Newbridge Advisors

Delivery framework for private rented housing at Local Housing Allowance

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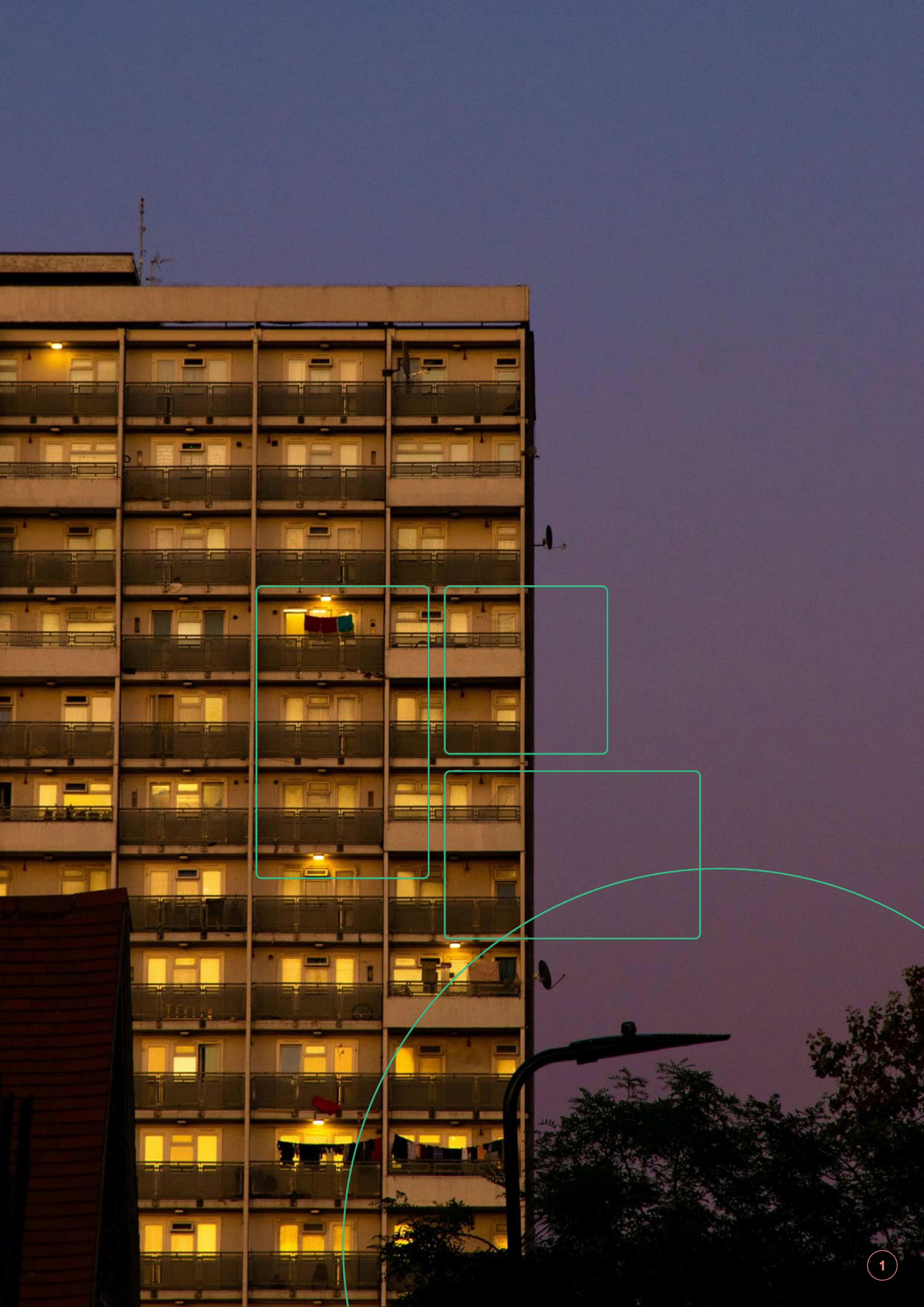


Foreword

Tackling London's housing crisis is one of the Mayor's top priorities. One of the most acute symptoms of that crisis, and a key reason the Mayor and I are so determined to get more good, affordable homes built, is the vast number of people forced into temporary accommodation.

Those living in temporary accommodation, often in poor conditions, are among those at the sharpest edge of the housing crisis, alongside those forced to sleep rough on our streets. The figures are shocking: 1 in 21 children are living in temporary accommodation across our city, meaning that one child in every average London classroom is homeless. Perversely, this situation is costing London boroughs £5.5 million every single day.

We are determined to give Londoners long-term routes out of temporary accommodation into more secure and stable housing. We are also working with London Councils to improve the quality of temporary accommodation where it must be used, and reduce the costs associated with it.

This will be driven in part by the Mayor's new London Social and Affordable Homes Programme. At nearly £12 billion over ten years, it is the largest and longest-term funding settlement the GLA has ever secured. Coupled with vital policy reforms – such as access to building safety funding and a long-term social rent settlement – we face a new opportunity to build many thousands more social and affordable homes over the decade ahead.

And the launch of the new Ending Homelessness Accelerator Programme, backed both by City Hall and London Councils, marks an important step forward in making homelessness support quicker and easier to access, testing innovative early-intervention approaches, and better joining up services to prevent homelessness at an earlier stage.

But the truth is the scale of the challenge is vast, and big enough for us all to play a part. Central Government is playing a major role giving people stability and security over housing, not least through its National Plan to End Homelessness, investment in social housing and much needed rental reforms. And we need private sector partners to provide innovative solutions, effective data, and investment to promote both innovative short-term solutions and stable pathways out of homelessness.

The Mayor is committed to doing everything within his powers to reduce homelessness and rough sleeping, and support Londoners into safe, secure homes. I welcome this report, which will support partners across London to explore innovative solutions to the temporary accommodation crisis and I will continue to work with colleagues across central Government, London's boroughs and the private sector to build a safer, fairer and greener London for everyone.

Tom Copley
Deputy Mayor of London for Housing and Residential Development

Executive Summary

This report presents findings from a taskforce run by Newbridge Advisors on solutions to the Temporary Accommodation (TA) crisis in London in 2025. We have summarised key pieces of research and our conversations with housing associations, developers and funders. Our aim is to draw attention to the broad range of options available to sustainably discharge the homelessness duty on local authorities and what changes will help them to deliver more homes.

The homelessness crisis has gained increasing recognition in the last year. At the last count in June 2025 over 130,000 households were in TA, of which over 84,000 had children. A significant proportion had been in their TA for over five years. Over 40,000 households were in nightly-paid private accommodation and local authorities in England spent an estimated £2.84 billion on this provision.

In response, local authorities have already been deploying a range of options and we have worked with those in our taskforce to analyse the impact of these. In addition, a series of strategies and landmark reforms soon to be implemented will have an impact, both positive and negative. However, they will not in themselves resolve the issues. As government has acknowledged in its National Homelessness Plan, public-private partnerships are needed, particularly exploring how sustainable solutions are financed and set up.

A range of investment models are being used to increase the supply of homes that can relieve TA pressures, with different trade-offs in risk, cost and asset ownership. We tested four core models, including a Newbridge-proposed "key worker reversion" structure that delivers private rented homes at Local Housing Allowance (LHA) rents in the medium term before reverting to key worker tenure, ensuring the use remains affordable in perpetuity.

We found that each can deliver lower public-sector cost than business as usual, although models involving asset retention typically require higher upfront investment. Grant support significantly strengthens outcomes across all options and can turn several structures from "less costly than business as usual" into financially viable solutions. Whilst not explicitly modelled, we consider there to be a significant role for central government in supporting investment structures, through the use of guarantees.

The report builds on this work to make a series of recommendations for the key actors in this space.

For government

1. Restore the LHA subsidy rate to current rates of LHA.
2. Reform welfare benefits to decrease poverty, homelessness and increase confidence in renting to those who rely on it.
3. Introduce financial mechanisms to strengthen investor confidence and lower borrowing costs in this space.
4. Support local authorities in resourcing and skills.

For local authorities

1. Set up clear internal governance with a singular point of contact.
2. Diversify strategies, looking innovatively at the full array of options in this area.
3. Support residents in the private rented sector once duty has been discharged.

For investors

1. Work flexibly and in partnership to develop practical solutions which can be implemented at scale.
2. Develop alternatives which provide stable returns without reliance on long-term index linked risks to local authorities.
3. Local Government Pension Schemes to invest in solutions to TA, recognising the wider beneficial local impact.

For registered providers

1. Look at disposal strategies critically to ensure that best use is being made of social stock in relation to the homelessness crisis.

Introduction

Newbridge Advisors is a specialist advisory firm in social housing, infrastructure, regeneration and sustainability. We work with local authorities and social landlords on projects ranging from strategy through to implementation.

