

# Long-Term Leasing of Private Property & Relocatable Modular Units to Expand Affordable Housing Supply and Reduce Temporary Accommodation Costs

WHITE PAPER

A STRATEGIC FINANCING MODEL FOR LOCAL AUTHORITIES (UK, 2026)

Local authorities across England are under severe financial and operational stress due to rising homelessness and soaring temporary accommodation (TA) costs. Councils are legally obliged to house households owed homelessness duties, yet the cost of TA has ballooned to over £2 billion annually, with costs projected to continue rising sharply.

# Executive Summary

This white paper sets out a long-term leasing model—including leasing private properties and relocatable modular units on 10-plus year terms—as a strategic approach that can:

## **Increase Supply**

Increase stable, affordable housing supply

## **Reduce Costs**

Reduce high revenue costs associated with nightly emergency placements

## **Budget Planning**

Enable local authorities to better plan budgets and reduce subsidy gaps

## **Statutory Duties**

Support statutory homelessness duties while creating long-term assets

Importantly, this paper includes examples of councils using leasing models and explains why leasing modular units improves flexibility, planning, and resident outcomes compared with traditional temporary accommodation.

# 1. The Local Authority Temporary Accommodation Challenge

## Escalating Costs and Demand

Local authority TA expenditure has been increasing rapidly:

**£1.27B**

**TA Spend 2024-25**

Councils in England spent £1.27 billion on TA in 2024-25 but were reimbursed only £911 million

**£360M**

**Funding Deficit**

A £360 million deficit created by the gap between expenditure and reimbursement

**£4B**

**Projected by 2029-30**

Total cost projected to more than double to nearly £4 billion by 2029-30 if underlying trends continue

Use of costly private sector TA (B&Bs, hotels) exposes councils to high nightly rates that strain budgets. Current temporary accommodation strategies prioritise short-term solutions rather than long-term affordable housing supply, leading to budget instability and suboptimal outcomes for households.

## 2. Long-Term Leasing as a Strategic Option

### What Is Long-Term Leasing for Housing?

Long-term leasing refers to councils entering contractual agreements with private property owners or modular housing providers where:

- ◆ The lease term is typically 10 years or more
- ◆ Councils secure stable housing supply for TA or affordable rental purposes
- ◆ Rent may be stabilised to align with local housing allowance or subsidy mechanisms

This contrasts with nightly or short-term placements, which are volatile and costly.

### How Long-Term Leases Reduce Costs

Long leases help councils to:

- Convert unpredictable TA revenue spending into a more predictable long-term cost
- Align subsidy mechanisms (e.g., avoiding certain temporary accommodation subsidy limitations)
- Potentially account for cost in long-term housing budgets rather than high-cost general funds

- For example, Birmingham City Council approved a 10-year plus one day leasing arrangement for nearly 1,000 private sector homes used as TA, explicitly to reduce reliance on emergency B&B placements and stabilise spend. Similar proposals have been reported by Brent Council, which plans long-term leases with private housing providers to boost supply and manage subsidy limitations.

# 3. Modular Units and Relocatable Housing

## What Are Modular/Relocatable Housing Units?

- Modular homes are **factory-built units** that are transported and assembled onsite.
- They can be **relocatable and reused** across different locations over time.
- Compared with traditional builds, modular units often offer **faster deployment and lower overall costs** for interim housing.

Local authorities can lease these modular units for periods of 10 years or more, providing predictable accommodation supply while retaining the ability to reuse units if housing demand shifts.

## Financial Case for Modular Leasing

An executive analysis by East London Housing Partnership found that modular relocatable housing can deliver positive value when scheme life is extended beyond 7 years, especially with re-use of units across multiple sites.

In addition, modular homes offer councils the ability to replace high-cost emergency placements with self-contained units that cost significantly less over time and can be repositioned or repurposed later.

## 4. Case Studies and Current Examples

### Birmingham City Council Long-Term Leasing

In 2024, Birmingham's cabinet agreed a scheme to lease approximately **1,000 private properties on 10-year plus one-day leases** to reduce reliance on B&B and hotel placements and address the subsidy gap in temporary accommodation funding.

This approach removes much of the unpredictability of nightly placements and enables the council to plan its housing resource over a long horizon.

### Brent Council Long-Term Leasing Plans

Brent Council has announced plans to establish **innovative long-term leasing deals** with private sector housing providers. These arrangements enable the council to broaden its supply of temporary housing, potentially reducing the pressure from homelessness demand and subsidy challenges.

### Other Modular Housing Initiatives

Several councils have explored modular housing to reduce reliance on expensive private sector TA:

- ♦ A London borough has approved modular homes to provide quick-delivered units that can serve as interim accommodation for families, potentially saving significant costs compared with hotel stays.

While not explicitly long-term leasing in all cases, such modular strategies show how councils are using prefabricated units to expand supply and reduce TA spend.

