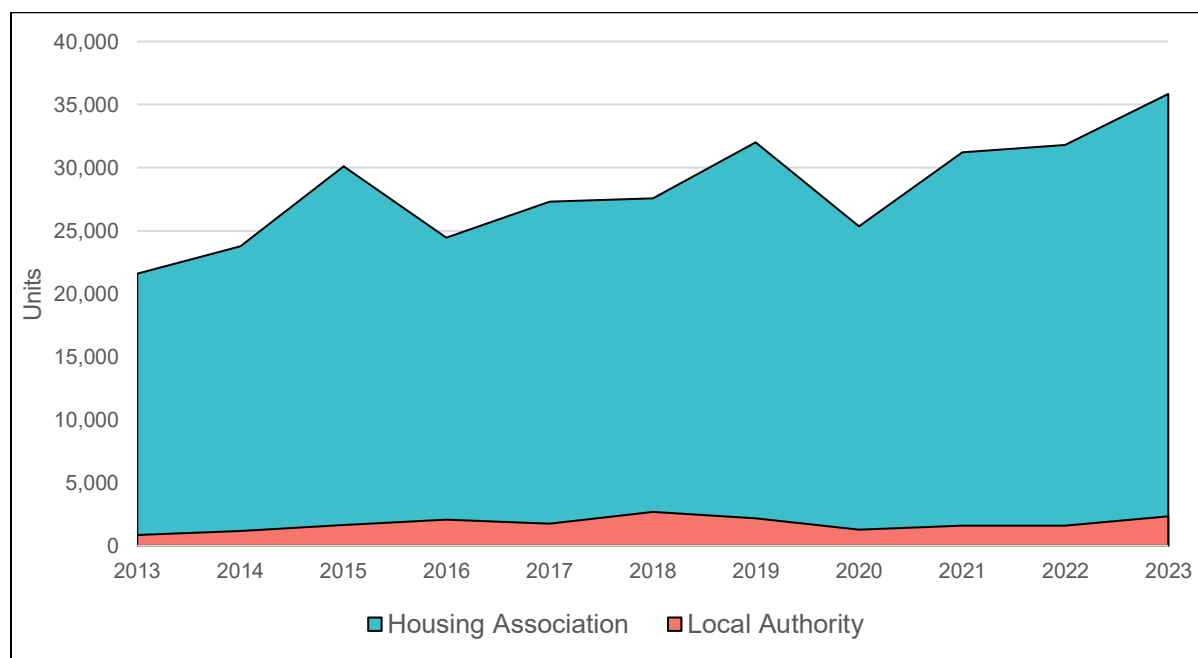
<sup>109</sup> <https://www.peabodygroup.org.uk/about-us/> (accessed 15 January 2025)

Of the largest PRPs (all housing associations) 89 per cent are part of group structures (which may include non-registered entities), compared to 17 per cent of small ones and 30 per cent of all PRPs.

There are 69 PRPs which are ‘for profit’. They own 38,573 properties of broadly ‘social’ stock, but most of it (57%) is Low Cost Home Ownership.<sup>110</sup> Although their properties represent only a little more than 1 per cent of the total PRP stock, they are growing quickly – increasing their stock by 30 per cent on the previous year.

UK Government statistics provide a record of starts and completions for the private sector, local authorities and housing associations going back to 1946 (see Figure 2). However, they do not record acquisitions, or the tenure of the housing built (e.g. social/ affordable rent; low cost home ownership).

**Figure 2: Local authority and housing association completions 2013-23**



Source: UK Government Live Table 244

The Regulator of Social Housing publishes official statistics showing the changes in the size of the social housing stock each year. These are contained in annual reports for LARPs and PRPs, supported by statistical returns.

The 2024 report for LARPs records that overall the LARP owned social stock (which includes low cost home ownership) fell by 141 units. However, the overall figure masks a decrease in general needs social rented housing of 7,251 units that was almost offset by a growth in Affordable Rent of 3,637, supported housing (+2,759) and LCHO (+714).<sup>111</sup> Figure 3 shows the decline in low cost rental housing owned by LARPs 2014-24 – a net loss of 108,689 units over the period. Reasons for losses include sales to tenants through Right to Buy and stock transfers to housing associations.

<sup>110</sup> Private registered provider social housing stock and rents in England 2023 to 2024, op. cit

<sup>111</sup> RSH (2024) Local authority regulated provider social housing in England – stock and rents 2023-24 <https://www.gov.uk/government/statistics/local-authority-registered-provider-social-housing-stock-and-rents-in-england-2023-to-2024> (accessed 21 January 2025)

**Figure 3: Local Authority Registered Provider low cost rental stock 2014-24**

Source: Regulator of Social Housing (2024) LARP social housing stock and rents in England 2024, Table 1.1

The equivalent commentary and tables<sup>112</sup> issued for PRPs does not distinguish between traditional social rent and affordable rent. It indicates a net gain in low cost rental stock of 260,000 units from 2014-24. Some of those gain may be attributable to stock transfers from LARPs.

