Building futures

The time is now

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Contents

Foreword by

Charlie Nunn

Social housing is the foundation for social mobility, community cohesion, and economic resilience. And today, it is at an inflection point.

While waiting lists for social housing are growing – with over 165,000 children now in temporary accommodation – construction has been in decline. Between 2023 and 2024, affordable housing starts across England fell by 39% – the sharpest annual decline since records began. In London during the same period, the drop was a stark 92%.

Matt Downie, Chief Executive of Crisis, has said “the opposite of homelessness is the realisation of potential”. A generation of young people, individuals and families are being denied a secure foundation for good work and home lives.

But the opportunity to address this is clear. The sector has mature and respected providers, a proven ability to deliver at scale, and strong institutional backing. It has the confidence and commitment of investors, policymakers and communities alike.

In 2024, ‘Building futures: a new era of investment in social housing’ examined the postwar approach to housebuilding and set out recommendations to better address present and future need. This second edition focuses on three critical areas for change: scaling public-private partnerships, responding nationally to the temporary accommodation crisis, and reforming policy to improve planning, rent-setting and financial viability.

Progress in all three areas will help advance the Government’s ambition to deliver 1.5 million new homes, building on the positive momentum from the 2025 Spending Review - including the £39 billion funding commitment, a 10-year rent settlement, and the creation of a National Housing Bank.

The Social Housing Initiative, convening leaders from housing, finance, development and local and regional authorities, is already piloting practical solutions. These range from the aggregation of small sites in our cities for comprehensive planning and finance, to the targeted development and deployment of social homes.

We all recognise that greater partnership across the public and private sectors will be essential in realising the UK’s national ambition for the biggest increase to social and affordable housing in a generation.

In this new era of affordable housing investment, regional leadership and new town planning, we have an immense opportunity for renewed investment, accelerated delivery and innovation at scale. And as the UK’s largest commercial supporter of social housing – partnering hundreds of housing associations, house builders, developers and investors across every nation and region of the UK – we believe progress is possible.

Within this paper are excellent examples of what can be achieved when leadership, policy and capability combine. Now is the time to be bold in building at pace and with purpose, to deliver the homes and future our country needs.

Executive summary

The UK's social housing sector is at a pivotal moment of real potential and pressing need. This paper sets out a practical, evidence-based case for progress. It identifies three linked calls to action that, pursued together, can unlock delivery at scale and pace.

First

First, the UK has an opportunity to lead with scalable public-private partnerships.

While the current landscape includes many promising pilots, there is a need for more replicable, scalable models. Local and combined authorities are well placed to convene "delivery coalitions" that bring together housing associations, developers, investors, and communities. Central government and the financial services sector have a vital role to play too - providing the tools, flexibility, and ambition to support delivery models that are locally responsive and nationally consistent.

This paper draws on real-world examples from across the UK - Edinburgh, Belfast, Newcastle, Greater Manchester, Sheffield, Milton Keynes, Kenilworth, Cardiff and Greenwich - and internationally, including Germany, Spain, the Netherlands, the United States, Austria and South Africa. These examples show that meaningful progress is possible, even in complex environments. While not every model will be suitable for the UK, there are common themes in places where progress has been made. By drawing those out in this paper, we aim to contribute constructively to the UK's national housing conversation.

Second

Second, a co-ordinated response is required to address temporary accommodation need.

In 2023-24, councils in England spent over £2.3 billion on temporary accommodation - often on provision that is costly and does not provide the long-term certainty needed for people to thrive.

A new wave of private sector-led investment would help. Among the routes to explore urgently is a new national vehicle – funded primarily by private capital – to acquire and refurbish underused homes for use by local authorities. This would reduce costs, improve housing quality, and create a pipeline of stock that could later transition to be used for broader social purposes. Addressing this challenge now and in a comprehensive way is critical to avoid the use of temporary accommodation becoming a long-term feature of the UK's housing system.

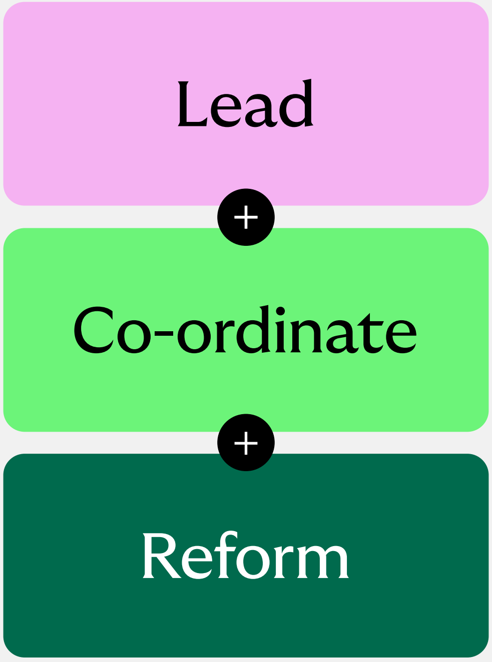
Third

Third, targeted policy reform to unlock further investment and delivery.

Alongside publishing the industrial and infrastructure strategies, the Government has taken welcome steps to strengthen the policy framework for housing - including a £39 billion funding commitment, a 10-year social rent settlement, as well as consulting on options to reinstate a policy of rent convergence and setting up a National Housing Bank. The publication of ‘Delivering a decade of renewal for social and affordable housing’ provides important strategic direction too.

There is now an opportunity to go further: using the UK’s new fiscal framework to crowd in private capital, providing income guarantees to make social housing projects more viable, and introducing mechanisms like a ‘Social Housing Contract’ to convert housing benefit savings into new homes. Planning reform, skills, and investment in local authority capacity and capability remain critical enablers too.

The tools exist. The partnerships are forming. The policy frameworks are being put in place. What is needed now is delivery – co-ordinated, at pace, and at scale.



Introduction

A moment of opportunity in a time of need

Social housing is foundational infrastructure.

Like transport, energy, and digital networks, it underpins the health, stability, and prosperity of communities in every corner of society.

Yet despite its critical role, the UK's housing provision is under acute and growing pressure. As set out in our 2024 paper 'Building futures: A new era of investment in social housing', the data is stark. And the picture has worsened in many respects over the past year.

In 2023-24, affordable housing starts in England fell by 39% – the sharpest annual decline since records began in 1978. In London, where housing need is most acute, housing starts plummeted by 92%, with just 4,708 new affordable homes initiated against a backdrop of over 336,000 households on waiting lists. This drop is not confined to social housing, with Q4 2024 marking one of the lowest annual completion rates across all housing tenures in over eight years.

One of the most visible consequences is the surge in temporary accommodation. As of December 2024, more than 165,000 children were living in temporary accommodation – a 15% increase in just one year. Projections suggest this could rise to over 200,000 by 2029.

