



Delivering affordable housing growth - a partnership approach for England:

A solution to deliver 185,000 additional Affordable Homes across England over a decade



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1. Executive summary

The UK Government has pledged to build 300,000 homes per annum, approximately 80,000 more than have been delivered on an annual basis over the last decade.^{1,2} Given society's growing need, a substantial proportion (at least 25–27%) of these homes should be Affordable. Achieving this target will require a significant expansion of Affordable Housing delivery — from 50,000 per annum (the recent historic average) to 80,000 per annum (a 60% increase). This paper presents a solution for achieving this growth at no net cost to the UK Government while supporting the recapitalisation of the HA sector.

The challenge: A sector with shrinking capacity at a time when growth is needed

The Affordable Housing sector's total development output is a function of the amount of capital grant available through the Social and Affordable Housing Programme (SAHP) and the volume of affordable homes delivered by developers through section 106 (s106) agreements. Presently, the capacity of Housing Associations (HAs) both to draw down capital grant and to purchase s106 homes is significantly reduced because of financial constraints (principally weakening interest cover ratios). Because HAs have historically delivered most of England's Affordable Homes, the sector's overall new-build capacity is shrinking.

There is appetite among institutional investors to scale up their activity and investment in the sector. Total new-build activity by institutionally funded Registered Providers (RPs), however, is also constrained by the volume of available subsidy. Without more subsidy, increased institutional investment will only compensate for reduced HA output but will not grow overall delivery by the 60% required relative to historic levels.

The Government's new capital grant programme is forecast to deliver an additional c.5,000 grant-supported homes per annum relative to historic levels. If we assume more market-rate housebuilding results in increased s106 delivery, total affordable sector capacity could reach a maximum of 61,500 new homes per annum. This falls short by 18,500 homes relative to the annual 80,000 affordable housing delivery goal. It will take £2.2bn per annum in additional subsidy funding to close this gap. Given fiscal constraints, it is unlikely that the Government will further expand the SAHP settlement to meet this shortfall.

The solution: Releasing latent value from existing Affordable existing Affordable Homes

There are c.2.9 million Affordable Homes owned by HAs, delivered in part through public capital grant. The value embedded in these homes is currently 'latent' but by transferring some of them to Partnership Registered Provider (PRP) entities — joint ventures equally owned by the vendor HA and an institutional investor — this value can be realised.

1. Ministry for Levelling Up, Housing & Communities, Affordable Housing Supply in England: 2024 to 2025, GOV.UK, published November 20, 2025, accessed March 31, 2026.
2. Ministry for Levelling Up, Housing & Communities, Housing Supply: Net Additional Dwellings, GOV.UK, last updated November 20, 2025, accessed March 31, 2026.

The transfer generates net cash proceeds which can be used to recapitalise the selling HA, invest in retained stock, and release a 'recycled subsidy' that can be used to build more Affordable Homes. The new homes would be built by the PRPs and recapitalised HAs. The selling HA manages homes owned by the Partnership RP on an ongoing basis and earns management income.

As an equal owner of Partnership RP vehicles, HAs earn income from dividends distributed by the Partnership RP, in addition to management fee income. HAs remain the primary interface with residents and maintain a significant stewardship role through their ownership stake.

All Partnership RPs will be Registered Providers regulated by the Regulator of Social Housing (RSH), subject to the Rent Standard (ensuring rent level stay managed in line with Government policy), Consumer Standards, and ring-fencing requirements that may protect Social Housing assets. The regulatory framework provides strong and enforceable supports, including extensive enforcement powers under the Housing and Regeneration Act 2008 (see Section 11 for the full regulatory analysis).

It will be important for HAs to ensure the institutional investors with whom they partner share their values, incentives, and commitment to high-quality service for residents and long-term stewardship of social homes. HA boards can embed this alignment through Partnership RP governance, decision-making structures, and customer-service expectations.

The outcomes: Delivering 80,000 Affordable Homes a year for a decade

Our analysis indicates that a phased programme involving the transfer of 980,000 homes into Partnership RPs over a 10-year period (35% of all homes owned by HAs) would unlock the £2.2bn in recycled subsidy and £9.5bn in additional private capital required to deliver 18,500 more homes per annum (185,000 over a decade) in order to reach a cumulative delivery level of at least 80,000 Affordable Homes per annum. This means that for every five homes transferred into a Partnership RP,

one additional affordable home can be delivered, over and above those delivered by the SAHP and through s106 agreements. Over a 10-year period, this volume of adoption alongside the SAHP could take up to 480,000 families off social housing waiting lists. At the same time, all homes transferred into Partnership RPs will be retrofitted to EPC-B and those remaining in HA portfolios to EPC-C or higher, unlocking at least £450mn additional capital investment per annum to improve existing homes.

If HAs sold 60% of their existing stock into Partnership RPs, almost 40,000 Affordable Homes per annum could be delivered using recycled subsidy and £13bn in private capital, allowing total delivery to reach c. 100,000 per annum (c.1 million over a decade), and £740mn additional capital investment per annum to improve existing homes.

Independent modelling by Oxford Economics indicates that by 2037 the Partnership RP programme could generate substantial annual economic benefits. Under a 35% stock transfer scenario, GDP is forecast to be around 0.16% higher in 2037 (c.£5.7bn in 2025 prices), rising to 0.28% (c.£9.9bn) under a 60% scenario. In the same year, the programme is estimated to improve the government's annual fiscal balance by c.£3.1bn-£5.9bn, largely through sustained productivity gains, reduced temporary accommodation costs, and lower Housing Benefit expenditure.

Partnership RPs are a solution that can be pursued at no net cost to the UK Exchequer. However, the UK Government can optimise outcomes by:

- Encouraging HAs to form Partnership RPs to release latent subsidy and drive Affordable Housing delivery.
- Providing debt guarantees to ensure the released subsidy and capacity is stretched to its maximum.
- Adjusting the Solvency UK framework to improve the efficiency of institutional investment in Social Housing assets under the Matching Adjustment framework (see Section 11.2).

2. Introduction

The current Government was elected on a commitment to deliver “the biggest increase in Social and Affordable housebuilding in a generation.”³ Delivering this commitment over the course of this Parliament will be a difficult task. There are fewer traditional players (Housing Associations), and many have less capacity to deliver homes than at any other time in the history of the HA sector.⁴ The capacity of the Affordable Housing sector to deliver homes is shrinking at a time when the need of society and ambition from the Government is rising. Although the new SAHP settlement is a positive step, the traditional HA sector does not have the balance sheet capacity to raise the debt financing required to deliver this programme at the necessary scale and pace. If the Government and sector do not take further action to bolster the development capacity of the sector, the SAHP will not by itself deliver the homes that families across England need.

Overcoming the housing crisis will require a range of ideas and openness to change across the sector and from the Government. We have already seen encouraging evidence of the Government’s willingness to act on new ideas, most notably with the creation of the National Housing Bank. It is with the objective of identifying new mechanisms to expand delivery capacity that L&G has developed the proposition set out in this paper.

Social Housing Investment Partnerships (Partnership RPs) combine the operational capability of the HA sector⁴ with long-term institutional equity capital to expand the sector’s development capacity. In doing so, Partnership RPs can support the recapitalisation of the HA sector and restore their ability to deliver Affordable Housing much more rapidly than would otherwise be possible.

The Partnership RP proposition has been developed through consultation with several HAs, their advisors, and a range of other stakeholders in the Affordable Housing sector. It builds on the ideas and analysis in *Delivering a Step-Change in Affordable Housing Supply (2022)*, authored by L&G with support from the British Property Federation (BPF). The model leverages existing HA and institutional investor capabilities, and current Government programmes. It does not rely on new Government initiatives or expansion of the SAHP beyond the £39bn settlement announced in the 2025 Comprehensive Spending Review. Section 11.2 does, however, set out several nil and low-cost policy measures that could further enhance outcomes.



3. Labour Party. The Labour Party Manifesto 2024. London: Labour Party, 2024.

4. Regulator of Social Housing. Private Registered Provider Sector Briefing Note 2025. London: RSH, 2025.

3. Brief history of England's Affordable Housing sector

The structure of England's Affordable Housing system has evolved significantly in the post-war period, shaped by changes in public finance, political priorities, and regulatory frameworks. Understanding this historical trajectory is essential to understanding the financial and operational constraints faced by HAs today, and the reasons why the sector's existing delivery model is no longer sufficient on its own to meet contemporary levels of need.

3.1 Post-war expansion and the shift to Housing Associations

In the decades following the Second World War through to the early 1970s, the majority of Social Housing was developed and owned by Local Authorities. Central Government provided large-scale capital grant funding and enabled Local Authorities to borrow at low cost, allowing for delivery of homes at unprecedented volume to address acute post-war shortages. During this period, social rented housing emerged as a core element of national infrastructure.

Beginning in the mid-1970s, shifts in public spending policy and broader economic changes gradually reduced the role of Local Authorities in housing delivery. Fiscal pressure on public borrowing, combined with national policy reforms — most notably the introduction of Right to Buy in the 1980s — resulted in the transfer of a significant proportion of council stock into owner-occupation. At the same time, the political emphasis moved towards increased tenure diversity and greater involvement of independent organisations in the provision of Affordable Housing.

During the late 1980s and early 1990s, the voluntary stock transfer programme accelerated a major restructuring of the sector. Large amounts of Local Authority housing were transferred to private HAs,

which became the primary owners and developers of Social and Affordable Housing. This shift was reinforced by regulatory reforms that enabled HAs to access debt markets at scale. The delivery model that emerged, built on reduced capital grant and long-term debt secured against rental income, enabled HAs to expand their portfolios and invest in stock renewal.

This mixed funding model remained the basis of HA-led delivery for three decades. It allowed the sector to deliver significant volumes of Affordable Homes, improve asset management capability, and strengthen governance frameworks. However, it also left the sector structurally reliant on the ability to raise and service debt. By the mid-2020s, a combination of income shocks, rising costs, and macroeconomic headwinds had materially eroded HAs' financial headroom — constraints examined in detail in Section 5.

3.2 Declining development capacity and s106 constraints

The weakening financial position of HAs is reflected in reduced development pipelines. By 2024, the sector had recorded the sharpest year-on-year decline in new housing starts since records began, and forward development plans fell by over a quarter between 2023 and 2025. This decline has also affected the absorption of homes delivered through s106 agreements. Developers have increasingly reported unsold Affordable Housing due to constrained HA demand, a further signal of tightening capacity.



3.3 The entry of for-profit registered providers

In 2008, the legal and regulatory framework was amended to allow for-profit registered providers (FPRPs) to operate in the regulated sector. For several years thereafter, their presence remained limited. However, from around 2020 onwards, participation expanded rapidly as institutional investors increasingly looked at Affordable Housing as a source of long-term, inflation-linked cashflows well suited to match long-dated liabilities. Savills Research. UK Affordable Housing – Spring 2025: Equity Investment in Affordable Housing. Savills, 2025. Although FPRPs remain smaller in aggregate scale than traditional HAs, they have become an important source of new capital and have accounted for a growing share of Affordable Housing delivery in recent years. Many FPRPs are backed by long-term capital — primarily from pension funds and life insurers. Housing Associations, Local Authorities, and developers also own FPRPs.

3.4 The present day: The need to recapitalise

The historical trajectory of Social Housing in England underscores a structural challenge: the transition from a grant-funded, council-led delivery model to one that is heavily dependent on debt finance and HA balance sheets has unlocked substantial investment but is now confronting its limits. Without mechanisms that recapitalise HAs, unlock sources of long-term capital at scale, and policy frameworks that sustain financial viability, the sector's capacity to respond to rising need and Government targets will remain constrained.

4. Affordable Housing finance

Affordable Housing delivery in England relies on a capital structure that blends three core inputs: debt, subsidy, and equity. The interaction between these inputs fundamentally determines whether new homes can be delivered at scale. The constraints that affect each component explain why the sector's capacity has weakened and why new mechanisms are needed if housing supply is to grow meaningfully over the coming decade.

HAs have access to two of these factors: debt and subsidy. RPs backed by institutional capital, on the other hand, can deploy equity alongside debt — introducing a factor of production that is structurally unavailable to HAs. However, equity-backed providers still require subsidy to deliver homes at sub-market rents. The volume of equity that institutional investors can deploy is capped by the volume of subsidy available, not by equity supply itself. In other words: equity cannot substitute for subsidy; it can only be crowded in by it.

Debt

For decades, HAs have relied on long-term borrowing from banks, building societies, and institutional lenders to fund both new development and improvements to existing homes. While debt remains available in principle, the ability of HAs to borrow has become significantly constrained by weakening financial metrics.

The most important of these is the interest cover ratio (often measured as EBITDA–MRI to interest payable), which tests whether an HA generates sufficient operating surplus to service its debt. Over recent years, rising repairs and maintenance costs, inflationary pressure on operating budgets, and the cumulative impact of past rent policy decisions have collectively reduced cover ratios across the sector.

