

International Conference on Urban Affairs 2025

Austerity and municipal entrepreneurialism: The rise of local authority housing companies in England

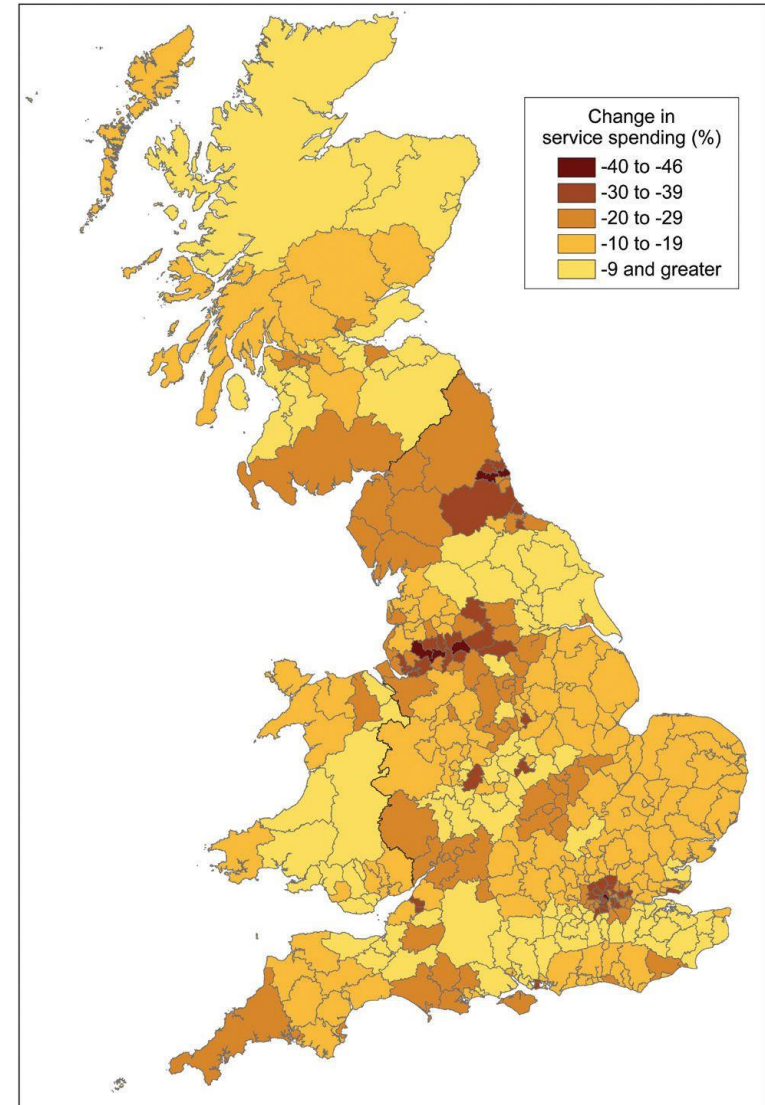
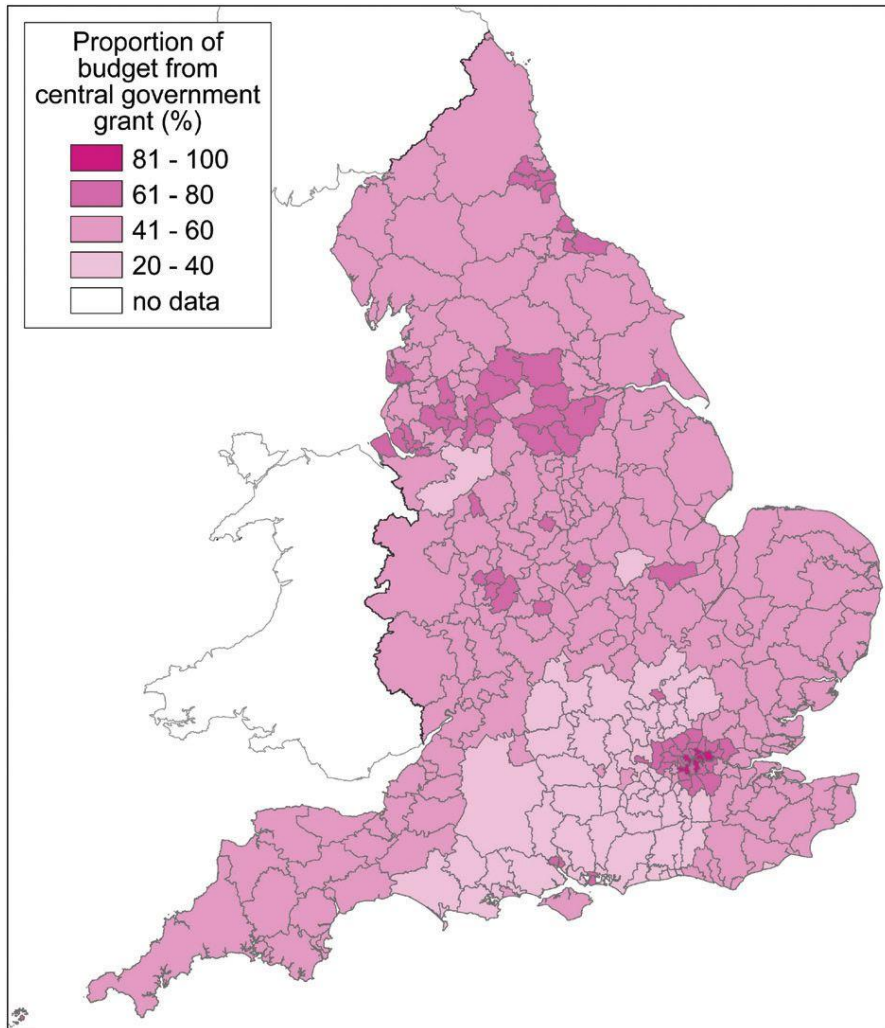
Professors Ben Clifford and Janice Morphet