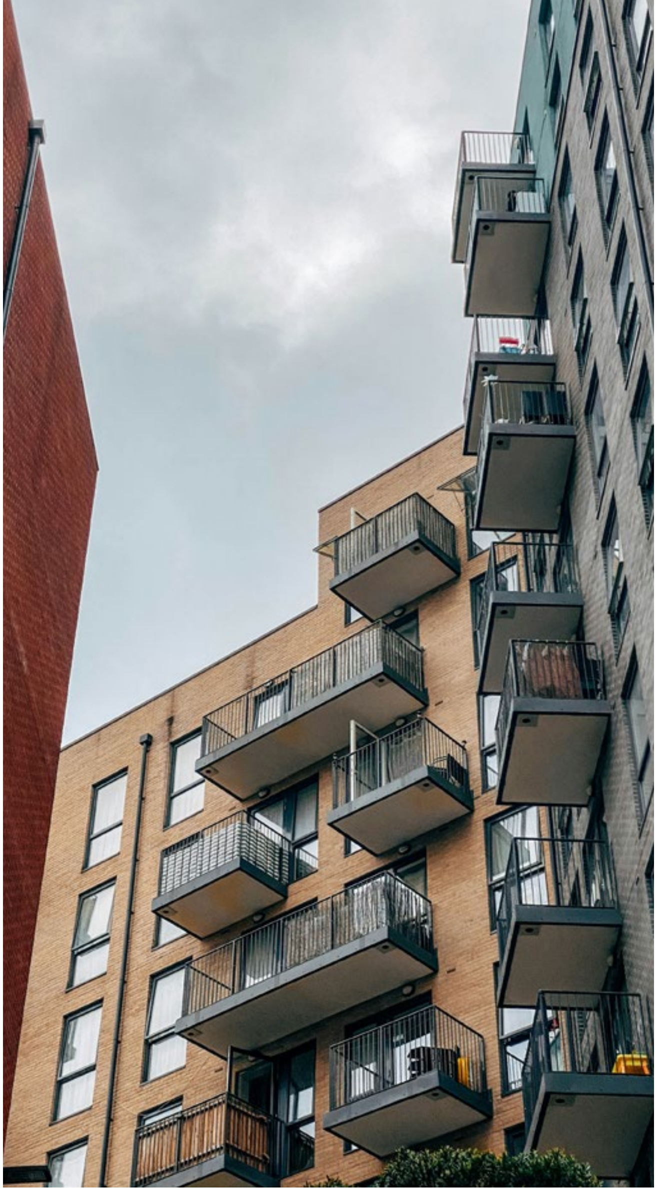
We set up a time-limited taskforce on Temporary Accommodation (TA) in May 2025 to explore the issues in funding good quality TA in London. This was prompted by the findings in the Housing, Communities and Local Government Select Committee report in April 2025. While TA is an issue across England, the problems are particularly acute in London, and we therefore felt the project would benefit from an initial focus there.

The taskforce brought together experts from local authorities, registered providers and the Greater London Authority (GLA). In determining its scope, attending local authorities were clear that they wanted to focus on solutions to TA in a way which allowed them to sustainably discharge their homelessness duty. While there is still a need for higher quality and more affordable TA, the work of the taskforce concentrated on how to discharge the homelessness duty.

This report summarises the findings from the work of the taskforce, as well as key pieces of research and our conversations with housing associations, developers and funders. Our aim is to draw attention to the broad range of options available to provide housing in the Private Rented Sector (PRS) at LHA rents and what changes to the context in which they are delivered will help.

Our engagement with local authorities in London has highlighted the need to address the challenge quickly. Building more social and affordable housing is also often cited as the solution to this problem, but it is a long-term one and does not immediately or necessarily alleviate homelessness. In recognition of this, a variety of solutions are currently being deployed by councils, including acquiring homes directly, maximising the use of grant where available.

The lack of resources within local authorities means it can be challenging to explore the options that are available whilst meeting the daily priority of addressing needs relating to homelessness. Investment solutions with rent guarantees from the local authority also appear complex and expensive to establish, engaging legal and financial advisors.



In addition to setting out the scale of the crisis and its affordability impact, this report highlights the range of options to aid local authorities in their efforts. Our focus is to present models that reduce the net cost to local authorities whilst delivering better housing solutions for people currently living in TA. Engaging with investors is a means to this end, not an end in itself.

We also present ideas for new options – emphasising the need for multiple actors across the sector to work together to address this national priority.

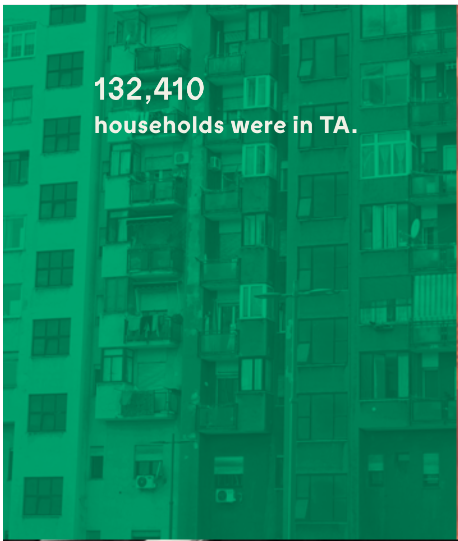
We would like to thank everyone who has contributed, but in particular to our taskforce members:

- Fenella Beckman, Lewisham Council
- Richard Sorenson, Lambeth Council
- Sam Faulding, Newham Council
- Kayt Wilson, Enfield Council
- Guy Hefferin, Greater London Authority
- Angie Hooper, L&Q
- Richard Evans, Hyde Housing Group

1. A homelessness crisis

The impact of the housing crisis has been felt most acutely in the meteoric rise in the use of TA. Not officially a tenure in itself, TA is intended to house those who have become homeless until they can find more permanent housing. Local authorities have a statutory duty to provide this for certain groups of individuals, including those with dependent children. This can currently take any form – from renting private homes to hostels, hotel rooms, and bed and breakfasts (B&Bs).

As of 30 June 2025[1]:



Beyond the already extraordinary and growing total numbers, the data behind where these families and vulnerable adults end up paints an even starker picture, with 40,250 households in nightly-paid private accommodation.

The sheer financial costs of this are staggering. In the last financial year (2024/25), local authorities in England spent an estimated £2.84 billion on TA[3] - an increase of 25% on the previous year's spend.

The societal costs exceed even this bill. The government has acknowledged the scale of the quality issues in TA in the Child Poverty Strategy[4]. The finding was reinforced forcefully in the Housing, Communities and Local Government Select Committee report[5] into the issue in April 2025. Quality concerns span serious hazards, severe overcrowding (older children having to share beds with parents, no space for babies and toddlers to learn how to walk or crawl) and extremely poor or inadequate facilities from hygiene facilities to cooking to availability of the internet. The Select Committee report drew attention to TA having been a contributing factor in the deaths of at least 74 children, of whom 58 were under the age of one.

1. https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness
2. https://www.crisis.org.uk/ending-homelessness/homelessness-monitor/the-homelessness-monitor-england-2025/
3. Bill for homeless accommodation soars by 25%, hitting £2.8 bn - Shelter England
4. https://assets.publishing.service.gov.uk/media/6931e272502f392086ee8c5d/child-poverty-strategy.pdf
5. https://publications.parliament.uk/pa/cm5901/cmselect/cmcomloc/338/report.html

There are also severe safeguarding concerns, particularly with prolonged periods in B&Bs. Examples of children unlawfully being exposed to safeguarding risks are rife. This includes sharing communal facilities with strangers, including those with a history of domestic abuse, as well as sharing the space with individuals who have left prison.

Rising demand, and the inability to keep up, has also led to increased use of out of area placements, with associated negative outcomes as families are removed from their support systems and existing service providers. The Select Committee report found examples of local authorities failing to notify the host authority where residents were being sent to live that they were arriving. Schools, GPs and other public bodies are also not joined up, leading to gaps in both provision and oversight. We have heard examples where children have simply gone "missing" from their school, presumably moved out of borough.

A perfect storm – the causes of the crisis

We know that the reasons for this rapid increase in homelessness are multi-faceted and deeply ingrained. In addition to the well-trodden arguments about the lack of social housing capable of housing the huge numbers of homeless households[6], there are entrenched societal trends at play. Chief among these, appears to be the decline of available housing in the PRS. Crisis found this accounted for 28% of homelessness referrals.[7] In the London Borough of Newham, an area with the highest incidence of TA in the country, a report examining root causes set out how a local collapse in the PRS had boosted one market – first time buyers - while depriving another, renters - at the lower end of the affordability scale.[8].

There are huge affordability pressures in the subset of PRS homes left in the market. A report by SimplyPhi, an affordable housing focussed company, in July 2025 found that on average across England, only approximately 1.5% of properties for rent on the market are rented at LHA rates. Those being evicted therefore are unlikely to be able to afford a new private tenancy.

LHA is the maximum amount the government will contribute toward a person's rent living in the private rented sector. LHA is set by legislation and intended to match the lowest private market rents paid by tenants in a broad rental market area. After years of being frozen as PRS rents rose, they were restored in April 2024 to the 30th percentile rent, covering the cheapest third of rents. A further slight increase was announced in November 2025.

The broader welfare regime also plays a part as benefits have not risen in line with inflation, and are the subject of multiple caps, curtailing household income and the ability to pay housing costs.

The next most significant contributor appears to be the breakdown of relationships within households. The Crisis Homelessness Monitor found this accounted for 27% of homelessness referrals. Domestic violence cases are accounted for separately within the figures and have also increased by 14%.

The impact of other public services ceasing support was found to be the third biggest contributor. This includes people coming out of asylum accommodation support, a category which has increased by 37%, and hospital discharges, where cases have increased by 22%.

6. https://england.shelter.org.uk/support_us/campaigns/social_housing/loss_of_social_housing
7. The Homelessness Monitor: England 2025 | Crisis UK
8. https://mgov.newham.gov.uk/documents/s182192/Temporary%20Accommodation%20Task%20and%20Finish%20Group%20Report%20003.pdf

2. Policy Context

As the plight of both those who are stuck within the system and the local authorities funding it increasingly takes the spotlight, a series of strategies and landmark reforms soon to be implemented will have an impact, both positive and negative. However, they will not in themselves resolve the issues.

Renters Rights Act 2025

The Renters Rights Act passed into legislation in 2025, promising empowerment of private renters by "providing them with greater security, rights and protections so that they can stay in their homes for longer, build lives in their communities, and avoid the risk of homelessness"[9].

Among other safeguards, it abolishes "no fault" evictions or Section 21 notices. These are currently used by landlords in the PRS to evict tenants without giving a legal reason. Evictions under legal grounds such as rent arrears, or breach of tenancy obligations will continue with some changes e.g. a higher threshold for rent arrears.

In addition, the Act ends fixed-term assured shorthold tenancies with all tenancies becoming rolling, open-ended contracts. This ensures that landlords will need a valid reason to regain possession and not simply wait for any fixed term to come to an end.