# 5. Policy & Funding Landscape

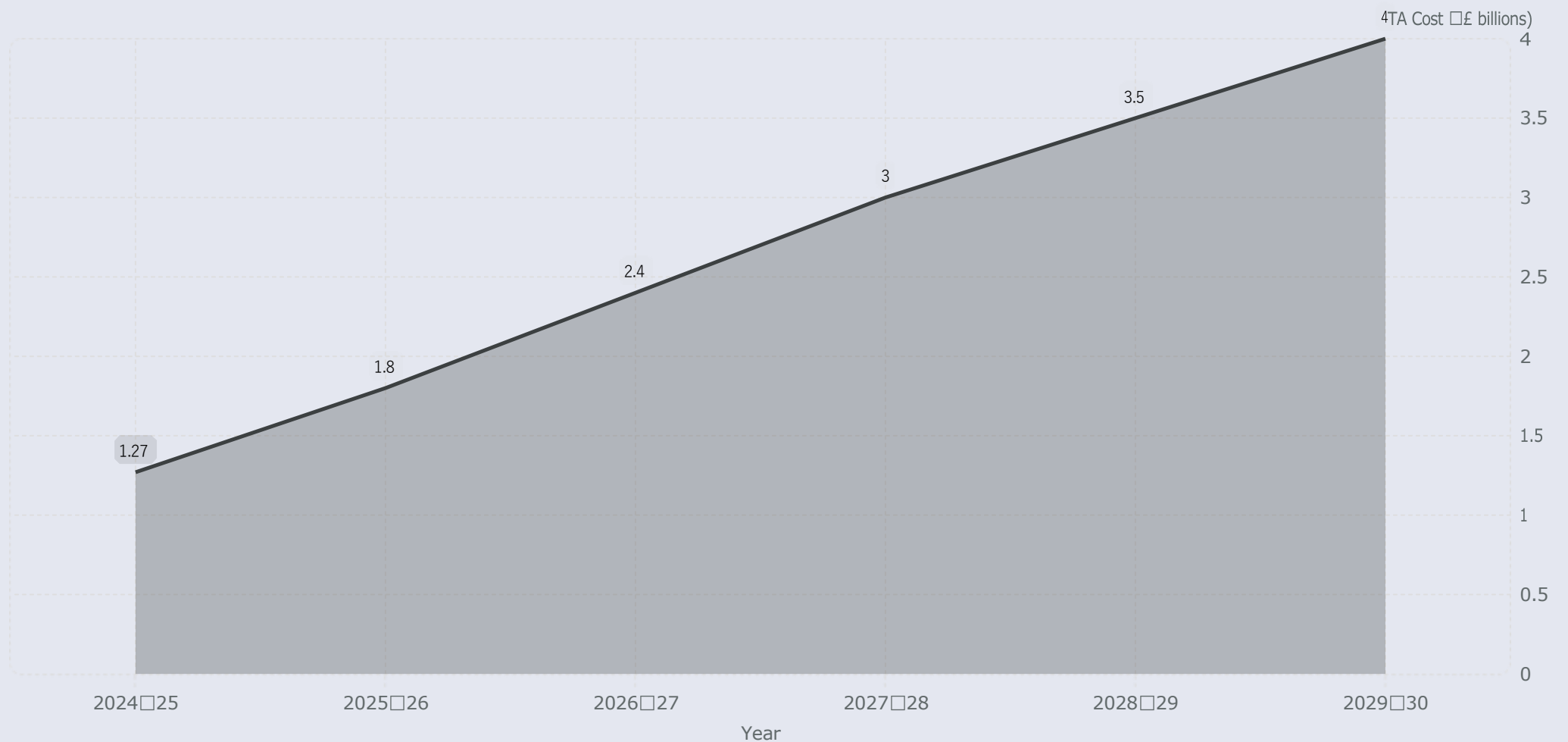
## Central Government Support

The UK Government's **Local Authority Housing Fund (LAHF)** has allocated substantial funds (**£950 million**) to help councils increase supply of good-quality temporary accommodation and reduce costly hotel placements.

LAHF aims to support acquisition of properties that can deliver more stable accommodation solutions, thus aligning with long-term leasing strategies.

## Local Government Association (LGA) Guidance

The LGA has highlighted that councils are exploring innovative models, including long-lease arrangements, acquisitions, and collaborations with private partners, to tackle homelessness and TA cost pressures.



Total TA cost is projected to more than double to nearly £4 billion by 2029–30 if underlying trends continue, underscoring the urgency of adopting long-term leasing strategies.

# 6. Strategic Benefits of Long-Term Leasing Model



## For Local Authorities

- Budget predictability over multi-year horizons
- Reduced cost volatility of emergency placements
- Strengthened statutory compliance with homelessness duties
- Potential avoidance of subsidy caps with tailored lease structures and use of Housing Revenue Accounts



## For Tenants

- More stable, decent accommodation
- Reduced moves between temporary placements
- energy efficient fit for purpose self contained accommodation



## For Communities

- Increased affordable housing supply
- Opportunity to repurpose modular units for broader housing needs

# 7. Implementation Considerations

When pursuing long-term leasing, councils must:

1

## **Contractual Terms**

Establish clear contractual terms to protect against future market risk

2

## **Financial Viability**

Assess the long-term financial viability compared with alternative delivery models

3

## **Procurement Alignment**

Align procurement with subsidy and revenue rules to maximise sustainability

4

## **Modular Redeployment**

Evaluate redeployment options for modular units across sites

# Conclusion & References

Long-term leasing of private properties and relocatable modular units presents a compelling model for local authorities to:

## **Address Escalating Costs**

Address the escalating costs of temporary accommodation

## **Increase Supply**

Increase stable, affordable housing supply

## **Improve Planning**

Improve budget planning and service delivery

With real examples emerging of councils adopting 10-plus year leases, this model combines operational flexibility with fiscal discipline, offering a strategic alternative to reactive TA approaches.

## **References & Sources**

- Birmingham City Council approves long-term private property leases for TA (10-plus year leases) – Birmingham.gov.uk news
- Brent Council plans long-term leasing deals to boost TA supply – Inside Housing Management.
- Local authority modular housing case analysis – East London Housing Partnership.
- Local Government Association guidance on boosting housing supply and tackling homelessness.
- Modular housing as interim housing solution for councils.
- UK Government Local Authority Housing Fund (LAHF) Round 4 guidance.
- Local authority temporary accommodation cost trends and projections.