1.5M New Homes:
The Local Government Challenge

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A Joint Report with The Housing Forum

Annual Review 2026

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A new wave of council housebuilding?

In August this year, the Secretary of State for Housing, Angela Rayner, wrote to council leaders across the country urging every council to "examine its ambition and go further" to build more homes. She made a series of requests of councils, one of which was to "tell us what barriers are preventing you from building ambitiously and quickly". We hope this report will help to answer this question for her.

This second Annual Review of *1.5M New Homes: The Local Government Challenge*[1] draws on a wealth of evidence through interviews, discussions and survey. We have been visiting a different council each month, producing video interviews on building sites and completed developments and publishing those videos primarily on YouTube and LinkedIn, and also on TikTok, Instagram and as audio podcasts.

We analysed the content of the first 10 sets of interviews in the first Annual Review in 2025. This second review includes data from nine new case studies – including two development corporations – and returns to our original 10 to ask what has changed for them in the last year. It also includes findings from round tables held across the year.

[1] Full details at www.1-5m.co.uk

The campaign gives a voice to council officers, members and leaders, to enable the Government, development partners and council colleagues to hear from the people at the “coalface” of delivery, and understand both the ingredients for the successful provision of new homes, and the blockers that must be overcome to get even more homes built.

Key findings

In 2025, we identified viability, funding and building safety legislation as the three biggest barriers to council housebuilding. This year, a key finding is that **the problems with viability and market confidence have had a massive impact on housebuilding, and this has worsened over the last year**. House prices are not rising, construction costs remain high and viability has continued to stall sites and frustrate councils and developers alike.

More positively, it is clear that the problems we identified last year with the Building Safety Regulator are improving and – whilst not yet fixed – are seen by councils as less of a barrier than they were previously.

Other newly emerging issues over the last year were:

- Changes in **political make-up** and priorities of councils
- Local government **reorganisation**
- New **development corporations**
- High **service charges** on newbuild flats
- **Funding** uncertainty, including the delayed announcements of first-wave **SAHP allocations**, which are only now emerging

Three further themes ran through the interviews and the roundtable of council finance and housing leaders: **registered providers** pulling back from new development, a growing number of **contractor and joint-venture failures**, and wide variation in how the same **accounting rules** are applied, which means some councils can proceed with schemes that others will not.

We also found a huge amount of ambition, creativity and determination to overcome challenges in the people we spoke to across local authority staff, private sector partners and local councillors. The Secretary of State should be reassured that there are plenty of other people across the country who share her ambition for going further in council housing delivery, and who are trying hard to find ways to bring this about – with some success.

About the Annual Review

This review draws on 153 interviews with council leaders, officers and sector partners since the campaign began, and on a survey of the 19 participating councils, 16 of which responded (August to September 2026). Participating councils are listed at the end of this Review.

These councils are all in London and other high-pressure areas where there is a strong need for more housing. We will continue to expand our coverage across the country, visiting more councils every month to build an ever-more comprehensive picture of the shared factors behind success and failure, as well as the variations from place to place.

Our case study sample may still be self-selecting, in that the pro-growth councils are most likely to want to be interviewed about housing delivery. All of the new council case studies made leaders or cabinet members available for interview, all of whom described themselves as pro-development. It may be that most or all councils are positive about new housing; the campaign will reveal this as our coverage grows to include councils in other areas and circumstances.

This year's sample is broader than last year's, with more case studies outside London (Stevenage, Southend and Milton Keynes join Slough and Cambridge) and a wider range of political leadership, including councils with no overall control. While "strengthening political will" was not one of last year's biggest challenges, it was ranked as significant by several councils, and one noted that it would become a bigger issue as local elections approached. This year we therefore asked about changes in political make-up and priorities directly (see below).

Our focus remained primarily with councils but we were keen to explore whether interviews with other public or private sector delivery organisations would produce a different list of challenges. This year we therefore included two public sector development bodies (the London Legacy Development Corporation and Milton Keynes Development Partnership) alongside the councils. We also heard from a much wider range of delivery partners, including developers, contractors, architects, housing associations, investors and commercial occupiers, a youth

homelessness charity and specialist advisers. Their views on the challenges facing council housebuilding very often echoed those of councils, for example on viability, building safety and the weakness of the sales market, though with some differences of emphasis, which we note where relevant. This underlines the inter-connectedness of different parts of the housebuilding sector. Where we quote partners, we identify them as such and keep their views distinct from those of councils.

In any case, what follows are, first and foremost, the genuine views of councils - the Government's key delivery arm for its housing ambitions and a crucial voice in the housebuilding debate - informed by the experience of their key delivery partners who work alongside them.

What were the top challenges in 2025?