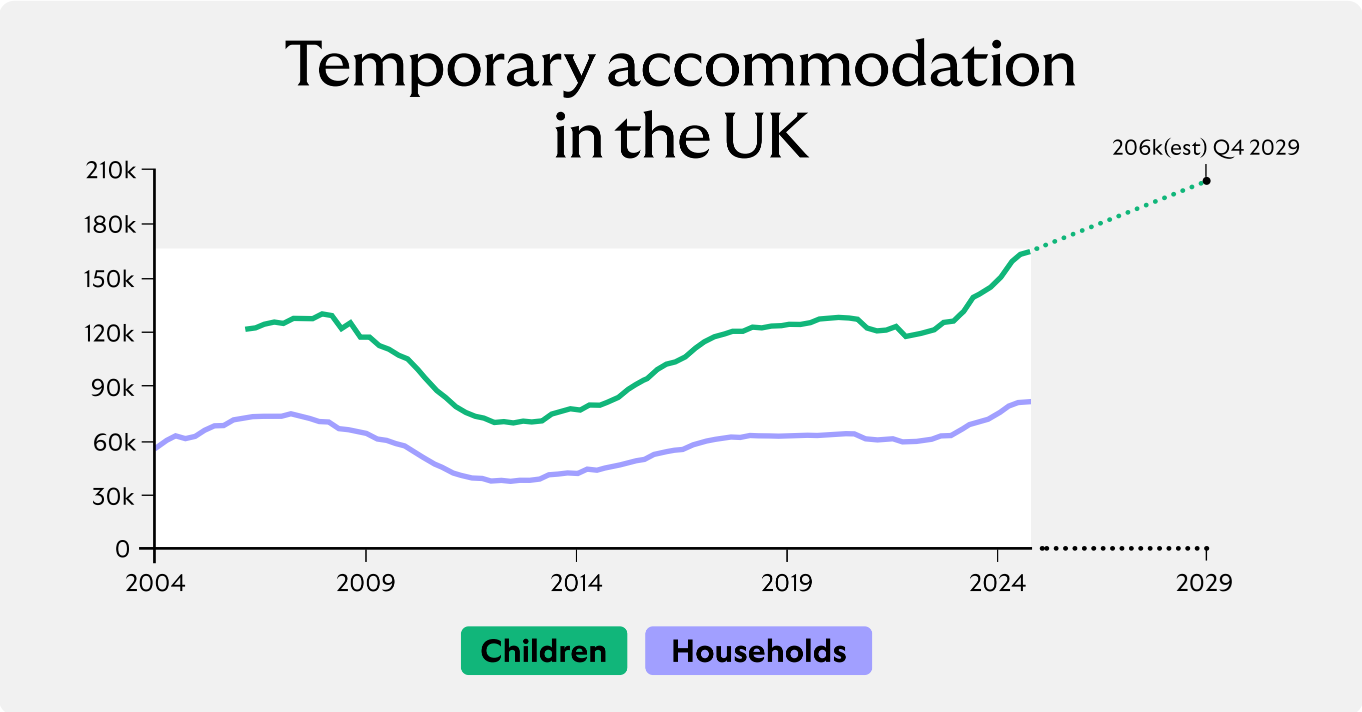
(Below) Historical and forecasted numbers of households and children in temporary accommodation in the UK

Current expenditure on temporary accommodation, if capitalised and used as an income stream for just under 10 years could fund the delivery of over 65,000 additional homes for social rent – enough to house every family currently living in costly and unsuitable nightly paid temporary accommodation, B&B and hostels, in a safe and stable home.

As a result, the financial burden is escalating. Councils spent £2.3 billion on temporary accommodation in 2023-24 – a 31% year-on-year increase – while housing benefit costs reached £25.6 billion, which is projected to be equivalent to 1.5% of UK GDP and among the highest share in the OECD. This expenditure on temporary accommodation and housing benefit is expected to rise to £3.9 billion and £37.5 billion respectively by 2029.

At the heart of this issue is a structural erosion of financial capacity. Housing associations' ability to borrow has deteriorated sharply, with interest coverage ratios (a measure of an organisation's ability to meet its interest payment obligations on outstanding debt) increasingly falling below long-term sustainable thresholds.

Crucially, low levels of both social rent and available grant, as well as increases to the cost of housebuilding have undermined the commercial viability of new development, while the sector's ability to draw on their balance sheets to bring more homes online has been eroded.



The time is now – to act with purpose and pace

The 1.5 million homes target has put housing at the forefront of the Government's priorities. In 'Building futures: a new era of investment in social housing', we outlined proposals that could deliver 200,000 new homes for social rent over the next decade. We welcome the Government's adoption of several of these recommendations.

The publication of the industrial and infrastructure strategies alongside the recent 2025 Spending Review set a number of policy planks in place for the coming years – with the 'Delivering a decade of renewal for social and affordable housing' plan since confirming the commitment of £39 billion to a new 10-year Social and Affordable Homes Programme with a target to deliver at least 60% of homes as social rent, and a 10-year social rent settlement, allowing registered providers to increase rents by up to CPI+1% from 2026.

A consultation on options for reinstating a rent convergence mechanism has also been launched, which would allow rents on social rent properties that are currently 'below formula' (or lower than the usual maximum that can be charged when a property is let to a new tenant) to increase by an additional amount, over and above the CPI+1% limit, up to formula level.

Encouragingly, institutional equity is also showing renewed interest in social and affordable housing.

Structural reforms are also underway. The revised National Planning Policy Framework (December 2024) reinstates mandatory housing targets, mandates Local Plans, and introduces a "golden rule" that half of all homes built on newly designated grey belt land must be affordable.

For the first time, housing has been integrated into a 10-year National Infrastructure Strategy, a recognition of the importance of social infrastructure. The Planning and Infrastructure Bill (March 2025) will reintroduce strategic planning at sub-regional levels, and the forthcoming English Devolution Bill will devolve significant powers and funding to Mayoral Combined Authorities. This enables spatial development strategies that provide clarity and confidence for public and private investors alike.

The New Towns Taskforce is exploring large-scale residential development, while a "New Homes Accelerator" is unblocking stalled sites and supporting local authorities.

These are not isolated initiatives – they represent the architecture of a new delivery model. Yet even with these reforms, the scale of the challenge requires more.

The £39 billion in capital grant that has been made available over the next ten years is welcome, but it's only a fraction of the estimated £270 billion of total investment needed to deliver 900,000 social rent homes in England over the same period – the number of homes at social rent estimated by Crisis and the National Housing Federation required to meet housing need.

The newly established National Housing Bank, capitalised with £16 billion, will help bridge this gap, deploying equity, loans, and guarantees to crowd in private capital under a revised fiscal framework. But unlocking the full potential of the National Housing Bank will require new investment models to be developed and deployed at scale and pace.

This is a pivotal moment to capitalise on the UK's strengths. Our housing sector is underpinned by a well-established, independent network of housing associations, a substantial social housing stock - comprising 16% of the UK's total housing, more than twice the OECD average - and access to sophisticated and strong capital markets. Despite constraints on viability, UK developers are resilient and engaging in a range of innovative housing delivery models and partnerships across the country – with the potential to scale. In addition, investor confidence remains resilient, supported by the sector's strong credit rating, compelling ESG credentials, and relatively stable index-linked income streams.

This paper aims to provide a sense of what can be done to turn potential into delivery, drawing on UK and international examples of progress, and setting out Lloyds Banking Group's policy ideas for unlocking social housing development. Many of the pieces are in place. We believe that progress is possible - and that now is the time for bold, collaborative, and urgent action.