Additionally, use is made of land value capture through developer contributions. ‘Section 106’ is a form of land value capture (LVC) whose origin lies in the use of developer contributions employed by local planning authorities (LPAs) in the 1980s. The practice was formalised in S106 of the Town and Country Planning Act 1990, which enabled charges on developers to be agreed to finance the cost of off-site infrastructure arising from a development. A ‘planning obligation’ is required to meet three tests:

- Necessary to make the development acceptable in planning terms;
- Directly related to the development; and
- Fairly and reasonable related in scale and kind to the development.<sup>113</sup>

Planning obligations are not legally taxes (indeed they must not be used for ‘tax-like purposes’) and may be characterised as being a charge for spill-over costs arising from the development (such as roads or community facilities), so that the planning obligation may take the form of affordable housing is perhaps anomalous. This led one commentator to suggest that planning obligations have become ‘a hybrid kind of tax, partly charged for infrastructure and partly a charge on development value.’<sup>114</sup>

Nonetheless, “What is clear... is that the scope for meeting the cost of the planning obligation arises from the increase in the value of land arising from planning permission, and it is therefore unambiguously a form of land value capture.”<sup>115</sup>

<sup>112</sup> Private registered provider social housing in England – stocks and rents 2023-24 <https://www.gov.uk/government/statistics/private-registered-provider-social-housing-stock-and-rents-in-england-2023-to-2024> (accessed 21 January 2025)

<sup>113</sup> Stephens, M (2023) Land Value Capture through Planning and Taxation, in Stephens, M (ed) *Housing Policy in a Changing World*, Chartered Institute of Housing <https://www.cih.org/media/bipiq5z0/ukhr-reader-2023-final.pdf> (accessed 21 January 2025)

<sup>114</sup> Tony Crook, quoted in Stephens, M (2023), p. 141

<sup>115</sup> Stephens, M (2023), p. 141

S106 soon made a valuable contribution to social and other forms of affordable housing supply. In the run up to the GFC, it contributed towards more than 32,000 units of affordable housing (2008/09), some 60 per cent of affordable housing. It then fell back as the housing market collapsed and provision was made for planning obligations to be renegotiated on 'stalled' sites. It picked up again as the market recovered, demonstrating that its contribution towards social and affordable housing is pro-cyclical. This is a clear weakness of the English system. Additionally, as one would expect, it has also yielded most houses in the areas where land and house prices are highest:

... it is a rarely noted irony that the mechanism that contributes towards half of England's affordable housing provision becomes viable as a result of the problem that it is intended to solve.<sup>116</sup>

Table 6 shows the role of developer contributions in housing supply in 2022/23. They contributed some 21,187 homes, including 3,268 units of social rent and a further 6,072 units of Affordable Rent. They also supported 6,749 units of affordable home ownership. Overall, they supported 31.9 per cent of affordable supply, including 33.7 per cent of social rented housing and 71.4 per cent of affordable rent. They also supported 44.9 per cent of affordable homeownership.

**Table 6: Role of Developer Contributions in social and affordable housing supply, 2022/23**

	<b>S106</b>	<b>Total</b>	<b>S106 (as % of Total)</b>
Social rent	3,268	9,703	33.7
Affordable Rent	6,072	8,506	71.4
London Affordable Rent	1,899	11,588	16.4
Intermediate Rent	1,741	2,755	63.2
All Rent	12,980	32,552	39.9
Affordable homeownership schemes	6,749	15,042	44.9
Unknown	1,458	18,941	7.7
<b>Total</b>	<b>21,187</b>	<b>66,517</b>	<b>31.9</b>

Notes: Shared Ownership, Affordable Home Ownership, First Homes  
Source: Calculated from ONS Live Table 1011S

The same source suggests that social rented housing accounted for 15 per cent of S106 supported units, and Affordable Rent 29 per cent. Forms of affordable homeownership counted for just under one-third (32%) of the total (Figure 4).