Last year, we asked our 10 case studies to identify the biggest challenges holding them back from building more homes. We compiled a list of the main challenges identified by two or more councils, and then asked all 10 to rank them in terms of the impact that resolving them could have on accelerating the delivery of new homes. The 10 highest-ranking challenges identified were, in order:

1. **Viability**
2. **Funding**
3. **Building safety regulation**
4. **Market stability and investment confidence**
5. **Land availability and assembly**
6. **Density and infrastructure delivery**
7. **Construction industry capacity**
8. **Community engagement and trust**
9. **Gaining planning consent and using local plans to support housebuilding**
10. **Council capacity**

What has changed in the last year?

It was clear from this year's interviews that these challenges identified last year still remain – but we were keen to understand any newly emerging issues, and which ones might be getting better or worse. We therefore asked all 19 to say whether these 10 issues were getting worse or better, obtaining answers from 16 of them. The results are shown below:

Number of respondents saying each issue has got worse, better or has not changed in the last year. Data collected August-September 2026

Challenge	Worse	No change	Improving
Worsening			
Viability	8	8	0
Market stability and investment confidence	9	5	2
Broadly stable or mixed			
Density and infrastructure delivery	4	10	2
Council capacity	4	10	2
Construction industry capacity	4	9	3
Funding	6	4	6
Community engagement and trust	2	10	4
Land availability and assembly	1	12	3
Improving			
Gaining planning consent and using Local Plans to support housebuilding	2	9	5
Building safety regulation	2	3	11

Funding is the exception in this group: respondents were evenly split, with six saying it had worsened and six that it had improved. The survey was carried out in August and September, before the outcome of the first SAHP wave was known.

Getting worse: viability and market confidence

The two big factors that around half of respondents thought were worsening, and almost all thought were not improving, were the market-related factors: viability and investor confidence. They are clearly related and point to an increasingly challenging economic situation, where the costs of housebuilding for market housing often exceed the price for which it will sell. For social housing, the costs may exceed the grant and borrowing that is available.

That these two issues loom so large in councils' assessments of housing delivery illustrates how intertwined council housebuilding and private sector housebuilding are. A significant proportion of new council housing is funded via cross-subsidy from private housebuilding, but if viability is stretched this is often the thing that has to be cut back. Councils' role in housing delivery is also much broader than simply building new council rented homes. Many work in partnership with the private sector on joint ventures building a mix of tenures, and if these schemes don't stack up, then all is at risk. Lastly, the escalating costs of housebuilding affect private sector and public sector delivery alike.

Contractor failures were an increasingly common theme in interviews over the last year, as councils dealt with the fallout of a contractor or JV partner going out of business, causing financial damage and practical problems with needing to find someone to take on a half-built site.

Factors identified in recent interviews as contributing to viability include:

- Market conditions
    - House prices in London flat or falling, and currently below 2016 rates. This is a problem for viability and also deters investors who are not optimistic about future growth.
    - Investor confidence damaged by global political uncertainty and Iran war.
    - Higher financing costs (gilt rates and other alternatives for good returns on capital) affecting councils' borrowing capacity and existing debt repayments.
    - Contractors (and in two cases a housing association JV partner) going out of business.

- High and growing construction costs
    - Remediation costs for sites that were part of town centre regeneration schemes.
    - Costs of buying out existing leaseholders on regeneration schemes.
    - Higher construction costs since the Strait of Hormuz blockade.

- Competition for land
    - Industrial land values outpricing residential land values, preventing the land price from falling to a rate that would make housebuilding viable.

- Policy requirements
    - Passivhaus requirements.
    - High costs of flood defence.
    - The Future Homes Standard.
    - Increased costs of connectivity to utilities, to help fund the cost of upgrading and electrifying our power supply.
    - High taxation via the Community Infrastructure Levy, Mayoral Community Infrastructure Levy and (forthcoming) Building Safety Levy.
    - Higher space standards in London (meaning fewer homes per site).
    - Stamp duty rates, which are high in London.

- Lack of appetite from Registered Providers to take on new housing, because they are having to spend more on their existing stock and on interest payments.

Some of these factors are global or economic, such as the Iran war, the Strait of Hormuz blockade and higher financing costs. Others result from UK government or mayoral policy, such as the Future Homes Standard, London space standards, stamp duty and the levies on development. This matters because only the second group can be changed by policy decisions.

Building safety delays improving

The issues highlighted in last year's review, with delays and costs associated with the new building safety rules, are clearly not yet resolved – the second stair requirements were contributing to viability challenges, whilst several Higher Risk Buildings (HRBs) were still reported to be held up by the Building Safety Regulator (BSR), awaiting approval after six months or more. In areas with large numbers of applications going via the BSR, Gateway 3 was now reported to be the biggest block, meaning that completed housing was sitting empty awaiting sign-off before it could be sold or occupied.

Nevertheless, most councils reported that the problems caused by new building safety regulation had eased over the last year as the BSR has got on top of its backlog at Gateway 2, with one authority reporting an approval after just five months as compared to waiting 15 months on a previous scheme. Overall Building Safety Regulator figures show the share of new-build Gateway 2 decisions that were approvals rising from 39% a year ago to 73% in May, and 92% in the most recent figures. That is a share of decisions made, not of applications submitted, but the sentiment in interviews was of a growing confidence in the Regulator, which was notably absent a year ago.

