

Report for: **Cabinet 21 October 2025**

Title: Funding affordable housing through long-term institutional finance

Report

authorised by : Taryn Eves, Corporate Director of Finance and Resources

Lead Officer: **Robbie Erbmman, Director of Delivery**

Ward(s) affected: **All**

Report for Key/

Non Key Decision: Key Decision

1. Describe the issue under consideration

- 1.1 This report requests approval from Cabinet for the proposal to acquire housing to discharge the Council's duty to house persons to whom it owes a housing duty under the Housing Act 1996.
- 1.2 There are currently around 2,700 households in Temporary Accommodation, many of whom are living in unsuitable homes for their needs. The Council is currently estimating that it will spend around £41 million on Temporary Accommodation this year.
- 1.3 The proposal set out in this report will offer an additional route to acquiring permanent homes for homeless Haringey residents and help reduce Temporary Accommodation costs in the General Fund.

2. Cabinet Member Introduction

- 2.1. The driving mission of this Council is to build a fairer and greener borough.
- 2.2. The housing crisis in London is leaving more and more local residents unable to afford their rent, let alone ever afford to buy.
- 2.3. We desperately need more affordable housing – genuinely affordable housing. We're building thousands of new council homes that we're letting at council rents. We're buying homes from private developments and turning them into council homes. But we need much more.
- 2.4. There are limits of course to the funds that councils can raise on their own, limiting just how much we can build or buy. We already go to outside sources to help us do more. We're very good at winning grants from the Mayor of London and national government, but that still only takes us so far.

- 2.5. What we now want to do, having delivered significant numbers of homes and shown our capacity to do more, is bring in funding from institutional investors – pension funds and so on – to pump into affordable housing in the borough. In the initial phase, we expect this to fund hundreds of new affordable homes.
- 2.6. These would be homes for local residents living in temporary accommodation, whether B&Bs or private rented homes, who urgently need the stability of a secure home.
- 2.7. We will only build a fairer borough in Haringey by building affordable housing at scale. This tool gives us the extra financial firepower to move further and faster to secure the homes our residents need.

3. Recommendations

It is Recommended that Cabinet approves :

- 3.1 The strategy for purchase and lease of residential accommodation as outlined in this report.
- 3.2 The development and incorporation of a Limited Liability Partnership for the purpose set out in this report.
- 3.3 The initiation of a market exercise by the LLP (with the Council's approval as majority member) to select a suitable funder to provide financing on acceptable terms. Such offering will include as part of the transaction a registered provider associated with the funder as part of the same funding submission to the LLP. This will enable application of GLA Grant Funding.
- 3.4 That an initial capital budget of up to £5m, funded from the capital programme contingency budget is agreed for the negotiated purchase price of the Residential Housing Units and associated costs within the Council's Capital Programme.
- 3.5 Delegated authority is given to the Corporate Director of Finance and Resources to agree individual property purchases.
- 3.6 That any potential deal will come back to Cabinet for a decision in advance of the transaction.

4. Reasons for decision

- 4.1 It is considered that the purchase of homelessness discharge accommodation is necessary for the Council to meet the increasing demand for the provision of temporary accommodation for the Borough and to meet the strategic, and financial objectives of the Council. These are explored in more detail within the main body of the report below.
- 4.2 By initially acquiring the Residential Housing Units for use in this scheme the Council will have the opportunity to drive up the standard of rental property for

use for homelessness discharge, and to secure units specifically for the benefit of the Borough.

5. Alternative options considered

- 5.1 Do Nothing - If the Council does not acquire Residential Housing Units, it is anticipated that the Council will have a considerable shortfall of homes to meet the growing needs of the Borough and will fail to meet a key part of its medium-term financial strategy (MTFS).
- 5.2 Direct Purchase of the properties by the Council – the Council already has an ambitious acquisitions programme for the purchase of properties. The purchase of the number of properties outlined in this report would add further debt onto the Council's balance sheet, which is already high and above the average for similar authorities. In addition, the Council's strategy for addressing the temporary accommodation crisis is to have a number of different initiatives in place and the proposal set out in this report would support that strategy.

