

Indicative High Level Financial Modelling for Temporary Accommodation (TA) Rent Review for council-owned and long leased properties

April 2026

Introduction

This appendix provides a short overview of the indicative modelling for the rent review of Temporary Accommodation (TA) charges for council owned and long lease properties. The figures are assumption based and designed to illustrate the possible full year effect of increased rent levels, updated Local Housing Allowance (LHA) rates and the addition of 200 newly acquired homes. The modelling also reflects existing stock of 280 homes.

The rent review refers to aligning Temporary Accommodation rent levels with updated Local Housing Allowance rates, which increases the eligible rent charge for the council. This modelling is intended for understanding only and does not reflect confirmed operational decisions.

Key Assumptions used in this model:

Table 1: Key assumptions table

Assumption Table	Review %	Notes
Number of properties	280	Based on identified council owned properties.
Void Loss	3%	Based on 25/26 actuals
Rent Arrears Loss	5.72%	Based on 25/26 actuals
TA Hardship Fund Per property	£725	£725 is the average annual hardship payment made to households that need discretionary support. The model assumes 20% of households (56 properties) would receive this support.
No. of Properties requiring support	56	

Summary of Council owned TA Property Review

Table 2: Summary of council owned property review

Council owned	July 2026			
	Actuals (9mths)		Full year effect	Full year effect
	2025/26	2026/27 *	2027/28 **	2028/29 ***
Total Eligible Rent Charge	£2,032,656	£2,692,350	£3,589,800	£3,589,800
Year on Year - Increase		£659,694	£1,557,144	£1,557,144
Less cost below				
Void Loss	£50,816	£80,770	£107,694	£107,694
Rent Arrears Loss (Bad Debt)	£116,268	£154,002	£205,337	£205,337
TA Hardship Fund	£0	£152,250	£203,000	£203,000
Total Costs - deductible	£167,084	£387,023	£516,031	£516,031
Total Net Income	£1,865,571	£2,305,327	£3,073,769	£3,073,769

Net Increase		£439,756	£1,208,198	£1,208,198
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*** council void
scheme ends
2027

** Full year
affect

* Part year affect

Understanding the Financial Effect of the Temporary Accommodation Property Review – Table 2

Council-owned and long-lease stock: 280 properties

This modelling shows the indicative financial impact of increasing the Temporary Accommodation rent levels for the 280 council-owned and long-lease homes. The rent review is assumed to begin in July 2026, so 2026/27 reflects only nine months of the higher rent levels. All figures are indicative and based on consistent application of assumptions around voids, arrears and hardship support.

2.1.1 Baseline. Actual position in 2025/26

This is the final year before the rent review is introduced. It establishes the starting point for comparison.

- Total eligible rent charge: £2,032,656
- Void loss: £50,816
- Rent arrears loss: £116,268
- Net income: £1,865,571

This net income figure is the baseline the rent review is measured against.

2.1.2 Part-year review in 2026/27 (July start – 9 months)

The rent review is assumed to begin in July 2026, meaning the financial impact only applies for three quarters of the year. This produces a transitional year where income increases, but not to the full potential level.

Gross income effect

- Total eligible rent charge: £2,692,350

This reflects nine months of rent review, rather than twelve.

Deductions applied under the same assumptions

- Void loss: £80,770
- Rent arrears loss: £154,002
- TA Hardship Fund: £152,250

The Hardship Fund cost is based on the assumption that 20% of households (56 properties) will require discretionary support each year.

The average annual payment for these supported households is £725, which is applied within the model to produce the total Hardship Fund cost of £152,250 for the nine-month period.

Net income position

- Net income: £2,305,327

Net effect vs baseline

- £2,305,327 – £1,865,571 = £439,756

This represents the projected net gain after accounting for losses (based on 2025/26 accruals) and support **costs. What this figure represents**

The part-year rent review captures several linked effects:

- Nine months of increased rent levels
- Introduction of the Hardship Fund
- Increased rental income, but with proportionately higher void and arrears loss because the values are linked to the overall rent charge
- A net increase of £439,756, which is not yet the full potential benefit
- This year should therefore be seen as the transitional review period.