The problems are also easing as the housing sector becomes more familiar with the new regulations. This has often meant designing housing to come in below the 18m threshold that triggers the classification as an HRB and second staircase requirement. Unfortunately, this is likely to come at the expense of additional housing delivery that would otherwise have been possible via taller buildings.

Separating out the parts of a site that were not an HRB from those that were also helped to allow the non-HRB to progress, while the HRB awaited approval from the regulator.

Other emerging issues

Several new or rising issues emerged from this year's interviews:

Changes in political make-up and priorities of council

Several interviewees flagged issues relating to the new political make-up of their council following the May elections, so we also asked whether the changes in political make-up and priorities of councils were having a positive or negative impact on housebuilding over the last year. The results were mixed, with four reporting that it had become harder, four that it was easier, and the other eight saying there had been no impact.

Where it had become harder, respondents pointed to uncertainty after the elections. One council said the change in political make-up had created uncertainty in decision-making and increased scrutiny, though it expected this to ease over time. Another, without overall control, said it was very difficult for Cabinet to take decisions, particularly where parts of the administration voted against it, with attention already turning to next year's elections. The LLDC observed that a number of new administrations were taking time to establish their priorities and ways of working, and to build relationships across the development sector.

Where it had become easier, this was associated with a pro-growth council with a clear political mandate having a majority of seats on the local council. Certainty of future policy is critical to gaining investment for development or regeneration. Development companies, once well-established, could also create this certainty.

Local government reorganisation

Most of the councils involved in this research were London boroughs, so unaffected by local government reorganisation. However, the four councils that were affected all highlighted delays because of the process. Cambridge and Southend both report disruption and uncertainty over the plans, with the Cambridgeshire proposals paused and Essex withdrawn outright. Stevenage and Southend were also both flagging the pending reorganisation as a live risk to delivery.

Southend had been using Land Registry data to try to identify more than 800 separate landowners along a single high street a little over a mile long, including parcels the council itself wasn't certain it owned and some with no traceable living owner. Their ambition was to improve this data ahead of combining their asset register with their neighbours', under planned local government reorganisation which has now been withdrawn.

A new development corporation

In Cambridge a new development corporation has been set up. This comes with significant new funding and the Council expects it to have the powers and longevity to take forward large-scale development over many years to come. However, in the short term, its impact is proving more negative as it has disrupted confidence in the existing planning authority's pipeline, with increased uncertainty and some staff leaving to join the new Development Corporation, or for other reasons. Meanwhile the Development Corporation itself holds no powers or delivery capacity yet. Clarity around which powers and responsibilities remain with the local authority and a swift start to the Development Corporation's own powers would help here.

High service charges on newbuild flats

Service charges on new-build private flats came up independently from two councils (Tower Hamlets and Camden) as a factor undermining private sales demand. New-build service charges are often high because new-build flats have high maintenance costs (for instance, relating to fire safety systems, lifts or mechanical ventilation), increased insurance costs and the costs of maintaining communal gardens or streets. This was reported to be affecting market sales in two areas, and also makes it hard to build social housing with service charges that are affordable to the intended tenant group.

Funding uncertainty

At the time of the research, the GLA had not yet released its funding decisions on the Social and Affordable Homes Programme (SAHP), which was holding back new homes in several London boroughs while they awaited the outcome of their bids. That uncertainty is reflected in our survey, where councils were evenly split on whether funding had worsened or improved. As this review went to press, first-wave outcomes began to emerge informally.

Outside of London, the allocation of SAHP funds to Strategic Partnerships was lower than had been expected, as Homes England has held more reserves back for Continuous Market Engagement. This has created an additional element of uncertainty for those seeking this funding.

Lack of headroom within the Housing Revenue Account was a significant restraint on many councils' capacity to invest in new homes. In Southwark, the council has proven capacity to deliver at scale but is now considering reducing that capacity, because it can no longer afford to build the way it used to: it pays just under £45m a year in interest from its HRA and cannot borrow more.

When we brought council Chief Financial Officers and housing leaders together for a roundtable in 2026, a recurring theme was that the same accounting rules produce different outcomes depending on the auditor. Being able to capitalise salary and pre-development costs from inception, rather than only after planning permission is secured, was described as "make or break" for whether a scheme proceeds at all. This was presented as a confidence problem rather than a technical one: one council reported being told a cost could not be capitalised under CIPFA rules, while another council was capitalising the same kind of cost without difficulty.

Housing associations and registered providers

Registered providers (RPs) are often the key delivery partner working closely with councils to deliver new social housing. The interviews return to them repeatedly, and describe a system under considerable strain.