Estimates of the value of developer contributions for affordable housing suggest that they were worth £4 billion (€4.7bn) in 2016/17.<sup>117</sup> One estimate of their effectiveness suggests that they capture 27 per cent of the uplift in the value of the land arising from planning permission. Although there is doubtless scope for increasing this proportion, S106 has been the most effective of any of the UK's attempts at LVC since 1945, yielding more than various development taxes. It has also enjoyed cross-party support. Evaluations suggest that when S106 works best when it is applied consistently, an inquiry by a parliamentary select committee concluding:

*It is clear that the most successful local planning authorities have well-defined local plans which set our clear expectations of what is required of developers, and the professionalism*

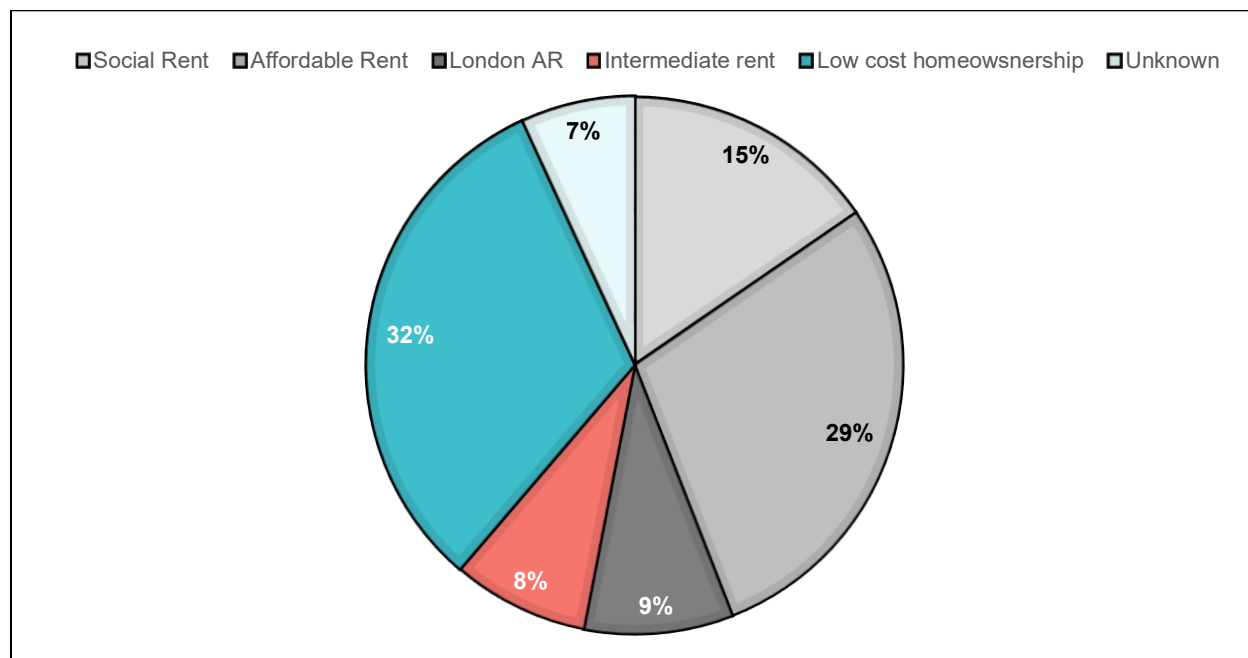
<sup>116</sup> Stephens, M (2023), p. 142

<sup>117</sup> Stephens, M (2023), op cit

and resources to ensure that these obligations are met in practice, resorting to enforcement mechanisms where necessary.<sup>118</sup>

There has been the prospect that S106 will be squeezed by the Community Infrastructure Levy, another form of LVC linked to development. However, this seems less likely under the new government that will be keen to maximise output to meet its ambitious housebuilding targets.

**Figure 4: Sub-tenures as a percentage of units supported by developer contributions, 2022/23**



Source: Calculated from ONS Live Table 1011S

However, in the last few years, many housing associations have become reluctant to purchase S106 properties from developers.

“The root of the problem can be traced to the financial difficulties faced by the housing associations which previously purchased them from house builders. Like many council landlords, associations face huge bills to fix unsafe cladding and rid their homes of damp and mould at the same time as their income has been constrained by government caps on rent rises.”<sup>119</sup>

A survey by Savills published in June 2024 found that more than half of the largest housing associations had withdrawn from purchasing S106 properties.<sup>120</sup> A survey of 31 companies by the Home Builders Federation in October 2024 found that nearly 17,500 properties with detailed planning permission were delayed due to developers being unable to identify S106 partners.<sup>121</sup> When developers find difficulty in finding buyers for s106 homes, they may request a renegotiation of the agreement with the local authority, offer cash payment to the local authority in lieu of the homes (and

<sup>118</sup> House of Commons Housing, Communities and Local Government Committee (2018) *Land Value Capture*, Tenth Report of Session 2017-19, HC 766, para. 66 <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/766.pdf> (accessed 22 May 2025)

<sup>119</sup> Cooper, K (2024) How S106 crisis is threatening affordable housing delivery, *Local Government Chronicle*, 6 January <https://www.lgcplus.com/services/housing/revealed-how-section-106-crisis-is-threatening-affordable-housing-delivery-06-01-2025/> (accessed 22 January, 2025)

<sup>120</sup> Ibid.