6. Background information

- 6.1 The Council has an increasing need to supply temporary accommodation to comply with its statutory duties.
- 6.2 The acquisition of properties for discharge accommodation has been an important part of its strategy since the Council formed the Haringey Community Benefit Society (HCBS) in 2019. Since the formation of the HCBS, the Council has acquired more than 400 properties for the discharge of its homelessness duties. For the financial year 2025/26, the Council significantly increased its target for the acquisition of homes for this purpose – seeking to purchase 250 homes for this purpose this year. The Council is currently forecasting that it will meet this target.
- 6.3 However, even with the step change in acquisitions which is taking place alongside the Council's ambitious Council housebuilding programme, the number of households in temporary accommodation is expected to remain stubbornly high. Last year, despite the highest number of social lets for a decade, the number of families in temporary accommodation remained largely static, due to the inflow of new households being made homeless.
- 6.4 While the Council can sustain an increased growth in acquisitions for this purpose, there are limits to what can be delivered through the Housing Revenue Account (HRA). In this financial year, the HRA has allocated more than £100m for this purpose and is expected to continue to fund at this level over the course of the MTFS period. Equally, the HRA also has other significant calls on its capital – in particular to fund the Council's programme to deliver 3,000 new Council homes by 2031 as well as its commitment to bring all Council homes up to the Decent Homes Standard by 2028. This is in addition to its ongoing obligations in relation to reducing carbon emissions and keeping its buildings safe.

- 6.5 In order to bring additional financial resource and firepower, the Council is considering the acquisition of 500 Residential Housing Units through a structured finance model as detailed in section 7. This would operate in addition to the Council's existing supply workstreams – bringing long-term institutional finance into the supply of affordable housing.
- 6.6 The approach assumes funding by a third-party pension, life fund or family office on a long term, index linked basis. This funding has a different profile from traditional public works loan board (PWLB) debt with a lower initial cost that rises over time in line by an agreed index, generally CPI. This can be more efficient for funding programmes where there is a reasonable assumption that, on average, the income generated through rent will mirror inflation.

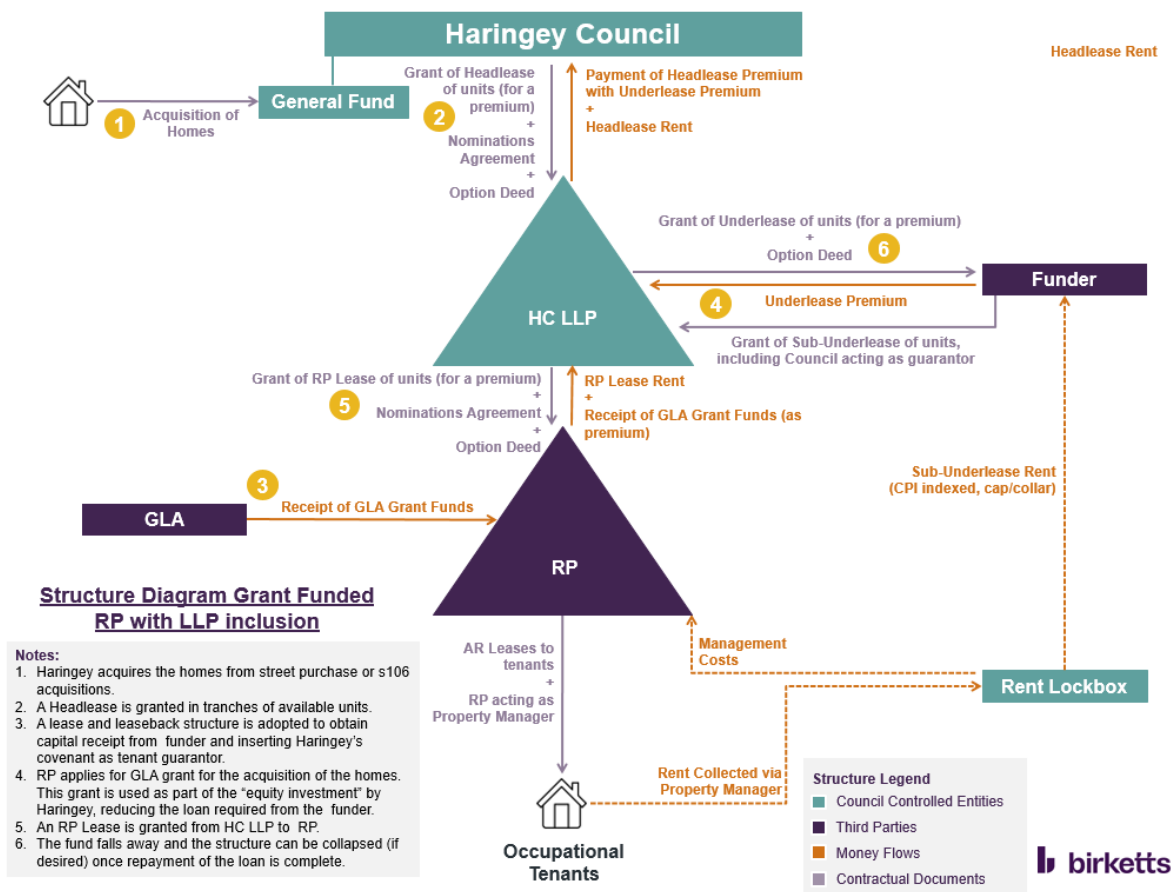
It is envisaged that this finance would take place through a structured finance model and crucially not add any additional debt to either the General Fund or Housing Revenue Account once up and running.