The standard route to affordable housing (without grant) involves a developer bringing in an RP to take on the new social housing that the developer is obliged to provide under a Section 106 agreement. But a troubling pattern has arisen in the last few years: RPs pull back from new development because their own money is going into maintenance, bringing existing stock up to new safety and net-zero standards and loan repayments. An RP aiming for the highest consumer and governance ratings should, rationally, prioritise its existing stock over new development, since the regulatory system rewards compliance and penalises development risk. RPs have also increasingly adopted business models dependent on cross-subsidy from market sales, leaving them with little counter-cyclical capacity when that market weakens.

The lack of appetite from RPs to take on the affordable housing in these mixed tenure developments has caused many to stall, as developers cannot legally build their market housing without also providing the social housing. Councils have sometimes stepped in to try to get these sites moving - Hounslow described the council becoming "something like an RP of last resort" as a result, bringing in its own capacity where a scheme would otherwise stall.

Section 106 has historically formed a significant part of London's route to affordable homes, which makes the capital more exposed to this shift than areas that rely more on direct grant funding.

Though Camden and Southend identified RP partners with healthy new-build appetites, most councils we spoke to were not treating RPs as strategic delivery partners in the way they described relationships with developers such as Wates, Mount Anvil or Hill Group. Instead, two distinct roles emerge: the RP as the affordable-housing arm of a developer-led scheme, and the council as either the original partner, or a substitute for the RP when the arrangement breaks down.

Tower Hamlets rejected the phrase “RP of last resort”, and preferred to describe councils as “the provider of choice”, arguing that residents are better served by a council landlord because of "democratic accountability and responsiveness", though adding that all three sectors (private, RP, council) are needed.

Solutions identified

All the interviewees identified a variety of ways in which they were overcoming challenges and finding ways to build new homes:

Creating a pro-growth planning department

Five of the survey respondents indicated that there had been improvement in local planning policy, making it easier to gain planning consent. There was a positive reaction to new

government policy in some areas, especially new rules around building near railway stations in Greenwich, which it was hoped would unlock new sites.

Many people spoke positively about the work that their planning department was doing to promote community engagement and trust. For instance:

- Tower Hamlets had run pre-planning community engagement events directly changing landscaping and pedestrian-connectivity design based on how residents said they actually move through a site, rather than focusing just on what they wanted to see built.
- Stevenage's Oval regeneration ran staged consultation, which had resulted in no planning objections to the proposed scheme.
- Enfield and Sutton both independently had children co-design playgrounds.
- Brent runs a standing community review panel and uses the planning committee itself as a public forum for airing concerns openly.
- Tower Hamlets had undertaken sustained, regular working meetings with a neighbouring Grade I listed church throughout design and construction. Engagement was treated as an ongoing relationship with a specific affected party, not a one-off consultation event.

Several councils were taking pride in improvements they had made to their planning departments to support new homes. For instance:

- Enfield had restructured their planning team to a “pro-growth, pragmatic” approach, winning London Planning Team of the Year.
- Sutton had turned around a Section 96A approval in four days via “one council” cross-departmental working, and uses “jargon-buster” plain-English Local Plan documentation.
- Brent had its own dedicated strategic committee for major applications (of 20+ homes or 1,000+ sqm) as a deliberate governance choice to avoid small applications having to pass through two or three separate committees.
- Slough was employing a more flexible and pragmatic approach around height and massing, which was credited directly with unlocking the Horlicks Quarter regeneration of over 500 new homes.
- Sutton highlighted cross-department alignment and both Sutton and Brent pointed to use of technology in the planning service as having led to improved approval times.
- Brent was developing training for planning committee members on housebuilding generally and business and financial models in particular.

We hear a lot in the press about planning departments being over-stretched and about local councillors blocking new homes, but it was clear from these interviews that there is a great deal of positive work being undertaken by both planning officers and local councillors to find ways to work more efficiently and to engage constructively to ensure that quality new homes were built in their area.

Building long-term partnerships between councils and developers

Partnerships with developers were identified by many councils as essential for delivery. Many authorities highlighted the importance of relationships and trust between councils and delivery partners, both between staff on a personal level and as organisations. This was emphasised repeatedly, and independently described as directly linked to delivery outcomes, not just a nice-to-have.

Trust takes time to build, and several interviewees emphasised the need to treat developers as requiring long-term relationships, built across multiple schemes, rather than one-off transactions. Flexibility to renegotiate as circumstances change was identified as key to successful long-term (20-30 year) partnerships. Some councils who had been affected by JV partners going out of business did, however, emphasise that it was better not to work with only one partner, to provide more contingency.

Council officers appreciated developers coming to them before they bought land, getting them involved at an early stage. They also emphasised the need to be clear on what they wanted before entering a partnership, being able to disagree openly and find a way through the disagreements, and – importantly – celebrating success together.