<sup>121</sup> Ibid.

seek to sell them on the open market, or offer additional affordable properties to a housing association. Some developers seek to introduce 'cascade provisions' at the outset. These make provision for payment in lieu and moving the properties to market tenures if they cannot be sold within a set period.<sup>122</sup>

Regarding the need for housing in England: the National Planning Policy Framework (NPPF) requires local authorities to conduct housing needs assessments to ensure that sufficient land is identified to allow housing development to meet housing needs. Local authorities are normally required to use what is called the 'standard method' for making this calculation. This has been subject to a recent revision which increases overall the numbers of homes identified as being needed<sup>123</sup> by the current government which is seeking to boost housing supply to meet its own national target of 1.5 million homes during the current parliamentary term (five years from July 2024).

The standard method 'uses a formula that incorporates a baseline local housing stock, which is then adjusted upwards to reflect local affordability pressures to identify the minimum number of homes expected to be planned for.'<sup>124</sup> Local authorities are required to identify 'deliverable sites' that can cater for supply needs over five years, on an annual rolling basis.<sup>125</sup> A Delivery Test sets out measures that local authorities should take if building falls below needs assessments. These range from drawing up an action plan to basing decision on planning applications on a 'presumption in favour of sustainable development.'<sup>126</sup>

Separate guidance is issued relating to calculating different types of housing need, including the need for social and affordable housing.<sup>127</sup> Housing needs are identified by considering the numbers of homeless households, the numbers in priority need housed in temporary accommodation, the extent of overcrowding, concealed households, newly arriving households requiring affordable housing, etc. These may be compared with housing availability in the form of lets from existing affordable stock and committed new supply of affordable housing.

The NPPF suggests that assessments should be made for different groups, including families with children, older people, people with disabilities and travellers. The needs assessment should also identify the types of affordable housing (including social rent) that is required:

Within this context of establishing need, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies. These groups should include (but are not limited to) those who require affordable housing (including Social Rent); families with children; looked after children; older people (including those who require retirement housing, housing- with-care and care homes); students; people with disabilities; service families; travellers; people who rent their homes and people wishing to commission or build their own homes.<sup>128</sup>

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<sup>122</sup> What does the collapse in section 106 delivery mean for housing delivery, *Housing Today*, 23 August 2024 <https://www.housingtoday.co.uk/in-focus/what-does-the-collapse-in-section-106-demand-mean-for-housing-delivery/5131121.article> (accessed 22 May 2025)

<sup>123</sup> MHCLG (2024) Our plan to get Britain building again, 31 July <https://mhclgmedia.blog.gov.uk/2024/07/31/our-plan-to-get-britain-building-again/> (accessed 30 January 2025)

<sup>124</sup> MHCLG (2015, 2024) Housing and economic needs assessment, <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments> (accessed 30 January 2025)

<sup>125</sup> NPPF (2024) para. 24

<sup>126</sup> NPPF (2024), para 79

<sup>127</sup> MHCLG (2015, 2024) Housing and economic needs assessment, <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments> (accessed 22 January 2025)

<sup>128</sup> MHCLG (2024) National Planning Policy Framework, December, para. 63, <https://www.gov.uk/government/publications/national-planning-policy-framework--2> (accessed 24 January 2025)

These assessment feed into planning policies that relate to developer contributions that may result in the provision of S106 affordable housing.<sup>129</sup>

There are also national targets for affordable housing within the Government's Affordable Housing Programme (AHP) 2021-26<sup>130</sup>, of up to 180,000 new homes, half of which should be affordable or social rent and half affordable home ownership. The target was supported by an initial £11.4m (€12.8m) of government funding (subsequently supplemented by £500 million (€591m) by the new Government in the autumn of 2024). The target is also for 10 per cent of AHP homes to be in rural areas and 10 per cent to take the form of supported housing. However, the target is not based on an explicit assessment of need.

The overall target was subsequently reduced to 110,000-130,000 (of which 40,000 were to be social rent) in the face of rising costs. The target is for housing grant funded by Homes England and the Greater London Authority (GLA). By March 2024, Homes England had approved schemes to deliver 108,000 of its 126,000 unit target.<sup>131</sup> The GLA appeared to be doing less well.

