

# Cashing in

How a shortage of social housing is fuelling a multi-million-pound temporary accommodation sector

February 2020

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## Why is over a billion pounds a year being spent on temporary accommodation?

The housing emergency gripping our country has been caused by a chronic lack of investment in decent and genuinely affordable social rented housing.

We want the new government to invest in a new generation of social homes which would give thousands of homeless families and millions of struggling private renters the chance of a stable home.

However, instead of investing in the social housing that would end the housing emergency, public money is currently being spent on dealing with its impact: rising homelessness. Councils have a legal duty to accommodate homeless families and procure temporary accommodation (TA) until a suitable settled home is available.

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*At the end of June 2019, there were **86,130 homeless households** living in temporary accommodation in England – the equivalent of the population of York – and an increase of 45% in just five years. These included 127,370 children.<sup>1</sup>*

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The number of these households who are living in emergency B&B accommodation (7,110) has increased by 55% in the same period.

The latest government statistics show 127,370 homeless children in England are growing up in insecure and often cramped, poor-quality temporary accommodation. Over a quarter (27%) of this accommodation is out-of-area because councils say they can't find suitable local accommodation. This can lead to long commutes to and from school, or the need for children to move schools and leave family and friends behind.

Councils procure most of their temporary accommodation from for-profit private providers, although a fifth (22%) is directly supplied by councils and registered housing associations.

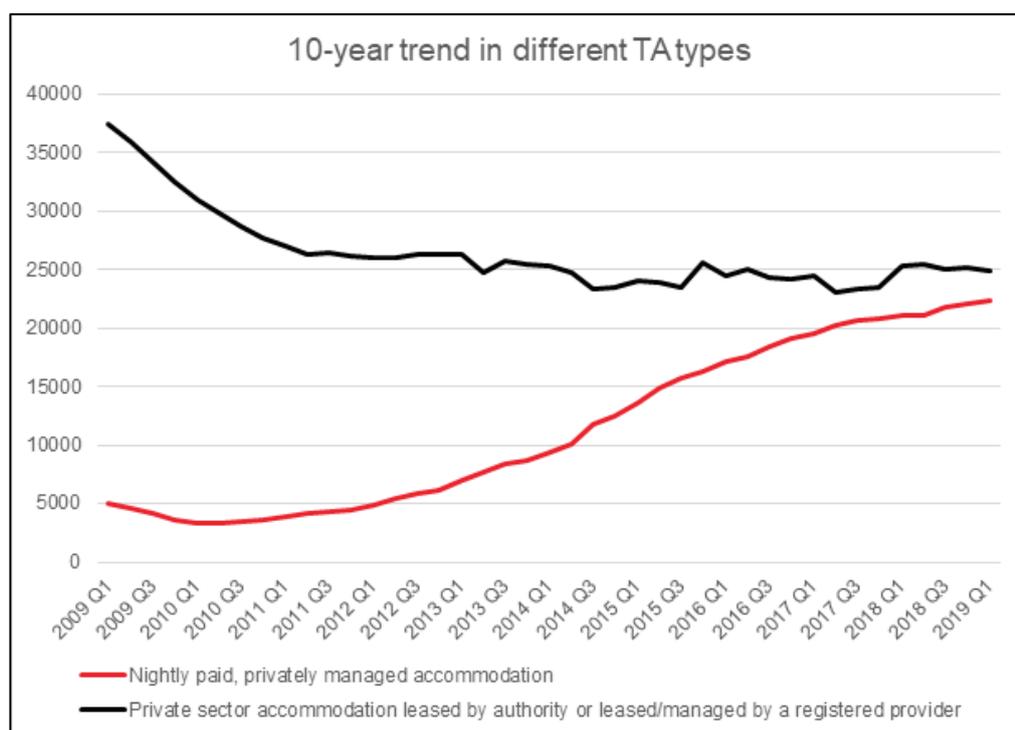
Accommodation procured via private sector leasing by councils (and housing associations) is still the most common form of temporary accommodation, but in the past ten years there has been a significant switch to the use of 'nightly paid' accommodation – 82% of which is procured by London boroughs, who are grappling with the highest levels of homelessness.

The government's own data suggests the move to expensive nightly paid temporary accommodation is happening at an alarming rate, with the use of nightly-paid, privately managed temporary accommodation increasing by 121% in the last five years.

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<sup>1</sup> MHCLG, [Live tables on homelessness](#), December 2019

Figure 1: Changes to type of temporary accommodation procured 2009-2019



London Councils report that from around 2013, a lucrative temporary accommodation ‘market’ emerged, with providers increasingly offering homes on a nightly-paid basis. Councils said there was little they could do to control this: well aware of the immense pressure to procure temporary accommodation, it has been claimed providers in the temporary accommodation market “actively provoke competition for property between London boroughs to push up rents”.<sup>2</sup>

Between April 2018 and March 2019, councils spent almost **£1.1 billion** on temporary accommodation – a rise of 9% in a year and 78% in five years.