Many HAs now fall below internal and lender thresholds, limiting their ability to borrow at scale or on favourable terms. As a consequence, even with increased capital grant through the SAHP, parts of the sector cannot raise the complementary debt required to draw down grant and deliver new homes.

Subsidy

Affordable Housing cannot be delivered at scale without subsidy. This subsidy is provided either directly through capital grant (such as SAHP), through Government mechanisms (e.g., on senior debt), or indirectly through s106 planning obligations that allow developers to deliver Affordable Housing as part of market-led schemes.

Together, these sources determine the maximum number of Affordable Homes that can be delivered annually. The availability of subsidy therefore acts as a binding constraint on the entire system. Although the Government has increased capital grant through the current SAHP settlement, the total level of subsidy available remains well below what is required to deliver 80,000 Affordable Homes per year. This limitation is structural: without new forms of subsidy — or mechanisms that release an equivalent value — delivery cannot expand to meet need.

Equity

Equity is a source of capital that HAs cannot access due to their not-for-profit status. They are prohibited from raising equity or distributing profits, meaning that development programmes must rely on combinations of debt, subsidy, and retained surpluses. With rising costs eroding operating margins and limited new surplus available, many HAs have insufficient internal resources to supplement debt and grant at the scale required.⁵

5. Regulator of Social Housing. 2025 Global Accounts of Private Registered Providers. London: RSH, 2026.

5. The central challenge: Growing need and ambition but declining capacity

England faces a structural mismatch between the growing need for Affordable Housing and the declining capacity of the sector to deliver new homes. Demand pressures have intensified across the country, reflected in rising waiting lists and increased use of Temporary Accommodation. At the same time, the financial and operational capacity of HAs — traditionally the dominant providers of new Affordable Housing — has weakened materially.

5.1 Rising need for Affordable Housing

Over the past decade, Affordable Housing need has increased significantly. Waiting lists for social homes have risen, with more than 1.3 million households now registered for social housing, the highest level since 2014. In London alone, more than 336,000 households are waiting for a social home and wait times for three-bedroom (or more) accommodation in some boroughs can extend over several decades.⁶

The pressure on Local Authorities has also escalated. The number of households living in Temporary Accommodation (TA) has grown sharply, driven by the shortage of available social rented homes and affordability pressures in the private rented sector. There were 132,000 households living in TA as of July 2025 (a 156% increase relative to July 2010).⁷ To cope with these pressures, Local Authorities have had to rely on nightly paid privately managed accommodation — which is both expensive and can be of poor quality — to provide TA to families in need. Net expenditure on homelessness services (including TA) increased by 22.4% in real terms in 2024–25 to c.£2.2bn.⁸ The country's undersupply of Affordable Housing makes it difficult for Local Authorities to move families living in TA into more suitable accommodation.

The most effective way to reduce waiting lists and reliance on TA is to increase delivery of new Social and Affordable Homes. However, supply has consistently fallen short of what is required. In 2024–

25, only 12,413 new grant-funded social rented homes were completed in England — far below the 90,000 that Shelter England estimates are needed on an annual basis over the next decade.⁹ Moreover, grant-funded Affordable Housing starts in London so far in 2025–26 are significantly below historic levels, with year-to-date delivery less than a quarter of the long-run annual average since 2010.¹⁰ Although the situation is less dire outside of London, Affordable and Social Housing delivery remains well below required levels across the country.

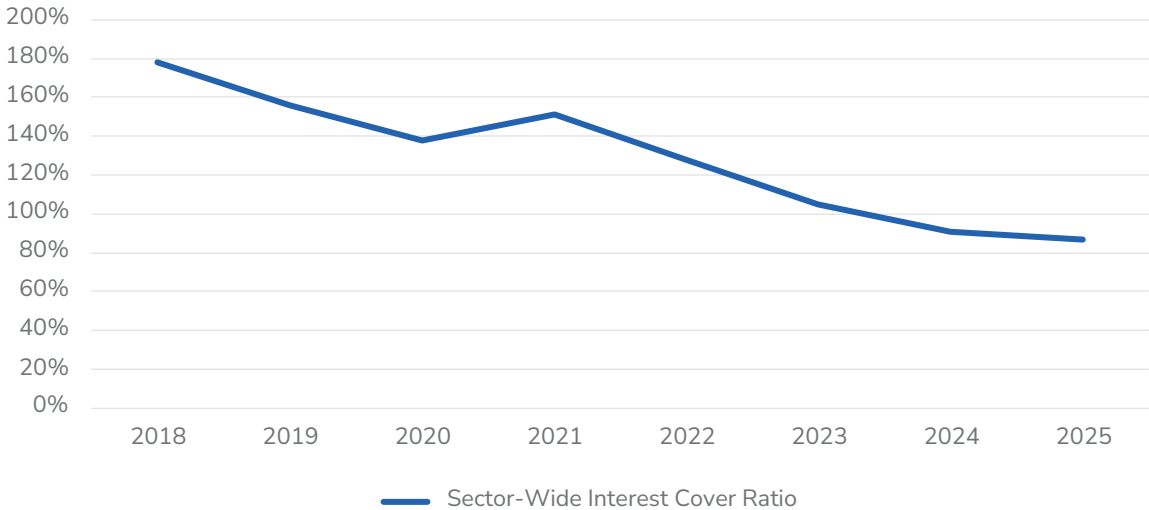
Supporting the delivery of more Affordable Housing is a more cost-effective intervention for the UK Government than subsidising these families to live in the PRS through the provision of Housing Benefit (HB).¹¹ Moving a family who is currently receiving a maximum HB payment to support their tenancy in the PRS into a social rented home will reduce their HB entitlement and therefore the UK Government's welfare spending.¹² Additionally, as Shelter, the National Housing Federation, the Hyde Group, the G15 and various others have demonstrated, there are additional direct (e.g., construction employment, tax revenues) and indirect (e.g., improved educational outcomes, lower NHS spending) benefits associated with Social Housing.¹³

5.2 Declining capacity within the HA sector

At present, the HA sector's ability to borrow the debt capital required to sit alongside capital grant, and therefore deliver new homes, is constrained by its consolidated balance sheet position. This ultimately means that despite the introduction of a larger capital grant programme, the Affordable Housing sector's existing capacity to deliver Affordable Homes is contracting.

6. Greater London Authority. Households on Local Authority Waiting Lists: Borough Data. London: GLA, 2025; National Housing Federation, Shelter, and Crisis. Over a Hundred Years' Wait for a Family-Sized Social Home. London: NHF, 2025.
7. House of Commons Library. Temporary Accommodation in England: Issues and Government Action (CBP-10421). London: UK Parliament, 2025
8. Ministry of Housing, Communities & Local Government. Local Authority Revenue Expenditure and Financing: England, 2024–25.
9. Homes England. New Housebuilding Statistics 2024–25. London: Homes England, 2025; Greater London Authority. Affordable Housing Statistics: General Programmes. London: GLA, 2026; Shelter. Brick by Brick: Social Housing Campaign Report. London: Shelter, 2023.
10. Greater London Authority. Affordable Housing Statistics: General Programmes. London: GLA, 2026.
11. UK Collaborative Centre for Housing Evidence. Housing Subsidy's Long-Term Shift from Supply to Demand. Glasgow: CaCHE, 2024; UK Housing Review. UK Housing Review 2024: Executive Summary. London: UK Housing Review, 2024.
12. This is calculated using the English Housing Survey 2023–2024 data for housing benefits paid to households in private rental and affordable homes (inflated into 2025 prices).
13. Centre for Economics and Business Research. The Economic Impact of Building Social Housing. London: CEBR, 2024; Hyde Group. The Value of Our Social Tenancies. London: Hyde Housing, 2025.

Sector-wide interest cover ratio 2018-2025.



Source: Regulator of Social Housing (2025) Sector Risk Review - December 2025 Webinar, London

The HA sector has been affected by multiple headwinds over the past decade:

Income shocks: Mandated rent reductions between 2015 and 2019 removed an estimated £2.3bn of income per year from the sector, weakening interest cover and reducing borrowing capacity.¹⁴

Higher operating and compliance costs: New and more stringent regulatory requirements — including enhanced building safety obligations and the forthcoming Decent Homes Standard 2.0 — increased the cost of maintaining and improving existing stock.

Rising repairs and maintenance expenditure: Sector-wide spend increased from £5.4bn to £8.8bn between 2019 and 2024, further weakening surpluses available to support development.¹⁵

Macroeconomic conditions: Rising interest rates following the COVID-19 period increased the cost of servicing both new and existing debt, while inflation increased the cost of construction and asset management.

This deteriorating financial position is particularly acute for larger HAs and those operating in London.¹⁶

A key indicator of borrowing and investment capacity is the interest cover ratio (EBITDA–MRI to interest payable). Sector-level weighted average interest cover has fallen from 174% in 2017-18 to 87% in 2025, meaning that interest costs on outstanding debt now exceed HA operating income — a reality that, if not overcome in the near term, will pose

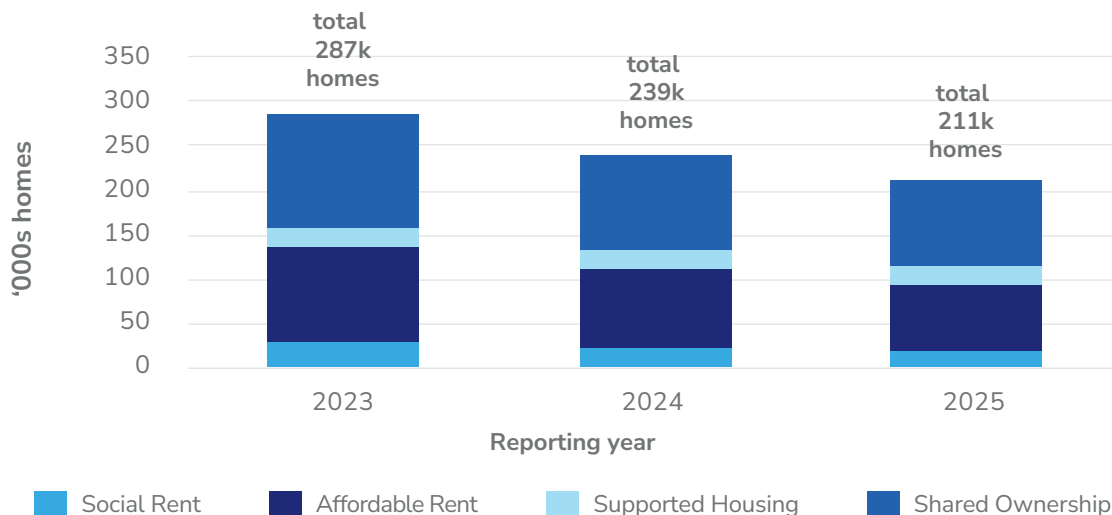
a significant threat to the long-term financial sustainability of the sector.¹⁷ This figure is heavily influenced by a small number of the largest HAs. Median interest cover in 2025 was 113%. The most acute constraints are concentrated in a subset of larger, more heavily indebted organisations — precisely those for whom Partnership RPs would have the greatest impact.

Debt covenants across the sector often require 130% cover, and so the fact that the sector has fallen below this threshold means its ability to borrow the capital required to fund new development is acutely limited. Our analysis of HA financial statements indicates that, if this situation is left unaddressed, the sector is not likely to return to this threshold level until after 2035. The conditions described above have led many HAs to reduce their development programmes while they prioritise investing in existing stock and rebuilding their balance sheets.¹⁸

The sector’s 5-year development plan fell by 27% between 2023 and 2025.¹⁹ This dynamic is further demonstrated by the fact that 2024 saw the largest year-on-year decline in ²⁰housing starts by HAs since statistical recordkeeping began. Our analysis suggests this decline will continue for the foreseeable future. We do not expect several large HAs to resume development growth for at least five years without new solutions. An ambitious and sustainable solution to this challenge must involve both recapitalising HAs so they can resume development activity at scale and substantially scaling the volume of equity capital that is invested in the delivery of Affordable Homes by FPRPs.

14. Institute for Fiscal Studies. “Cuts to Social Rents Will Benefit Exchequer More Than Tenants, but Will Strengthen Work Incentives.” London: IFS, 2015.
 15. Regulator of Social Housing. “Social Housing Providers’ Finances Impacted by Rising Repairs and Remediation Spend.” UK Government, 2024.
 16. Savills. Managing the Impact of Rising Capital Expenditure Costs on Social Housing Valuations. London: Savills Research, 2024.
 17. Regulator of Social Housing. 2018 Global Accounts of Private Registered Providers. UK Government, 2018; Regulator of Social Housing. Value for Money Metrics and Reporting 2025: Annex to the Global Accounts 2024. UK Government, 2026.
 18. Regulator of Social Housing. 2024 Global Accounts of Private Registered Providers. UK Government, 2024.
 19. Regulator of Social Housing. “Webinar: Sector Risk with the Regulator of Social Housing.” Presentation delivered at Trowers & Hamlins Webinar, December 2, 2025.
 20. Lloyds Banking Group. Building Futures: The Time Is Now. 2025.