Bartlett School of Planning, University College London

Local government in an era of ‘super-austerity’

- Local government in the UK has been characterised for decades by its highly centralised funding: in 2009-10, local authorities received between 36% and 82% of their income from central government, via a ‘revenue support grant’ allocated according to need (Gray and Barford, 2018)
- Since the election of the Coalition government in 2010, there has been a drive to cut this revenue support grant. There have been more positive noises from the current Labour government but not matching growing costs
- Noting an average 56% reduction in income, Lowndes and Gardner (2016) term this ‘super-austerity’, imposed by central government. Bailey et al (2015) highlight the nature of such cuts as a political choice

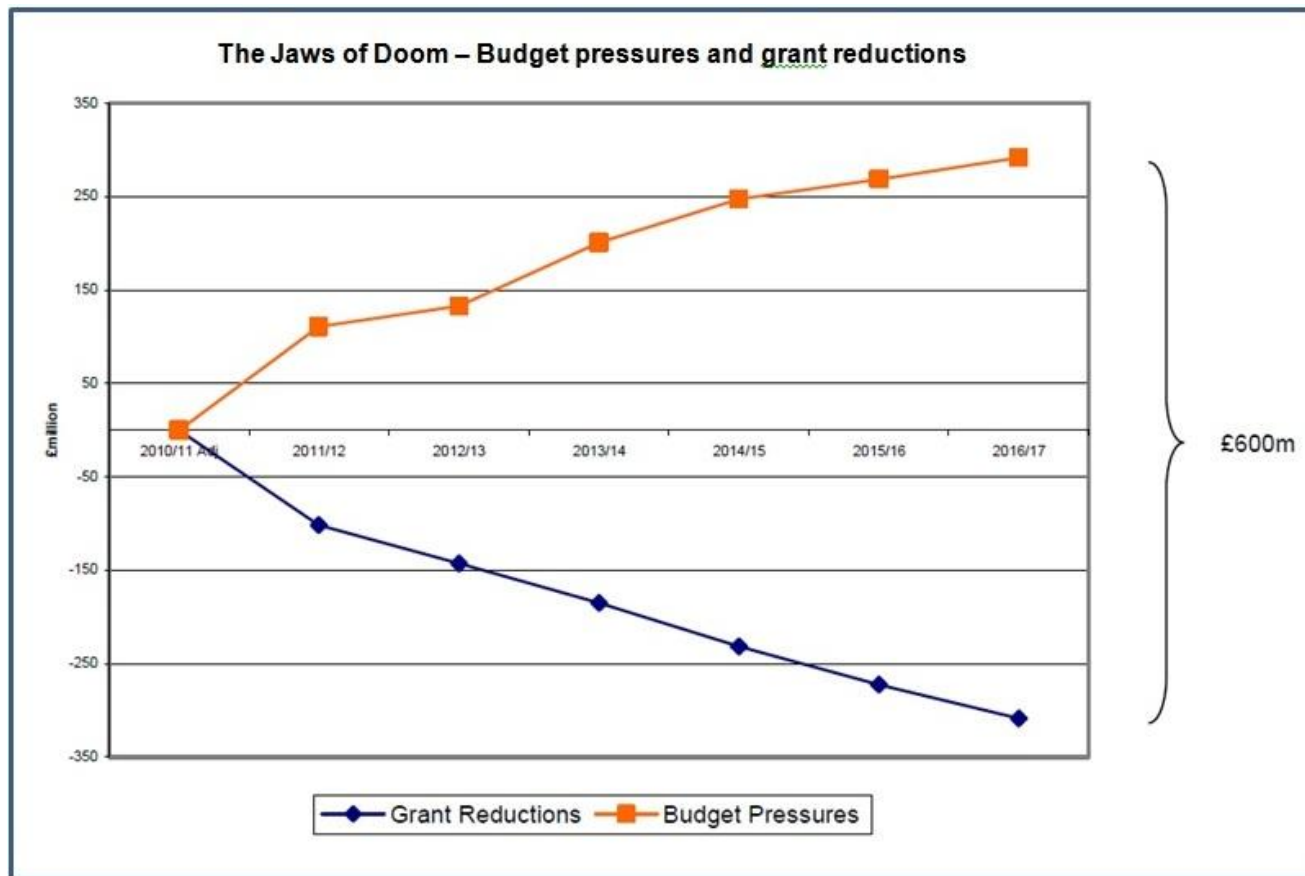
Uneven geographies of the austerity cuts



Source: Gray and Barford (2018)

Reduced income but increased demand...

- Eight authorities' Section 114 notices since 2018



Birmingham City Council's 'Jaws of Doom'. Source: Inlogov.com (2013)

Housing pressures

- At the same time this has happened, there is an ongoing housing crisis in England. Multifaceted but particular narrative around insufficient supply
- Crisis particularly around the availability of genuinely affordable housing. Local authority duties in relation to homelessness and spiralling temporary accommodation costs - £2 billion per year (Inside Housing, 2025) so linking to the austerity budget crisis