3.2.1 Full-year effect from 2027/28 onward

From 2027/28, the rent review is active for the full twelve months, giving a clearer picture of the steady-state financial effect.

- Total eligible rent charge: £3,589,800
- Void loss: £107,694
- Rent arrears loss: £205,337
- TA Hardship Fund: £203,000
- Net income: £3,073,769

Net effect vs baseline

- £3,073,769 – £1,865,571 = £1,208,198

Interpretation

This figure represents the full structural annual increase in net income once the rent review is fully embedded. It reflects:

- The full-year rent review
- The assumed levels of void and arrears loss consistent with increased rent values
- The Hardship Fund continues to assume that 20 percent of households receive support at an average annual payment of £725 per supported household. This results in a total annual cost of £203,000 for a full year of the rent review.
- A sustained annual net improvement of £1.208m relative to the baseline year
- This is the long-term indicative impact of aligning council-owned Temporary Accommodation rents with the rent review assumptions used in the model.

Understanding the Effect of Updating Local Housing Allowance Rates on Newly Acquired Temporary Accommodation

This section sets out the assumed impact of applying the 2025 slash 2026 Local Housing Allowance rates to a modelled group of two hundred newly acquired Temporary Accommodation properties. These figures are assumption-based for modelling purposes and do not represent actual property acquisitions or confirmed unit types.

The purpose is to show the scale of change that results when Local Housing Allowance rates move from the older 2011 level to the updated 2025 slash 2026 level.

Table 3: 200 new Acquisition and LHA rate

		Overall - LHA rate change		
New acquired	No. of Properties	Old Rate - 2011 LHA	New Rate - 25/26 LHA	Difference
2 Bed	100	£918,008	£1,436,032	£518,024
3 Bed	60	£712,826	£1,041,144	£328,318
4 Bed	40	£623,958	£957,362	£333,403
	200	£2,254,793	£3,434,538	£1,179,745

3.1. Assumed property mix used in the model

The model applies the Local Housing Allowance comparison to the following assumed mix of units:

- 100 two bed units
- 60 three bed units
- 40 four bed units

This mix of properties illustrates the type of stock that could meet current Temporary Accommodation needs; however, it is not confirmation of acquisitions.3.2. Local Housing Allowance comparison (assumed units)

Two bed units – 100

- Old Local Housing Allowance: £918,008
- New Local Housing Allowance: £1,436,032
- Difference: £518,024

Three bed units – 60

- Old Local Housing Allowance: £712,826
- New Local Housing Allowance: £1,041,144
- Difference: £328,318

Four bed units – 40

- Old Local Housing Allowance: £623,958
- New Local Housing Allowance: £957,362
- Difference: £333,403

Total across 200 modelled units

- Old Local Housing Allowance total: £2,254,793
- New Local Housing Allowance total: £3,434,538
- Total difference: £1,179,745

What this modelling shows

The figures represent the change in eligible rent levels when Local Housing Allowance is updated. The £1,179,745 increase reflects the rent review created by applying 2025 to 2026 Local Housing Allowance rates to the assumed mix of units.

The results are not forecasts for specific properties and do not indicate any actual rental income the council will receive.

The purpose is to illustrate the scale of potential change when future acquisitions or leased units operate under updated Local Housing Allowance assumptions rather than the old 2011 rates benchmark.

Purpose of this modelling

This comparison helps to:

- show the size of the Local Housing Allowance review across different property sizes
- support early strategic thinking on income potential if new supply enters the Temporary Accommodation system
- illustrate how Local Housing Allowance alignment influences the financial sustainability of Temporary Accommodation arrangements

All figures should therefore be interpreted as assumption-led modelling, not reflections of confirmed units or agreed rental levels.