Championing social housing

£20 billion+ in new funding

Since 2018

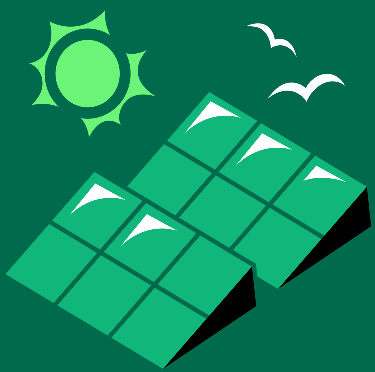
Since 2018, Lloyds Banking Group has supported over £20 billion in new funding to the social housing sector.

Old offices → New housing

Lloyds Banking Group is converting our old offices and data centres into new social housing.

Sustainability-linked loans

We have provided sustainability-linked loans to housing associations like Adra and Yorkshire Housing, supporting energy-efficient new builds and retrofits, and creating employment opportunities.



£500 million → to retrofit

We have committed £500 million in funding for the retrofit of social homes, to be delivered in partnership with the National Wealth Fund.

Housing for families at risk

Through Lloyds Living, we are the first UK bank to actively enter the market to own good quality housing that will be available to house families at risk of homelessness.

Homewards

We have partnered with Homewards, The Royal Foundation's homelessness initiative, to provide £50 million in new lending to support small and medium-sized housing providers and charities in Homewards' locations.

Crisis

£4 million+ 8,500hrs+

Lloyds Banking Group has raised over £4 million to support Crisis' mission to end homelessness, funding the Changing Lives Grant Programme and Skylight Centres, and supporting the launch of Good Place Lettings social enterprise with Crisis and Homes for Good.

Lloyds' colleagues have also volunteered over 8,500 hours since the partnership began.

300+ housing associations

Across the country, Lloyds Banking Group supports over 300 housing associations.

£200m for community housing providers

In July 2024, we committed £200 million to support local housing providers which deliver vital services for vulnerable people – including those facing homelessness, mental health challenges, learning disabilities, or addiction recovery.

SOCIAL HOUSING INITIATIVE

The aim

To cultivate action through the sharing of knowledge and understanding of the systemic challenges underpinning the crisis, in order to conceive solutions at scale and in partnership.

A cross-industry partnership

In July 2023, Lloyds Banking Group convened the Social Housing Initiative, a cross-industry partnership, recognising the need for significant, swift and collaborative action in tackling the social housing crisis.

The partnership brought together a broad spectrum of housing stakeholders, many of whom are still working with us today, through the continuation of the Initiative. This partnership has continued to evolve around key initiatives for action – extending those actively engaged to include:

- **Regional and local authorities:** Bristol City Council, Leeds City Council, West of England Combined Authority, Sheffield City Council
- **Financial services:** Lloyds Banking Group and Legal & General
- **Developers:** Barratt Redrow and Taylor Wimpey
- **Housing associations:** Onward, Abri, Bromford Flagship, Metropolitan Thames Valley
- **Charities:** Crisis, Homewards
- **The industry representative body:** National Housing Federation
- **The public sector body for technical and delivery insight:** Homes England

This year, we have shifted focus from 'convening for insight' to 'partnering for action', with three key initiatives being developed further or moving into delivery:

- Small Sites Aggregator
- Temporary Accommodation Vehicle
- A City Region Partnership and accompanying Playbook

In parallel, joint policy engagement aims to bring our ideas and insight directly to government to help inform policy change.

Section one

Scalable, replicable models for delivering new homes in the UK

> "More than ever before, the UK's great cities will be at the heart of a transformation in the delivery of housing and urban regeneration. As city leaders, we are ambitious about what we can achieve in driving economic growth and improving the quality and affordability of housing, and welcome the opportunity to create a new era of collaboration between our cities and private sector partners to deliver these objectives."

Stephen Jones, Director, Core Cities UK

The UK has the opportunity to execute on its housing ambition. With a new government focused on growth, devolution, and institutional reform, the conditions for delivery are shifting.

From Homes England to the National Wealth Fund, the investment landscape is evolving to support long-term, place-based regeneration. The emerging 'for profit' social housing segment is adding further diversity and innovation.

For the public, private and registered provider sectors, this presents a rare opportunity: to move beyond pilot projects and unlock scalable, replicable models that can deliver homes at pace and scale.

Building towards the Playbook

This section introduces the forthcoming Playbook – a practical guide to forming the partnerships, governance structures, and delivery models needed to turn potential into progress. It will draw on recent UK examples and emerging principles that show how investors, and developers, together with local authorities, are navigating complexity and overcoming long-standing barriers to deliver homes – from fragmented pipelines to misaligned incentives.

Grounded in real delivery experience, the principles included here and in the Playbook reflect what, in our experience, it takes to deliver housing successfully today: leadership, alignment, and pace. With the right models, partnerships, and leadership in place, we can turn potential into progress.

When published later this year, we intend for the Playbook to act as a valuable and applicable resource for organisations delivering – or with plans to deliver – new homes across the UK.

Unlocking that opportunity isn't straightforward

After several years of fiscal tightening, local authorities are navigating reduced budgets, fragmented capital funding, uncertain and protracted timeframes, and growing statutory demands. Moreover, the commercial viability of delivering new homes across the full spectrum of the housing market remains constrained - construction costs have outpaced general CPI by 10 percentage points between 2016 and 2024, while elevated interest rates continue to push up the cost of capital.

With the above said, development can – and continues to be – attractive to long-term investors and we see common traits to successful delivery. The principles are drawn from what we have seen in places that are building new homes, often in times of financial pressure, planning challenges, or fragmented processes.

They are designed to help places build strong partnerships from the outset that align with local ambitions and remain commercially attractive throughout the project's life cycle.

For investors, success will require time spent to align objectives early and a commitment to collaboration and flexibility. For local authorities, two essential enablers will be capacity and capability – having teams with the bandwidth and delivery skills to shape deals, manage complexity, and nurture stakeholder relationships.

These principles are:

Leadership

Effective, long-term leadership is often underpinned by systems, culture, and clarity that shape how an organisation behaves.

In our experience, the most successful places are those where strategy is clearly articulated, delivery is embedded in the culture, and governance structures enable timely, collaborative decision-making. A well-established leadership culture provides the foundation for setting direction, instilling confidence, and maintaining momentum. And, clear objectives serve to align decisions, manage tensions, and sustain pace.

In practice, this means:

- Setting up delivery and governance structures that facilitate collaboration and maintain momentum, such as investment partnerships, joint ventures or special purpose vehicles.
- Delegating authority to delivery teams with clear mandates and measurable objectives.
- Communicating a consistent narrative to the market – including investors – that signals long-term commitment and reduces perceived risk.

Alignment

Structural changes across local and regional government and Homes England are reshaping how to deliver new homes.

Successful partnerships start with alignment on the why, the what, and the how. The Government's recognition of housing as infrastructure as set out in the National Infrastructure Strategy is an important shift and opens the door to long-term investment models that can support delivery at scale.

From our conversations with partners in other infrastructure sectors, success is built through early alignment on risk, reward and shared delivery culture. And mutual understanding about exit liquidity is a key consideration for private sector partners.