While these changes will introduce stability for tenants, it remains to be seen how affordability will be impacted. Increases in rent will become more tightly managed via Section 13 notices and bidding wars have been banned. However, the vast chasm between PRS rents and what the LHA provides still exists, and there is nothing to prevent landlords increasing their initial asking price.

Crisis have found that local authorities were optimistic about the impact, a finding we share from the work of our taskforce, but that some were concerned that the changes will encourage landlords to leave the market and/or increase reluctance to let to "higher risk" groups.

Reform of Asylum support

A raft of reforms to the asylum system were announced by the Home Secretary in November 2025[10]. This includes wide sweeping changes to leave to remain, family reunion and removal rights. It also included changes to asylum support, notably shifting the provision of support from a legal duty to a discretionary power. No recourse to public funds, a policy which prevents benefits being paid to those seeking asylum, is planned to be extended with public funds only available to those who are working or "contributing economically" even after asylum has been granted. In-work checks are also touted to be strengthened, with a crackdown on "illegal" working. The combined impact will make it harder for asylum seekers to be able to stay out of destitution.

Asylum accommodation is currently provided by the Home Office via private sector partners, housing asylum seekers while their claims are still being processed. Once their claim has been processed, this support ceases. We know this cessation of asylum accommodation is a key driver for homelessness currently. The government's plans may compound this issue further, particularly with the proposal to reduce move-on periods from asylum accommodation from 56 days back to 28 days leaving less time to secure work and accommodation.

Child Poverty Strategy

The government published its eagerly awaited Child Poverty Strategy in December 2025.[11] In addition to headline measures such as the removal of the two-child benefit cap announced in the Budget, its focus on housing highlighted the issues inherent with TA and the commitment to tackling this.

We have summarised a series of the measures committed to in Appendix A. Key among the announcements were commitments to improve the quality of TA, prevent poor out of area placements and the end the unlawful use of B&Bs. Alongside changes to the welfare system and employment rights, the changes announced should support a step-change in TA provision in England. While some detail remains to be set out in the homelessness strategy, the work outlined in this report is in line with the government's aims and commitments, and provides a pathway to how it can be achieved.

9. https://www.gov.uk/government/publications/renters-rights-act-2025-implementation-roadmap/implementing-the-renters-rights-act-2025-our-roadmap-for-reforming-the-private-rented-sector
10. https://www.gov.uk/government/publications/asylum-and-returns-policy-statement/restoring-order-and-control-a-statement-on-the-governments-asylum-and-returns-policy
11. https://www.gov.uk/government/publications/our-children-our-future-tackling-child-poverty

Social and Affordable Homes Programme

The government committed £39 billion to the Social and Affordable Homes Programme (SAHP) in the last Comprehensive Spending Review. Prospectuses have now been published by Homes England and the GLA for 2026-2036[12] prioritising homes for social rent and seeking an increase in local authority housebuilding. Taken together with reforms to Right to Buy limiting the flow of social homes out of sector[13], this should create net additionality of thousands of homes in the social sector, taking more people out of homelessness.

While an expansion of social housing should be the long-term objective and the investment through the SAHP is welcomed, this will take time to come online over the course of the programme. Many more people are on social housing waiting lists than are statutorily homeless, with the latest count showing numbers of over 1.3 million households waiting for a social home[14], often for years, and in some cases decades. The gap between what is needed and what will be provided is still large, even with the significant investment, and does not allay the current urgent problems.

GLA measures to accelerate house building

The GLA has announced emergency measures to speed up housebuilding[15], including a fast-track planning route where affordable housing is reduced to 20% (with exceptions), temporary local Community Infrastructure Levy (CIL) relief , new Mayoral powers to call-in and decide large schemes, removal of some design requirements, and a new £322m Developer Investment Fund, aimed at cutting costs, speeding up approvals, and boosting delivery until 2028.

These measures are not yet formally introduced, as they are undergoing consultation. They are time limited, which if developers breach, may lead to profit sharing. Whilst they are welcomed by the sector in London where residential development over recent years has been very challenging, calls to support demand side pressures (such as Help to Buy) continue to be made by developers, as well as concerns over late-stage planning review mechanisms and the impact of these to enable developers to secure equity investment.

The National Homelessness Plan

The government published its national homelessness plan in December 2025. Many existing measures were referenced including those announced in the Child Poverty Strategy and the £950m announced for the Local Authority Housing Fund (LAHF) in the 2025 Comprehensive Spending Review. In addition to committing to new national targets on prevention and halving rough sleeping, it also set out commitments to:

- Focus on social landlords and nominations agreements with councils to house homeless households.
- New duty to identify, act and collaborate between public institutions with an aspiration that no one should leave a public institution into homelessness.
- Publish a TA toolkit.
- Consider the best way to sustainably fund good-quality TA including options for partnerships with social impact and institutional investors.
- Strengthened oversight and support for local authorities with a requirement for every council to publish an action plan with local targets and a national workforce programme.

Local Authority solutions to managing the TA crisis

Local authorities are under huge pressure to address the volume of people in need of housing. This report is focused on the longer term solutions – the means of discharging the homelessness duty – however, we have summarised the range of approaches to addressing the delivery of TA in Appendix B.

12. https://www.gov.uk/guidance/social-and-affordable-homes-programme-sahp-2026-to-2036
13. Reforming the Right to Buy - GOV.UK
14. 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
15. https://www.gov.uk/government/news/new-measures-announced-to-ramp-up-housebuilding-in-london

3. Existing Investment models

A range of different investment models are currently being used to help increase the supply of homes that can be used to meet TA pressures and reduce reliance on expensive nightly paid accommodation.

These models vary primarily by:

1. Who provides the upfront capital i.e. local authority, or private investment;
2. The level of obligation on the local authority (from nominations through to long-term leasing);
3. Responsibility for management and operations; and
4. Whether the local authority retains a long-term ownership interest in the assets.

We have reviewed a selection of existing models which are set out below. We have highlighted the core features of each model in terms of how they sit within the framework of investment, obligations and ownership.

Existing model 1: Long-term leasing from an institutional investor

Source of capital	Investor
Obligation on the local authority	Long-term lease with index-linked rental payments
Responsibility for management and maintenance	Local authority (fully repairing and insuring lease)
Long-term ownership	Option to be retained by local authority subject to payment of nominal sum

These models typically involve an investor funding acquisition and upgrade works, with the income stream underpinned by a local authority lease. The local authority takes on the operating risk of managing and securing tenants for the homes. The payments upstream from the local authority to the investor are usually not tied to the underlying performance of the asset. This lease provides long-term certainty and financing capacity (including retrofit programmes such as EPC upgrades) for the investor, enabling them to offer low yields relative to other forms of investment.

The rent payments to be made by the local authority are sized according to the target yield for the investor. An annual index is applied which is usually pegged to the Consumer Price Index (CPI) or Retail Prices Index (RPI) with ‘cap’ and ‘collar’ mechanisms applied to protect the investor and the local authority. The deals tend to be long term in nature, usually between 30 – 40 years; essentially the longer the timeframe, the lower the annual rent payments are to the local authority which makes the investment look more attractive in the early years relative to other options. The common approach is for the local authority to have an option to acquire the property for a nominal sum at the end of the term, meaning that they have the benefit of the asset ownership in the long term.

These models are attractive in their ability to secure significant levels of upfront investment which would be otherwise costly for local authorities to service through debt repayment. The scale of investment can lead to reductions in annual costs relative to nightly paid accommodation. However, they are not without risk. Careful accounting advice must be taken regarding the balance sheet treatment of such vehicles, as well as considering the impact on inflation over the long term. We cannot predict what inflation will be in 40 years’ time and, even with the use of caps, what the local authority’s exposure will be to the cumulative impact of inflation.

The local authority remains liable for the rent payments regardless of the underlying asset performance, therefore, the risk of these projects should be looked at across the local authority’s portfolio rather than as a project financing mechanism in isolation. For properties let at LHA, this is particularly pertinent as LHA has not historically been subject to a consistent annual index. There is a risk, therefore, of an asset level mismatch between the net rental income and the rent due to the investor.

Case study:

Westminster City Council (WCC) acquisition of 368 homes from A2Dominion, funded by Phoenix Life

- Westminster City Council (WCC) was leasing homes from the Housing Association, A2Dominion Housing Group (A2D) which was proposing to dispose of the properties that WCC had been using for TA for over 15 years. This was in the context of a TA crisis in WCC where costs had risen from £4.5m in 2021/22 to a forecast £66m in 2024/25.
- To ensure WCC would be able to continue to use the homes, and to avoid the need to source and re-house residents for potentially more expensive alternative nightly booked accommodation, WCC and Phoenix Life entered into a financing deal to acquire the homes.
- WCC acquired the homes and transferred them into companies funded by a loan from the investor. This is repayable over 42 years, with a payment holiday for the first two years. The funding covered the cost of the acquisition and up to £33.5m which WCC can apply to additional refurbishment works to get the properties to EPC C or better.
- WCC takes leases back known as Credit Tenant Leases (CTLs) with the rent sized to meet the servicing requirements to the investor. According to the WCC Cabinet report "This funding structure utilises WCC's strong Aa3 credit rating to secure flexible index linked borrowing at competitive rates and allows the funding to be amortised over the lease term, at which point the security would be released. This results in an unencumbered asset returning to WCC at the end of the lease."
- We note that the Westminster Pension Fund is now looking to invest in similar structures that could replicate investment the Phoenix Life investment profile.

Existing Model 2: Private acquisition with management via a housing provider – no rental obligation on the local authority

Source of capital	Investor / Fund
Obligation on the local authority	Nominations only
Responsibility for management and maintenance	Housing provider
Long-term ownership	Investor(s) / Fund

An investor or fund acquires homes and appoints a housing provider to manage the properties. Local authority involvement is typically limited to nominations (including also providing a search fee to the housing provider), reducing both direct lease obligations and balance sheet strain. Examples of this include:

Case Study:

Resonance National Homelessness Property Fund.