Affordable Housing Sector Forward Develop Levels (Years 1-5 in Future)



Source: Regulator of Social Housing (2025) Sector Risk Review – December 2025 Webinar, London

5.3 The growing but constrained role of FPRPs

The Housing & Regeneration Act (2008) created a framework to allow FPRPs to provide regulated Social Housing in England and therefore attract more private investment into the sector. Several FPRPs were created in the years immediately thereafter, but this market did not begin to mature until roughly 2020, since which growth has been rapid. The number of FPRPs operating in the sector has grown from 20 in 2014 to more than 85 in 2025.²¹ This has brought much-needed equity capital into the sector to deliver new homes; FPRPs have accounted for c.13% of all new delivery in the three years to March 2024.²²

At present, institutional investors — including pension funds, life insurers, and fund structures — own less than a quarter of all c.85 FPRPs in the market (the remainder are owned by independent developers, Local Authorities, Housing Associations, etc.).²³ However, 90% of FPRP housing stock (c.45,000 homes) is ultimately owned by institutional investors, which underscores the important role they have played in bringing much-needed new capital — particularly equity — into the sector.

For example, since the creation of L&G Affordable Homes in 2018, L&G has established a substantial capability in funding, developing and operating Affordable Housing. This capability has to date been backed by more than c. £1bn of L&G's own capital with a further c.£700m of third-party client capital committed, collectively delivering more than 9,000 new homes for families in England. Looking ahead, L&G has ambitions to further increase its investment in the sector.

This ambition to deploy more institutional capital into the Affordable Housing sector is not limited to L&G. A 2025 report by Savills estimates that the number of Affordable Homes owned by institutions could more than treble by 2030.²⁴ It is important to acknowledge that, despite recent and anticipated future growth in institutional capital flows into Affordable Housing in England, institutional investment in the UK's residential sector remains low relative to advanced economies in Europe and North America.²⁵ The UK residential sector — including the Affordable sub-sector — possesses strong fundamentals for both domestic and international institutional investors, and capitalising on this strength to increase capital flows will be a critical part of delivering the homes that the country needs.

21. Savills Research. UK Affordable Housing – Spring 2025: Equity Investment in Affordable Housing. Savills, 2025.

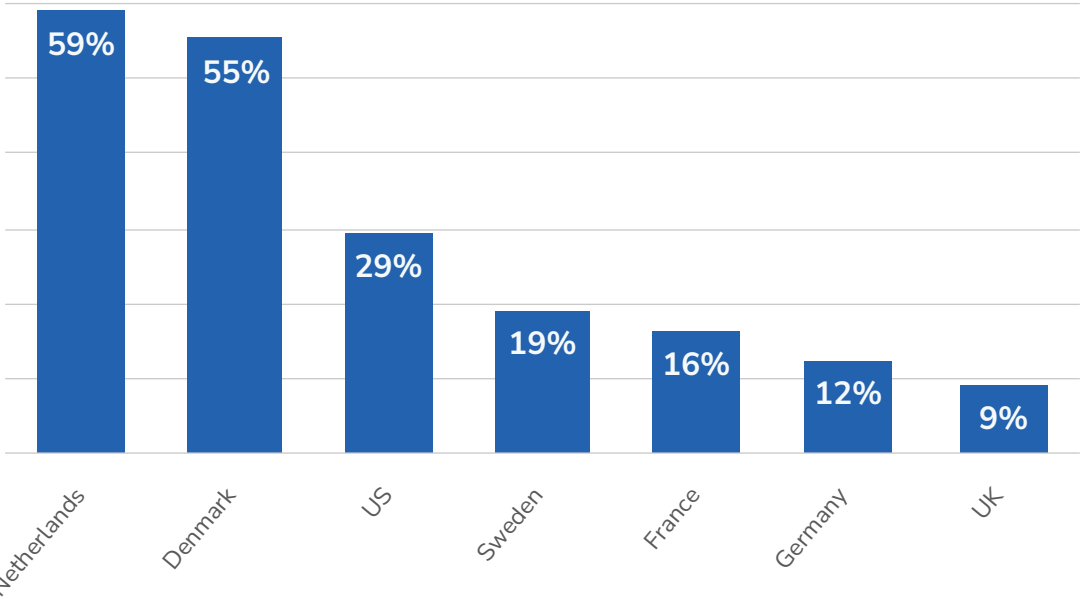
22. Savills Research. UK Affordable Housing – Spring 2025: Equity Investment in Affordable Housing. Savills, 2025.

23. Centrus. In Focus: The For-Profit Housing Sector. London: Centrus, 2024; Savills. A Growing and Diversifying Sector. London: Savills Research, 2025.

24. Savills Research. UK Affordable Housing – Spring 2025: Equity Investment in Affordable Housing. Savills, 2025.

25. MSCI (2024) Annual Indices and Quarterly Index Data. MSCI, London.

Share of residential investment from institutional sources



Source: MSCI Annual Indices as at Apr 24

In summary, the challenge facing the sector is systemic:

- HAs lack the borrowing capacity to deliver new homes at scale, despite increased capital grant and debt finance being readily available to the sector.
- Institutional investors have the capital to invest but require subsidy to deliver homes at sub-market rents.
- Current subsidy levels are insufficient to meet the scale of national housing need.
- Demand continues to rise, placing additional pressure on Local Authorities and households.

Without new mechanisms to restore HA capacity, unlock additional subsidy-like value, and crowd in more institutional equity, the Affordable Housing sector will remain structurally constrained.



6. Growing the Affordable Housing sector in England

Housing affordability has become one of the most prominent public concerns in recent years. In response, the Government has placed housing supply at the centre of its agenda, committing in its “Plan for Change” to facilitate 1.5 million new homes across all tenures during this Parliament. While this ambition is widely supported across the sector, current delivery trends indicate that the target will not be met.

Despite steps to streamline planning, expand capital grant through the SAHP, and provide more certainty to Registered Providers, these measures are insufficient to enable the sector to deliver 300,000 homes per year in the near term. Substantial barriers remain that limit the pace and scale of new supply.

6.1 How many Affordable Homes should be delivered per annum?

Over the past decade, England has delivered an average of 220,000 new homes per year, of which roughly 22% — around 50,000 homes annually — have been Affordable.²⁶ Approximately 25,000 of these Affordable Homes are supported by capital grant, with the remaining 25,000 delivered through s106 obligations attached to market-led development.

The Government’s commitment to increase overall supply to 300,000 homes per year requires an additional 80,000 homes annually.²⁷ To deliver a balanced housing market — consistent with the conclusions of the Letwin Review — these additional homes could be distributed across tenures as follows:²⁸

Additional Homes by Tenure	Total Homes Delivered
30,000 Affordable Homes	80,000 Affordable Homes
25,000 Build to Rent (BTR)	220,000 total market rate homes
25,000 Build to Sell (BTS)	
80,000 additional homes	300,000 total homes

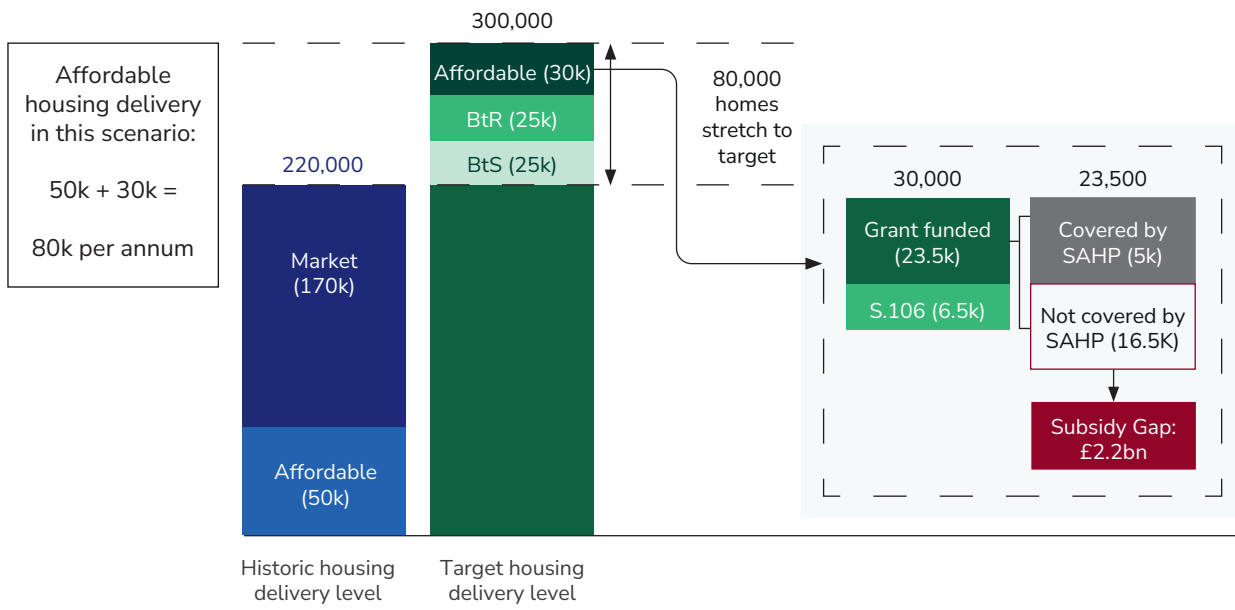
Under this scenario, total Affordable delivery would reach 80,000 per annum — all of which would require subsidy. The Government expects the new SAHP to fund 30,000 grant supported homes per year, and s106 delivery is estimated to contribute 31,500 homes (the historic 25,000 plus 12.8% of 50,000 additional market homes).

26. Savills. English Housing Supply Update Q3 2025. London: Savills Research, 2025; Ministry of Housing, Communities & Local Government. Net Supply of Housing: Statistical Release. London: UK Government, 2024.

27. Ministry of Housing, Communities and Local Government (2024) Delivering a Decade of Renewal for Social and Affordable Housing. UK Government, London.

28. Letwin, Oliver. Independent Review of Build Out: Final Report. London: MHCLG, 2018.

Determining the affordable housing sector's annual subsidy gap



Source: Ministry of Housing, Communities & Local Government. Net Supply of Housing: Statistical Release. London: UK Government, 2024; Ministry of Housing, Communities and Local Government (2024) Delivering a Decade of Renewal for Social and Affordable Housing. UK Government, London.

This leaves approximately 18,500 Affordable Homes per year without subsidy, creating an estimated **annual £2.2bn subsidy shortfall** that needs to be filled if the 80,000 Affordable Home target is to be met.



7. An innovative solution to delivering the growth the sector needs

Given the fiscal constraints and the fact that the next SAHP budget is already set for the next decade, this paper looks beyond capital grant from central government for solutions to filling the subsidy gap. Specifically, it looks to the latent value created by historic public investment sitting within the c. 2.9 million existing Affordable Homes under HA ownership as a source of subsidy to fill this gap.²⁹

A comprehensive solution must: (1) recapitalise HA balance sheets, thereby restoring their capacity to deliver new homes; and (2) unlock significantly more subsidy (£2.2bn per annum) that in turn crowds in significantly more equity capital from institutions.

A growing Affordable Housing sector in England means a sector with more players and better access to capital. Institutional investors (existing and new) are a potential source of this capital, and therefore unlocking their appetite warrants sustained focus from central Government.

7.1 Unlocking latent value from existing Affordable Homes

Housing Associations currently own c. 2.9 million Affordable Homes. A significant share of the value embedded within these homes was originally created through public subsidy, particularly historic capital grant. This value sits 'latent' in the sense that it supports the balance sheet but does not directly fund new delivery.

