Ministry of Housing,
Communities &
Local Government

All Councils in England

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To: Local Council Leaders in England;
Cc: Local Council Chief Executives in England

Dear Leader,

The new Social and Affordable Homes Programme

I am writing today to update you on the launch of the full details of the new Social and Affordable Homes Programme (SAHP), as part of the five-step plan we set out on 2 July to kickstart a decade of social and affordable housing renewal and to reinvigorate council housebuilding.

At the Spending Review in June, the government announced £39 billion for a new Social and Affordable Homes Programme over 10 years from 2026-27 to 2035-36. The SAHP will give Registered Providers (RPs) of Social Housing (both Private Registered Providers and councils) a decade of certainty over the capital funding they will have available to build new, more ambitious housing development projects. It is integral to delivering the government's commitment to the biggest increase in social and affordable housebuilding in a generation.

Our MHCLG Policy Statement on the Social and Affordable Homes Programme 2026-36 sets out the national architecture for the programme, which together with prospectuses from Homes England and the GLA details how providers like you can access funding, the expectations placed on you, and the flexibilities built into the programme to support a diverse and ambitious pipeline of new homes.

The details published today confirm we have retained the best parts of previous programmes, with new design elements to maximise delivery, and ensure providers deliver the types of homes the country needs. At least 60% of homes delivered through the SAHP will be for Social Rent. Our ambition is to deliver around 300,000 affordable homes over the programme's lifetime.

Oversight of programme delivery will remain with Homes England and – within London - the Greater London Authority (GLA). Up to 30% of the funding over the programme (up to £11.7 billion over 10 years) will be delivered by the GLA in London, with at least 70% available for the rest of England via Homes England, depending on the level of future bids.

As per the commitments we set out in the English Devolution White Paper, we have worked closely with Established Mayoral Strategic Authorities (EMSAs) to ensure they set the strategic direction of the programme in their areas. The priorities that each EMSA has identified to guide bids in their areas have been published as part of the Homes England prospectus and RPs will be expected to demonstrate how they have incorporated these, including tenure preferences and priority sites, into their bids in EMSA areas. To support effective planning, we have also delivered on our commitment to set out upfront indicative spend per EMSA. These figures are intended to guide bids, but they are not a ring fence or a floor.

To increase the diversity of social and affordable housing supply, we have ensured that the programme has the necessary grant rate flexibility to support homes that require greater up-front investment, including council, supported, community-led and rural housing. As part of our commitment to reinvigorating council housebuilding, we have also confirmed the following additional measures designed to support delivery of the SAHP by councils:

- Establishing a new Continuous Market Engagement ‘portfolio’ route to assist councils to bid for grant at an earlier stage in the pre-development process and across several sites at once, thereby lowering pre-development risk and encouraging larger, more ambitious development pipelines.
- Enabling councils to combine Right to Buy receipts with SAHP funding. No limit will be placed on the level of Right to Buy receipts that can be used and the option to mix receipts with grant will increase the viability of councils' bids.
- Awarding £5.5m in grant funding to 29 councils through the inaugural round of our £5.5 million Council Housebuilding Support Fund, to increase the speed and scale of bids into the SAHP to deliver new council homes.

We will also shortly be contacting councils to inform them of their initial offer under the fourth round of the Local Authority Housing Fund (LAHF) and provide guidance on how they might apply for funding. The LAHF will enable councils to grow their stock of good-quality temporary accommodation, reducing the reliance on expensive and unsuitable nightly paid or B&B accommodation. The fund will also provide homes for some families arriving through the Afghan Resettlement Programme. In addition to relieving short-term housing pressures, the fund will provide councils with a long-term asset to the benefit of local communities and residents.

I am also taking this opportunity to confirm that our new low-interest loans scheme will not be available to councils. I appreciate fully that this news will come as a disappointment. However, having carefully considered the fiscal implications of extending the scheme to councils, we reluctantly arrived at the conclusion that it would not be possible. As such, the scheme will only be available to Private Registered Providers.

I hope that the other measures set out in this letter will serve to reassure you that the government remains firmly committed to ensuring that councils across the country can once again build and manage homes at scale. We will continue to explore other opportunities to improve borrowing conditions for councils, as well as considering further ways we can provide support.

In the coming months, we will provide RPs with the remaining information they need to finalise their business and future supply plans – including how we will implement rent convergence at Autumn Budget; and our response to recent consultations on a modernised Decent Homes Standard and Minimum Energy Efficiency Standards.

The launch of the full details of the SAHP represents a significant milestone. With the parameters for delivery now clear, we are calling on all RPs to start preparing large and ambitious proposals ready for when bidding opens in February 2026 and to then refine these in collaboration with Homes England and the GLA as the bidding window for strategic partnerships closes in April 2026.

Alongside bids to the SAHP, we are also calling on all RPs to support the effective delivery of Section 106 homes. Section 106 agreements are, and will remain, an essential mechanism for delivering social and affordable housing and it is essential that all parts of the system work in partnership to ensure it is operating as required.

Best wishes,
MATTHEW PENNYCOOK MP
Minister of State for Housing and Planning