Developers emphasised similar factors when describing what made a successful partnership. Long-term working relationships with key individuals as well as with companies was credited with having helped when taking on challenging situations, such as a stalled site where a previous contractor had gone out of business. Both the council and the developer are more willing to take a financial hit on a site, if they see it as part of a long-term pipeline of other sites and want to retain their partnership.

Two different interviewees involved with the Milton Keynes Development Partnership also highlighted the helpful role of MKDP in taking on a “translator” role between council ambition and commercial delivery, being able to talk the language understood by both the council and the developer. In situations where they are negotiating directly, there is clearly a need to take time to understand the culture, values, and ambitions of the other. Several councils argued that colleagues should be confident in being open about being in a partnership with developers.

Working with investors and bringing in funding streams

Councils reported a growing interest in social housing from “patient capital”, which sees the sector as a source of low risk and predictable growth. LLDC is actively exploring convening a place-based investment vehicle to bring that institutional capital into its development programme directly, rather than relying solely on RPs or its own constrained borrowing.

Some councils were having success by structuring delivery around build-to-rent (BTR) alongside social housing, specifically because BTR allows forward-funding: investor cash comes in as construction spend goes out, reducing risk compared to waiting for private sale income.

Councils are now more cautious about one specific investment route: lease-and-leaseback and income-strip deals with institutional investors, seen by pension funds as an attractive way into the sector. Finance leaders at our roundtable said these deals often leave the council underwriting the risk, because investors want guaranteed returns that depend on rental income councils can't be sure of. Councils also lack the reserves to ride out a downturn, and the deals can cost more than council borrowing over the long term.

Other ways that councils were bringing in investment for new homes included:

- Making use of thorough local market research to support appropriate revenue-generating design choices, such as retail, within a scheme. In Stevenage seven new shops replaced two long-empty units, taking the rent roll from around £28,000 to nearer £200,000.
- Contractually guaranteed minimum council-homes floor with upside-sharing. In Southwark developers build at their own cost and sell some homes privately, but must hand back an agreed minimum number of council homes regardless of how sales go, and more if the market performs better than expected.
- Building trust with developers so that they are confident to invest their own capital. Several private-sector partners made this claim: Wates says built-up trust with Southwark is what makes them willing to invest their own money, alone or in joint venture; Bugler committed £37m to the first phase of a Stevenage scheme framed that financial risk as worth taking because of the relationship.
- Tower Hamlets is deliberately timing when developers pay the council for land (the “land receipt”), to help developers’ cash flow specifically.
- Southend has committed £100m from its Housing Revenue Account, partly funded by borrowing against future rental income rather than existing assets. The money is split across three pots: buying homes for temporary accommodation, tactical purchases of individual existing properties (for example, large family homes the market doesn't build), and strategic acquisitions of 50 or more homes, either bought from private developers or built by the council.
- Deliberately not fixing the land price upfront with a developer was seen as a useful strategy. Stevenage described building a "pause moment" into a contract, rather than agreeing a land price with the developer at the outset, because they expected the area's values to rise once the first phase of development was completed.
- One innovation, suggested but not yet adopted by any council included here, was for councils to give themselves first refusal, but not the obligation, on Section 106 affordable homes within their own planning consents. If exercised, this would require the affordable homes to be built out first, shifting market-sales risk away from the developer rather than leaving affordable delivery to the end of a scheme.

Taking a proactive approach to land assembly

Some councils were becoming more confident in their role in land assembly. For instance, Greenwich worked with around 350 businesses and several major landowners across Charlton Riverside's 300+ acres, to take “the bold step” of buying land itself over several years. It became the largest single owner in the core area, strengthening its negotiating position with remaining owners. CPO powers hadn’t yet been used but the council was aware they may be needed. Buying up many of the landowners meant that negotiation was now with fewer, larger remaining owners. A similar approach had been taken by Enfield Council at Meridian Water. Councils’ CPO powers meant

that they could be valuable partners in joint ventures, to help developers acquire viable sites, and using this as leverage to ensure what was built met the council's objectives.

Councils taking over stalled sites or leading on riskier sites that the private sector was unwilling to take forward (such as Meridian Water) was identified as a solution where the private sector was struggling to deliver. They could also step in where a private company had failed - for example, in Southend, after the JV partner on the Queensway regeneration scheme collapsed, the Council took on the road/highway infrastructure itself investing alongside Homes England, specifically because prospective development partners had flagged the infrastructure element (not the housing) as the unattractive part of the deal. This de-risked the site and will, the Council hopes, make it easier to find a partner to deliver the housing.

Creative use of windfall sites, including early engagement with immediate neighbours, was identified as a solution, as was aggregating up small sites into a package that could be more attractive to investors and developers, and hence more viable to build on.