Outside government, estimates of housing need by tenure, have been produced by Professor Glen Bramley using a simulation model. He suggests that an annual rate of new housing of 335,200 units per year, including 91,800 units of social rented housing and 21,400 units of shared ownership 'can be justified in terms of meeting needs and achieving good outcomes.'<sup>132</sup>

All social landlords must be registered with the Regulator of Social Housing, which is a non-departmental public body. The Chair of its board is responsible to the Secretary of State at the MHCLG. The register includes information on each social landlords' stock, rent levels and tenant satisfaction, and all landlords must issue an annual report for their tenants.

The regulatory framework includes consumer and economic regulatory standards.

Consumer standards cover matters such as requirements to consult with tenants and have a complaints procedure; safety and quality standards (including meeting the Decent Homes Standard); tenancy standards (e.g. to allocate homes in a fair, transparent and efficient way); and neighbourhood and community standards (which includes a requirement to co-operate with relevant partners to promote the social, environmental and economic well-being in their areas of operation).

Economic standards concern financial viability, value for money and the rent standard (which refers to the maximum by which rents may increase).

These standards apply to all registered providers, apart from the governance and financial viability standard and the value for money standard which do not apply to local authorities.

Standards may be enforced through inspections and surveys of properties and may require a landlord to prepare a performance improvement plan. The Regulator may also issue enforcement notices if a standard has been breached. The Regulator can fine the landlord should they fail to comply with it, and award compensation to tenants if a consumer or economic standard has not been met. The

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<sup>129</sup> MHCLG (2024) National Planning Policy Framework (NPPF) December, para. 63 et seq <https://www.gov.uk/government/publications/national-planning-policy-framework--2> (accessed 30 January 2025)

<sup>130</sup> National Housing Federation: Affordable Homes Programme 2021-26 <https://www.housing.org.uk/our-work/building-new-homes/AHP-2021-26/> (accessed 22 January 2025)

<sup>131</sup> Perry, J (2025) Housing expenditure plans, in Stephens, M et al (eds) *UK Housing Review 2025*, Chartered Institute of Housing, forthcoming

<sup>132</sup> Bramley, G (2024) How much housing do we need and how should we provide it?, in Stephens, M et al (eds) *UK Housing Review 2024*, pp. 11-21, Chartered Institute of Housing

Regulator may also arrange for emergency remedial action to be taken in some circumstances such as when there is an imminent risk of serious harm to the health and safety of the residents.

Tenants may also make individual complaints to the Housing Ombudsman.<sup>133</sup> If the Ombudsman finds that maladministration has occurred, it may order the landlord to put things right, to apologise to the resident and to pay them compensation. It may also recommend wider changes, such as staff training to prevent problems from recurring.

### Integration with social policy

The Housing and Regeneration Act 2008, which established the Regulator of Social Housing, includes among its objectives, 'to encourage Registered Providers to contribute to the environmental, social and economic well-being of the areas in which the housing is situated.' This has been incorporated into the RSH's neighbourhood and communications standard, viz: 'Promote social, environmental and economic wellbeing in area where they [the Registered Providers] provide social housing.'

In fact, initiatives to promote labour market access in particular date back at least to the 1990s, when 'wider role' became part of the housing associations agenda. This was encouraged by the increase in European Union's Structural Funds that followed the Maastricht Treaty. Whilst at that time spending European Regional Development Funds on housing was pretty much impossible, European Social Funds were often used to promote employment schemes involving housing associations.

A good reason for housing associations to focus 'wider role' activities on employment initiatives is the long-standing gap in employment rates between social tenants and the rest of the population ('employment gap').<sup>134</sup> The crude figures are that the employment rate among social tenants 2014-18 was 54 per cent compared to 81 per cent among people in other tenures.<sup>135</sup> However, the evidence suggests that much of the employment gap is attributable to the demographic characteristics of the social tenant population, which reflects the targeted nature of allocations, and tendency for social housing to be located in areas with weak labour markets.<sup>136</sup> Nonetheless the suspicion that there might be a tenure effect may have prompted housing associations to adopt employment initiatives partly to protect their reputation.

'Communities that Work' is a national (i.e. England-wide) body for social landlords (both housing associations and local authorities) that support people into employment.<sup>137</sup> Between them, its members manage some 1.6 million homes (almost 40 per cent of the total social stock). Communities that Work has a manifesto which commits to a localised approach to employment support and notes that the 60 largest housing associations have provided £100 million (€120m) into wider community investment activities, making them the second largest supporter financially of employment initiatives, after the Department for Work and Pensions (DWP). It chairs a housing and employment taskforce, which has sponsored research into skills and employment strategies.