- Resonance has five property funds that focus on helping individuals and families who are in a housing crisis, for example in TA, into safe, settled affordable homes in the heart of communities. The first fund was launched in 2013. All the funds contain equity contributions from Local Authorities (including Oxford, Milton Keynes, Greater Manchester Combined Authority, London Borough of Westminster, London Borough of Merton, GLA and Bristol) and other entities such as Better Society Capital and Local Government Pension Schemes (including Greater Manchester Pension Fund, South Yorkshire Pension Authority). The combined total funds under management of all five funds c£360m, and they have housed c4,000 people in c1,200 properties.
- All funds are managed by Resonance who source, purchase, and refurbish the properties which are let at predominantly LHA rates. Residents are nominated by a local authority, and the homes are managed by a housing partner. The housing partner retains c20% of the LHA rents for portfolio management. The remaining c80% passes back through to the fund. In terms of return, Resonance Funds aims to provide an IRR of c6% through a combination of rental yield and capital value growth.
- Combining the investment between public and private sectors allows for further scale to be achieved, enhancing the number of households being removed from TA. Furthermore, this is an attractive area for Local Government Pension Schemes to invest where they are looking to have local social impact, as well as generating a return for investors. Whilst the initial capital spend is an outlay for a local authority, both the fund equity returns and the savings made from lowering existing TA expenditure is potentially more financially beneficial to Local Authorities than the status quo.

Existing Model 3: Private acquisition with management via a housing provider – with rental obligation on the local authority

Source of capital	Investor / Fund
Obligation on the local authority	Short to medium term lease agreement / underwrite
Responsibility for management and maintenance	Investor(s) / SPV
Long-term ownership	Investor(s) / Fund

Under this model, an investor or an SPV backed by a funder, acquires the homes and relies on lease guarantees from the local authority.

Case study:

Royal Borough of Kensington and Chelsea (RBKC) and Madison Brook

- RBKC and Madison Brook have agreed a model allowing RBKC to nominate tenants for 25 homes at LHA levels on Assured Shorthold Tenancies, with the investor refurbishing and managing the homes and RBKC pays a referral fee.[16] In addition, RBKC agreed to underwrite aspects of the tenancy such as the non-payment of rent, voids (capped at two weeks of rent), and dilapidations for damage to the property (capped at five weeks of rent). The lease agreement is relatively short at three years between RBKC and Madison Brook.

Case study:

Case study: Local Space, Newham

- Local Space (established by LB Newham) was established in 2006 and raised private capital against an initial portfolio of 450 homes gifted by Newham – a factor which sets this model apart from others. The private finance raised enabled Local Space to acquire additional homes that could be made available to Newham to house people in TA. Local Space provides local authorities with nomination rights to homes typically between 60-70% of market rents, enabling local authorities to discharge their duty under the Homelessness Act.
- Local Space has now expanded into neighbouring boroughs and delivers a wider range of services and tenure offers. Local Space states that they offer a cost reduction to local authorities of 20% per home per week compared to housing people in TA in the private sector.
- According to the 2024/25 financial statements[17], Local Space generated 87% of their income from local authority partnerships (80% Newham and 7% Waltham Forest). This stable income source enables them to maintain a AA- credit rating and thereby secure attractive credit terms from lenders.

16. https://rbkc.moderngov.co.uk/committees/ieDecisionDetails.aspx?Id=526
17. https://www.localspace.co.uk/wp-content/uploads/2025/09/Report_and_financial_statements_2024-25.pdf

Existing Model 4: Outright acquisition by local authority

Source of capital	Local authority funding including grants where available e.g. LAHF. Funding usually raised as debt through PWLB
Obligation on the local authority	All obligations with the local authority
Responsibility for management and maintenance	Local authority
Long-term ownership	Local authority

This model requires a capital investment from a local authority to purchase the housing stock which can then be leased at LHA rates. The source of funding from the local authority is usually borrowing from the Public Works Loan Board (PWLB). Whilst PWLB rates are typically lowers than commercial borrowing, currently rates are high relative to period of low rates pre 2022. Furthermore, some local authorities do not have the debt capacity to raise additional finance.

From our taskforce, it was evident that optimising the use of available grants to secure existing properties for use as PRS housing at LHA rents is the preferred model. This includes acquiring properties out of area which may have more attractive yields at the local LHA rents.

Whilst this model is capital intensive, it can be implemented swiftly by local authorities and does not require complex negotiations with third parties. Furthermore, the authority has an asset they can choose to retain or sell depending on demand for accommodation across their tenants. There are, however, limitations of this model including the requirement for the local authority to borrow on balance sheet and take on all responsibility for management and maintenance. There is also a limitation on capacity in terms of the human resources needed to source properties and debt headroom.

This is a core part of the solution to addressing the TA need which should continue alongside other models which could be complementary and address some of the risks that arise with direct acquisition and ownership.

Case study:
Enfield Housing Gateway

- Housing Gateway Limited (HGL) is a private company wholly owned by Enfield Council, established in 2014 to help meet housing needs and reduce reliance on costly TA through the provision of private rented homes.
- HGL owns a portfolio of over 1,000 homes which it leases under assured shorthold tenancies. In addition, Enfield has established Enfield Let Managed, which leases homes from private landlords and removes barriers such as like deposits, rent in advance, or credit checks to make access easier.[18] The aim being to prevent people falling into homelessness.

18. https://www.enfield.gov.uk/housinggateway/enfield-let

Existing Model 5: Public-private partnership

Source of capital	Combination of local authority funding and private capital
Obligation on the local authority	Nominations and obligations to ensure debt repayments can be made
Responsibility for management and maintenance	SPV
Long-term ownership	Option for authority to acquire at the end of the term

This approach is undertaken in partnership with a private sector entity to spread the capital risk, and assist in lowering the initial capital requirement for the public sector (including refurbishment requirements prior to leasing). Where there is a partnership with the private body, there is usually a lease guarantee from the local authority which enables the cost of private capital to be reduced. Where a local authority acquires properties directly, this will usually sit on their balance sheet. Accountancy advice will be needed in relation to joint ventures through an SPV where there is also a lease obligation or guarantee.

Case study:

Waltham Forest (LBWF) and Mears Group – More Homes Waltham Forest

- LBWF and Mears established a joint venture to purchase and refurbish 365 homes, with units reverting to LBWF for a nominal amount at term end. Mears is responsible for management and maintenance of the homes.
- The SPV raised £88m of debt on the capital markets from BAE Systems Pension Fund on the strength of the rental guarantee from LBWF.
- LBWF guarantees payment of rent when homes are unoccupied or there is a rent shortfall.
- Option for LWBF to acquire the homes at the end of the term at a value equivalent to any outstanding debt.
- We understand from public sources that plans to undertake a second phase of this joint venture have been stalled due to high gilt rates making it unviable[19].

19. https://democracy.walthamforest.gov.uk/documents/g6158/Public%20reports%20pack%2007th-Oct-2025%2014.00%20Cabinet.pdf?T=10

Case study:
Bromley Council and Pinnacle funded with Phoenix Life

- Bromley Council and Pinnacle secured a £58m inflation-linked loan from Phoenix Group (via Macquarie Asset Management). The loan will support the purchase of more than 200 homes aimed at alleviating the volume of TA in Bromley[20].

These models were attractive in an environment where interest rates were low, such that the returns from LHA rents were sufficient to cover the investors' return requirements; However, as rates have moved out (particularly long-term gilts), these models become challenging especially where capital vales are high relative to LHA rates.

20. https://www.macquarie.com/uk/en/about/news/2023/phoenix-group-and-macquarie-asset-management-provide-58-million-pounds-funding-for-affordable-housing.html

Model 6: Newbridge "key worker reversion" model

Source of capital	Local authority
Obligation on the local authority	Owns and operates housing
Responsibility for management and maintenance	Local Authority
Long-term ownership	Local Authority

Newbridge has undertaken initial analysis on a model designed to provide PRS homes at LHA rent over a medium-term time period, with the tenure reverting to key worker/intermediate rent at the end of the lease.

This is intended to provide a tenure that addresses the immediate requirement, while preserving the long-term affordability of the homes by keeping them within the affordable housing sector. In doing so, it avoids the challenges associated with acquiring social/affordable rented units and subsequently reconfiguring them for other tenures. This idea has been developed in the context of the GLA offering SAHP grant funding to key worker housing under the 2026 – 2036 programme. However, the ideas have not been validated by the GLA and are subject to further discussion.

Key features of the concept include:

1. **Rent policy:** Rents capped at local LHA rates during the initial term, with local authority nominations.
2. **Delivery routes:** The structure can be delivered via a debt-funded local authority acquisition model or a partnership with an investor, or developer.
3. **Role of grant:** SAHP grant rant used to bridge the gap between capital values and sustainable rent levels.
4. **End-of-term flexibility:** At year 15, properties transition to a key worker model in line with the requirements of the grant funding. This supports long-term asset retention and flexibility and provides a clearer rationale for upfront public subsidy where required.

Model 7: Use of surplus Registered Provider stock for TA

Source of capital	Private investment
Obligation on the local authority	Providing nominations to the vehicle
Responsibility for management and maintenance	Investor(s) to procure management and maintenance service (could be provided by the selling RP)
Long-term ownership	Investment vehicle

In recent years, there has been an increase in the quantum of void stock being sold by Registered Providers (RPs) in England. These organisations have faced a sharp increase in borrowing costs, along with an emphasis on refurbishing and retrofitting existing properties. Where properties are 'net present value negative' i.e. the present value of undertaking retrofit works and the future rental income is less than zero, some RPs opt to sell this stock on the open market.

This is a difficult decision for RPs to make and requires careful consideration regarding their asset management strategy. Boards are having to balance the organisation's financial viability against losing much-needed affordable housing stock.