In practice, this means:

- Early engagement between public and private partners to co-design delivery models.
- Clear articulation of the social value proposition: how a project contributes to place-based growth, including in local priorities such as health, education, or sustainability.
- Transparent financial modelling that sets realistic expectations on returns, timelines, and risk-sharing.
- Flexibility in procurement and contracting to accommodate different investor needs and delivery pathways.

Pace

In our discussions with experts, we found that timely delivery of projects involves a careful balance: sequencing projects to build momentum and enable delivery at scale, while accounting for the different public and private sector budget cycles.

For private sector investors and developers, understanding the strategic objectives of the places they are looking to work in is critical. Engaging early with public sector partners to map priorities, constraints, and likely non-negotiables can significantly reduce friction later in a project and increase the likelihood of smooth, swift execution.

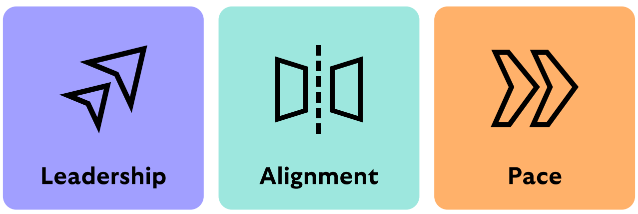
Done well, reducing the time taken to deliver a project can have a significant impact on a private partner's cost of capital – and therefore the financial viability of the project itself.

In practice, this means:

- Identifying and prioritising projects that align with local strategic objectives – and are either "shovel-ready", have site assembly agreed, or are close to planning approval to build early momentum.
- Using standardised templates for legal agreements, funding models, and governance to reduce transaction time, where possible.
- Aligning public and private sector timelines: for example, synchronising budget cycles with investment decisions, if possible.
- Building delivery pipelines that reflect both commercial viability and local priorities, allowing capital to be deployed incrementally and recycled over time.
- Ensuring land assembly, site condition and title issues are known and resolved before commercial terms are agreed.

These principles are interconnected

Leadership creates the space for alignment. Alignment enables pace when all actors work towards a shared vision. And none of it is possible without the right people with the right capabilities to drive it forward.



"Sheffield shows what's possible when partners commit to doing the hard work together.

We've built strong foundations - aligning local leadership, Homes England, developers and investors around a shared mission - and we're starting to unlock a pipeline of brownfield housing that previously felt out of reach.

Our journey is far from over, but it proves the power of place-based leadership and creative collaboration to turn ambition into delivery."

Kate Josephs, Chief Executive, Sheffield City Council

From principles to practice: case studies

Across the UK, there are already examples of these principles in action. From Edinburgh to Cardiff, Belfast to Greenwich, local authorities and their partners are building new models of delivery that reflect local ambition while attracting private capital.

These examples are not isolated successes. They are proof points. They show that progress is possible - and that with the right tools, it can be replicated.

Edinburgh

Granton Regeneration - led by the Council from the outset - shows how public ownership, early de-risking, and outcome- based funding can make for a commercially viable, strategy-aligned partnership.

The Granton Waterfront Regeneration is demonstrating how public-sector leadership can unlock complex brownfield sites for long-term, place-based transformation. Led by the City Council – in partnership with Cruden Homes, the project combines early land acquisition, outcome-based public funding, and a phased masterplan to deliver new homes, infrastructure, and community assets.

By retaining strategic control and bringing in delivery partners at the right stage, the Council has aligned regeneration with wider policy goals.

Belfast

Belfast City Council has established a partnership with GRAHAM developers as part of a long-term agreement. The partnership enables the Council to retain control over site selection, development priorities, and governance, while GRAHAM acts as the delivery partner, assuming design and delivery risk.

Focused on council-owned sites with the potential to unlock up to £630 million of development, the model is designed to attract private investment to deliver a pipeline of mixed-tenure homes at scale, support placemaking, and drive inclusive economic growth across Belfast's city centre.

Newcastle

Partnership between Newcastle City Council, Homes England and developer igloo Regeneration has delivered Ouseburn Valley and other sites.

Ouseburn is a powerful example of a place-based, partnership-led regeneration effort where the public sector led confidently: taking early investment risk, assembling land, and forging a strong coalition to unlock a complex site in one of Newcastle's most deprived areas. The result is a deliverable, high-impact scheme rooted in local ambition and broad institutional support.

Greater Manchester

Tameside Council signed the first agreement with MADE Partnership, a joint venture between Lloyds Banking Group, Barratt Redrow and Homes England. This involves a master developer overseeing large-scale residential projects, community regeneration and place-based design, including its flagship project – Godley Green Garden Village in Greater Manchester.

Greater Manchester Combined Authority (GMCA) has identified the area around Godley Green, Ashton and Hyde as the “Eastern Growth Cluster”, one of six strategic locations within the region that have been prioritised for residential and economic growth.

The relevant local authority, Tameside Council, also views Godley Green as presenting a significant opportunity to increase and diversify its local housing provision, helping to both retain and attract local families into the area and support the economic renewal of Hyde Town Centre, an important commuter town within Greater Manchester. The MADE Partnership will set overall vision and strategy, fund and install key infrastructure and create parcels of land for housebuilding.

Sheffield

Sheffield City Council is co-ordinating housing delivery on key sites across the city, including scaling up delivery on smaller brownfield sites through Sheffield Together – aligning strategy, partnerships, and capacity.

By strengthening governance, aligning teams, and building capacity, Sheffield is creating the conditions to bring forward a complex pipeline of smaller brownfield sites through its strategic partnership, Sheffield Together. It is a practical example of how place-based ambition can turn into action through structured action and co-ordination.

Milton Keynes

Milton Keynes’ council-led Development Partnership (MKDP) is unlocking regeneration across surplus public land, delivery a mix of housing, commercial space, and placemaking.

MKDP shows how bold, early decisions and a strong local vision can unlock long-term regeneration capacity. By acquiring land and setting up a wholly owned Limited Liability Partnership, the council put itself in a position to steer development directly, shaping outcomes and retaining value.

Kenilworth

A joint venture between house builder Vistry Group and Warwick District Council is delivering 620 new homes – half zero carbon – via the council’s housing company, Milverton Homes. The scheme includes road infrastructure, land for a school, play areas, allotments, and strong ecological features, including ancient woodland and new habitats.

Kenilworth was identified as a priority location due to its acute need for affordable, sustainable housing, supported by population growth, demand for family homes, and excellent local schools.

Its strategic setting, alongside Warwick District Council’s proactive leadership and alignment with Homes England’s social value objectives, created the conditions for an ambitious public-private partnership to deliver 620 new homes at pace.

Cardiff

Cardiff Council has developed a repeatable, partnership-led housing delivery model — first through Cardiff Living, and now scaled up via the Cardiff and Vale Housing Programme to unlock new homes at scale, while retaining long-term control and flexibility.

The Cardiff Living programme is a long-term partnership between Cardiff Council and Wates Residential. It has combined a strategic development agreement with site-by-site delivery mechanisms, allowing the council to bring forward land while retaining control and sharing in value.

The model has already delivered across a diverse portfolio of sites and tenure types, and its success has laid the groundwork for the wider Cardiff and Vale Housing Programme, a new JV with Lovell aiming to deliver 4,000+ homes.