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<sup>133</sup> UK Government (2022) Regulator of Social Housing and Housing Ombudsman Service Factsheet, updated September 2023 <https://www.gov.uk/guidance/regulator-of-social-housing-and-housing-ombudsman-service-factsheet#summary> (accessed 24 January 2025)

<sup>134</sup> See Dromey, J, et al (2018) Building communities that work: The role of housing associations in supporting employment, IPPR <https://ippr-org.files.svdcdn.com/production/Downloads/building-communities-that-work-july18.pdf> (accessed 24 January 2025)

<sup>135</sup> See Judge, L (2019) Social Housing: a working hypothesis, Resolution Foundation <https://www.resolutionfoundation.org/comment/social-renting-a-working-hypothesis/> (accessed 24 January 2025)

<sup>136</sup> Ibid.

<sup>137</sup> Information from Communities that Work website: <https://www.communitiesthatwork.co.uk> (accessed 24 January 2025)

Although EU funds are no longer available post-Brexit, UK government funding was made available through a variety of sources including the Shared Prosperity Fund.

A current initiative supported by Communities that Work and funded by DWP concerns 10 JobsPlus pilot projects led by housing providers and which began in July 2024. This is inspired by the US programme of the same name which dates back to the mid-1990s.<sup>138</sup> As such the pilots are part of a 'community-led employment scheme aimed at helping people into employment through on-site employment services, community support and financial incentives.'<sup>139</sup> The pilots have three components:

- A community hub that provides a one-stop-shop for local residents looking for work
- A saturation approach involving an intensive concentration of resources into a small area to boost engagement in employment support
- Financial incentives to ensure that work pays.<sup>140</sup>

Social landlords are obliged to have complaints systems: "Registered providers must ensure complaints are addressed fairly, effectively, and promptly."<sup>141</sup> Registered providers are also obliged to 'engage' with tenants: "Registered providers must take tenants' views into account in their decision-making about how landlord services are delivered and communicate how tenants' views have been considered."<sup>142</sup>

There have been long-standing concerns about the social and economic effects of large mono-tenure social housing estates that were developed up to the 1970s. Right to Buy was seen as one way to diversify tenure and indeed one of its legacies is that council estates are no longer mono-tenure. The Blair Government's urban taskforce vowed to 'transform all social housing estates into mixed tenure communities by 2012'<sup>143</sup> – an indicator of the belief that mono-tenure estates should be avoided.

Social housing developments are now on a much smaller scale. Moreover, the use of developer contributions (S106) which generally came in the form of dwellings on an estate led by a private developer building homes for sale is widely seen as another way in which to create new, mixed communities. However, the prospect that developer contributions might more often take the form of cash payments led to concerns that the mixed-community aspect to S106 would be watered down.

Nonetheless, current planning guidance states:

Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required (including the minimum proportion of Social Rent homes required), and expect it to be met on-site unless:

- a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and

<sup>138</sup> For an evaluation of the US Job Plus schemes, see the HUD website [https://www.huduser.gov/portal/Jobs-Plus-Evaluation.html#:~:text=Jobs%20Plus%20is%20a%20place.3\)%20Community%20Support%20for%20Work](https://www.huduser.gov/portal/Jobs-Plus-Evaluation.html#:~:text=Jobs%20Plus%20is%20a%20place.3)%20Community%20Support%20for%20Work) (accessed 24 January 2025)

<sup>139</sup> Communities that Work website: <https://www.communitiesthatwork.co.uk/our-work/jobs-plus> (accessed 24 January 2025)

<sup>140</sup> Communities that Work (2024) Annual Report 2023/24, p. 7 <https://www.communitiesthatwork.co.uk/images/pdf/Annual%20Report%20November%202024%20CtW.pdf> (accessed 24 January 2025)

<sup>141</sup> Regulator of Social Housing (2024) Transparency, Influence, and Accountability Standard. Consumer standards, April para. 1.6.1, [https://assets.publishing.service.gov.uk/media/65fc480ca6c0f70011ef91c7/April\\_2024\\_-\\_Transparency\\_Influence\\_and\\_Accountability\\_Standard\\_FINAL\\_1.pdf](https://assets.publishing.service.gov.uk/media/65fc480ca6c0f70011ef91c7/April_2024_-_Transparency_Influence_and_Accountability_Standard_FINAL_1.pdf) (accessed 24 January 2025)