There could be an opportunity for partnership working between RPs, local authorities and Homes England / forthcoming National Housing Bank to develop structures for an SPV to acquire stock from the RP. Once sold to the SPV, the homes would no longer be 'regulated' affordable housing such as social rent, but would be let at LHA rents to people in housing need.

The financial viability of this option is challenging. It is not realistic to expect RPs to sell at a discount therefore support is needed to attract investor capital into these vehicles. This could include guarantees from the National Housing Bank. The Homes England Road Map[21] published in December 2025 stated the following in relation to the potential use of guarantees:

"We are also exploring the development of an affordable housing acquisition guarantee to establish new ownership vehicles to buy and operate existing stock and s106 homes for tenures and purposes including but not limited to shared ownership, general needs, and temporary accommodation".

21. https://assets.publishing.service.gov.uk/media/693984fecfacd5e888491d3b/Homes_England_Investment_Roadmap_December_2025.pdf

4. Testing Investment Models – meeting objectives

Local authorities have different needs and requirements which means different structures are more relevant in one place than another. Below we set out a high level assessment of how the different models respond to local authorities' objective, for example, appetite for risk, importance of controlling day to day operations, and whether they wish to own assets at the outset, at the end of the term or not at all.

To provide an overarching framework, we have assessed the models across the spectrum from:

"don't own, don't operate, minimal control"
through to
"full acquisition, management and control".

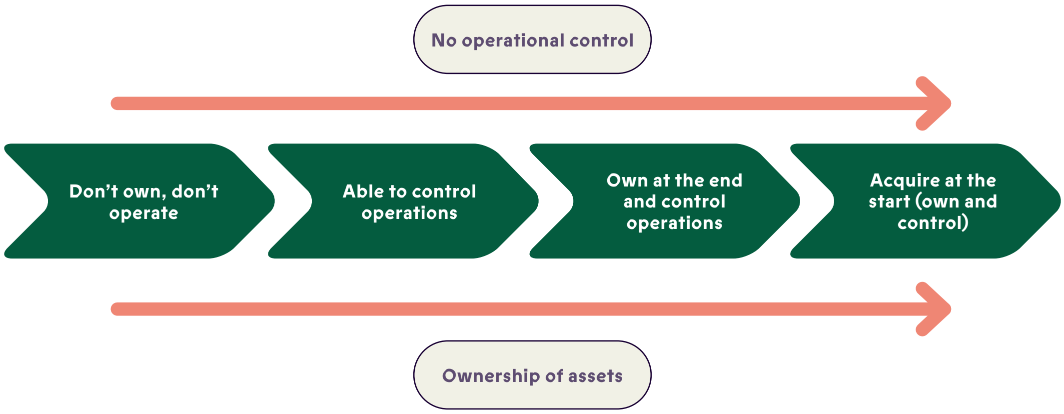


Figure 1: Ownership spectrum for models

The figure below illustrates where each model sits within a matrix, with operational control on the y-axis and asset ownership on the x-axis. The size of each box represents the relative financial burden/risk borne by the local authority under each model. This highlights that greater local authority control and asset retention typically come with higher financial burden. Whereas lower-risk models require less capital commitment usually require local authorities to give up ownership, operational control, or both. In some cases, such as lease-back models, ownership is an option at the end of the term but responsibility for management sits with the local authority for the lease term.

The purpose of this assessment is not to judge whether one part of the spectrum is "better" than the other but, rather, to highlight the need to engage with a range of approaches in order to maximise the availability of stabilise private rented housing at LHA in a period of severely constrained public finances.

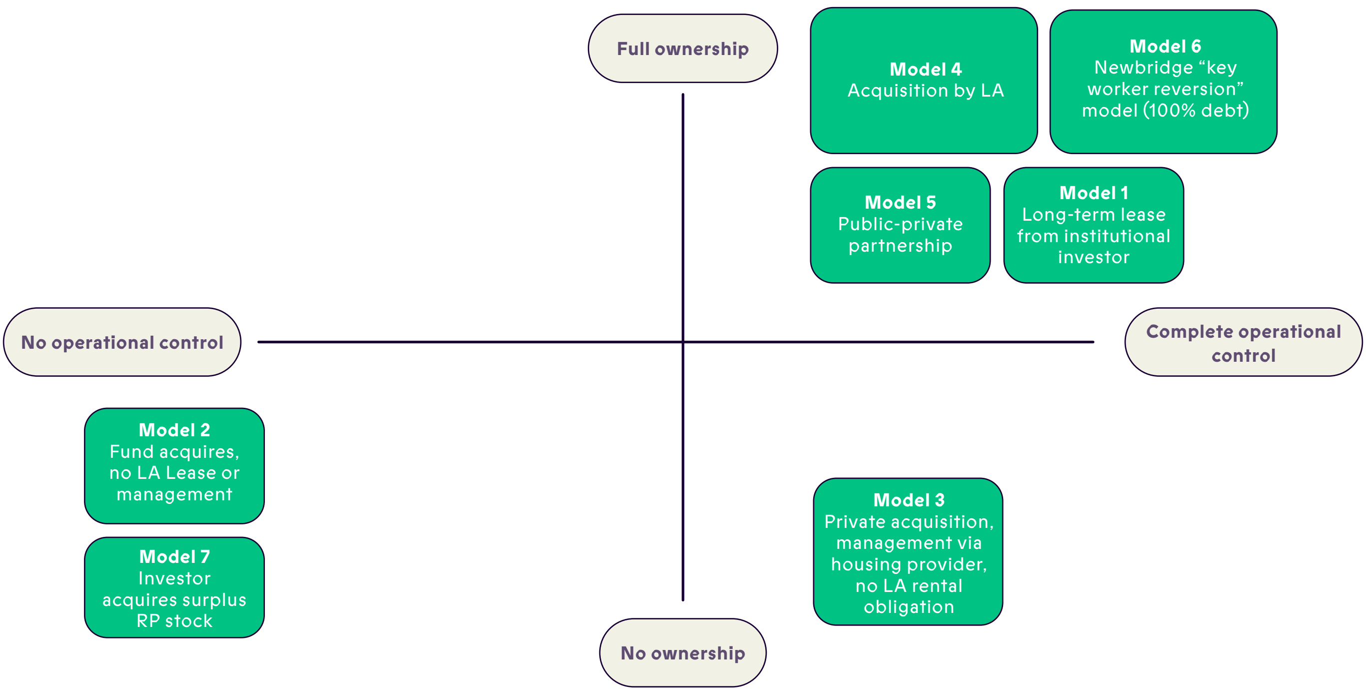


Figure 2: Mapping models against objectives

5. Testing Investment Models – Financial Outcomes

We have undertaken a financial assessment of the different models to assess the cost saving to local authorities relative to the current cost of delivering TA across the capital. Our modelling applies the analysis to three South East/London comparators with differing TA requirements and distinct Broad Rental Market Area (BRMA) contexts: Hounslow, Hastings and Newham. This approach is intended to reduce the risk that outputs are overly influenced by conditions in any single local market, and to ensure the results are more representative of the range of delivery contexts across the London and the south east region. Building on the investment models outlined above, we have developed and modelled five distinct options:

a. **Public-private joint venture (JV) (50/50 equity) with third-party debt**
   One or more local authorities invest 50% of the equity into a JV, matched by a private partner, with third-party debt. The JV acquires homes, lets the properties at current LHA rents (indexed annually), and takes void risk and all operational expenditure over a 10-year term. This aligns with existing Model 5 above.

b. **Investor acquisition with local authority nominations, and homes managed by a local authority**
   A fund/institutional investor acquires and refurbishes stock. The local authority takes on operational delivery, ensuring that the investor achieves a 3% net additional yield. This aligns to existing Model 3 above.

c. **Long-term (credit tenant) lease with reversion to the local authority**
   An institutional investor acquires and refurbishes homes and enters into a long-term index-linked lease with the local authority, assumed +2% per annum, and achieving a net initial yield of 4.0%. The local authority takes operational control of the properties. At year 40, the assets transfer to the local authority for a nominal sum. This sits within existing Model 1 above.

d. **Debt-funded acquisition with key worker reversion**
   The local authority establishes an SPV, acquires PRS units, and lets at LHA for 15 years. At term end, tenure reverts to an intermediate/key worker product (assumed at 70% of market rent). This aligns with Model 6 above.

e. **Investor acquisition with local authority managing homes**
   A fund/institutional investor acquires and refurbishes stock. A housing provider takes on operational delivery, funded via a management/OPEX payment modelled as 20% of LHA. The local authority's primary role is nominations, with their duty discharged to the private sector. This aligns to existing Model 3 above, which is similar to the Resonance approach.

Outputs

The cost and operational challenges of TA provision vary significantly between local authorities. As such, the baseline comparator used in this analysis is an overall average and should not be treated as a precise benchmark for any specific borough. We have calculated this comparator by taking total TA expenditure in London and dividing it by the number of TA dwellings, generating an indicative cost per TA dwelling per week. Our modelled solutions are assessed against this indicative baseline to understand their potential to reduce public-sector cost. **We have assessed this as £339 per week**.

The primary objective of the investment models tested is to reduce cost to the public sector. The cost savings are shown on a per week basis and a Net Present Value (NPV) basis to reflect the overall cashflow position if considered in today's terms, recognising that a pound of cost (or saving) in future years is worth less than a pound today.

Some structures are unviable on a pure investment basis (i.e. generating a negative NPV), however they are less costly than the business as usual TA solution for the local authority over the short to medium term. We therefore are focusing on outputs through both lenses: budget impact (cost reduction versus the current baseline) and financial viability (NPV). All results in the following graphs assume no grant funding support.

For a solution to perform better than Business As Usual, the average net present cost per week should be less than £339 per week. We assume the £339 baseline increases annually in line with CPI to ensure a like-for-like comparison, which is prudent given the significant rise in TA costs in recent years.