- Long-standing historic role of local authorities in delivering social housing, e.g. the 'Addison Act' of 1919 and post-war housing boom but decline of local authorities in this role after 1980 (noted in the 2014 Lyons Report)

The response of local government

- Variety of responses including staff and service cuts
- An emergent response is **the rise of local authority companies**
- Under the Localism Act 2011, local authorities in England can set-up companies if they wish to do for any commercial purposes
- Many local authorities have quietly pursued this option, with the most common companies seeming to be in relation to housing development and property management
- Beswick and Penny (2018) report on one such company in Lambeth, calling this 'financialised municipal entrepreneurialism' but note a paucity of studies (similarly characterised by Christophers, 2019)

Local companies

- Long history of municipal companies from late 19th / early 20th centuries, e.g. gas, water, electricity, tramway companies wholly owned by local authorities and profits used to fund local services (Crewe, 2016; Skelcher, 2017). Bournemouth even owned an ice-cream factory. 1945 transfers to central government control
- Phelps and Miao (2018, 2020) consider the multitude of activities sometimes labelled ‘urban entrepreneurialism’ and suggest a typology of four varieties: new urban managerialism, urban diplomacy, urban intrapreneurialism, and urban speculation, distinguished by differing economic logics, emphasis, content, scope and social implications. Intrapreneurship innovation within local state bureaucracies for progressive redistribution purposes