Tactical acquisitions are increasingly common to address acute housing need, such as buying one larger property to move an overcrowded family, which frees a smaller property for the next household in the same position, and so on down the chain. In Southend a single purchase of a 5-6 bed home benefited five further households this way. Stevenage secured nomination rights on 145 flats within a Guinness Trust scheme, which let single people move out of family-sized council houses and freed those houses for families. Tower Hamlets opportunistically acquired a block of new-build 1 and 2-bedroom flats from a private developer, and is letting them specifically to households actively looking to downsize, which frees up family-sized homes elsewhere in the chain.

The Development Corporations were set up to help with land assembly: LLDC's founding structure gave it direct land ownership and planning powers, central to its ability to guarantee delivery rather than just permit it. Working with local community groups around meanwhile uses also helps to build local engagement.

Several councils were looking at ways to get sites built out while retaining the freehold of the land, to ensure that they could remain the long-term custodians of place.

Getting better at dealing with viability problems

Some councils reported that they had become better at dealing with viability challenges, helping to lock things down at an earlier stage to avoid cost escalation. Bringing in a cost consultant at an early stage was also identified as something that had helped identify solutions and unlock a site.

Some contractors (such as Bugler and Lovell) had also become experienced at taking on half-finished sites where contractors had gone out of business, enabling stalled sites to resume.

Early involvement with contractors can help – for instance, an example was given where an unmapped sewer was identified and the £1m cost of diverting it were avoided by close work with a contractor at an early stage to design around it.

Being prepared upfront for likely discussions about cost-cutting that would arise was also a factor that was helping councils to hold onto the things that mattered most to them – for instance by ringfencing a budget for landscaping so that this could not be compromised on.

Many of the interviewees described steps they had taken to mitigate the risk or damage caused by contractor insolvency. This included working with a variety of partners (rather than just one), and using a “kit of parts” approach within MMC. This can help because a failed component supplier can be substituted or finished conventionally on site, whereas a failed volumetric manufacturer takes its own design and intellectual property down with it, leaving nothing else to build from.

Finance and delivery leaders at a 2026 roundtable identified a wider, sector-level version of this problem: construction has consolidated around a small number of large contractors, the subcontractor base that used to absorb cost and programme risk has thinned, and the design-and-build model adopted for delivery certainty is no longer providing the cost and programme certainty it promised. The effect is that risk has not been removed from the system. It has landed on councils, and so on the public money they hold, by default, particularly in the first five to ten years of a scheme, when cost uncertainty and market exposure are at their highest and the private sector's capacity to absorb them is more limited.

Flexibility over funding, tenure and design

Changes to tenure mix and a flexible approach from Homes England or the GLA had also helped unlock sites that had stalled because of viability. Working with architects to redesign schemes that are unviable was a solution identified by several interviewees – this could involve changing the size, type or number of new homes on a site, to improve viability. Flexibility on Passivhaus standards was also a solution to get some schemes moving in some areas, though other councils had pushed back against this on the grounds that more energy efficient housing reduced long-term running costs for residents, as well as contributing to the council’s net zero ambitions.

A further factor behind successful programmes was identified: financial discipline and delivery ambition working together rather than in tension. One council cited maintaining a 30%

operating margin, a 1.6% interest cover ratio and a 48% loan-to-value ratio on its Housing Revenue Account, arguing that robust financial health is what makes it possible to take on development risk, not a constraint on doing so.

Councils purchasing homes from developers

Echoing findings in the section on Registered Providers, it is increasingly common for councils to be approached by developers to buy up homes that were required as part of S106 agreements, because there was no appetite from their usual RP partners. This creates another possible route to new council homes, as well as helping the developer to get moving with the site.

Buying homes direct from private developers was also highlighted as a route to deliver new homes more cheaply than building them, as well as giving developers the much-needed cash flow to get moving on a stalled site and build new homes. Tower Hamlets described an “exit-strategy” to de-risk a scheme for a development partner who can't sell or fund the private-sale portion, with the council stepping in to take ownership of those new homes itself.

Tackling the skills shortage

Councils are well-placed to bring together schools and colleges with local employers, and a variety of schemes were trying to help link young people into careers in the housing and construction sectors, including skills hubs and school placement schemes. In Enfield, the council runs a headteachers’ board to bring together the education and construction sectors – council leadership in this project helps it to maintain momentum as contractors and developers can move in and out of involvement as they start or stop working locally.

However, other interviewees highlighted that the difficulties within the construction sector do not stem primarily from problems with a lack of interest in working in the sector, but rather from problems with the pipeline of work and firms’ willingness to take on new employees. Some had taken steps to improve

include forward visibility of pipelines, helping firms (and SMEs especially) to have the confidence to recruit and retain staff.

What else would help?

What more could the housing sector do?