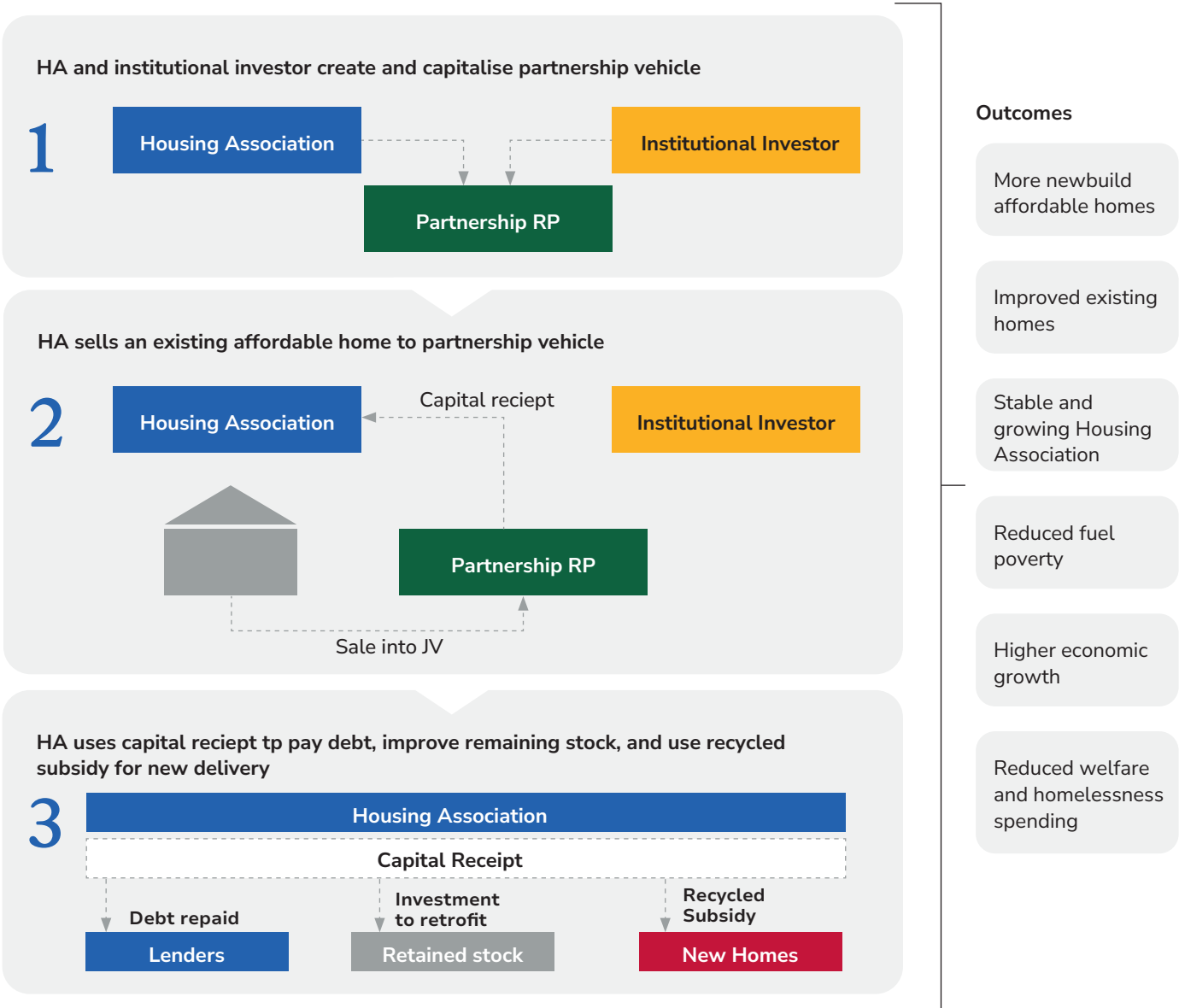
Latent value can be released when an HA sells existing tenanted homes to another entity at Existing Use Value — Social Housing (EUV–SH). When the purchasing entity pays EUV–SH for the asset, the vendor HA realises a cash surplus after repaying associated debt and transaction costs. This surplus can then be used to:

1. Recapitalise the HA's balance sheet, improving its interest cover ratio and restoring borrowing capacity.
2. Invest in the quality and energy performance of retained stock, including upgrades to meet net-zero commitments.
3. Subsidise new Affordable Housing development, either by the HA or the new entity.

7.2 Conceptual overview: Partnership RP vehicles

Partnership RPs are vehicles created and jointly owned by a vendor HA and an institutional investor. These joint ventures are registered with the RSH as Registered Providers to own existing and develop new Affordable Housing across England.

29. Regulator of Social Housing. Registered Providers: Social Housing Stock and Rents in England – Summary (Key Facts). London: RSH, 2025.



- 1. Creation of Partnership RP vehicle:** A Partnership RP is created when a vendor HA and an institution create and capitalise a joint-venture vehicle as equal shareholders. The shareholders' capital is used to purchase a portfolio of existing Affordable Homes from the vendor HA at EUV-SH.
- 2. Sale of existing homes:** The vendor HA receives a capital receipt from the Partnership RP upon sale of its existing homes, which it can use to pay down debt and invest in improving the condition of its remaining Affordable Homes. It retains an equal ownership stake [50%] in the sold homes through its shareholding in the Partnership RP. It is assumed that the Partnership RP will retrofit homes to EPC-B or above after purchasing from the vendor HA.
- 3. 'Recycled subsidy' created:** After debt repayment and investment in its retained stock, the vendor HA will be left with a cash surplus. This can be used as a 'recycled subsidy' to fund new development either by the vendor HA itself or by the Partnership RP vehicle — and therefore drives additionality for the sector (i.e., funds homes that wouldn't otherwise be funded).

4. Ongoing partnership: Partnership RPs are intended to serve as long-term partnership vehicles, and so the model assumes both shareholders retain 50% ownership on an ongoing basis. They share the operating income and dividends associated with the Partnership RP assets in equal portion. The Partnership RP also pays the vendor HA a fee for the provision of management services (i.e., HAs continue to manage the transferred properties). The transfer of assets into the Partnership RP has a net positive impact on residents because their rent and service fees remain the same, but their homes are upgraded through significant investment in retrofitting works — thereby reducing energy bills, improving comfort, and helping to alleviate fuel poverty. Because Partnership RPs are jointly owned by the HA and the institutional investment partner, they are structured for long-term stewardship. This alignment reflects the long-term liabilities of institutional investors and provides HAs with a continuing ownership stake, ongoing management income, and a share of dividends generated by the Partnership RP. HA boards should ensure that any investment partner shares their long-term commitment to asset stewardship and high-quality service to residents.

Although HAs can sell their stock, or portion thereof, outright to institutions, doing so involves completely giving up ownership and therefore control of the homes. For those Boards who wish to retain an ownership stake in the assets following their sale, Partnership RPs allow HAs to do so while also realising the benefits of asset transfers. Partnership RPs are also a more capital-efficient solution for institutional investors.

In the interest of simplicity, this paper specifically focuses on the outcomes enabled by the widespread creation of Partnership RPs. Readers can conclude, however, that widespread outright asset transfers to institutions would enable even more new Affordable Housing delivery and faster HA recapitalisation than under the Partnership RP scenario outlined below.

7.3 Benefits of the Partnership RP model

- 1. Recapitalisation of vendor HA:** The vendor HA uses a portion of the capital receipt to pay down debt and therefore reduce interest payable burden.
- 2. Vendor HA resumes development of new Affordable Homes:** Recapitalisation creates the financial headroom to draw down subsidy (either SAHP capital grant or recycled subsidy) and borrow the debt capital necessary to develop new homes.
- 3. Significant new investment in existing stock:** The Partnership RP undertakes a major capital works programme — including clean energy retrofits — to improve transferred homes to EPC-B. The vendor HA uses a portion of the capital receipt to bring retained homes to EPC-C.
- 4. More equity capital deployed:** The recycled subsidy creates new subsidy in the system, crowding in more institutional equity to develop Affordable Homes.
- 5. Vendor HA retains presence in communities:** The HA is contracted to manage transferred homes. All homes remain in the regulated sector at the same rents and service fee levels, while benefitting from significant retrofit investment.

7.4 Quantifying the amount of recycled subsidy that Partnership RPs could unlock

The RSH annually publishes in standardised form the accounts of the largest 200 organisations in the RP sector. In preparing this section, we have used that data to understand the underlying latent value within the sector.³⁰

This model assumes Partnership RP vehicles purchase operational Affordable Housing homes at EUV–SH. The EUV–SH is a function of the capitalised value of expected net operating income (on an NPV basis). Based on the HA Global Accounts, we assess the EUV–SH of the average home in the sector to be c. £58,900.³¹

Using this value and deducting average net debt per home (c.£34,700), we determine that the proceeds generated by the vendor HA from the sale of an average Affordable Housing unit into a Partnership RP are c. £24,200.

We expect the Partnership RP to be more efficient than the vendor HA (i.e., the average operating cost base across the sector) because the creation of a new entity presents an opportunity to introduce productivity-enhancing tools (e.g., integrated technology platforms) that drive cost savings. This expectation is consistent with recent transactions in the marketplace. The realisation of these efficiencies increases the EUV–SH and, in turn, the proceeds earned by the vendor HA beyond c.£24,200.

In general, FPRPs have lower overhead operating cost bases, even after considering the variation in age of stock. If a Partnership RP can achieve an operating cost base consistent with other FPRPs, the value of the surplus generated on an average home could increase by £8,000–£10,000, reaching up to c.£34,200.

30. Regulator of Social Housing. "Regulator of Social Housing 2025 Global Accounts Published." London: UK Government, 2026.

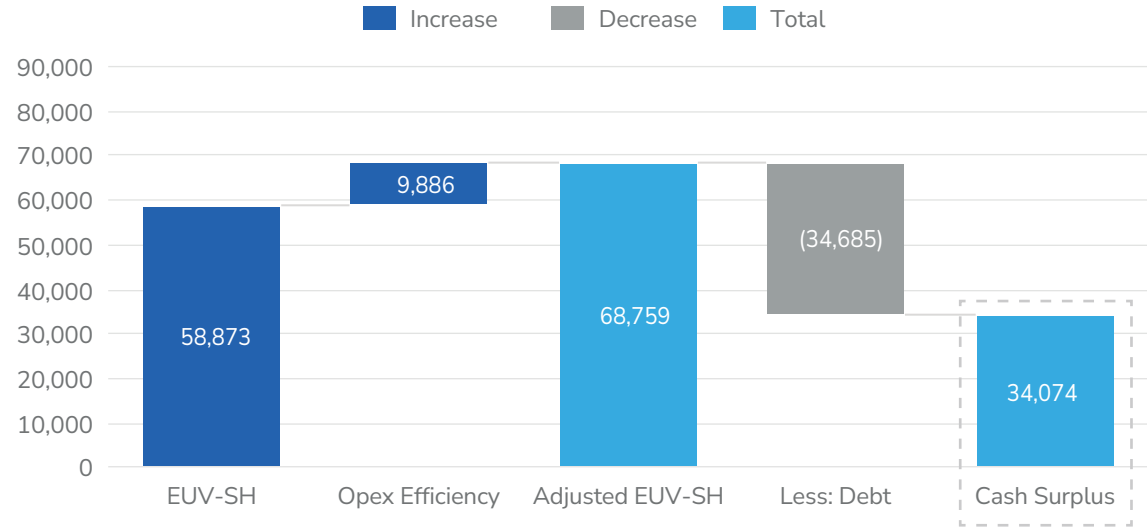
31. We have confirmed the reasonableness of this value and associated yield with several professional valuers in the sector.

The surplus can be further increased if the senior debt used by the institutional investor is supported by a mechanism from the National Housing Bank (NHB). After allowing for an assumed cost of the credit enhancement (such as a Gilt return on the expected loss of the notional debt guaranteed), our modelling suggests guarantees can further uplift the EUV-SH in the region of £10,000-£20,000, which, in turn, both boosts the net proceeds received by the vendor HA and the volume of 'recycled subsidy' released as a result.

There is strong value-for-money rationale for the NHB to deploy guarantee capacity in these cases because doing so creates new subsidy value and drives additionality (depending on the associated issuance fee — covered in Section 11.2).

In summary, each home transferred releases £24,200 of cash surplus after repayment of debt. Depending on the operating efficiency of the Partnership RP and the availability of debt guarantees, this can further be improved to a surplus of anywhere between £34,200 - £54,200 per home which can form recycled subsidy.

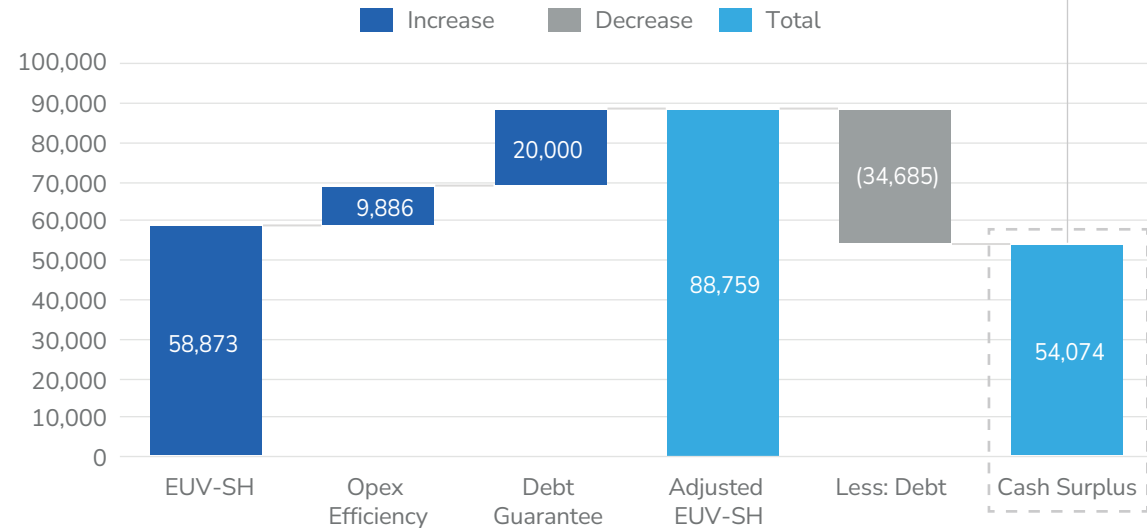
Quantifying the Value of Recycled Subsidy Released from Units Transferred into Partnership RPs (Sector Average).