- 6.7 It is envisaged that funding of around £180m would be required to purchase 500 properties. This total cost includes:
- Unit purchase
 - Programme and agent costs
 - SDLT
 - Surveys and conveyancing costs
 - Refurbishment
- 6.8 The GLA has made a number of funding streams available for the provision of housing accommodation in London and more particularly as part of its Affordable Housing Programme for 2021 – 2026 includes the Council Homes Acquisition Programme (CHAP) funding. The Council has been in regular contact with the GLA to explore options to unlock funding. Discussions to date have been constructive with the GLA indicating that CHAP funding may be made available for the proposed model set out in this report. CHAP funding is only available to Councils or their dedicated delivery bodies.
- 6.9 The financial model underpinning this approach incorporates a mix of houses and flats with an average of 2.4 bedrooms across the five hundred homes. The properties are assumed to be let at Local Housing Allowance (LHA), with rents increasing with CPI. While this has not happened year on year, local housing allowances, particularly in our target acquisition areas, tend to keep pace with CPI inflation over time. Between 2013 and 2024, the outer North London Broad Rental Market Area LHA rose by 43%, which was broadly in line with CPI over that time period. In the work done to date to test the viability of such a funding model and ensure it offers good value for money to the Council; assumptions have been made in relation to the level of return that an external funder would require on their investment, as well as prudent assumptions for:
- Management fees.
 - Planned and reactive maintenance.
 - Insurance.

- A sinking fund for the investment into the properties when they are returned to the Council at the end of the agreement.
- Provisions for bad debts and voids as well as refurbishment costs for void properties.
- Resources to manage the LLP from the Council side.

6.10 Once fully operational, after a scale up in the first year, the financial model indicates that the 500 homes would deliver a surplus after the cost of institutional funding and management costs. It would also deliver significant cost avoidance to the General Fund because it would mitigate against growing temporary accommodation costs through the provision of better value, Council owned properties. More details can be found in the Exempt Report.

7. PROPOSED STRUCTURE



Glossary of Terms

- **GLA Grant Funds:** capital sums granted by the GLA for the provision of housing, on negotiated terms.
- **Guarantor:** a party confirming the compliance by a tenant of the tenant's covenants in a lease.
- **Headlease, Underlease, Sub-Underlease:** the standard ordering of a series of leases in a transaction.
- **Nominations Agreement:** an agreement permitting one party to select (nominate) the persons occupying property held by another party.

- **Option Deed:** an agreement granting a right (or option) to another party.
- **Premium:** a capital sum payable on grant of a lease.
- **Rent Lockbox:** a bank account, with payments out being strictly governed by a cash management agreement.