Many of the successful actions taken by councils described above are not in operation in all locations, so there is clearly a great deal of learning from peers that can be undertaken and sharing of good practice. A few other suggestions of things not yet in operation that would help included:

- Extending the single-borough portfolio approach seen at Southwark across multiple boroughs, to unlock developer capacity at scale — a system-level idea, not something any single council can implement alone.
- Bringing contractors into the process at an earlier stage, before an outline planning application is submitted.
- Promotion of public sector housing careers. A classroom poster showing the range of careers linked to a local development was suggested.
- Learning from “the north” around how to deal with viability. Problems with viability of new-build housing are a relatively new phenomenon in London and other high-priced areas, and are still presenting big problems for many councils. However, local authorities in many areas with weaker housing markets, such as much of the north of England have been dealing with these issues for many years. There may be much to be learned from their approaches.

What can Government do?

Funding is clearly the biggest barrier to faster delivery of new homes by councils, especially if they want to build homes at social rent. Further actions identified in this research that Government could take to facilitate faster rates of housebuilding by councils include:

- Government-funded early feasibility work (site surveys, contamination assessment) specifically for small sites.
- Quicker release of the GLA SAHP funds: several councils commented on the duration between submitting bids and allocation announcements. New: Clearer feedback on how bids are assessed would also help.
- Better funding for local authorities, and for planning departments in particular.
- A Treasury guarantee on council housing borrowing, in place of a council's own covenant. One council estimated that this could cut borrowing costs by roughly 1%, worth around a third of typical build costs, without requiring any new Treasury spending.
- Allowing councils to borrow from the Public Works Loan Board at an inflation-linked rate, not only a flat rate. An inflation-linked rate would better match the income councils actually receive, since the current rent settlement guarantees rents will rise at inflation plus 1% for the next ten years, thus giving councils a more predictable financial situation.
- A place-based strategic settlement for councils with credible delivery programmes, offering longer-term, programme-level grant commitments in place of scheme-by-scheme reapplication, in exchange for local accountability for housing outcomes — similar in principle to the strategic partnership model already available to registered providers.

- Helping councillors to find ways to engage upstream. This could help overcome the frustrations of some councillors at not being allowed to call in smaller applications to committee, with the new rules around delegated decision-making.

Recommendations

Taken together, the evidence in this review points to a small number of practical steps for councils, for the wider sector, and for Government.

For councils

- Learn from one another. Councils are already using approaches that others have not tried, from capitalising pre-development costs to structuring partnerships and planning teams. Sharing them openly would build confidence and avoid risk-averse positions that are not always necessary.
- Spread risk across more than one partner, and build long-term relationships with developers across several schemes, so that one contractor or joint-venture failure does not stall a programme.
- Involve developers and contractors early, before land is bought or an outline application is submitted.

For the wider sector

- Bring contractors in earlier in the design process, when cost and design risks are cheapest to resolve.
- Share what works on viability, including from weaker-market areas such as the north of England.
- Give SMEs and the supply chain forward visibility of pipelines, so firms have the confidence to recruit and retain staff.

For Government

- Confirm Social and Affordable Homes Programme allocations promptly, and give councils clear feedback on how bids were assessed.
- Reduce the cost of council borrowing, through a Treasury guarantee on council housing debt and Public Works Loan Board loans at an inflation-linked rate.
- Work with CIPFA and auditors to give clear, consistent guidance on capitalising pre-development costs from inception, so that the same costs are not treated differently from one council to the next.
- Move from scheme-by-scheme bidding to multi-year, programme-level commitments for councils with credible delivery programmes.

Where next for the Campaign?