Source: Regulator of Social Housing (2025) 2025 Global Accounts of Private Registered Providers, London

Value released to build new homes or invest in existing homes ranges from £34k to £54k per home

Cash Surplus after Debt Repayment - inc. Debt Guarantee



7.5 Geographic considerations associated with Partnership RPs

The analysis above quantifies the recycled subsidy released for an average home in the sector. Naturally, there are Affordable Homes in England with market values that fall well below the national average (and the reverse is also true). Market values will depend on several factors including rent levels, unit typology, and condition.

Because housing markets are, in part, a function of geography, there will be some places in England with a relatively high concentration of Affordable Homes with low market values. In these regions, there are likely HAs for whom there is no net surplus after debt repayment. The Partnership RP model may not be a viable proposition for recapitalising these HAs without public intervention.

MHCLG and Homes England should consider how to best deploy public interventions to drive housing delivery in regions where the market alone will not support Partnership RPs. This may include

deploying debt guarantees to improve the viability of Partnership RP transactions or prioritising the deployment of grant funding into places where recycled subsidy is not available.

There may also be an opportunity for Partnership RPs to become platforms facilitating partnerships between multiple HAs operating across a common geography and an institutional investor. In these cases, the shareholders may wish to consider how the Partnership RP platform can be used to unlock place-based investment across their combined portfolios, including by directing recycled subsidy to areas in particular need of regeneration or new delivery.



8. Partnership RPs as a tool for recapitalising HAs

8.1 Practical implications and organisational-level analysis

As noted in previous sections, the disposal of existing homes into Partnership RPs will (for most HAs) generate a surplus over the allocated debt. On average (as shown in section 7.4) this surplus could be between £24,200 and £54,200 per home transferred, though the amount will vary significantly between HAs depending on the portfolio of stock transferred. In our analysis we have assumed that cash received by selling HAs is applied as follows: first, pay down existing debt with a proportion of the capital receipt (assumed 50%); second, invest in retained homes to bring them up to EPC-C (cumulative investment of c.£12,000 per home by 2030); third, where the HA's interest coverage ratio is above 130%, convert any remaining surplus into grant to subsidise additional affordable homes.

In practice, selling homes into Partnership RPs may result in a short-term fall in EBITDA-MRI as net rental income transfers to the Partnership RP without being fully offset by the reduced interest burden after repayment of debt. We would expect that disposals are managed over a defined period to allow homes to be brought into the Partnership RP in a controlled way, thereby minimising the downward impact on the vendor HA's interest coverage. For some HAs, the disposal may result in a book loss, and lenders are likely to require consent, wishing to see that their funding position is still viable or improved through the sale activity.

Any early pre-payment of debt will need to be negotiated between selling HAs and their lenders. We have not priced pre-payment costs, and the cost and ability to pre-pay will vary depending on the structure of each organisation's loan book. In preparing this paper we consulted with a major external lender to assess its views on HAs in undertaking phased stock transfers to Partnership RP vehicles on a significant scale. The lender indicated that where disposals into Partnership RPs form part of a coherent strategy to recapitalise, invest in the remaining portfolio,

and position the organisation for growth – even if doing so causes a temporary decline in interest coverage. The lender also noted that the sector's debt profile, uncharged assets and revolving credit facilities provide a reasonable degree of structural flexibility to facilitate early repayment. That said, each organisation will need to be considered on the facts of its loan facilities, security and inbuilt inherent flexibility.

To illustrate these dynamics at an organisational level, we have constructed HA archetypes for three geographies – London, the South of England, and the North of England. Each archetype is derived by averaging the financial profile (as reported in the RSH Global Accounts) of a basket of HAs operating in the relevant region, avoiding the identification of any single organisation while producing a representative profile. The London archetype represents a large HA owning c.73,000 homes, the South of England archetype represents a mid-sized HA owning c.29,000 homes and the North of England archetype represents a mid-sized HA also owning approximately c.29,000 homes.

For each archetype, outcomes have been modelled across three scenarios: Business as Usual (BAU), a 35% asset transfer scenario, and a 60% asset transfer scenario over a decade (2026-36).. For ease of reference, the London case study is outlined below while the remaining two are included in Appendix A.

The tables present sources and uses of funds for each archetype by 2036, with percentage changes relative to BAU shown in parentheses. NOI under the Partnership RP scenarios includes income received by the HA from providing management services to the homes owned by the Partnership RP. Each table also shows cumulative new homes delivered over the 2026–2036 period, split between homes delivered directly by the HA and homes delivered by the Partnership RP (in which the HA holds a 50% ownership stake).

For professional investors only. Capital at risk

Delivery by other FPRPs (i.e. non-Partnership RPs) is not shown, as this section is intended specifically to isolate the impact of Partnership RPs on HAs; however, these FPRPs are expected to deliver a substantial volume of new affordable homes over the same period.

The analysis assumes minimum property standards are mandated, requiring all existing affordable homes to be improved to EPC-C by 2035 at a capital cost of c.£12,000 per home. As such, the model does not include social housing retrofit grant programme income for any of the archetype HAs in 2036 (because EPC-C or greater is already achieved across the entire sector).

The quantitative model underpinning our analysis does not assess whether the Board of an archetype HA, when facing significant constraints, might pursue alternative actions outside the formation of a Partnership RP to stabilise their balance sheet position – particularly under the BAU scenario. For example, the model does not consider whether an HA Board, confronted with insufficient headroom to undertake near-term development, might opt to dispose of housing assets to generate the required receipts. Although such stock disposals do occur in practice, this activity has not been incorporated into the model. This is both because the future scale of disposals is difficult to forecast and because Partnership RPs offer an alternative mechanism that can help avoid the loss of social homes through disposals.



Case Study 1: Large London HA (~73,000 homes)

The London archetype faces the most acute financial constraints of the three geographies: asset values are higher, but so too are debt levels and interest costs. Under the BAU scenario, this archetype generates net operating income (NOI) of c.£347m by 2036 but pays c.£208m in interest, which leaves

limited headroom after accounting for major repairs expenditure of c. £155m over the heightened retrofit investment period (reducing to c.£71m thereafter). Critically, the London archetype is unable to deliver any new Affordable Homes over the 10-year period under BAU due to its already constrained balance sheet and the financial burden imposed by minimum energy efficiency standards.

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

The formation of a Partnership RP transforms this picture. Under the 35% scenario, interest payments fall by 30% to c.£145m as a result of debt being paid down with disposal proceeds. Although NOI reduces by 21% to c.£275m (reflecting the transfer of rental income on sold stock to the Partnership RP), this reduction is more than offset by new income streams: the HA receives c.£92m in dividends from its ownership stake in the Partnership RP. On the uses side, the HA transfers c.£90m in recycled subsidy to the Partnership RP to fund new homes and contributes c.£34m as an equity call. Major repairs expenditure falls because the 10-year heightened retrofit investment programme ends in 2035. Most significantly, the London archetype is able to re-establish development activity at c.£132m per annum by 2036. Over the decade, the HA directly delivers 1,370 new homes, while the Partnership RP (in which the HA holds a 50% stake) delivers a further c.5,200 – compared to zero homes under BAU.

Under the 60% scenario, the benefits are amplified further. Interest payments fall by 53% to c.£99m, while dividends rise to c.£160m. The HA transfers c.£209m in recycled subsidy to the Partnership RP and development activity increases to £165m per annum. Major repairs costs on the retained portfolio decline by 60% to just c.£28m. The equity call to the Partnership RP rises modestly to c.£58m, reflecting the larger scale of the partnership. Over the decade, the HA delivers 3,500 homes directly and the Partnership RP delivers a further 11,210.

The London archetype demonstrates the most dramatic turnaround of the three case studies. Under BAU, a large London HA faces a decade of stagnation: no new homes, high interest payments, and a constrained balance sheet. A Partnership RP provides the mechanism to break this cycle, putting the organisation on a substantially stronger financial footing and enabling it to resume its role as a builder of affordable homes well before the BAU recapitalisation timeline would allow.

London Archetype – Cash Sources and Uses by 2036 (£m)			
	BAU	35% Scenario	60% Scenario
Sources			
NOI (includes management fee income)	£347m	£275m (-21%)	£224m (-36%)
Dividends	–	£92m (new)	£160m (new)
Other Sources (e.g. grant, debt drawn, sales etc.)	–	£99m	£287m
Total Sources	£347m	£466m (+34%)	£670m (+93%)
Uses			
Interest	£208m	£145m (-30%)	£99m (-53%)
Development	–	£132m (new)	£165m (new)
Major Repairs	£71m ³²	£46m (-35%)	£28m (-60%)
Recycled Subsidy to Partnership RP	–	£90m (new)	£209m (new)
Equity Call to Partnership RP	–	£34m (new)	£58m (new)
Other Uses (e.g. debt repayment, increase in cash etc.)	£68m	£25m	£111m
Total Uses	£347m	£466m (+34%)	£670m (+93%)
Subsidy-Enabled Delivery Outcomes³³ (cumulative, 2026–2036)			
New Homes Delivered by HA	–	1,370	3,500
New Homes Delivered by Partnership RP (50% owned by HA)	–	5,200	11,210

Source: L&G modelling based on data from: Regulator of Social Housing (2025) 2025 Global Accounts of Private Registered Providers, London

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

32. Major repairs expenditure falls significantly because the 10-year heightened retrofit investment programme assumed in our model ends in 2035.

33. Subsidy-enabled" indicates homes developed with capital grant from the Government's SAHP and recycled subsidy created by Partnership RP transactions.

8.2 Cross-cutting observations

Several consistent themes emerge across all three archetypes that reinforce the case for Partnership RPs as a mechanism for recapitalising the HA sector and restoring its development capacity.

Interest cost reduction is the primary lever for recapitalisation. Across all three geographies, the most immediate financial benefit of forming a Partnership RP is the reduction in interest payments resulting from debt repayment using disposal proceeds. For the London archetype, interest payments fall by 30% under the 35% scenario and by 53% under the 60% scenario. In the North, where lower absolute debt levels make interest costs more manageable to begin with, the proportional reduction is even more significant: 43% under the 35% scenario and 74% under the 60% scenario. This reduction in interest costs directly improves interest coverage ratios, accelerating the timeline to recapitalisation and freeing operating surplus for reinvestment.

Dividend income creates a new, sustainable revenue stream. Under BAU, HAs receive no dividend income because they cannot hold equity stakes in joint venture vehicles of this nature. The formation of Partnership RPs changes this fundamentally. By 2036, dividends per archetype range from c.£21m (South of England, 35% scenario) to c.£160m (London, 60% scenario). This income is derived from the HA's co-ownership of a well-capitalised, income-generating entity and represents a diversification of the HA's income base away from reliance on rental income from its retained portfolio.

Recycled subsidy unlocks development capacity that does not exist under BAU. The recycled subsidy transferred to the Partnership RP provides the funding required to deliver new affordable homes. This subsidy does not depend on expanded Government grant and therefore represents genuinely additional capacity. Across the three archetypes, recycled subsidy transferred to the Partnership RP ranges from c.£50m to £209m per annum by 2036, depending on geography and scenario. For the London archetype, where BAU development activity is zero, the recycled subsidy is the sole mechanism through which new supply can be delivered.

Subsidy-enabled newbuild delivery increases substantially across all geographies. Under the Partnership RP scenarios, new homes are delivered both directly by the HA and by the Partnership RP (in which the HA holds a 50% ownership stake). The London archetype moves from zero homes under BAU to 6,570 (combined HA and Partnership RP delivery) under the 35% scenario and 14,710 under the 60% scenario. The South of England archetype increases combined delivery by 5% under the 35% scenario and by 48% under the 60% scenario. The North of England archetype increases HA-delivered homes by 27% under the 35% scenario and 134% under the 60% scenario. These delivery gains are achieved not through increased Government grant but through the recycled subsidy generated by the Partnership RP transaction.

Major repairs expenditure on retained stock falls, reflecting the transfer of maintenance obligations. As stock is transferred to the Partnership RP, the capital cost of maintaining and upgrading that stock transfers with it. This reduces the burden on the HA's balance sheet and frees resources for reinvestment in retained homes and new development.