Studying local authority housing companies

- Our interest comes through studying the various approaches local authorities in England have been taking in recent years to directly deliver more housing
- Four research reports on this published 2017, 2019, 2021, 2024, available here:

<https://www.ucl.ac.uk/bartlett/news/2024/jan/fourth-report-local-authority-housebuilding-launched>

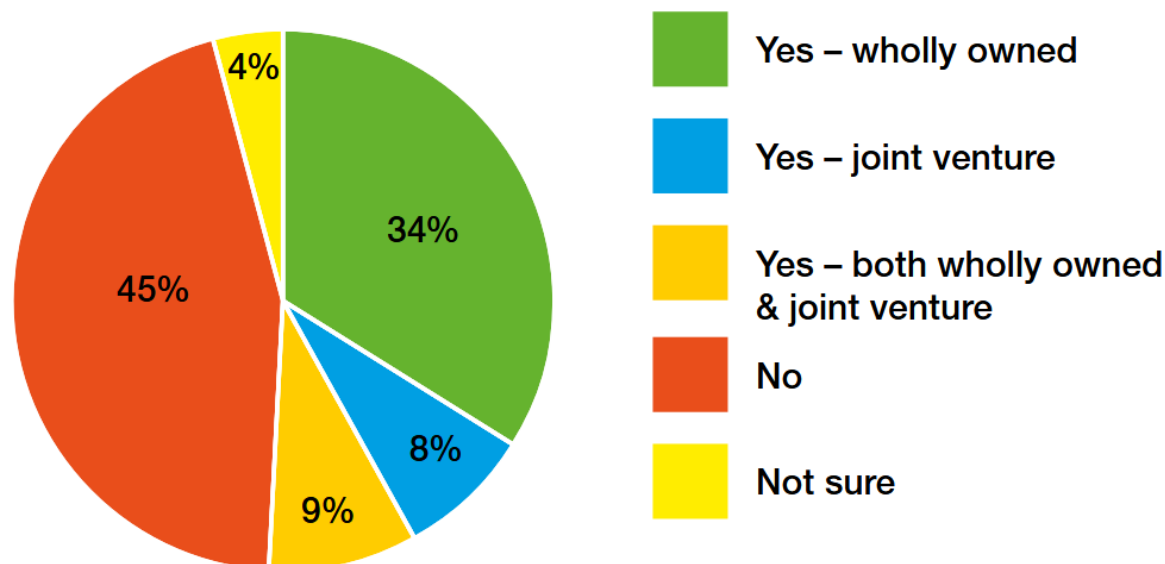
- Each report has followed same research methodology: a desk survey of published documents, a questionnaire survey to each local authority (200 + responses), a series of regional focus groups and case study interviews



Extent of companies

- 2017 survey: 44% of local authorities reported having a housing company. 2023 direct survey: 52% of authorities reported having one, with the desk survey found 80% had a company of some sort related to housing or property

Do you have one or more wholly owned or joint venture housing companies?



Extent of companies

- 2019 survey: 71% of companies are wholly owned by the council, 29% are a joint venture with a range of partners
- 2019 desk survey noted 119 registrations of new companies between 2018 and 2019
- Most authorities just had one company but several had more, sometimes under a single umbrella. Oxford City Council had five (*Oxford City Housing Ltd, Oxford City Housing (Investment) Ltd, Oxford City Housing (Development) Ltd, Barton Oxford LLP and Barton Park Estate Management Co Ltd*)
- Names not always obvious . Largest 'Local Authority Trading Company' is 'Norse Group' (carers, catering, cleaning, property services) generating an 'ethical profit' for Norfolk County Council. Nearby 'Big Sky Living' too

Motivations for establishing a company

- Range of factors motivating housing company activity

<i>Factor</i>	<i>Importance Rank</i>
Meeting housing requirements	1
Tackling homelessness	2
Income generation	3
Estate regeneration	4
Private sector build out rates too slow	5
Frustration at unimplemented planning permissions	= 6
Place regeneration (e.g. town centre)	= 6
Improving quality of design	8
Because local authorities should be building housing	9
To deal with problem sites	10