- 7.1 The negotiation of the Transaction is anticipated to include the potential following steps:
- 7.2 Purchase of Residential Housing Units by the Council.
- 7.3 Incorporate Haringey LLP (on the completion of a satisfactory business case) with Haringey having a partnership share of 99.9%. This provides Haringey with a governing share in the actions of the LLP and the structure of the whole.
- 7.4 Invite Haringey Ltd (to be incorporated if required) to enter into the LLP with Haringey as a 0.1% party of the LLP (since all partnerships require at least two members).
- 7.5 Agree to sell Residential Housing Units to the LLP (Haringey LLP), with partners Haringey and a company wholly owned by the Council;
- 7.6 Procure a third-party funding institution to provide financing, linked with a registered housing provider (capable of taking advantage of CHAPS funding should it become available) to:
 - take a lease of the Residential Housing Units from the LLP;
 - enter into a nominations agreement with Haringey LLP and the Council;
 - apply for GLA grant; and
 - enter into the Financial Arrangements including a guarantee of the LLP's obligations as may be required (subject to advice) and/or other proposed arrangements from the Preferred Funder.
- 7.7 The selection of the third-party funding institution will be undertaken by Haringey LLP, with Haringey having a guiding say in Haringey LLP's decision by means of its membership rights. This selection process will take the form of a "mini-compete" process in line with best commercial market practice, involving a number of institutional UK life funds, pension funds and family offices, in order to determine the optimal submission and best value funder/registered provider pairing to enter into this transaction with Haringey LLP.
- 7.8 Financial Arrangements to secure the acquisition of the Residential Housing Units includes:
 - The use of any public sector funding or grants, if required;

- Market Test the terms and structure of any private financing conditions with a number of interested parties, including the market testing management operators; and
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- Evaluate private sector funding offers against the following criteria (“Financial Criteria”):
 - Track Record;
 - Cost of Funding and indexation based on residential rents alone;
 - Term of Funding and any sub options;
 - Ability to meet the vendor completion timetable, to get the structure up and running by 1st April 2026;
 - Proposed Structure;
 - Minimum Public Sector Funding Requirement
 - Valuation, Residential & Rental comparisons (appendices 3 and 4) and;
 - Risk.

7.9 In the model proposed, Haringey will retain the freehold of the Residential Units of Accommodation, and the units will be let on a long lease to an LLP incorporated by Haringey (99.9%) and a wholly owned subsidiary company (0.1%). This will ensure that the Council is able to select suitable properties to acquire and retain ultimate ownership of these valuable assets, along with benefitting from the associated capital appreciation of these assets.

7.10 The ultimate lettings of the units will be managed by a Management Operator procured by the Funder’s RP (subject to any requirements or restrictions required by the LLP or the Council) so that it can ensure that the scheme is fully allocated and generates rental income to repay the private funding.

7.11 The preferred Management Operator will deal with all aspects of lettings management. They will also manage repairs and maintenance including life cycling of the Residential Units of Accommodation throughout the term of the lease. The costs of management will be met by the rental receipts collected. By entering in the proposed structure, the Council will not have to deal with the day to day management of the units within the structure.

8. Governance and Legal Arrangements

8.1 A further report will be presented to Cabinet setting out the results of market exercise and full business case and due diligence with approval before entering into the agreement with the recommended funder and registered provider. Haringey has to date engaged Birketts LLP to provide external legal advice on the proposal and their external advice is likely to continue. The Council will generally obtain advice on procurement matters, and on obtaining GLA funding from its in-house team. Should Cabinet agree to enter in the final agreement (planned for early 2026), the Council will obtain detailed advice on the legal implications at each stage of negotiation and completion of the transaction.

8.2 The Council has a “general power of competence” under s1(1) of the Localism Act 2011 to do anything that individuals generally may do, including the power to

do something for the benefit of the authority, its area or persons resident or present in its area. This power is subject to any limitations set out in overlapping pre-commencement powers. The Council can demonstrate it is not proposing this approach for commercial purposes and therefore can incorporate an LLP to carry out its purposes.