The equity call to the Partnership RP is modest relative to the benefits received. Across all three archetypes, the equity call made by the Partnership RP on its HA partner ranges from c.£24m to £58m. This represents the HA's equity contribution to the Partnership RP as a co-owner and is considerably smaller than the combined value of dividends, recycled subsidy, and interest savings that flow back to the HA. In every scenario and geography, the net financial impact of the Partnership RP on the HA is strongly positive.

Taken together, these case studies demonstrate that the Partnership RP model generates value across different geographies and HA typologies. Whether an HA operates in a high-value London market, a mid-value southern market, or a lower-value northern market, the formation of a SHIP consistently delivers improved financial health, reduced interest costs, new income streams, enhanced development capacity, and more homes for families in need. The speed and scale of these benefits vary by geography and by the proportion of stock transferred, but the direction of impact is positive in every case examined. Partnership RPs provide the mechanism through which HAs can move from a position of financial constraint and declining capacity to one of recapitalised strength and renewed contribution to Affordable Housing delivery.

9. Possible sector-wide outcomes: Adopting Partnership RPs at scale

Sections 7 and 8 demonstrated how an individual Partnership RP can release latent value, strengthen an HA's balance sheet, and support the delivery of Affordable Homes. This section assesses what could be achieved if Partnership RPs were adopted at scale across the sector. As with the voluntary transfers of Local Authority stock to HAs in the 1990s, outcomes would depend on the extent to which HAs and institutions choose to transact, and on the characteristics of the assets and organisations involved. For the purposes of this assessment, we apply consistent modelling assumptions.

Scenario 0: Business as usual. If Partnership RPs or an alternative solution are not widely adopted, the sector is likely to face ongoing capacity challenges. Many HAs would remain unable to draw down SAHP grant at scale because of constrained borrowing capacity. In this scenario, FPRPs would increase their share of delivery as they step in to absorb unallocated grant. Even with this shift, annual delivery would reach around 61,500 — well below the 80,000 required. Sector-wide interest cover ratios would remain below the 130% covenant threshold until after 2035.

Scenario 1: Filling the £2.2bn subsidy gap to deliver 80,000 homes per annum. A phased programme involving the transfer of approximately 35% of HA stock would release £2.2bn per year in recycled subsidy, sufficient to close the subsidy gap and support total delivery of around 80,000 homes per year — equivalent to 800,000 homes over a decade. This scenario would also crowd in approximately £1.6bn per year of additional institutional equity.

Scenario 2: Delivering one million homes over 10 years. Transferring 60% of existing HA stock into Partnership RPs in a phased manner would create c.£4.5bn in recycled subsidy per year, crowding in £11bn in institutional equity. This would enable delivery of 100,000 new Affordable Homes per year (1 million over a decade) and could reduce Social Housing waitlists by 55-60% relative to 2025 volumes.

Our analysis assumes that 65% of newbuild homes delivered are offered to residents at Social Rent, and the balance at Affordable Rent (35%).

Sector-Level Outcomes by Scenario			
	Scenario 0: Business-As-Usual	Scenario 1: 35% of HA Homes Sold to Partnership RPs	Scenario 2: 60% of HA Homes Sold to Partnership RPs
Capital Invested in Newbuild Delivery (p.a.)			
Net Debt Issued ³⁴	£2.7bn	£3.4bn	£4.5bn
Equity Deployed	£4.5bn	£6.1bn	£8.5bn
Recycled Subsidy Created	-	£2.2bn	£4.7bn
Incremental Capital Invested in Improving Existing Homes Beyond Policy Requirements (p.a.)			
Total	-	£450mn	£740mn
Affordable Housing Delivery Outcomes (p.a.)			
A. Subsidy-Enabled			
HA-led delivery	2,000	8,000	15,500
Other RP delivery (including Partnership RPs)	28,000	40,500	53,000
B. s106 delivery			
	31,500	31,500	31,500
Total Delivery	61,500	80,000	100,000

Source: L&G modeling based on data from source: Regulator of Social Housing (2025) 2025 Global Accounts of Private Registered Providers, London

34. Net debt issued is the sum of new debt issued into the sector and existing debt repaid. A positive figure for net debt draw, therefore, indicates that more new debt is issued to the sector than is repaid.

9.1 Retrofit benefits of the Partnership RP model

A significant benefit of the Partnership RP model is that it creates capacity in the sector to undertake the large-scale, upfront capital investment required to retrofit Affordable Homes. The modelling in this paper assumes that all homes transferred into Partnership RPs are upgraded to EPC-B, while the homes remaining in HA ownership are brought to EPC-C. This approach enables a higher standard of energy efficiency across a large proportion of the national stock, while relieving HAs of the most capital-intensive retrofit requirements.

A further benefit is its potential to reduce fuel poverty across the sector. Upgrading homes to EPC-B delivers materially lower energy demand

compared to EPC-C, leading to warmer homes, lower bills, and improved thermal comfort.³⁵ The improved thermal efficiency associated with EPC-B can reduce annual household energy bills by an average of £225 per year, providing a sustained boost to affordability and financial resilience.³⁶ Delivering this uplift at scale through Partnership RPs amplifies these benefits, helping to stabilise living costs for some of the most vulnerable households.

Under the 35% asset sale scenario (Scenario 1), up to £4.5bn in new private investment in retrofitting Affordable Homes could be unlocked over a 10-year period.



35. UK Green Building Council. Home Retrofit. London: UKGBC, 2025; Marmot Review Team. The Health Impacts of Cold Homes and Fuel Poverty. London: Friends of the Earth & The Marmot Review Team, 2011.

36. This is calculated using the energy cost equation found in BRE Garston "The government's standard assessment procedure for energy rating of dwellings". Average property size (a component of this equation) is estimated using the English Housing Survey 2023–2024.

10. Macroeconomic and Fiscal outcomes associated with sector-wide adoption

Oxford Economics has undertaken independent macroeconomic modelling to assess the economic and fiscal impact of the Partnership RP programme across the two scenarios outlined in Section 8. The analysis captures both the direct effects of additional housebuilding and retrofitting activity and the second-order effects that flow through the wider economy, using Oxford Economics' Global Economic Model (GEM). The results are presented relative to the BAU scenario in which delivery continues solely through the SAHP and s106 agreements.

It is important to note that in reality the precise investment figures, and therefore the GDP and fiscal outcomes reported below, will vary from year to year depending on the pace at which homes are sold into Partnership RPs and the speed at which selling HAs release recycled subsidy to enable the delivery of new homes. The figures presented should therefore be understood as illustrative of the range of outcomes that the Partnership RP programme could generate.

10.1 Channels of economic impact

The economic benefits from Partnership RPs are a function of the volume and speed at which new Affordable Homes are delivered and the stock of existing Affordable Homes which are retrofitted to a higher standard. These outcomes will have a direct impact on the UK economy through several distinct channels which have been captured in modelling undertaken on L&G's behalf by Oxford Economics.

New Affordable Homes will support economic growth.³⁷ Higher levels of property building will boost construction sector output and increase the flow of housing services. Over time, increases in the housing stock will also improve labour mobility and generate agglomeration benefits (benefits that stem from increased knowledge spillovers and innovation in more densely populated areas) leading to further economic gains.

Reduced government expenditure on temporary accommodation. Households transitioning out of temporary accommodation and into new Affordable Housing will reduce costs to the government. This is because it costs the government less to put households up in Affordable Housing than in temporary accommodation. The estimated saving per household is £17,600 (in 2025 prices) per year.³⁸

Reduced government expenditure on housing benefits. Households transitioning out of private rented accommodation into Affordable Housing will also reduce costs to the government. This is because housing benefit payments are typically lower for Affordable Housing residents than for households in the private rented sector. Each household that transitions from private rented accommodation to Affordable Housing saves the government an estimated £3,200 (in 2025 prices) per year on average.³⁹

Additional investment in retrofitting acts as an economic stimulus. Affordable Homes that are transferred to Partnership RPs are expected to be retrofitted to a greater extent than those under HA control. The former are assumed to reach an EPC-B, while the latter are assumed to reach an EPC-C. The additional investment in retrofitting required to achieve this acts as a stimulus into the economy. It is estimated to cost an additional £3,250 (in 2025 prices) to retrofit a home to an EPC-B than EPC-C.

Retrofitting reduces households' energy bills. The greater energy efficiency improvements in Affordable Homes transferred to Partnership RPs (EPC-B) relative to the baseline (EPC-C) will reduce energy bills for affected households. Each household is estimated to save an average of £225 (in 2025 prices) per year from achieving an EPC-B relative to an EPC-C.⁴⁰ This would increase the disposable income of such households, freeing up money that could be spent elsewhere in the economy (instead of on potentially imported gas).

37. The approach to estimating the economic benefits of additional homes is broadly aligned with the approach set out by the Office for Budget Responsibility (OBR) in their March 2025 Economic and Fiscal Outlook.

38. Annual total government expenditure on temporary accommodation is sourced from Ministry of Housing, Communities and Local Government: "Local authority revenue expenditure and financing England: 2024 to 2025". The annual number of households in temporary accommodation is sourced from Ministry of Housing, Communities and Local Government: "Tables on homelessness". These sources are combined to estimate the average annual spending per household in temporary accommodation. Households currently in temporary accommodation are likely to be financially constrained and therefore it is assumed that they still receive government support, in the form of housing benefits.

39. This is calculated using the English Housing Survey 2023–2024 data for housing benefits paid to households in private rental and affordable homes (inflated into 2025 prices).

40. This is calculated using the energy cost equation found in BRE Garston "The government's standard assessment procedure for energy rating of dwellings". Average property size (a component of this equation) is estimated using the English Housing Survey 2023–2024.

10.2 Investment

The impact on total investment peaks in the early years of the programme due to the front-loaded nature of construction and retrofitting activity. The investment effect captures both the direct capital expenditure on new homes and retrofitting and the dynamic second-round effects modelled through the GEM, including modest crowding-out of business investment through higher interest rates. By 2037, investment is forecast to be 0.8% above baseline under Scenario 1, equivalent to £5.9 billion (in 2025 prices), rising to 1.25% or £9.1 billion under Scenario 2. As with GDP, the year-to-year investment figures will depend on the pace and phasing of Partnership RP transactions and will fall within the range bounded by these two scenarios.

10.3 GDP impact

The Oxford Economics analysis identifies two distinct drivers of GDP growth arising from the Partnership RP programme, and the distinction between them is important for understanding the nature and durability of the economic benefits.

In the short run, GDP is boosted by the direct stimulus of construction activity associated with building new affordable homes and retrofitting existing stock. This is a one-time effect linked to the period during which capital is being deployed: it elevates GDP while construction is underway but is not sustained once building activity concludes. The scale of this effect in any given year will depend on the volume and phasing of homes sold into Partnership RPs.

The more consequential and durable impact on GDP arises in the long run through productivity gains generated by increased housing services, improved construction sector productivity, and agglomeration effects. As the housing stock expands, labour mobility improves and workers are better able to locate in areas of higher economic opportunity. This in turn generates knowledge spillovers, increased innovation, and improved matching between workers and employers – the well-documented mechanisms through which denser, better-housed populations drive higher productivity. These agglomeration benefits build cumulatively over time and, crucially, persist well beyond the construction period. It is this long-run productivity channel, rather than the one-time construction stimulus, that accounts for the sustained GDP impact identified in the modelling.

By 2037, Oxford Economics estimates that GDP would be 0.16% above baseline under Scenario 1 (35% of HA stock sold to Partnership RPs), equivalent to approximately £5.7 billion in 2025 prices. Under Scenario 2 (60% of stock sold), the GDP impact rises to 0.28% above baseline, equivalent to approximately £9.9 billion.

The macroeconomic impact of Partnership RPs is significant. In comparison, the Office for Budget Responsibility estimated that:

- The long-run effect of permanent full expensing would increase GDP by just under 0.2%.⁴¹
- A major labour supply package, increasing the generosity of the Government's childcare offer (among other policies), would boost GDP by 0.2% after five years.⁴²
- A cut to national insurance contributions and other welfare reforms would boost GDP by around 0.2% after five years.⁴³

41. Office for Budget Responsibility. Economic and Fiscal Outlook — November 2023. London: OBR, 2023.

42. Office for Budget Responsibility. Economic and Fiscal Outlook — March 2025. London: OBR, 2025.

43. Office for Budget Responsibility. Economic and Fiscal Outlook — November 2023. London: OBR, 2023.

10.4 Fiscal impact

The Partnership RP programme is projected to deliver a material improvement in the government’s fiscal position through two mechanisms: direct cost savings and dynamic impacts on tax revenue through higher productivity.

On the direct side, the transition of households into new Affordable Homes generates annual savings on temporary accommodation expenditure of £710 million under Scenario 1 and £1.4 billion under Scenario 2 by 2037 (in 2025 prices). Reduced Housing Benefit payments add a further £125 million and £245 million respectively (in 2025 prices). These savings accumulate over time as more households transition into affordable housing.