Greenwich

Kidbrooke Village demonstrates successful long-term placemaking and partnership delivery, with the development agreement underpinned by clearly defined planning policy and a shared vision and objectives for the area’s future growth.

Kidbrooke Village in Greenwich has been delivered through a public-private partnership between Berkeley Group, the Royal Borough of Greenwich and housing associations L&Q, Southern Housing and Moat - working together to transform the post-war Ferrier Estate into a popular and sustainable neighbourhood.

More than 3,000 mixed-tenure homes out of a total development of 5,400 are now complete, with a thriving village centre including a new train station, shops, cafés, pub and community centre. 86-acres of green open space define the neighbourhood, including Cator Park, the winner of the Sir David Attenborough Award for Enhancing Biodiversity.

Small Sites Aggregator

The Small Sites Aggregator is a public-private partnership developed through Lloyds Banking Group's Social Housing Initiative. It illustrates the potential for imaginative, cross-sector collaboration to unlock underutilised land for social housing.

The challenge and opportunity

Public sector land can be a powerful catalyst for new housing. Analysis using Land Registry and Nimbus Maps data shows that councils in England and Wales own nearly 320,000 unused “small sites”. While not all of them are suitable for development, many small, underutilised brownfield plots could significantly contribute to affordable housing supply.

Yet these sites are often complex and costly to develop. Their scale makes them less attractive to investors, and councils frequently lack the financial and technical capacity to progress them. As a result, opportunities to densify housing stock and regenerate urban areas are being missed.

To unlock these sites, new delivery models are needed that standardise and streamline design, planning, and construction, and aggregate funding to attract low-cost institutional capital.

Announced: the Small Sites Aggregator

On 28 May 2025, the Government announced a pilot for the Small Sites Aggregator - a new partnership between cities, SMEs and Modern Methods of Construction developers, and the private sector to unlock small sites for social housing.

The model aims to create a consistent, scalable approach to delivering social homes on small brownfield plots. A new national fund, accessible to local and regional authorities via templated processes, will blend public and private capital to support delivery of social rent homes and reduce reliance on temporary accommodation.

The pilot will be developed in 2025 with Bristol, Sheffield, and the London Borough of Lewisham, supported by their regional authorities. The aim is to launch the trial in 2026 and scale to deliver 10,000 homes annually once fully implemented.

If successful, the Aggregator could demonstrate how a national, standardised model can be combined with place-based delivery to attract private capital and accelerate housing development. The approach could be replicated across other forms of public land, broadening its impact and helping to drive a step change in social housing development.

> “Securing the scale of social and affordable house-building we need, will depend on regional and local government and the private sector working together in new and creative ways.
>
> The Small Sites Aggregator has been developed through a unique collaboration across sectors through the Social Housing Initiative. It shows us what is possible if we are prepared to work differently. The challenge is to replicate collaboration such as this with imagination, pace and scale.”

Stephen Peacock, Chief Executive Officer,
West of England Mayoral Combined Authority

Section two

Global lessons in innovation and impact in housing delivery

The UK's ambition to build and maintain more social and affordable housing is shared by many countries around the world. Governments are working to scale up housing supply, attract private capital, and ensure long-term affordability.

While no system has all the answers, and national contexts differ, international experience offers valuable insights into the range of policy tools and incentives that can support delivery at scale.

Three areas stand out where international practice takes a different approach from the UK. While any such reforms would need to be tailored to the UK context, these examples point to the types of opportunities that could be considered.

They offer opportunities to consider:

- **Approaches to land assembly and planning** that provide early certainty and unlock capital – especially for social and affordable housing.
- **Direct and indirect support mechanisms,** such as guarantees and tax incentives, that can improve the financial viability of individual projects and enhance the overall financial capacity of the sector.
- **Rent-setting mechanisms** that balance affordability with financial viability, drawing in more private capital.

Approaches to land assembly and planning

Planning systems are critical. They shape the pace, scale, and viability of housing delivery. In the UK, the planning process is widely regarded as needing reform – which the government has committed to and taken important steps towards delivering.

Our evidence suggests that the current uncertainty in the planning system deters institutional capital at early stages. It also puts pressure on viability, with requirements for higher-cost, risk-bearing equity – typically 3-5% of the total project cost. The return on improved strategic planning is faster and more coherent decision-making and greatly improved investor confidence.

Further tools like Local Development Orders and Permission in Principle consent routes do exist, but they are underused. Contributing factors to this include constraints on local planning resource, perceived risk within the current planning culture, and a lack of local leadership capacity – which has been exacerbated by insufficient strategic support and resource from national government. There is an opportunity to use these tools more.

From our research, international models show how earlier planning certainty can unlock capital, accelerate delivery, and reduce the cost of finance:

Germany

In Germany, "B Plans" are used to govern large masterplan areas. Once a B Plan is in place, it provides legally binding rules for development, offering clarity and predictability.

Pre-application advice is codified into law, giving developers and investors confidence that planning outcomes will line up with the agreed parameters. All of which enables low-cost capital to be deployed earlier in the process.

Spain

Spain's "El Plan Vive," developed by the Comunidad de Madrid, uses public land with pre-approved planning permission to attract private capital. Development rights are awarded through competitive bidding, and land is leased on a 50-year concessionary basis before it reverts to municipal ownership.

Revenues are ring-fenced for reinvestment in land and infrastructure, which creates a self-sustaining pipeline of affordable housing.

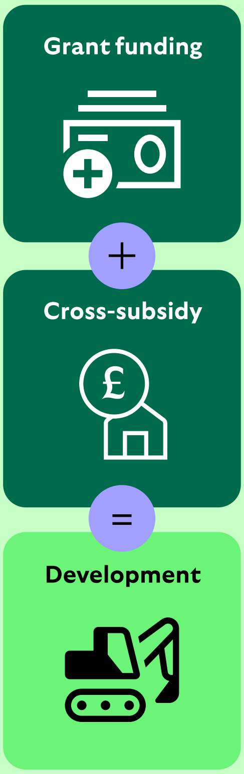
Direct and indirect financial support mechanisms

The financial architecture underpinning housing delivery is just as important as the planning and rent-setting frameworks.

In the UK, the development of social and affordable housing relies significantly on grant funding and cross-subsidy from market housing. Rising costs have outpaced increases in grants, straining the cross-subsidy model and slowing down progress. The Government's recent announcement of a Social and Affordable Homes Programme with an increased budget of £39 billion is a welcome development.

In the context of housing delivery targets and other cost pressures, maximising private sector investment – by deploying increased public funds in conjunction with wider financial mechanisms and support packages – is an opportunity for the UK.

The new fiscal regime and the creation of the National Housing Bank represent a unique moment to develop imaginative new financial mechanisms.



The Netherlands

The Netherlands operates a three-layer loan guarantee system through its Guarantee Fund for Social Housing. The first layer is the housing association's own assets. The second is a mutual fund contributed to by all associations. And the third which is yet to be used is a government backstop.