	Option A	Option B	Option C	Option D	Option E
No. of homes	300	300	300	300	300
Cashflow duration (years)	10	10	40	15	10

To illustrate the performance of each model, below are cumulative cashflow (Cumulative LA income/cost) profiles across the five modelled investment structures. This illustrates how the cost (or benefit) to the local authority's position evolves over time, capturing both the net cashflow profile and any terminal value outcomes from retained assets at the end of the model term.

The first chart below shows the models where the local authority retains and owns the units at the end of the model term (Options A, C and D). These scenarios show a sharp increase in the cumulative cashflow line at the end of the model term (a "hockey stick" effect), reflecting the recognition of retained asset value once the local authority holds the homes outright.

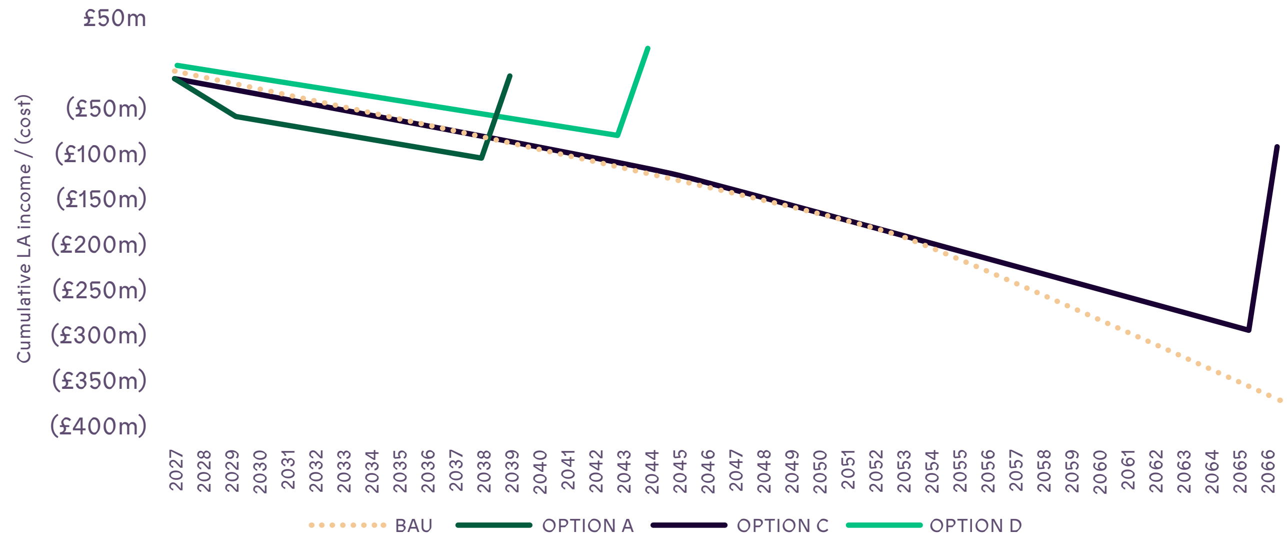


Figure 3: LA ownership and retention models

The second chart below shows the models where the local authority does not retain the homes at the end of the cashflow period (Options B and E). These structures do not include any terminal asset value for the local authority and therefore the cumulative cashflow position is driven primarily by the net cashflow to the local authority, rather than by any residual value at the end of the model term. These models are lower cost to the local authority over the cashflow period but do not have the benefit of asset value that could be retained or sold.

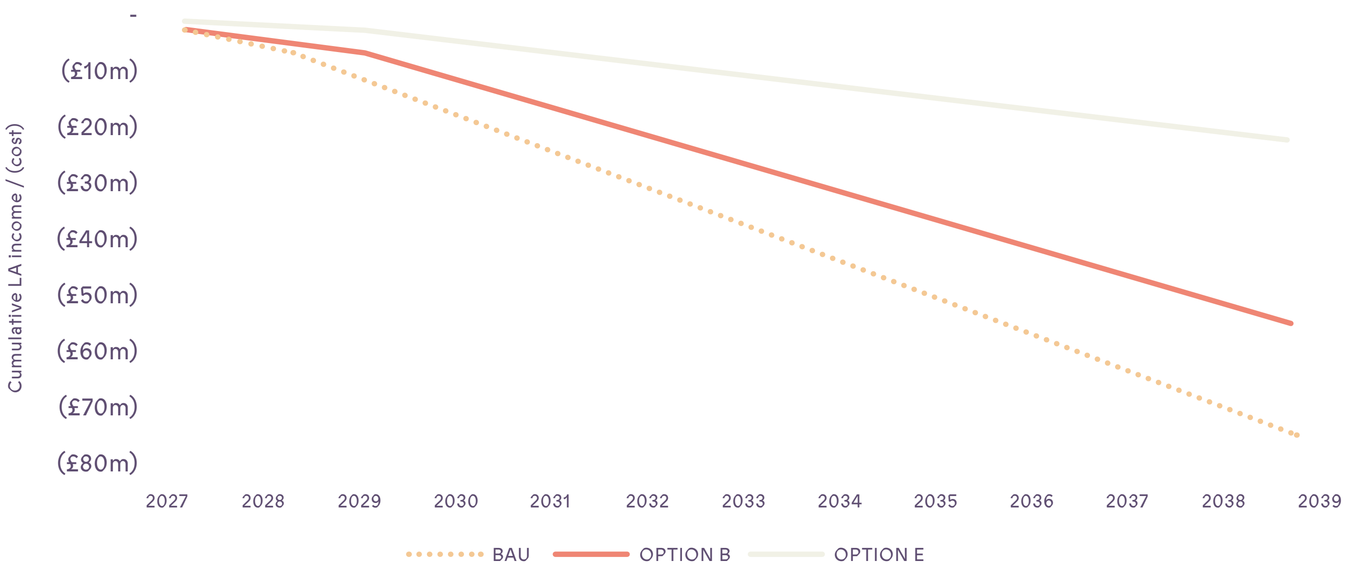


Figure 4: non LA ownership and retention models

To consider the overall benefit in present value terms please see below , descending in financial benefit versus business as usual:

- **Option D:** £50m better. This is driven by retained asset value on a reverted intermediate tenure at the end of the model term, which materially strengthens the overall present value position despite requiring higher initial investment.
- **Option C:** £42m better. This is driven by (i) retained asset value at the end of term and (ii) a longer 40-year model where lease payments provide the investor a minimum yield but remain below BAU costs, creating net benefit over a longer duration.
- **Option E:** £41m better. This is driven by the fact there is no acquisition of units and the local authority only pays a referral fee from the nomination of tenants (as the local authority does not operate units), which is significantly lower than the current BAU cost per dwelling per week.
- **Option B:** £16m better. This is driven by no acquisition of units and a lower ongoing payment structure designed to ensure 3% NIY annually, resulting in an annual cost below BAU.
- **Option A:** £12m better. This is driven by retained asset value at the end of the model term (10 years), which improves the overall NPV position, although benefits are smaller due to the shorter model duration and higher initial investment requirement.

The models tested above do not include any grant. To understand the impact of public sector non repayable grant on the options, we have tested them with a one-off contribution of £120k per unit of grant. The latest LAHF guidance references a maximum grant of £300k per TA unit[22]. However, we have assumed a lower level of grant support to reflect the finite funding envelope and to ensure the proposed approach is demonstrably scalable. The cumulative cashflow outputs with grant are illustrated below.