<sup>142</sup> Ibid., para. 1.3.1

<sup>143</sup> Quoted by Hackett, P (2021) Section 106 has promoted mixed communities for decades, but not for much longer, *Housing Today*, 21 June <https://www.housingtoday.co.uk/comment/section-106-has-promoted-mixed-communities-for-decades-but-not-for-much-longer/5112191.article> (accessed 24 January 2025)

b) the agreed approach contributes to the objective of creating mixed and balanced communities.<sup>144</sup>

England has operated the Right to Buy<sup>145</sup> scheme since 1980 that gives local authority tenants the right to buy their homes at a discount linked to the duration of their residence. It replaced a system whereby discretionary sales by local authorities were permitted with one that was mandatory. The scheme applies to local authority tenants, tenants of New Town Corporations (another form of public rental housing, now disbanded), and tenants of non-charitable housing associations. Repeated attempts to extend the scheme to charitable housing association tenants have been unsuccessful, although tenants subject to stock transfer from local authorities to housing associations retain the right to buy.

Under the original scheme a minimum of three years' tenancy was initially required for eligibility. Discounts in 1980 began at 30 per cent of the market value and could be as high as 50 per cent, subject to a maximum value and a requirement to meet the 'cost floor' of the property. These terms have varied over time. For example, minimum qualifying periods were reduced to two years, but later increased to five. More generous discounts were introduced to encourage the purchase of flats (as opposed to houses). They were reduced after 2005 to discourage sales, but a 'reinvigorated' scheme was introduced after 2012. Under this scheme maximum discounts were increased to £75,000 (€92,490) (£100,000 in London; €123,320) and since 2015 updated with inflation. The qualifying period was reduced to two years. Discounts on houses started at 35 per cent rising to 70 per cent (for a 40-year tenancy); on flats they began at 50 per cent, rising to 70 per cent (for a 20-year tenancy).

Right to Buy was introduced to promote homeownership. In a narrow sense it achieved this, with almost 1.9 million properties have been purchased by tenants between 1980 and 2022/23.<sup>146</sup> These sales were concentrated in the first decade of the scheme when around one million of these purchases occurred. In the first decade of the scheme sales averaged almost 100,000 (96,080) a year; in the decade to 2022/23 (when the 'reinvigorated' scheme was in place) average annual sales were only slightly more than one-tenth (11,259) of the numbers achieved in the 1980s.

The scheme was initially most popular among better off (skilled working class) tenants living in more desirable properties. Although many of these households could have afforded to buy on the open market, the scheme enabled them to remain living in their homes and communities. Later the scheme brought in lower income tenants and less attractive properties, leading to concerns about maintenance, especially where mixed ownership occurs in flatted properties.

In the longer-term the scheme was less successful in promoting homeownership. Some dwellings, although resold into home ownership, became unaffordable to lower income households due to general house price inflation. Moreover, it is estimated that around 40 per cent of Right to Buy properties are now in the private rented sector, i.e. have been purchased by Buy to Let landlords. Since they are let at market rents, this also means that the government is spending money on Housing Benefit to help pay for the higher rents.

The Right to Buy led to almost £1.9 billion (€2.5bn) in capital receipts up to 2022/23.<sup>147</sup> However, debt repayment was prioritised over stock replacement. The scheme has therefore been associated with the 'defunding housing provision'<sup>148</sup>. More recently the rules on the use of receipts has been relaxed,

<sup>144</sup> NPPF, op cit, para. 64

<sup>145</sup> This section draws heavily on Murie, A (2023) Right to Buy: the long view of a key aspect of UK housing policy in Stephens, M (ed) *Housing Policy in a Changing World*, Chartered Institute of Housing, pp. 101-110 <https://www.cih.org/media/bipjq5z0/ukhr-reader-2023-final.pdf> (accessed 23 January 2025)

<sup>146</sup> *UK Housing Review* Compendium Table 21

<sup>147</sup> *UK Housing Review*, Compendium Table 61

<sup>148</sup> Murie, A (2023), p. 109

but of course it is now too late. Moreover, whilst the number of properties available to let took some time to decline (because most purchasers would have carried on living in the same property had they not bought it), the long-term effect has been to exacerbate the shortage and to contribute to current difficulties in affordable housing supply.

Alan Murie offers a bleak assessment of Right to Buy:

Right to buy has become a strategic failure in England and, unless reconsidered, the policy will continue to generate uneven spatial and social impacts, contributing to social disadvantage and exacerbating inequalities.<sup>149</sup>

However, in contrast to Scotland and Wales, it seems that despite a new government, Right to Buy will remain; albeit with the reintroduction of less generous discounts.<sup>150</sup>

## Conclusions

The English social housing system is long established and has been a key part of the housing system for more than a century.