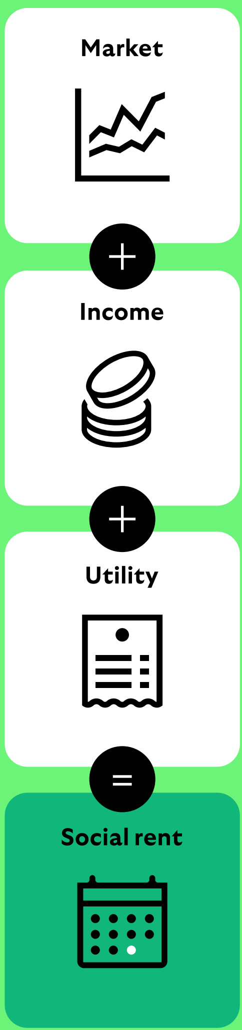
This structure has earned the fund a AAA credit rating, which enables associations to borrow at low rates – 1.46% for new loans in 2022. Nearly half the new loans issued that year had terms of 40–50 years, supporting long-term investment in new and existing stock.

The United States

In the United States, the Low-Income Housing Tax Credit (LIHTC) has been a cornerstone of affordable housing finance since 1986. It provides tax credits to developers, who sell them to investors in exchange for equity. Investors can claim the credits over a 10-year period, reducing their tax liability.

LIHTC has supported the development of over 3.5 million homes, with annual production averaging 115,000 units between 2000 and 2016. Output has declined since then, but it remains a powerful tool for mobilising private capital.

Rent-setting mechanisms



Rent-setting is foundational for any social housing system. It not only determines affordability for tenants, but also the financial sustainability of housing providers and how attractive the sector is to investors.

In the UK, current rent levels have not kept pace with the rising costs of providing social housing, and the limited reference to property characteristics other than the number of bedrooms means that investment in improvements such as energy efficiency cannot be recovered through rents.

The new 10-year rent settlement – which will permit registered providers to increase rents in England by up to CPI+1% from 2026 onwards – and the consultation on options for implementing a policy of rent convergence are welcome steps.

Other countries have adopted alternative models that work harder to align rent-setting with long-term sustainability and investment.

Austria

In Austria, a cost-based rent formula allows acquisition and management costs to be recovered in the long term. In the Netherlands, rent-setting incorporates broader "quality" factors such as energy performance and location, encouraging landlords to invest in ways that enhance both tenant outcomes and asset value.

South Africa

In South Africa, social housing rents are set using a hybrid model that combines income-based affordability with cost recovery. Social Housing Institutions have to demonstrate that they are financially viable, submitting detailed modelling to the national regulator.

Rents are calibrated to cover operational and capital costs, so Social Housing Institutions can operate sustainably without relying completely on subsidy from the state. Since the early 2010s, this model has delivered 30,000–40,000 units, mostly in well-located urban areas – but there is still a significant backlog.

These international examples demonstrate that, with a supportive policy framework in place, it is possible to align affordability with financial stability and ensure housing can draw in private capital.

Each international example offers lessons that can inform the UK's approach, including ways to scale delivery, attract private capital, and build a more resilient housing market that works for all.

Section three

Calls to action

We now outline three calls to action for government, the private sector, and the housing sector. Drawing on Lloyds' analysis of what it takes to deliver new homes in the UK – and lessons from other countries

We highlight three opportunities to accelerate progress

First

Scale up public-private partnerships

The UK's ability to meet its social housing needs depends on a new generation of public-private delivery models that are replicable, investable, and capable of operating at scale.

Across the country, promising examples are emerging - but many remain at the pilot stage. The next step is a co-ordinated effort to embed these successes into mainstream delivery, turning potential into progress. Local and combined authorities are well placed to act as conveners, bringing housing associations, developers, investors, and communities together around shared objectives. Banks, institutional investors, and central government also have a critical role to play in providing the tools, flexibility, and ambition required to support new approaches.

The Playbook being developed by Lloyds Banking Group and the Core Cities group offers a practical starting point. It will set out the governance, risk appetite, and delivery structures that underpin successful partnerships, starting with the principles included in this paper.

This is just the starting point. A national effort can bring these principles to life - through investment vehicles, joint ventures, and delivery platforms that are locally adaptable and nationally coherent - turning ambition into action and ideas into homes. This is not just about building homes. It is about building confidence – among investors, communities, and delivery partners – that the UK can deliver social and affordable housing at the scale required.

Second

Deliver a national response to the temporary accommodation crisis

The challenge in homelessness and temporary accommodation is one of the most urgent issues facing local, regional and national governments.

Over 165,000 children are now living in temporary accommodation, and councils spent more than £2.3 billion on this provision in 2023-24 alone. These costs are projected to rise sharply over the coming decade, placing pressure on public finances and delivering poor outcomes for individuals and families.

There are significant opportunities to change how this expenditure is used, leveraging in private capital in ways that simultaneously reduce the cost to the public purse and improve the UK's housing stock.

A significant number of local initiatives are being delivered or are under development, with an opportunity to rapidly accelerate the pace and create standardised models that could be deployed and replicated.

One such proposal has been developed through the Social Housing Initiative: a national, purpose-driven vehicle, funded primarily by private capital. It would acquire and refurbish homes for temporary accommodation, which are currently underused or unwanted by asset owners.

These include:

- Strategic voids held by housing associations
- Unsold affordable homes delivered through Section 106 agreements
- Disposals from housing associations
- Vacant private rented sector properties

These homes would be leased to local authorities for use as temporary accommodation, at rates close to Local Housing Allowance levels. The model would sit off the Government's balance sheet and would not require councils to enter into contracts longer than 10 years – offering flexibility and fiscal prudence.

The benefits are threefold:

Cost savings

Depending on the level of government support, the model could save over £1.5 billion in public expenditure over a decade for a 10,000-home portfolio.

Future flexibility

Properties could be converted into permanent social or affordable housing in the future, as local needs evolve.

Sector-wide impact

By absorbing underutilised stock, the vehicle would free up housing association capacity to invest in new build homes, contributing to the Government's 1.5 million homes ambition.

The vehicle would be large enough to attract low-cost capital and high-quality management, and could begin acquiring homes within a year. A working group comprising leaders from registered providers, local and regional government, and the financial services sector is developing the detailed design for such a vehicle.

Third

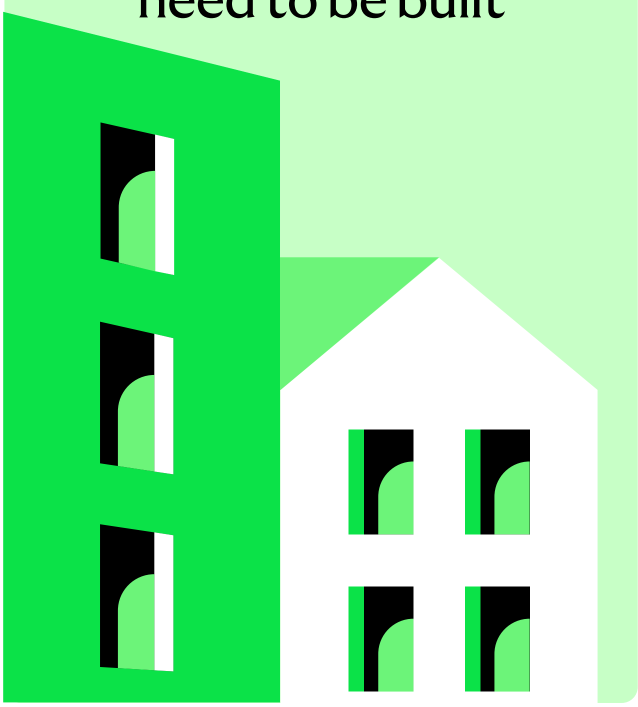
Deliver more homes through targeted policy unlocks

Continued policy reform is essential to unlocking the scale of delivery required. Crisis – the national homeless charity and Lloyds Banking Group partner – estimate that one million genuinely affordable homes need to be built over the next decade to meet housing need in Britain.