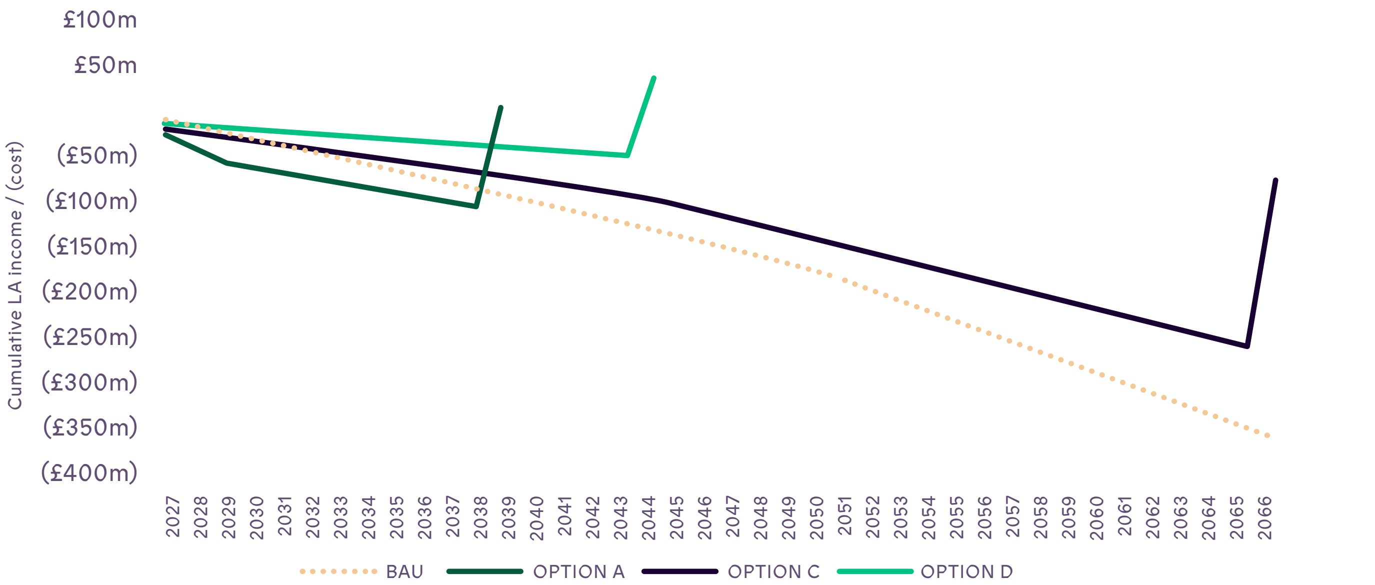


Figure 5: Impact of grant on LA ownership and retention models

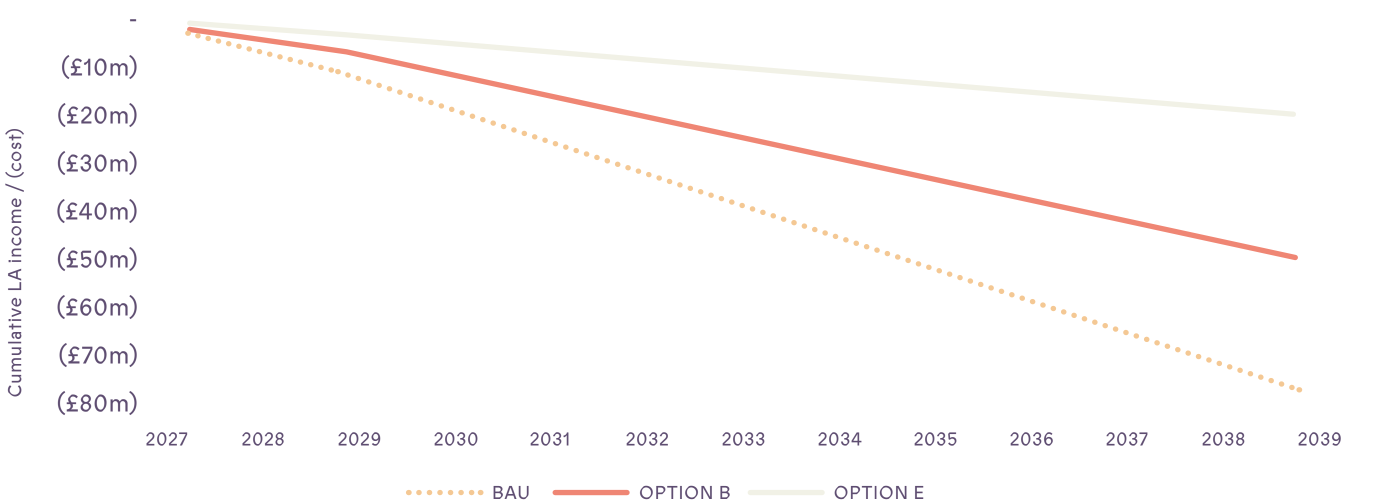


Figure 6: Impact of grant on non LA ownership and retention models

22. Local Authority Housing Fund: Round 4 prospectus and guidance - GOV.UK

The results show that the impact is significant, and in the case of Option A (public private JV) and Model D (key worker reversion), the local authority would move into a surplus position. Therefore a lower level of grant could be provided to support the viability of these investment models. See the options below descending in financial benefit versus business as usual:

- **Option D:** £83.8m better than BAU.
- **Option E:** £74.5m better than BAU.
- **Option C:** £67.7m better than BAU.
- **Option B:** £50.0m better than BAU.
- **Option A:** £46.1m better than BAU.

Across the five modelled options, all scenarios reduce the cost to the local authority relative to the current counterfactual of £339 per dwelling per week, indicating that each structure has the potential to reduce the ongoing TA cost burden for local authorities, even where it does not eliminate it. Where the local authority owns the asset, the NPV is better because of the value of the asset at the end of the cashflow, however, this does require more initial investment.

Without grant support none of the options are financially viable on a standalone basis i.e. they perform better than the counterfactual but there is still an overall cost to the local authority in present value terms. Without grant, all options generate a net present cost to the local authority from £55 to £342 per dwelling per week (equivalent to £10.9m to £88.0m in NPV terms based on the 300-home portfolio).

With £120,000 per unit of grant, the position improves materially. Options D and E become clearly positive in present value terms, while Option C remains materially negative given its longer 40-year structure. These results suggest that grant funding would be highly beneficial and turn many of the identified TA solutions from a less costly than business as usual outcome, to a financially viable with a positive NPV.

6. Recommendations

A significant amount of work has gone into homelessness solutions across the sector. Local authorities continue to innovate, and we can see the desire and willingness to support that innovation across the funding and development landscapes, as well as encouraging signs from central government to use financial transactions to support the delivery of permanent housing solutions.

We also welcome forthcoming government initiatives such as implementation of the Homelessness Plan, Child Poverty Strategy and Renters Rights Act, and delivery of thousands of new social and affordable homes via the Social and Affordable Homes Programme. Tackling the sheer volume of households in this insecure tenure, as well as the root causes to stem the pipeline of families entering it, will take further concerted action.

All actors in this space must work together to achieve long term and sustainable change which protects public resources, builds capacity and supports those at the acute end of the crisis.

The Ask from Government

LHA regime change

The subsidy rate for TA has been frozen since 2011, at an income level which does not reflect the market realities of a sector where rents have risen significantly. Local authorities we have worked with tell us that they can be paying up to 160% of current LHA rates for TA, creating a huge gap between expenditure and funding.

We back the call made by many others that government must restore the amount that local authorities can claim to at least current rates of LHA. Many local authorities have curbed their social housing building programmes because debt headroom is constrained by the cost of TA. Local authorities cannot build their way out of a housing crisis whilst the TA crisis is consuming their finances

The need for greater indexation certainty has been reflected to us from both local authorities and investors. Moving LHA inflation to be more like social housing rents (or at least simply CPI), would open up the sector for greater levels of investment.

LHA rates alone however do not determine the household's ability to keep up with rent payments. Further changes modelled by Crisis, which also have wider impacts on child poverty, fuel poverty and food insecurity, would assist with affordability for the most vulnerable, including:

1. Ending the five week wait for Universal Credit;
2. Minimising debt deductions;
3. Removing the Benefit Cap; and
4. Higher personal allowances for younger singles.

Guarantees

We welcome the reference in Homes England's road map to use guarantees to support the delivery of permanent housing solutions that could address the TA challenge. Government should introduce underwriting mechanisms to strengthen investor confidence and lower borrowing costs. Options include:

- Support for local authorities to guarantee the index-linked elements of lease payments to investors.
- Void protection.
- Partial/full debt guarantee.

These measures would reduce financing costs, stabilise returns, and give local authorities and investors greater certainty over future cashflows. These measures can be particularly impactful in supporting pension fund investment into the sector, which also aligns with the aim for more place based investment for LGPS.

Support for LAs in resourcing and skills

From our observations and conversations, skills gaps and siloed working within local authorities can hamper efforts to assess funding opportunities and put innovative housing solutions in place.

We understand government is developing a toolkit to address knowledge gaps and engender greater confidence, setting out explanations of various models and considerations in deploying them. We hope this report will also act as a useful resource in aid of this aim.

Given the scale and urgency of the need, more can be done centrally to steer local authorities towards the right solutions and enable unlocking of internal barriers. This could include centrally verified training and best practice guidance, including on nominating point people within local authorities to lead on this workstream.

For local authorities

Clear internal governance

Solutions in this space will require cross-team working including housing, finance and legal teams. It may also require planning resource to ensure policies are not constricting development or meanwhile use (see Appendix B). Examples where innovative financing has worked have had identified leads responsible for drawing these structures together internally, as well as providing a singular point of contact for external stakeholders such as investors.

Multi-faceted strategy

Local authorities acting alone can only achieve so much in increasingly financially constrained circumstances. Working together with key partners, including other local authorities, existing registered providers in the local area, ethical housing management companies and social impact funders will unlock opportunities and value for money.

There is no single silver bullet to resolve a housing crisis which has worsened over the course of decades. A plethora of levers are available to save on high TA costs and centre the experiences of the people who are affected. They must be used in conjunction with each other, informed by an assessment of local needs. Homelessness strategies focused on singular pathways aimed at cost reduction such as out of London placements, must be approached with caution.

Support for residents in PRS

Even where the homelessness duty has been discharged, those who have been moved into a more sustainable housing solution may still have support needs to sustain their tenancies. 56% of applicant households for homelessness assessments were found to have mental and physical health problems. Some may need to be in social or supported housing, and not be deprioritised for this as a result of the solutions in this report.

For investors and developers

We have engaged with a variety of investors for this work. Investors are often referred to in blanket terms; however, there are different risk appetites and regulatory restrictions across investors. Investors should be clear with government and local authorities on how they can invest and the level of risk they are able to accept within the constraints of regulation.

We ask that where investors can provide flexibility that they do so, working in partnership with local authorities and central government to develop practical funding solutions that can be implemented at scale. Our experience is that local authorities are wary of long-term lease structures and complex models. We ask that investors look beyond these models to develop alternatives that provide stable returns without reliance on long-term index linked risk to the local authority. Exploring the role of central government guarantees will be key.

For ESG investors, solutions to TA should be a core part of their strategy, given the wider social implications of inaction. We also call on Local Government Pension Schemes to invest in solutions – either directly or through fund managers – as part of a concerted part of their place based investment strategies. We have seen this through the Resonance model; however, the scale of investment is limited and needs to be increased.

For Registered Providers

RPs do not currently have a statutory duty to relieve homelessness in the manner that local authorities do. While some have concentrated efforts here regardless, this is not yet widespread within the sector, and there have been reports that some housing associations are turning nominations for homeless households away[23].

We ask that they consider 'affordable housing' in its widest sense and the contribution that surplus stock can make to this. RPs are facing a very challenging financial position as they deal with the retrofit challenges of existing stock, a need to increase customer service standards across their business and deliver new genuinely affordable housing.

Disposing of legacy stock that is a financial drain on their business plans is an important part of the investment strategy for many RPs, and they cannot sell homes at a loss. However, we ask that RPs across the sector follow the example set by L&Q and others, to explore the potential ways they can support solutions to address TA across the country. With the support of local authorities, investors and central government guarantees, we believe there are solutions that meet the strategic need for more housing at LHA levels whilst still delivering the cash injection RPs need from selling surplus homes.