In terms of dynamic impacts, the productivity gains from agglomeration effects boost government tax receipts, further improving the fiscal balance beyond the direct cost savings. Taking both channels together, Oxford Economics estimates that the government balance improves by 2.4% relative to baseline under Scenario 1 by 2037, equivalent to £3.1 billion (in 2025 prices). Under Scenario 2, this improvement rises to 4.7%, equivalent to £5.9 billion. These fiscal gains are achieved at no net cost to the Exchequer, since the Partnership RP programme is funded through the release of latent value from existing affordable housing stock and the deployment of institutional equity capital.

Summary of Macroeconomic Outcomes by 2037 (Oxford Economics)			
	Baseline (BAU)	Scenario 1 (35%)	Scenario 2 (60%)
Additional Affordable Homes (p.a.)	-	18,500	29,100
GDP impact by 2037	-	+0.16% (£5.7bn)	+0.28% (£9.9bn)
Investment impact by 2037	-	+0.8% (£5.9bn)	+1.25% (£9.1bn)
Government balance improvement by 2037	-	+2.4% (£3.1bn)	+4.7% (£5.9bn)
TA cost savings by 2037 (p.a.)	-	£710m	£1.4bn
Housing benefit savings by 2037 (p.a. - values are in 2025 prices)	-	£125m	£245m

11. Policy and regulatory considerations

11.1 Regulatory considerations

The Social Housing sector operates within a comprehensive regulatory framework designed to ensure that all RPs deliver safe, well-managed, and financially sustainable homes while maintaining residents' interests. Since its establishment through the Housing and Regeneration Act (2008), this framework has evolved to reflect changes in the sector's scale, risk profile, and expectations of service quality. The Social Housing Regulation Act (2023) strengthened this framework further by enhancing the Regulator's consumer protection remit, expanding its enforcement tools, and placing a greater emphasis on safety, quality, and accountability.

The system operates a co-regulatory model, in which the Regulator sets the Economic, Governance and Consumer Standards, and Boards of RPs are responsible for meeting them.

Protecting social homes and tenants

The existing regulatory framework provides robust and enforceable mechanisms to insulate Social Housing assets from any investor behaviour that could compromise their quality, sustainability, or long-term stewardship. As Registered Providers, Partnership RPs will fall within the jurisdiction of the RSH and be subject to the same comprehensive regulatory regime that governs all RPs.

A core element of this regime is the ring-fencing requirements applied to RPs. The Regulator actively implements and enforces ring-fencing agreements designed to ensure that the actions of RP shareholders, and any risks arising from connected commercial entities, cannot jeopardise the safe and sustainable management of Social Housing assets. Partnership RPs will be required to comply with these ring-fencing arrangements in full.

In addition to ring-fencing, the Regulator possesses extensive statutory powers under the Housing and Regeneration Act 2008 to intervene where an RP fails to meet its Regulatory Standards. These enforcement powers include the ability to issue financial penalties, require tenant compensation, direct the transfer of management functions or land, and remove and replace officers or directors of a failing RP.

In 2024, the Regulator published detailed guidance setting out how these powers are exercised, emphasising two central objectives: supporting the interests and safety of tenants, and ensuring that social housing assets remain within the regulated sector.⁴⁴ Together, the existing statutory powers, regulatory standards, and ring-fencing requirements create a comprehensive framework that ensures social housing assets held within Partnership RPs are protected from any conduct that could compromise their quality, financial sustainability, or long-term availability for residents.

Selecting an institutional investment partner

RPs are independent organisations, and their Boards retain responsibility for ensuring effective governance, sound financial management, prudent stewardship of assets, and compliance with the regulatory framework. Following the Housing and Planning Act 2016, RPs are no longer required to obtain the Regulator's consent prior to trading or disposing of Social Housing assets. Instead, they must notify the Regulator of disposals within a prescribed timeframe.⁴⁵

L&G does not propose reinstating the Regulator's consent powers for asset trading or disposals. Reintroducing such powers could have material

44. Regulator of Social Housing. Statutory Guidance Under Section 215 of the Housing and Regeneration Act 2008. London: UK Government, 2024.

45. Ministry of Housing, Communities and Local Government. Housing and Planning Act 2016 (Consequential Provisions) (England) Regulations 2017: Explanatory Memorandum. London: UK Government, 2017.

implications for how RPs are classified in the national accounts and could increase the risk that they are considered part of the public sector for fiscal and statistical purposes. However, given the potential scale of transfers associated with Partnership RPs, we recommend that the Regulator develop a 'Code of Guidance on Large-Scale Stock Transfers'. This guidance would support Boards considering disposals of more than 10% of their total stock into Partnership RP vehicles.

A code of guidance could set out expectations for due diligence, including undertaking a fitness and propriety assessment of the purchasing Partnership RP entity and its underlying institutional investors. This assessment would help ensure that transferred assets remain within the regulated sector over the long-term and that the institutional partner has the capability, capacity, and commitment to meet regulatory standards.

Vendor HA Boards would also need to consider whether the Partnership RP partner's values, priorities, and long-term approach to stewardship align with their own. It would be for both parties to ensure that the Partnership RP's governing documents, decision-making arrangements, and service expectations reflect this alignment, while remaining consistent with the Regulator's requirements.

Overall, the regulatory framework is well equipped to support the formation of Partnership RPs, provided that clear guidance is in place to ensure robust governance, long-term stewardship, and strong protection for residents.

11.2 Government policy considerations

Partnership RPs offer a mechanism through which HAs and institutional investors can unlock latent value, expand development capacity, and accelerate investment in existing stock. In many cases, Partnership RPs can be formed without direct government intervention. However, targeted policy measures could significantly enhance the impact of Partnership RPs and strengthen their contribution to national housing objectives.

A. Improving the treatment of social housing assets under Solvency UK

A large share of institutional capital available for Affordable Housing comes from pension funds and life insurers. Much of this capital is deployed under the Solvency UK framework, which governs how insurers allocate long-term annuity funds. Under current Matching Adjustment (MA) rules, only debt-like cash flows deemed fixed or highly predictable qualify for the most favourable capital treatment.⁴⁶ This limits the proportion of any transaction that can be funded using low-cost annuity capital, reducing overall capital efficiency. Only the debt tranche of a capital structure can meet the MA criteria; the equity tranche demands a significantly higher return. Reducing the equity required from the institutional investor lowers the overall weighted average cost of capital and improves project viability. The Government could enable increased institutional investment flows in Social Housing by:

- Enhancing the MA treatment of 'whole project' Social Housing assets, allowing both debt and equity tranches to be considered MA eligible. As outlined by L&G in A Blueprint for Growth, the implementation of this reform could also unlock additional productive investment in a range of other asset classes (e.g. clean energy, Build to Rent, etc.) and in doing so, drive material economic growth.⁴⁷
- Exploring whether certain revenue characteristics of Social Housing — long-term, regulated rent settlements backed by high credit quality counterparties — could justify more favourable treatment under existing rules.
- Developing targeted measures to increase the predictability and stability of rental income flows, thereby improving the credit quality and advance rates associated with MA eligible capital.

46. Bank of England. Review of Solvency II: Reform of the Matching Adjustment. London: Bank of England, 2024.

47. Legal & General. A Blueprint for Growth. London: Legal & General, 2025.

The Government could also consider two further measures:

1. Amending the duration and fixity of the Social Housing rent settlement to provide greater certainty over long-term cash flows. Although the 2025 Comprehensive Spending Review rent settlement is a step in the right direction, recent history has demonstrated that these decisions can be changed or reversed with relative ease. The multiple abrupt and substantial midstream changes to rent policy over the past decade have eroded the perception of fixity, undercutting the confidence-building effects of the 10-year CPI+1% decision made in April 2025. The Government should implement a revised settlement that is longer in duration and achieves greater fixity — ideally through a regulatory or statutory instrument rather than the current discretionary policy-based approach. A 30-year settlement would extend the measure beyond the average duration of a single social tenancy (12 years) and more appropriately match the period over which institutional investors must match cashflows to long-term annuity liabilities. The Government should consult the PRA on which design features would improve the likelihood that cashflows are considered 'fixed' under the MA framework.

2. Restoring direct Housing support payments to landlords. Approximately 70% of Social Housing residents use Housing Benefit (or the housing element of Universal Credit) to pay rent and, as of 2022, for 57% of social housing residents, HB covers 100% of their rent.⁴⁸ The 2011 decision to issue HB and UC payments directly to residents instead of landlords modestly increased the rate of rental arrears observed across the sector.⁴⁹ The Government should consider restoring direct payments to landlords to improve the certainty and fixity of rental income cash flows, which would also improve the advance rate associated with the underlying assets.

B. Targeted use of debt guarantees

The National Housing Bank (NHB) has been established with the capacity to deploy debt guarantees that strengthen credit quality and reduce

borrowing costs. Bolstering the senior debt tranche of a Partnership RP transaction can increase property valuations under EUV-SH, which in turn releases more capital to the vendor HA, increases recycled subsidy available to fund new homes.

Guarantees could be deployed in two ways: to unlock Partnership RPs that would otherwise not be viable, particularly in lower-value areas; and to optimise the outcomes of otherwise viable Partnership RPs, increasing recycled subsidy for new development.

Given that NHB guarantee capacity is finite, guarantees should be targeted toward transactions with the highest potential to deliver Affordable Housing — including the formation of Partnership RPs. Under the HM Treasury Financial Transactions Control Framework, public financial institutions must generate returns at the portfolio level, not necessarily on each individual transaction.⁵⁰ If issuance fees are set close to zero, the full benefit of the credit enhancement is realised as additional recycled subsidy. By contrast, market rate fees would erode much of the benefit of the guarantee and in turn, reduces the number of new homes delivered. A low-fee or nil-fee approach for Partnership RP-related guarantees would therefore maximise additionality and support the Government's objectives for Affordable Housing supply.

C. Reforming Stamp Duty Land Tax (SDLT) Social Landlord Relief

Current SDLT Registered Social Landlord Relief exempts RPs from SDLT when acquiring grant-funded Affordable Housing. However, this relief does not apply to s106 homes purchased without public grant — including the growing share of homes acquired by FPRPs, and, in the future, Partnership RPs.

Given the sharp decline in HA capacity to purchase s106 homes, extending SDLT relief to all regulated Affordable Housing acquisitions would reduce acquisition costs for Partnership RPs and FPRPs, accelerate the absorption of s106 homes into the regulated sector, and ensure more new homes reach residents faster.

48. Ministry of Housing, Communities & Local Government. English Housing Survey 2024–25: Headline Findings on Demographics and Household Resilience. London: UK Government, 2025; Ministry of Housing, Communities and Local Government. Ministry of Housing, Communities & Local Government. English Housing Survey 2021–22: Social Rented Sector. London: UK Government, 2023.

49. Paul Hickman, Peter Kemp, Kelly Reeve, and Ian Wilson, "The Impact of the Direct Payment of Housing Benefit: Evidence from Great Britain," *Housing Studies* 32, no. 8 (2017): 1105–26.

50. HM Treasury. Financial Transactions Control Framework: Managing Government's Financial Investments. London: HM Treasury, 2025.

12. Areas for further exploration

This paper focuses primarily on recapitalising private RPs, as they own the majority of Affordable Housing assets and have historically delivered most newbuild Affordable Homes. However, in several parts of England, LAs remain the principal owners and developers of Affordable Housing. In some of these areas, the financial position of Housing Revenue Accounts (HRAs) is becoming increasingly challenging.⁵¹ These Councils now face unsustainable HRA trajectories, limiting their ability to invest in existing stock and to deliver homes at the scale required.

Although this paper does not offer a full technical assessment of how the Partnership RP model could be applied to the Local Authority sector, the core proposition is relevant. In principle, Partnership RPs could provide a mechanism through which Councils release latent value embedded within their housing portfolios. By recycling this value, LAs could strengthen their HRAs, create financial capacity, and increase their ability to fund Affordable Housing development.

Any application of the Partnership RP model within the LA context would need to take account of the distinctive legislative, financial, and governance frameworks that apply to Council-owned housing. Adoption would therefore differ in practice from the HA sector. For this reason, a structured, evidence-based dialogue between Councils, MHCLG, the Regulator of Social Housing, and institutional investors may be warranted.

As with the HA sector, any approach designed to rebuild capacity within HRAs must be grounded in a clear commitment that existing and newly delivered homes remain in the regulated sector. Long-term stewardship, asset quality, and resident protection should remain central considerations.



51. Local Government Association. Housing Revenue Account Research Update. London: LGA, 2024.

13. Conclusions

The proposition set out in this paper responds directly to the core challenge facing England's Affordable Housing sector: at a time when need is rising sharply, the sector's capacity to deliver new homes is contracting.