We recognise that this would represent a radical shift in delivery, but we believe this scale of intervention is what is needed to alleviate increasing pressures in the housing market.

The 1.5 million homes target and reforms to the National Planning Policy Framework are welcome, with the opportunity for further action to help create the conditions for long-term investment and delivery.

One million genuinely affordable homes need to be built



The following opportunities stand out as practical, deliverable changes government could make to improve the housing market in the UK:

1 Leverage the Government's new fiscal rules to increase private investment

Use the Government's revised fiscal framework to enable new public-private investment models, with assets remaining on the Government's balance sheet.

Fully exercising the capacity that can be generated by public financial institutions such as the new National Housing Bank – within a flexible fiscal framework deployed by MHCLG and Homes England – has the potential to leverage multiples of private capital and the potential for recycling of funds, delivering even more homes.

Interventions from the National Housing Bank will need to be carefully designed to ensure it successfully crowds in private capital.

2 Use income to unlock investment

Income streams, particularly rent, can be used more creatively to attract private capital into social and affordable housing. By providing greater certainty over future income, for example through targeted financial guarantees, government can reduce perceived risk and improve the viability of new supply.

3 Implement a Social Housing Contract

Introduce a new finance mechanism that uses projected savings in housing benefit to fund the development of new social homes. This would give housing providers a guaranteed revenue stream, enabling them to raise private capital without additional cost to government. Further detail can be found in 'Building futures: A new era of investment in social housing'.

4 Create a clear and investable pathway to decarbonise social housing

Establish a long-term regulatory and funding framework to support the decarbonisation of the UK's housing stock. We welcome the publication of the consultation on an implementation date of 2030 for all social rented homes to reach EPC C or equivalent and the incorporation of minimum energy efficiency standards (MEES) into a new Decent Homes Standard, alongside a new emphasis on keeping homes free from damp and mould.

Certainty over the future direction of MEES for social homes - alongside targeted grants through the Warm Homes: Social Housing Fund scheme and green finance mechanisms would enable providers to plan strategically and better attract private investment.

Government should also support local authorities and housing associations with incentives to retrofit poor-performing stock, avoiding unintended disposals and adversely impacting other investment priorities.

5 Embed social housing at the heart of the Government's new towns policy

Prioritise social rent within the target rate of 40% of homes to be allocated to affordable housing within the new towns programme, while ensuring commercial viability. By placing social housing at the core of mixed-tenure developments, the Government can help build inclusive, resilient communities from the outset, and provide confidence to investors and ensure that growth benefits families and individuals on lower incomes.

6 Improve planning and capacity

Continue to streamline the planning system and invest in local authority capacity, particularly around the reintroduction of strategic planning. The recruitment of 300 new planners is a positive step, but more is needed to ensure that all 317 local authorities have the skills and resources to bring forward complex housing schemes and engage confidently with private partners.

7 Expand the housing workforce through targeted skills investment

Although the announcement of investment to train up to 60,000 construction workers by 2029 is welcome, it is estimated that 240,000 additional workers will be needed across the supply chain to deliver 300,000 homes per year.

We propose that progress could be made in closing this construction "skills gap" by scaling up training and apprenticeship programmes focused on Modern Methods of Construction (MMC), retrofit, and green building technologies. Government could work with house builders, local authorities, and education providers to create a national skills pipeline, attracting school leavers and career changers into the sector.

These policy unlocks are not the whole answer.

But together, they can help create a more stable, investable environment that supports the Government's ambitions, accelerates delivery, and ensures that public and private capital are working together.

Conclusion

The UK's social housing sector is at a critical moment

The scale of the opportunity and potential for meaningful change is clear.

This paper sets out a practical and optimistic vision for how that change can be realised: Through scalable public-private partnerships, a co-ordinated response to the temporary accommodation crisis, and targeted policy reform that unlocks investment and delivery.

The sector has the institutional strength, liquid bank and debt capital markets, investor confidence, and a government willing to act. What is needed now is a shared commitment to delivery, bringing government, housing providers, financial institutions, and communities together around a common purpose.

The models, mechanisms, and partnerships outlined in this paper are a contribution to the debate on how we can deliver the homes the country needs.

But this is not just about building homes. It is about building futures. Creating the conditions for families to thrive, communities to grow, and the country to prosper. With the right approach in place, we can unlock a new era of investment in social housing.

The time is now.

Scalable partnerships. Co-ordinated response. Targeted policy reform.

Acknowledgements and sources

This paper has been written with the support of, and insights from, Marcell Bozsik and Teagan Hallgath from KPMG, Luis Obregon and David Butler from Metro Dynamics and Gary Cook, Lawrence Finkle, Tom Le Quesne, Jess Tomlinson and David Cleary from Lloyds Banking Group.

Executive summary

- "In 2023-24, councils in England spent over £2.3 billion on temporary accommodation"
  England's Homeless Children: The crisis in temporary accommodation
- "The Government has taken welcome steps to strengthen the policy framework for housing – including a £39 billion funding commitment, a 10-year rent settlement as well as consulting on options to reinstate a policy of rent convergence, and setting up a National Housing Bank."
  Letter from Housing Minister to registered providers of social housing: Spending Review 2025
- "The publication of 'Delivering a decade of renewal for social and affordable housing' provides important strategic direction too."
  Delivering a decade of renewal for social and affordable housing

Introduction

- "In 2023-24, affordable housing starts in England fell by 39% – the sharpest annual decline since records began in 1978."
  Live tables on housing supply: indicators of new supply - GOV.UK
- "In London, where housing need is most acute, housing starts plummeted by 92%, with just 4,708 new affordable homes initiated against a backdrop of over 336,000 households on waiting lists."
  Starts by G15 landlords 'drop 66% in two years' and G15's State of the Capital
- "As of December 2024, more than 165,000 children were living in temporary accommodation – a 15% increase in just one year."
  Tables on homelessness - GOV.UK
- "Projections suggest this could rise to over 200,000 by 2029."
  More than 200,000 children in short-term housing in England by 2029, analysis shows - Shelter's analysis
- "Current expenditure on temporary accommodation, if capitalised and used as an income stream for just under 10 years could fund the delivery of over 65,000 additional homes for social rent – enough to house every family currently living in costly and unsuitable nightly paid temporary accommodation, B&B and hostels, in a safe and stable home."