- 8.3 The Council has powers under s120 to acquire land in or out of Borough by agreement for the purposes of (a) any of its functions under this or any other enactment, or (b) the benefit, improvement or development of its area.
- 8.4 Under Part 7 of the Housing Act 1996, Haringey has a duty to secure accommodation for homeless individuals. In discharging its duties under the 1996 Act, Haringey is under a duty by section 206 of the 1996 Act to discharge its duties by securing “suitable” accommodation, through one of a number of routes. A further duty is imposed by section 208(1), to “so far as reasonably practicable [...] secure that accommodation is available for the occupation of the applicant in their district”. Article 2 of the Homelessness (Suitability of Accommodation) (England) Order 2012 makes it a matter of statutory obligation for Haringey as a local housing authority to take the location of the accommodation into account when determining whether accommodation is suitable. The Council must ensure that it follows a lawful policy for allocation., including in respect of any out of borough placements.
- 8.5 The Council has the power to enter into nominations agreements.
- 8.6 Haringey has the power to dispose of property under s123 Local Government Act 1972, but it must not do so (except with the consent of the Secretary of State or where there is a short tenancy), for a consideration less than the best that can reasonably be obtained.
- 8.7 Haringey as a contracting authority must comply with the Procurement Act 2023 when procuring goods service or works that exceed the relevant thresholds, subject to any exemptions that may apply.
- 8.8 Haringey must comply with subsidy control law including the Subsidy Control Act 2022 in the event that an economic advantage is conferred on one or more enterprises where such advantage is specific and is capable of having an effect on (i) competition or investment within the United Kingdom (ii) trade between the United Kingdom and a country or territory outside the United Kingdom, or (iii) investment as between the United Kingdom and a country or territory outside the United Kingdom. Financial assistance is not to be treated as conferring an economic advantage on an enterprise unless the benefit to the enterprise is provided on terms that are more favourable to the enterprise than the terms that might reasonably have been expected to have been available on the market to the enterprise. Haringey will seek subsidy control analysis through the procurement process and as the transaction progresses.
- 8.9 The above matters are the law as currently stated which are subject to change over the period of this transaction.

9. Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes.

- 9.1 This proposal will play a role in achieving the outcomes under the CDP theme: 'Homes for the Future'. In particular, the targeted outcomes to achieve 'an increase in the number and variety of high-quality and sustainable homes in the borough'.
- 9.2 The provision of these 500 homes, for letting at LHA rents, helps to support the council's Corporate Delivery Plan which sets out that a reduction in temporary accommodation is a key outcome within its vision to create a borough where everyone has a safe, sustainable, stable and affordable home (CDP p34, Homes for the Future)

10. Carbon and Climate Change

The proposals and recommendations identify funding structures and have no impact on the carbon management and climate change policies of the Council

11. Statutory Officers comments (Corporate Director of Finance and Resources (procurement), Head of Legal and Governance, Equalities)

11.1 Finance

- 11.1.1** This report seeks approval from Cabinet to undertake market engagement and invite external funders (and a registered provider) to enter into a transactional agreement with Haringey LLP to provide 500 new homes across the borough to contribute to addressing temporary accommodation pressures. A further report will be presented to Cabinet in early 2026 on completion of this market exercise and full business case for approval to enter into the agreement.
- 11.1.2** External legal advice has been provided to undertake the analysis needed on the viability of the proposed model and reach this point of decision. Spend to date is £50,000 and additional costs of £250,000 are expected to reach the final recommendation to Cabinet in early 2026. These costs will be funded through corporate contingency and any costs associated with setting up any final agreement with an external funder (post market engagement) and running costs of the support needed from the Council to oversee the arrangements will be clearly documented in the next report to Cabinet.
- 11.1.3** Cabinet is also asked to approve use of up to £5m of capital contingency for the Council to commence the purchase of suitable properties. This will enable the Council to benefit from the supply of accommodation currently available to purchase as well as have a supply of property to transfer into the new proposed arrangements should Cabinet approve in early 2026 when the full business case and outcome of market engagement is presented.
- 11.1.4** If following market engagement and final business case, the Council decided not to proceed with the final agreement with an external funder and registered

provider, any purchased properties can be transferred to the HRA and utilised as social housing.