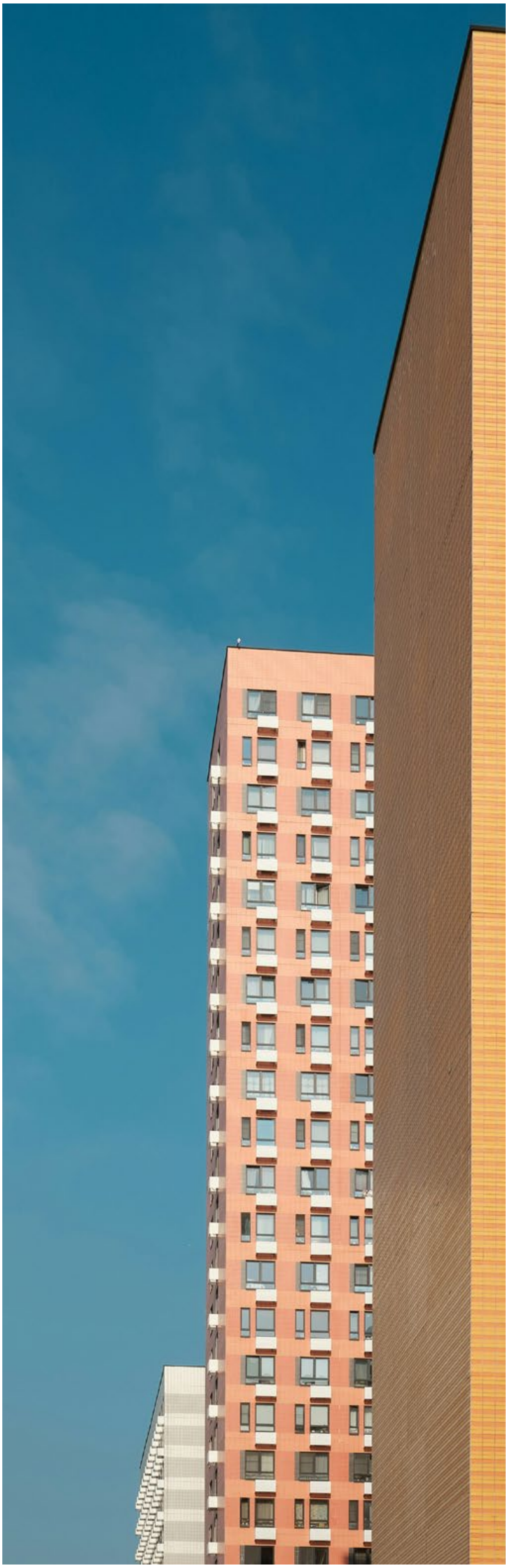
23. https://www.crisis.org.uk/about-us/crisis-media-centre/social-housing-allocations-report

Appendix A

Selection of measures committed to in the Child Poverty Strategy

Among the measures committed to, were:

- Updated allocations guidance to ensure that it effectively supports those experiencing child poverty.
- Guidance encouraging local authorities to prioritise enforcement where there is evidence children living in PRS that fails to meet the standards, and improve quality of TA including action to prevent poor out of area placement practice.
- End the use of unlawful B&Bs for families – newborn babies should never be discharged into B&B or other unsuitable shared accommodation.
- Introduction of a TA notification system.
- Review levels of support with rent in the PRS. £10.9m funding to 61 authorities with highest numbers to increase access to support and services.
- Recognition that local authorities need a stable revenue stream to support innovative finance models that allow them to lease good quality properties or unlock investment in new supply
- Emergency Accommodation Reduction Pilots (£8m over two years) across 20 local authorities with a particular prevalence of homeless families to move within six weeks.



Appendix B

Local authority solutions to managing the TA crisis

Prevention

Local authorities have a legal duty to prevent and relieve homelessness as set out in the Homeless Reduction Act 2017[24]. This includes:

1. A duty to prevent homelessness, assessing those at risk, developing a plan to support them and taking reasonable steps to help prevent homelessness.
2. A duty to relieve homelessness, which includes steps to help secure accommodation and offer support.
3. A duty to assess individual circumstances, housing needs and support needs.
4. A duty to cooperate with applicants.

Certain public bodies[25] are additionally bound by a duty to refer – they must notify the local authority if they believe someone is homeless or at risk.

The Crisis Homelessness Monitor found that the Homelessness Reduction Act has not been operating as intended. A key reason is the lack of capacity to respond, alongside the paucity of housing options available to effectively prevent homelessness even where early and informative referrals received. Of the local authorities who engaged with the research, 69% reported that accessing social housing for households facing homelessness was getting harder. Furthermore, this is in the context of constrained financial and human resources within local authorities.

Nightly paid TA

In the attempt to meet their homelessness duties, and in the context of decreased supply of homes available to do this, many local authorities have turned to nightly paid TA or hostels and hotels. Official statistics show 40,250 households in this form of accommodation at last count.

In addition to cost issues, there are severe safeguarding concerns, particularly with prolonged periods in B&Bs. Examples of children unlawfully being exposed to safeguarding risks are rife. This includes sharing communal facilities with strangers, including those with a history of domestic abuse, as well as sharing the space with individuals who have left prison. In our work, we have heard stories from schools where children have been filmed by other adults while taking a shower in communal facilities.

Meanwhile use and modular homes

Some local authorities have worked with developer partners to explore the potential for vacant development sites to be leased for TA. This has included the use of existing blocks of void properties or installing modular homes on a cleared site.

The joint initiative by London Councils and the G15 known as Project 123 explored this as one of the areas where housing associations could work with local authorities to alleviate pressures, providing good quality homes with the appropriate unit mix on long-term vacant sites. The Project has identified a solution and is working with suppliers, land owners and funders, the missing element is the landlord, this is a barrier that wasn't identified at the start of the project.

Case study:
Rollalong housing

Rollalong, a modular home provider, has entered into agreements with Thurrock Council and the London Borough of Havering to provide modular temporary accommodation in their respective patches. The local authorities chose different models with Havering owning their buildings outright and Thurrock leasing from Rollalong.

The homes meet the main asks of the 5 basics campaign, as well as meeting safety and energy efficiency requirements ay EPC B.

While this could unlock more and better homes at scale, and utilise vacant land, Project 123 found a range of challenges with sole reliance on this method including with viability, additional costs of bringing services to a site, access to funding, access to nearby amenities and planning permission and appetite to take on landlord responsibilities.

24. https://www.legislation.gov.uk/ukpga/2017/13/contents
25. Hospitals, prisons, job centres, social services and the armed forces services.

Out of borough placements

Rising demand, and the inability to keep up, has led to increased use of out of area placements, with associated negative outcomes as families are removed from their support systems and existing service providers. The Select Committee report found examples of local authorities failing to notify the host authority where residents were being sent to live that they were arriving. Schools, GPs and other public bodies are also not joined up with the housing situation, leading to gaps in both provision and oversight. We have heard examples where children have simply gone "missing" from their school, presumably moved out of borough.

As of 31 March 2025, 41,250 households had been placed in a different local authority area than the one that owed them a duty[26] – 64.2% of these had dependent children. In London, 85.1% of out-of-area placements are within London boroughs, 8.8% went to the South East, 5.5% to the East of England, and small numbers to other regions. We know from our work that local authorities are increasingly exploring moving residents to different regions where affordability concerns can be managed.

While this may seem like an attractive option on a purely financial basis, it has to be managed carefully. Legislation makes it clear that there is a requirement to keep as close as possible to the resident's home district as far as reasonably practicable[27]. Where children are involved, the children's welfare becomes the "paramount" consideration[28]. An assessment of other equalities impacts should also be undertaken, especially with regards to disability.

26. https://www.gov.uk/government/statistics/statutory-homelessness-in-england-financial-year-2024-25/statutory-homelessness-in-england-financial-year-2024-25
27. https://www.legislation.gov.uk/ukpga/1996/52/section/208
28. https://www.legislation.gov.uk/ukpga/1989/41/section/11

Appendix C

Key assumption detail

Lease length

In England, the TA HB subsidy cap (based on 90% of the January 2011 LHA rate) applies to leased TA held outside the HRA on leases of up to 10 years. As all four modelled structures assume terms of 10 years or longer, they are intended to avoid this cap, with rents and subsidy instead expected to be treated under the relevant HRA and Housing Benefit subsidy rules, for example through the application of a reasonable rent. However, this is subject to confirmation of the detailed HB subsidy and accounting treatment for each structure.

Acquired stock

Across the models we assume delivery is based on acquiring existing homes, primarily PRS, as this is typically the least constrained source of supply. PRS stock is also generally more flexible to acquire and repurpose for LHA based letting than existing affordable tenures, which are often subject to tighter tenure and regulatory constraints. Our assumed acquisition pipeline also includes RP void stock, where under used homes requiring investment to return to a lettable standard can be brought back into use relatively quickly.

Minimum Revenue Provision (MRP)

Where the models involve local authority borrowing, the local authority will need to make an allowance for repayment of debt in line with the MRP framework. MRP is a statutory charge to the revenue account which local authorities must set aside each year to provide for the repayment of capital expenditure financed through borrowing.

For the purposes of our modelling, any scenario that assumes debt finance includes an MRP provision, to ensure compliance with the regulatory framework and to avoid understating the revenue cost to the local authority. The appropriate MRP approach will vary by authority and by the accounting treatment of the asset and borrowing, so the modelling should be interpreted as indicative and subject to confirmation of the specific MRP policy applied in each case.

LHA indexation

In our models we have assumed LHA rate indexation using a long run average growth rate for each comparator area, calculated from the LHA movements since 2011. This provides a consistent and transparent basis for projecting rents over the modelling period across Hounslow, Hastings and Newham.

We note, however, that LHA does not increase smoothly on an annual basis in practice. LHA rates are set through policy decisions and have historically been subject to periods of freeze, partial uprating and step changes, meaning that year to year growth can diverge materially from a long run average. As a result, the indexation assumption should be treated as a simplifying modelling convention rather than a forecast of annual LHA uprating, and sensitivity testing may be required where model viability is particularly exposed to LHA growth assumptions.

Newbridge Advisors