  The repayment period is the time needed to repay £20 billion (the investment required for 66,340 new homes at £300 thousand each) based on current average social rent income (£4,017 per year) plus an additional yearly income equivalent to current annual expenditure on temporary accommodation (£2.3bn). The additional income could be distributed across the 66,340 new homes.
- "…while housing benefit costs reached £25.6 billion."
  Benefit expenditure and caseload tables 2025 - GOV.UK
- "…which is projected to be the equivalent to 1.5% of UK GDP, among the highest in the OECD."

  Using the IMF's UK real GDP data for 2024 and the OBR's Real GDP growth estimate, the projected real GDP of the United Kingdom for 2029 (£2,781bn) was calculated and compared to the expected housing benefit figure of £37.5bn.

  For comparison of OECD countries' housing benefit as % of GDP see table of Public spending on Housing Allowances at OECD's website.
- "This expenditure on temporary accommodation and housing benefit is expected to rise to £3.9 billion and £37.5 billion respectively by 2029."
  More than 200,000 children in short-term housing in England by 2029, analysis shows - Shelter's analysis
  Benefit expenditure and caseload tables 2025 - GOV.UK
- "The 1.5 million homes target has put housing at the forefront of the government's priorities."
  Plan for Change – Milestones for mission-led government
- "In 'Building futures: a new era of investment in social housing', we outlined proposals that could deliver 200,000 new homes for social rent over the next decade."
  Building futures: A new era of investment in social housing
- "A consultation on options for reinstating a rent convergence mechanism has also been launched…"
  How to implement Social Rent convergence - GOV.UK
- "Encouragingly, institutional equity is also showing renewed interest in social and affordable housing."
  Savills Investment Management | UK Affordable Housing: A guide for institutional investors
- "The revised National Planning Policy Framework (December 2024) reinstates mandatory housing targets..."
  National Planning Policy Framework
- "For the first time, housing has been integrated into a 10-year National Infrastructure Strategy."
  CP 1344 – UK Infrastructure: A 10 Year Strategy
- "The Planning and Infrastructure Bill (March 2025) will reintroduce strategic planning at sub-regional levels, and the forthcoming English Devolution Bill will devolve significant powers and funding to Mayoral Combined Authorities."
  *FINAL - 17/07/24 King's Speech 2024 background briefing final GOV.uk.docx
- "The New Towns Taskforce is exploring large-scale residential development."
  Building new towns for the future
- "While a "New Homes Accelerator" is unblocking stalled sites and supporting local authorities."
  New Homes Accelerator programme - GOV.UK
- "The £39 billion in capital grant that has been made available over the next ten years is welcome, but it's only a fraction of the estimated £270 billion needed to deliver 900,000 social rent homes in England over the same period – the number estimated to meet housing need."
  Bramley_G._HOUSING_REQUIREMENTS_IN_ENGLAND_REVISITED.pdf

  There is an academic consensus that England needs at least 90,000 social rent homes built a year, for 10 years, to meet levels of housing need. Over the full 10-year period this would equate to 900,000 social rent homes. Assuming the average cost to deliver a social rent home as £300,000, this would require £270 billion.
- "The newly established National Housing Bank, capitalised with £16 billion…"
  Over 500,000 homes to be built through new National Housing Bank - GOV.UK

- "Our housing sector is underpinned by a well established, independent network of housing associations, a substantial housing stock – comprising 16% of the UK's total housing, more than twice the OECD average – and access to sophisticated and strong capital markets."
  OECD Affordable Housing Database | OECD

Section one: Scalable, replicable, models for delivering new homes in the UK

- "The emerging 'for profit' social housing segment is adding further diversity and innovation."
  Affordable housing in England
- "After several years of fiscal tightening, local authorities are navigating reduced budgets, fragmented capital funding, uncertain and protracted timeframes, and growing statutory demands."
  Chancellor: I will take the difficult decisions to restore economic stability - GOV.UK
- "Moreover, the commercial viability of delivering new homes across the full spectrum of the housing market remains constrained - construction costs have outpaced general CPI by 10 percentage points between 2016 and 2024, while elevated interest rates continue to push up the cost of capital."

  Construction price indices have outpaced general increases to CPI between 2016 - 2024 by a total of 10 percentage points - while CPI showed a cumulative 33% increase in the given period, the construction output price index increased by 43%.
  ONS' CPI figures and ONS' Construction output price indices
- "The principles are drawn from what we have seen in places that are delivering, often in times of financial pressure, planning challenges, or fragmented processes."

  1 in 4 councils likely to need emergency government support – LGA survey | Local Government Association
- "The government's recognition of housing as infrastructure as set out in the National Infrastructure Strategy is an important shift.."
  CP 1344 – UK Infrastructure: A 10 Year Strategy

Small Sites Aggregator

- "Analysis using Land Registry and Nimbus Maps data shows that councils in England and Wales own nearly 320,000 unused "small sites"."
  Small sites in GM and LCR could provide 100,000 homes
- "On 28 May 2025, the Government announced a pilot for the Small Sites Aggregator - a new partnership between cities, SME and MMC developers, and the private sector to unlock small sites for social housing."
  Government backs SME builders to get Britain building

Section two: Global lessons in innovation and impact in housing delivery

- "…the current uncertainty in the planning system deters institutional capital at early stages. It also puts pressure on viability, with requirements for higher-cost, risk-bearing equity – typically 3-5% of the total project cost."
  Cost Estimating Guidance - Front-end cost loading - GOV.UK
- Germany's B Plan system
  Autor Architecture - What can we learn from the German planning system? And Saxon State Ministry for Regional Development - Introduction to the German Spatial Planning System
- Spain's El Plan Vive
  Invest in Madrid - Strategic Projects and INREV's Solving Europe's housing challenge report
- Social housing system in The Netherlands
  The Harvard Joint Center for Housing Studies – What Can We Learn from the Dutch Social Housing System?
- LIHTC system in the US
  Tax Policy Centre - Brookings Institution - What is the Low-Income Housing Tax Credit and how does it work?
- Austria's rent setting mechanism
  Housing Europe - Cost-based social rental housing in Europe
- South African system
  The long-term finance of social housing - Study in South Africa and Sustainable Cities - Assessing the impact of social housing on urban regeneration in South African cities

Section three: Calls to action

- "Crisis – the national homeless charity and Lloyds Banking Group partner – estimate that one million genuinely affordable homes need to be built over the next decade to meet housing need in Britain."
  Crisis and LBG's research
- "…the publication of the consultation on an implementation date of 2030 for all social rented homes to reach EPC C or equivalent."
  Improving the Energy Efficiency of Socially Rented Homes in England - GOV.UK
- "…and the incorporation of minimum energy efficiency standards (MEES) into a new Decent Homes Standard, alongside a new emphasis on keeping homes free from damp and mould".
  Consultation on a reformed Decent Homes Standard for social and privately rented homes - GOV.UK
- …for the target rate of 40% of homes built as part of the new towns programme allocated to affordable housing…"
  New Towns Taskforce - GOV.UK
- "The recruitment of 300 new planners…"
  Planning overhaul to speed up and simplify local plans - GOV.UK
- "…the announcement of investment to train up to 60,000 construction workers by 2029…"
  Government unleashes next generation of construction workers to build 1.5m homes - GOV.UK
- "…it is estimated that 240,000 additional workers recruits will be needed across the supply chain to deliver 300,000 homes per year."
  Hard hat to fill report update

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