- 11.1.5 The proposed solution has six main identified areas of risk which are summarised below and further detail included in the exempt appendix.
- 11.1.6 **Future demand for affordable homes reduces** and that the 500 homes acquired become surplus to requirements. Given the current numbers in temporary and emergency accommodation of 2,693 as of September 2025, this is considered a low risk in the medium term.
- 11.1.7 Should the risk materialise with a very substantial reduction in need, the Council would have the option to reallocate these homes as key worker or intermediate rent accommodation to ensure that rental income continues to be achieved and that the LLP is able to pay its lease commitments.
- 11.1.8 **Insufficient availability of homes at the desired purchase prices.** As part of the work to date, an analysis of the market has been undertaken are there are currently more than sufficient available properties to implement the solution. The 500 homes will not all be acquired at once with staggered transactions over a period and in the modelling to date, allowance has been made for property price growth over that period. Additionally, by enabling the option to purchase the homes in other boroughs, there is greater flexibility to swiftly acquire suitable homes and reduce the risk of non-availability at affordable prices.
- 11.1.9 **Future income levels and the relationship with debt service costs over time.** The proposed funding for this solution utilises index linked funding and this, inevitably, creates a reliance in the financial model for rental income to rise over time to meet the indexed debt service costs. A debt service reserve will be established by retaining rent payments in the early periods. As part of the planned market engagement, responses will be asked to determine a 'cap'. This means that no matter how high inflation is, the debt service costs cannot increase by more than the cap.
- 11.1.10 **Operational costs of the LLP.** Contractual management agreements will be put in place with the expectation that operational costs increases are to be no more than the annual uplift in rental income is essential.
- 11.1.11 **Maintenance costs** are potentially harder to predict and therefore manage. However, the homes will be refurbished prior to transfer to the LLP and the financial model contains provision for the creation of a life cycle fund (which is the third largest operational cost) to meet future element replacement. Alongside effective housing management and monitoring of repairs trends, these two actions will act to mitigate the risk of high future management costs.
- 11.1.12 The final risk relates to the **assumption on inflation** moving towards the Government's target of 2%. The latest OBR forecasts show that this inflation is expected to average 2.1% in 2026 and return to 2% in 2027. The market engagement will determine the rate of return that the external funder would

expect to receive and the updated forecasts from OBR will have been published as part of the Autumn Budget in November. It is only at this point that any final recommendation will be made to Cabinet that the proposed model set out in this report is better value for money and more cost effective for the Council than the more traditional borrowing from PWLB.

11.2 Procurement

11.2.1 Strategic Procurement note (SP) the contents of this report and confirm there are no procurement related matters preventing Cabinet approving the Recommendations stated in paragraph 3 above.

11.2.2 However, the process for selecting a funder to support the objectives of the Council must be conducted in a manner that is demonstrably fair, open, and robust.

11.2.3 A clear and well-documented approach should be adopted, outlining the criteria for selection and the rationale for any decisions made.

11.3 Head of Legal & Governance [Michael Alexander-Gordon and Jason Ofosu on behalf of the Head of Legal]

11.3.1 The legal comments are provided specifically at paragraph 8 of this report by the Council's external lawyers Birketts LLP. Legal Services confirm that there are no other legal implications arising from this report.

11.4 Equality

11.4.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advance equality of opportunity between people who share those protected characteristics and people who do not.
- Foster good relations between people who share those characteristics and people who do not.

11.4.2 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

11.4.3 Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

11.4.4 The proposed decision relates to the acquisition of new homes to alleviate homelessness and the use of temporary accommodation. The decision will increase the supply of Council homes. This will have a positive impact on individuals on the housing register, which includes people in severe housing need and people currently living in temporary accommodation. Data held by the

council suggests that women, young people, those from a lower socio-economic background and BAME people are over-represented among those living in temporary accommodation. As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics and this decision will therefore positively advance the public sector equality duty in Haringey.