The circumstances in which it emerged with government subsidy after the First World War meant that it was defined to a greater extent than in other European systems by direct state provision. The legacy of English social housing as public housing endures and indeed helps to explain how issues of underinvestment in existing stock, the push for stock transfers to housing associations, and the development of a high degree of reliance on private finance have become so prominent in England over the past 35-40 years.

An associated explanation for the ‘residualised’ nature of the English social rented sector—at least compared to other countries with well-developed social or municipal sectors such as Sweden, the Netherlands, Denmark and Austria—is the historically high levels of income poverty and inequality in the UK, at least since the 1980s.<sup>151</sup> This has contributed to the extent of targeting in the system, reinforced by the duties applied to local authorities concerning homeless people.

The ‘Right to Buy’ scheme—set to remain a defining feature of English social housing<sup>152</sup> even after it has ended in Scotland and Wales—facilitated the exit of better off tenants from the tenure, whilst also contributing to weakening the financial position of social landlords. Nonetheless, although the state has retreated from direct state provision of housing, it still spends similar amounts on housing now as it did in the 1970s. The difference is that those subsidies have shifted from being predominantly one-off supply-side (bricks-and-mortar) capital investment to recurring demand side current spending, almost entirely in the form of housing benefits.

The recent past has seen, if anything, an intensification of trends that have been in place for several decades. This involves a desire of central government to minimise and possibly remove its responsibility for providing capital subsidies for social housing investment, hence an emphasis on maximising the ability of the sector to raise private finance, and – increasingly – to see for profit providers play a disproportionate and growing role in new housing provision. The tendency in recent

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<sup>149</sup> Murie, A (2023), p. 110

<sup>150</sup> See also, Murie, A (2024) Rethinking the Right to Buy in Stephens, et al (eds) *UK Housing Review Autumn Briefing Paper 2024*, Chartered Institute of Housing, p. 10 <https://www.cih.org/media/ox2gxc55/ukhr-autumn-briefing-2024.pdf> (accessed 22 January 2025)

<sup>151</sup> See Stephens, M (2023) Europe’s changing housing systems. What can the UK learn? In Stephens, M (ed) *Housing Policy in a Changing World*, pp. 146-156 <https://www.cih.org/media/bipjq5z0/ukhr-reader-2023-final.pdf> (accessed 30 January 2025)

<sup>152</sup> The Starmer government seems likely to reduce the discounts available to tenants, but not to end the scheme.

years for social landlords to prioritise investment in existing stock over the provision of new housing is the result both of new pressures and some that might have been anticipated.

The new Labour Government—based on its manifesto—seems unlikely to make fundamental changes to the role of social housing, even though it said it would ‘prioritise the building of new social homes’.<sup>153</sup> It provided an initial supplement of £500 million (€591m) to the Affordable Homes Programme. This was followed by the announcement of a £39 billion (€47bn) programme over 10 years in the Spending Review in June which was widely welcomed by the sector.<sup>154</sup>

A proviso is that it is difficult to see how it will reach its overall housing target without an uplift from the social sector.<sup>155</sup> However, this is more likely to come from actions that do not entail public expenditure: in particular the use of planning obligations and a reduction in the price paid for land that is compulsorily purchased, which may be relevant as plans for a new generation of new towns are developed.

This reflects the politics of housing in England, where there remains a cultural attachment to home ownership. As homeownership declined from the early 2000s, the government’s priority became to seek to revive it through the large-scale Help to Buy shared equity scheme. The current Chancellor has recently sought to encourage the Bank of England and other regulators to weaken prudential controls on mortgage lending that were introduced in the aftermath of the Global Financial Crisis. Regulation, she told them, has ‘gone too far’ and that she favoured ‘supporting home ownership’ and ‘supporting first-time buyers who struggle to save for a large deposit’.<sup>156</sup>

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<sup>153</sup> Labour Party (2024) Change. Labour Party Manifesto, p. 39 <https://labour.org.uk/wp-content/uploads/2024/06/Labour-Party-manifesto-2024.pdf> (accessed 30 January 2025)

<sup>154</sup> See Stephens, M et al (2025) *UK Housing Review Briefing 2025*, forthcoming (October)

<sup>155</sup> Perry, J (2024) The Government has set challenging housing targets – will it achieve them, *UK Housing Review Autumn Briefing 2024*, Chartered Institute of Housing, pp. 5-6 <https://www.cih.org/media/ox2gxc55/ukhr-autumn-briefing-2024.pdf> (accessed 30 January 2025)

<sup>156</sup> Remit letters to FPC, PRC and FCA, 14 November 2024 <https://www.gov.uk/government/publications/remit-and-recommendations-for-the-financial-policy-committee-november-2024> (accessed 30 January 2025)