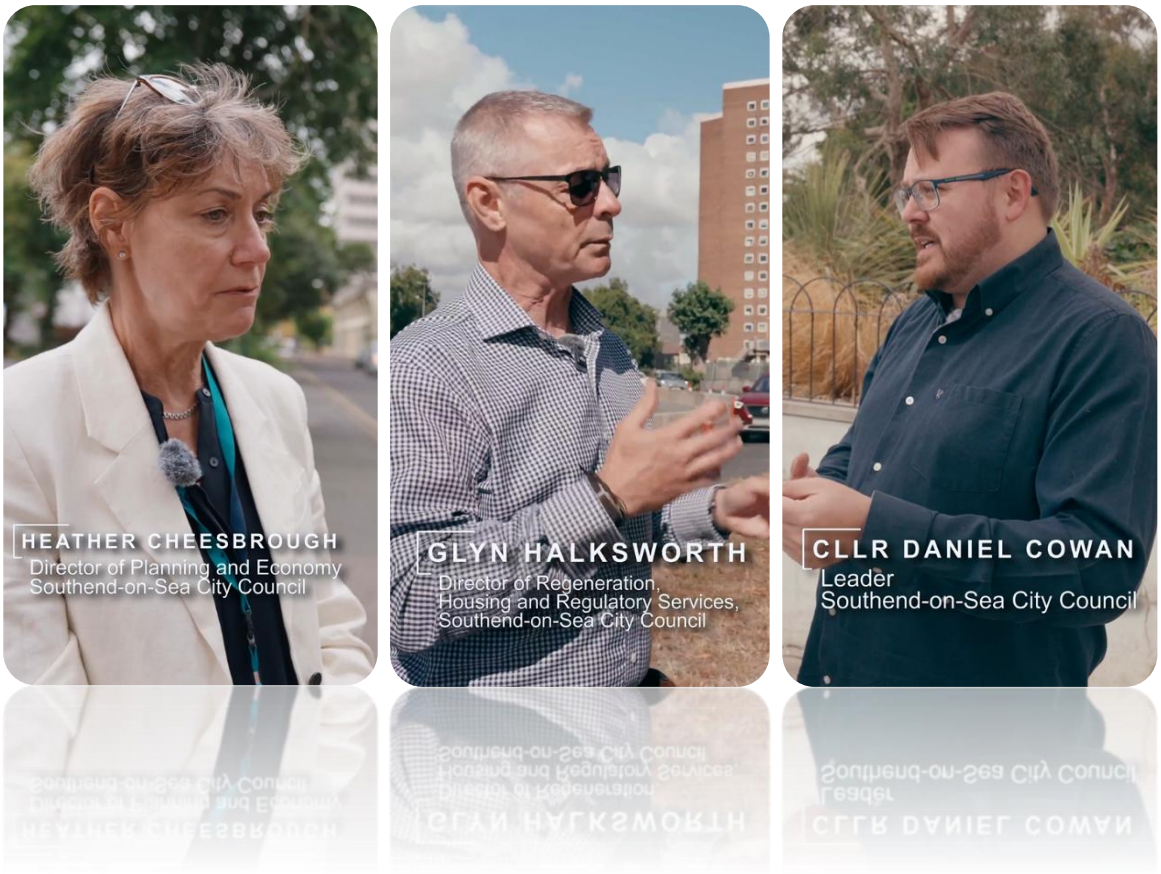
Over the next 12 months the campaign will do three things:

First, we will test what we have heard against places that have worked in tight viability for far longer than London. We will take the campaign to municipal housebuilders outside the capital, and to more public delivery vehicles, and ask what is transferable and what is not.

Second, we will bring practitioners together on the issues that cut across councils. Our first roundtable, on retrofit versus rebuild, takes place on 4 November. Others will follow on council financing strategies, and on why some approaches are permitted in some places and not others.

Third, we will publish the cross-sector view that follows this review, and develop the Housing Delivery Assessment with councils that choose to take part, so that every council can see where it stands and what would help it deliver more.

We will keep listening to the people who deliver homes, and report back to them first.



Summary

This review shows, as the campaign has throughout, that ambition is not what councils are missing. The councils and partners we spoke to are already building, finding ways to unlock difficult sites and bring in investment, and some of the obstacles that held them back a year ago are easing: most councils reported that building safety approvals have improved, and several are finding ways to make planning work faster.

But the main constraint on how many homes councils can deliver is funding. Separate research by Morphet and Clifford* finds that the gap between the cost of building a social rent home and the government subsidy available can be as high as half the cost, and Brent told us the gap is widest in expensive urban areas, where temporary accommodation pressure is also most acute.

Viability and market confidence, the two issues that worsened most this year, come down for social housing to whether grant and borrowing can cover the cost. If Government expects councils to deliver at the scale its ambition requires, that expectation needs to be matched by public investment on the same scale: grant that closes the viability gap, borrowing at a cost social housing can bear, and the certainty of multi-year commitments. Councils recognise that they must still work within the market and make schemes stack up, and the solutions in this review show how many are doing so.

Their experiences point the way forward: a better funded, more collaborative and more confident housing system, in which councils learn from one another as well as from the market. Councils can be a key delivery agent of new social rented homes, but also have a much wider role to play in land assembly, and in bringing the housing and development sector together to deliver new places with quality homes for everyone.

** Local Authority Activity to Directly Support Housing Provision, Professor Janice Morphet and Professor Ben Clifford, University College London / The Bartlett School of Planning, August 2026*

Acknowledgements

The authors extend heartfelt thanks to all the local councillors and officers who took the time to participate in this project, and to the partners who have supported and sustained the Campaign as well as sharing their insights.

Included in 2025 review	Month of Publication	Council
	November 2024	Slough Borough Council
	December 2024	London Borough of Ealing
	January 2025	Cambridge City Council
	February 2025	London Borough of Hounslow
	March 2025	London Borough of Barking and Dagenham / Be First
	April 2025	London Borough of Lambeth
	May 2025	Westminster City Council
	June 2025	London Borough of Camden
	July 2025	London Borough of Brent
	October 2025	London Borough of Sutton
New in 2026 Annual Review	November 2025	London Borough of Enfield
	January 2026	Stevenage Borough Council
	February 2026	Royal Borough of Greenwich
	March 2026	London Borough of Southwark
	April 2026	London Legacy Development Corporation
	May 2026	Milton Keynes Development Partnership
	October 2026	Southend-on-Sea City Council
	November 2026	London Borough of Tower Hamlets
	December 2026	London Borough of Hackney

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