Motivations: Derbyshire County Council

- “There’s a range of objectives, including faster delivery of housing and hopefully being able, the ability to have local apprenticeships but our primary goal is income generation... We’ve got to, making up the loss of the revenue support grant is paramount. Councillors noticed that county council land was being sold to private developers who making a higher degree of profit which the county was not sharing in and they thought that we should be able to get that value, that profit for a purpose”
(Interviewee 2)

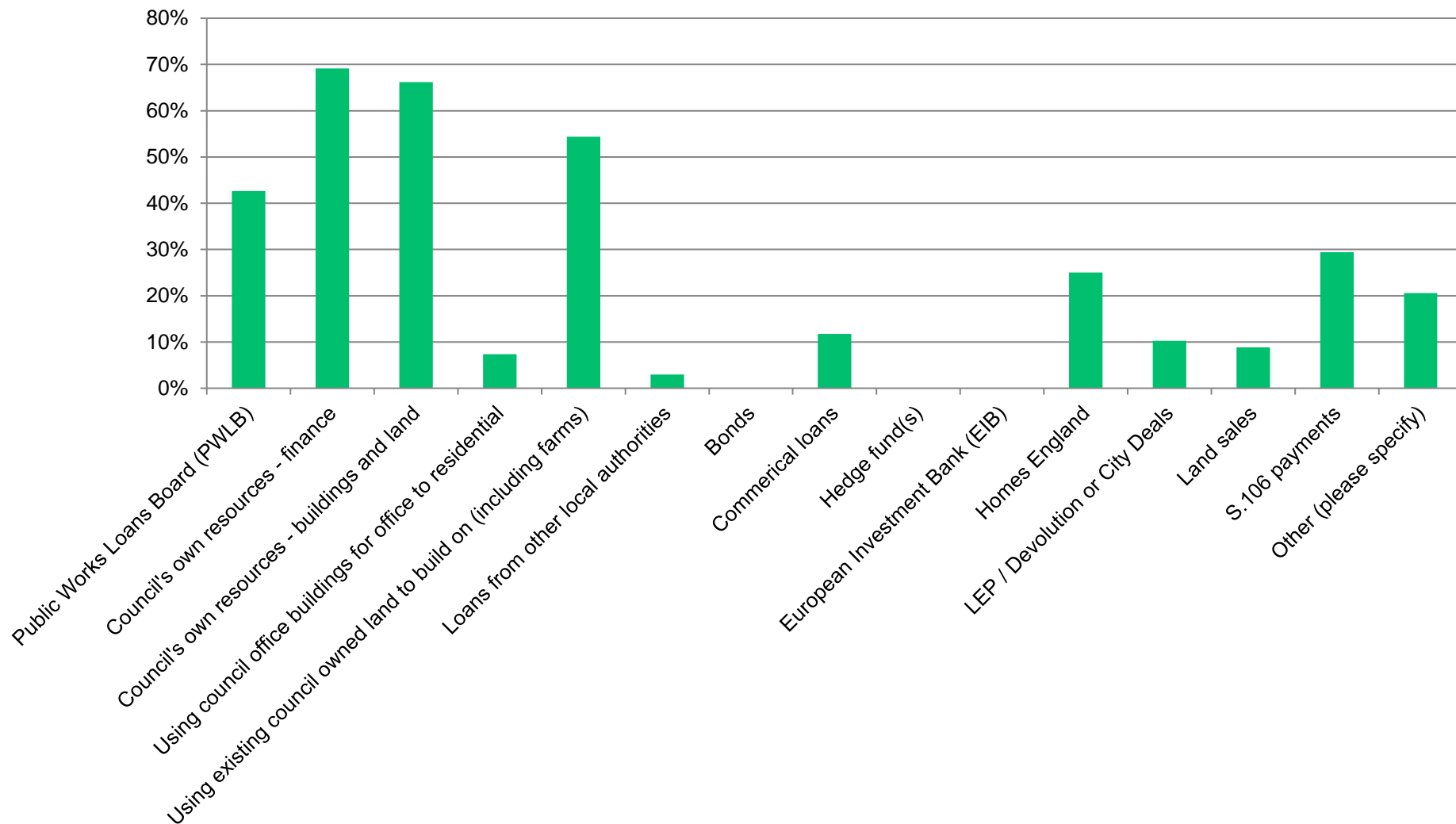
Purposes: 2023 survey

- Survey question asked purpose of local housing company:
 - provision of below market rented accommodation
 - providing further tenancy options for local residents / provide more or better PRS housing locally
 - meet unmet housing need
 - make a profit for the council
 - build more affordable housing
 - develop high quality housing
 - deliver mixed development
 - develop particular sites or locations/ regeneration
 - be a morally sound landlord
 - demonstrate council support for growth
 - delivery of housing on council owned land

Examples of the scale of activity

- Stockport Homes Ltd, which delivered 1,000 units in 2017-18, roughly half of which were social (including affordable rent) and the other half shared ownership. Aims to deliver more affordable housing locally
- Eastbourne Housing Investment Company (founded in May 2015) has a 400 unit investment pipeline, aiming to deliver more housing for older people as well as generate income against a 'dysfunctional' local private market
- Bournemouth Development Company Limited is developing out 20 surface car parks, primarily as PRS. Seascope Homes and Property, meanwhile, acquire existing property and use is to tackle homelessness, with 50 units purchases so far