The traditional HA sector cannot undertake the level of borrowing required to maintain historic development volumes. Interest cover ratios remain below lender requirements and are not expected to recover to sustainable levels until at least 2035. With current funding arrangements, the system can support a maximum of approximately 61,500 homes annually — leaving a £2.2bn subsidy gap. It is unlikely that SAHP funding will be increased by the c. 50% required to close this gap.

A substantial portion of this missing subsidy already exists within the sector in the form of latent value embedded in c. 2.9 million HA-owned Affordable Homes. Partnership RPs release this value by transferring existing homes into jointly owned vehicles, creating recycled subsidy that crowds in new institutional equity capital and enables delivery at scale — at no net cost to the Exchequer. The capital receipt also enables HAs to reduce debt, strengthen balance sheets, and invest in improving the quality and energy efficiency of retained homes. For every five homes transferred, one additional home can be built. All transferred homes remain in

the regulated sector, with no change to rent setting, quality standards, or regulatory protections for residents.

Sector-wide Partnership RP adoption could deliver material annual macroeconomic and fiscal benefits. In 2037, GDP could be between 0.16% and 0.28% higher relative to baseline, representing £5.7–9.9bn in additional annual national income (in 2025 prices). In the same year, the government's fiscal position is projected to improve by £3.1–5.9bn annually, driven by lower spending on temporary accommodation, reduced Housing Benefit payments, and increased tax revenues associated with long-run productivity gains.

Widespread adoption of the Partnership RP model would allow HAs to move beyond the current trade-off between investing in existing stock and delivering new homes. The model is predicated on long-term stewardship: both partners commit to retaining Affordable Housing assets within the regulated system. It is therefore important that HA Boards partner with institutional investors who share their values, objectives, and commitment to residents. With strong alignment of purpose, Partnership RPs can deliver the homes that families need, restore financial resilience across the sector, and support the long-term sustainability of Affordable Housing in England.



Appendix A: Archetype HA Case Studies (Continued from Section 8.1)

Case Study 2: Mid-sized South of England HA (~29,000 homes)

The South of England archetype represents a mid-sized HA operating in the higher-value markets outside London. This organisation is in a comparatively stronger starting position than the London archetype: under BAU, it delivers approximately 4,390 new homes directly over the decade and carries lower interest costs of £48m. Nonetheless, the BAU scenario still leaves the organisation significantly constrained, with major repairs expenditure of c.£23m and no access to dividend income or recycled subsidy.

Under the 35% scenario, the interest bill falls by 29% to £34m. NOI reduces by 22% to £105m as rental income transfers to the Partnership RP, but dividends of £21m provide a new income stream. On the uses side, the HA transfers £50m in recycled subsidy to the Partnership RP and contributes £37m as an equity call. Development activity remains strong at £138m, while major repairs costs fall by 35% to £15m. Although the HA's own direct delivery falls to 3,050 homes, the Partnership RP delivers a further 1,575 homes – bringing total delivery across both entities to 4,625, a 5% increase on BAU. The quality of the financial position is materially improved: the organisation is less leveraged, carries lower interest costs, and has access to diversified income sources that strengthen its resilience.



Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

For professional investors only. Capital at risk

The 60% scenario generates further improvements. Interest payments fall by 50% to £24m, while dividends increase to £39m and recycled subsidy transferred to the Partnership RP reaches £62m. Development activity is maintained at £138m, and major repairs expenditure falls by 60% to just £9m. The HA delivers 3,700 homes directly and the Partnership RP delivers a further 2,800 – bringing total delivery to 6,500, a 48% increase on BAU. For a mid-sized southern HA, Partnership RPs do not only improve the financial position – they fundamentally diversify the income base, reduce dependence on debt-financed growth, and deliver materially more homes over the decade.

South of England Archetype – Cash Sources and Uses by 2036 (£m)			
	BAU	35% Scenario	60% Scenario
Sources			
NOI	£135m	£105m (-22%)	£84m (-38%)
Dividends	–	£21m (new)	£39m (new)
Other Sources (e.g. grant, debt drawn, sales etc.)	£303m	£242m	£250m
Total Sources	£438m	£369m (-15%)	£373m (-15%)
Uses			
Interest	£48m	£34m (-29%)	£24m (-50%)
Development	£161m	£138m (-14%)	£138m (-14%)
Major Repairs	£23m	£15m (-35%) ⁵²	£9m (-60%)
Recycled Subsidy to Partnership RP	–	£50m (new)	£62m (new)
Equity Call to Partnership RP	–	£37m (new)	£39m (new)
Other Uses (e.g. debt repayment, increase in cash etc.)	£201m	£94m	£99m
Total Uses	£438m	£369m (-15%)	£373m (-15%)
Subsidy-Enabled Delivery Outcomes (cumulative, 2026–2036)			
New Homes Delivered by HA	4,390	3,050 (-30%)	3,700 (-16%)
New Homes Delivered by Partnership RP (50% owned by HA)	–	1,575 (new)	2,800 (new)

Source: L&G modelling based on data from: Regulator of Social Housing (2025) 2025 Global Accounts of Private Registered Providers, London

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

52. Major repairs expenditure falls significantly because the 10-year abnormal (heightened) retrofit investment programme assumed in our model ends in 2035.

Case Study 3: Mid-sized North of England HA (~29,000 homes)

The North of England archetype represents a mid-sized HA operating in lower-value markets across the North. These organisations have lower asset values and correspondingly lower debt levels than their southern counterparts. Under BAU, this archetype generates NOI of £99m by 2036, pays £27m in interest, and delivers approximately 2,380 new homes over the decade. Although the North archetype is in a relatively better starting position than the London archetype in terms of interest coverage, it still faces constrained capacity for growth and no access to alternative income sources beyond its existing rental income.

Under the 35% scenario, the interest bill falls by 43% to just £15m – the largest proportional reduction of the three geographies. NOI reduces by 15% to £84m, but this is supplemented by dividends of £25m. On the uses side, the HA transfers £54m in recycled subsidy to the Partnership RP and contributes £24m as an equity call. Development activity remains at £92m, and major repairs costs

fall by 35% to £19m. Cumulative delivery increases by 27% to approximately 3,030 new homes. The combination of dramatically lower interest costs and new income streams from the Partnership RP places the organisation on a considerably stronger financial footing, with progress toward recapitalisation achieved much more rapidly than under BAU.

Under the 60% scenario, the transformation is most pronounced. Interest payments fall by 74% to just £7m. Dividends rise to £44m, and recycled subsidy transferred to the Partnership RP reaches £77m. Development activity is maintained at £92m, while major repairs expenditure falls by 60% to £12m. The equity call to the Partnership RP is £29m. Cumulative delivery more than doubles, increasing by 134% to approximately 5,590 new homes. The North of England case study demonstrates that while HAs in lower-value markets may generate smaller absolute surpluses per home transferred, the relative impact on their financial health and delivery capacity is at least as significant as in higher-value geographies.

North of England Archetype – Cash Sources and Uses by 2036 (£m)			
	BAU	35% Scenario	60% Scenario
Sources			
NOI	£99m	£84m (-15%)	£73m (-26%)
Dividends from Partnership RP	–	£25m (new)	£44m (new)
Other Sources (e.g. grant, debt drawn, sales etc.)	£201m	£150m	£167m
Total Sources	£300m	£259m (-14%)	£284m (-5%)
Uses			
Interest	£27m	£15m (-43%)	£7m (-74%)
Development	£111m	£92m (-17%)	£92m (-17%)
Major Repairs	£29m	£19m (-35%) ⁵³	£12m (-60%)
Recycled Subsidy to Partnership RP	–	£54m (new)	£77m (new)
Equity Call to Partnership RP	–	£24m (new)	£29m (new)
Other Uses (e.g. debt repayment, increase in cash etc.)	£134m	£55m	£67m
Total Uses	£300m	£259m (-14%)	£284m (-5%)
Subsidy-Enabled, 2026–2036			
New Homes Delivered by HA	2,380	1,480 (-37%)	2,540 (+6%)
New Homes Delivered by SHIP (50% owned by HA)	–	1,550 (new)	3,050 (new)

Source: L&G modelling based on data from source: Regulator of Social Housing (2025) 2025 Global Accounts of Private Registered Providers, London

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

53. Major repairs expenditure falls significantly because the 10-year abnormal (heightened) retrofit investment programme assumed in our model ends in 2035.

Appendix B: Glossary

Housing Associations (HAs): Non-profit organisations that develop, own, and manage social and Affordable Housing, and whose activities are typically funded through a mix of government grant, private borrowing, and rental income. A private, not-for-profit entity which provides housing and related services for the benefit of the community.

Registered Providers (RPs): Organisations formally registered with the RSH to provide Social Housing and access capital grant funding from the Government. They must meet regulatory standards on governance, financial viability, rent setting, and service quality. RPs include housing associations, local authorities, and for-profit providers.

Not-for-Profit Registered Providers: A form a Registered Provider that is a charitable or community benefit organisation that cannot distribute profits. Surpluses must be reinvested into homes, services, or community programmes (e.g., Housing Associations).

For-Profit Registered Providers: A form of registered provider that can generate returns for shareholders while operating regulated. They are entities regulated by the Regulator for Social Housing..

Existing Use Value - Social Housing (EUV-SH): A valuation methodology used by lenders that reflects the restricted value of Social Housing, assuming it continues to be let at regulated rents.

Decent Homes Standard: A forthcoming update modernising the original 2001 standard. DHS 2.0 introduces stricter requirements on damp and mould, building safety, energy efficiency, and resident experience, aligning with post-Grenfell reforms.

Solvency UK: A reform of the Solvency II insurance regime designed to unlock billions in life insurance capital for long-term investments such as housing, infrastructure, and renewable energy. It relaxes certain capital buffers while maintaining policyholder protection.

Matching Adjustment: A regulatory mechanism allowing insurers to lower capital requirements when their long-term liabilities (e.g., annuities) are matched with predictable long-term assets (e.g., Social Housing leases).

Annuity Capital: Capital from insurers writing annuity products, seeking stable, inflation-linked, long-duration returns.

'Latent Value': The unrealised financial capacity within Social Housing assets, often due to historic grant, conservative valuations, or regulatory constraints. Unlocking latent value can support new development or investment.

'Recycled Subsidy': A financial surplus generated when a housing association sells homes, which remains after repaying associated debt and reinvesting in its retained stock. This surplus is then reinvested as a substitute for capital grant, enabling the development of additional affordable homes either by the selling housing association or by a partner vehicle. Because it replaces external grant in the funding structure, it delivers genuine additionality by supporting homes that would not otherwise be built.

Social and Affordable Homes Programmes (SAHP): Government grant programmes (e.g., AHP 2021–26) that fund the delivery of social rent, affordable rent, and shared ownership homes. Funding is administered by Homes England and the GLA.

Energy Performance Certificate (EPC): A legally required assessment rating a home's energy efficiency and carbon performance from A to G. EPCs are central to MEES compliance and net-zero planning.

Decent Homes Standard: The current minimum standard requiring homes to be free from serious hazards, in a reasonable state of repair, warm, and with reasonably modern facilities.

Housing Benefit: A means-tested welfare payment covering rent for low-income households. It is gradually being replaced by Universal Credit but remains significant for supported housing.

Local Housing Allowance (LHA): The maximum rent that the Housing Benefit or Universal Credit will cover in the private-rented sector, based on local market rent percentiles.

EBITDA–MRI: A key viability metric: Earnings Before Interest, Tax, Depreciation and Amortisation minus Major Repairs Included. It measures an RP's ability to generate cash after essential repairs.

Interest Coverage Ratio: A measure of whether an organisation's operating surplus is sufficient to cover interest payments on debt. Falling ratios can trigger lender covenants.

Stamp Duty Land Tax (SDLT): A tax payable on property and land transactions in England and Northern Ireland.

Stamp Duty Land Tax (SDLT) Registered Social Landlord Relief: A statutory exemption that removes SDLT liability on certain property acquisitions made by registered providers of Social Housing.

Applies to For-Profit Registered Providers, but only when the transaction is funded with public subsidy.

Section 106 (s106) agreements: Planning obligations requiring developers to contribute to Affordable Housing, infrastructure, or community facilities as a condition of planning permission.

Awab's Law: Legislation requiring social landlords to investigate and remedy damp and mould within strict timeframes, following the death of two-year old Awab Ishak.

Social Housing: Housing with rents that are set using a national formula based on relative local earnings, property size, and a rent cap, typically 50–60% of market rent.

Affordable Housing: Homes provided at below market cost to meet the needs of households who cannot afford market housing (up to 80% of market rent).

Shared-ownership: A tenure where households buy a share (10–75%) and pay rent on the remainder, with the option to staircase.

Right-to-Buy: A policy allowing eligible residents to purchase their council or housing association home at a discount. For housing associations, participation is voluntary unless mandated through specific agreements.

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Key Risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

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