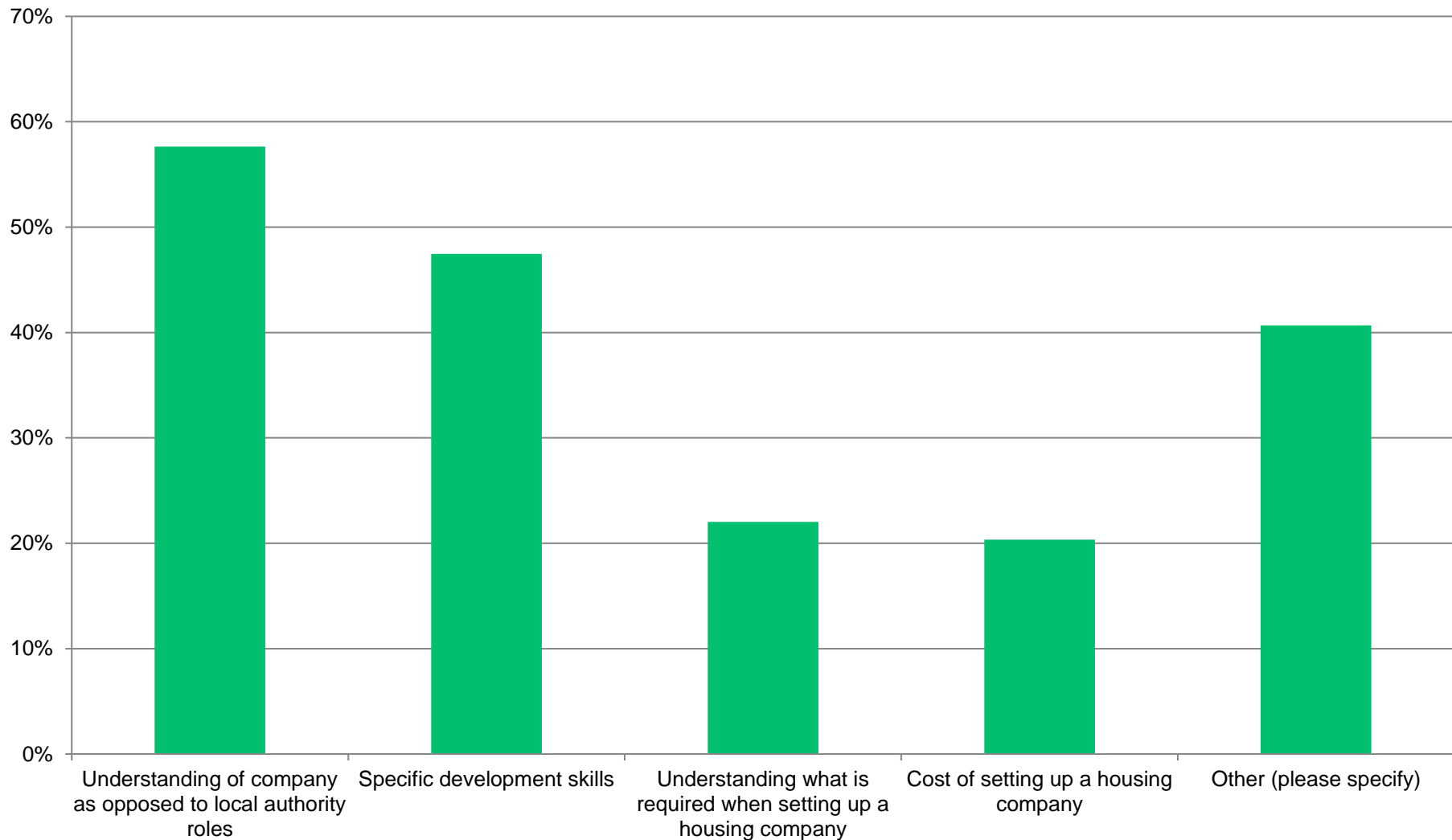
Funding local housing companies



Housing companies and land

- Christophers (2016) notes a tendency from 2004-2013 for public land holdings as investment portfolio to shrink and argues UK local authorities are tending to sell 'surplus land' (use value) to private actors, who then extract profit.
- 2018 survey results show that 61% of authorities acquiring more land and/or buildings as part of a longer-term investment strategy to support income
- For those authorities directly delivering housing, 95% are building on their own land, 44% are purchasing sites to develop, 42% are purchasing existing residential buildings, 17% are using land from the 'One Public Estate' initiative and 13% using other public land
- Suggests a shift in how land is financialised

Challenges associated with companies



Challenges

- Potential concerns around exposure to risk / precarity, accountability and intensely localised differences such as scale of land-holdings and in-house skills
- Viability increasingly reported as a concern, especially as increasing affordable housing focus for authorities. One 2023 survey respondent noting “the main challenge has been the ability to deliver viable schemes in a volatile construction market at the design quality and affordable rent levels the housing need requires”
- 18 authorities reported in 2023 survey they had a dormant or closed local authority housing company. Some because they were for particular projects now completed but others as had not worked / focus shifted to social rent instead

Challenges

- One housing company, Croydon's 'Brick-by-Brick' has already gone bankrupt, causing financial issues for the local authority (loans of £200 million, delivered 500 homes, net loss £20 million (Inside Croydon, 2024))
- A 2022 report on Homes for Lambeth suggested there had been poor governance and relationship with the Council with unclear objectives (Cuffe, 2022) – estate regeneration
- Others continue, but taking a cautious approach and with reduced focus just on profit as opposed to housing delivery

Conclusions

- Local housing companies / local authority trading companies a fast developing and now established feature of the local governance of England
- Established for a range of motivations but generally focussed on delivery of housing (sometimes of particular tenure, quality or speed of implementation) and on income generation
- Has been argued the state is increasingly employing commercial and financial logics (Beswick and Penny, 2018) and that income generation concern can be understood through notions of financialisation: austerity has driven local government increasingly into world of finance (Aalbers, 2017). Implications for economic security

Conclusions

- Important to note, however, that this is somewhat a return to municipal entrepreneurialism rather than entirely new
- Over time of our research, concern increasingly on actually delivering housing / reducing TA costs / ensuring quality as much as income generation
- Potential positives of greater freedom from central control and whim, achievement of policy goals, profit for purpose
- Potential concerns around exposure to risk / precarity, accountability and intensely localised differences such as scale of land-holdings and in-house skills
- Some high profile failures but many more local authority companies are established and have been successful, often involving innovation, starting small, partnerships

Any comments or questions?