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*In 2017, the Public Accounts Committee observed that temporary accommodation is “often of a poor standard and does not offer value for money”.<sup>3</sup>*

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It’s been recommended<sup>1</sup> that temporary accommodation providers need to be brought into conversations with councils and government. But despite the fact it has been claimed the temporary accommodation market is “very strategic” in reacting to policy changes it remains largely hidden and unscrutinised.<sup>4</sup> There has been no published government assessment of the major players, how much money they receive or how they operate.

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<sup>2</sup>Rugg, J., [Temporary Accommodation in London: Local Authorities under Pressure](#), University of York for London Councils, 2016, page xiii

<sup>3</sup>House of Commons Committee of Public Accounts, [Homeless households](#), 2017, page 6, para 3

Irvine, B, [Designing Solutions to London’s Temporary Accommodation System](#), RSA, 2016, page 5

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## Our investigation of temporary accommodation providers

We wanted to get a better understanding of who is receiving the many millions of pounds of public money being spent on homeless temporary accommodation.

In June 2019, we submitted Freedom of Information (FOI) requests to all local councils in Great Britain. This aimed to identify spend with individual suppliers of temporary accommodation at the local authority level. The full FOI is included as an annex below.

### Freedom of Information data

We received data<sup>5</sup> from **140 local councils (out of 382)**, including most of the highest spending councils in England. Our FOI accounts for **£526,076,932** of the spend by these councils in 2018/19. This total includes data that is available on council websites for 2018/19 as well as responses to our FOI.

We can directly link around **50% of the total temporary accommodation expenditure in England** (£1.1bn according to the latest figures) to providers at a local level through our FOI. Although our data is not a complete picture of all temporary accommodation providers across the country - because not every council responded - it is a good indicator of the market at large.

**Figure 2: Top 10 individual spends with temporary accommodation suppliers 2018-19**

Supplier	Individual contract worth 2018-19	Local housing authority
Local Space	£31,861,513.07	London Borough of Newham
Elliot Leigh	£7,650,306.08	Royal Borough of Kensington & Chelsea
RMG Ltd	£7,387,100.74	Westminster City Council
A2 Dominion Housing Group	£6,325,738.29	Westminster City Council
AJ Bush	£6,208,906.00	Westminster City Council
Midos Estates Ltd	£6,106,576.47	London Borough of Lambeth
NHHT-Notting Hill House	£5,781,385.27	Westminster City Council
Notting Hill Genesis	£5,245,133.08	Royal Borough of Kensington & Chelsea
Denham Properties	£4,809,926.97	London Borough of Lambeth
Letting International Ltd	£4,731,010.00	London Borough of Redbridge

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<sup>5</sup> See Appendix 1 for further information on the data collection

**Figure 2: Top 25 temporary accommodation by combined spend 2018-19**

<b>Supplier</b>	<b>Total spend 2018-19</b>	<b>Number of councils with spend with this supplier</b>
Local Space	£31,861,513.07	1
<b>Finefair Consultancy Ltd</b>	£16,366,292.97	9
Elliot Leigh	£13,870,176.68	8
Letting International Ltd	£13,421,820.32	10
Theori Housing Management Services limited	£13,293,731.54	7
Wentworth Estates	£10,880,453.44	8
Housing Action Management Ltd	£7,828,293.87	11
Denham Properties	£7,495,921.36	6
RMG Ltd	£7,387,100.74	1
Dabora Conway Ltd	£7,123,200.64	4
<b>Assetgrove Lettings Ltd</b>	£7,118,574.08	13
Mears Housing Management Ltd	£6,610,851.10	6
A2 Dominion Housing Group	£6,545,274.79	2
AJ Bush	£6,208,906.00	1
Midos Estates Ltd	£6,106,576.47	1
NHHT-Notting Hill House	£5,781,385.27	1
Notting Hill Genesis	£5,273,366.18	3
Altwood Properties Ltd	£5,270,451.10	6
Rent Connect	£4,478,337.08	16
Network Homes Limited	£4,357,111.09	3
Genesis Housing Association	£4,274,370.92	5
Central Housing Group Ltd	£4,125,110.55	3
Euro Hotels	£4,114,818.10	17
Bishop Property Management Ltd	£4,030,252.36	2
Accommodation Links Ltd	£3,961,733.41	1

Supplier names were taken 'as written' from the council's records. Where possible these have been edited to allow for supplier costs to be combined e.g. if some councils referred to 'Ltd.' and others referred to 'limited'. Chain hotels have also had their results combined. However, many of the providers identified have very similar, but different names – these results were not combined, because without further investigation we cannot be 100% sure if they are part of the same company.

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## Initial investigation of top 25 temporary accommodation providers

During Summer 2019 we undertook an online investigation of the top 25 temporary accommodation providers we had identified, using a combination of existing news reports, company websites, Companies House and Land Registry records.

### **A new lettings sector enticing landlords**

Our investigation reveals that most of the highest earning private providers do not own their own accommodation, but instead act as brokers between councils and private investors. It appears that their profits come from the margin between the guaranteed rents to investors and the nightly rates they charge local councils.

This suggests that councils may have been unable to secure renewals of private sector leases directly from the owners of the accommodation because brokers have moved into this space, enticing landlords with guaranteed rents and added incentives. We discovered several providers offering advice to landlords on how to convert their properties into houses in multiple occupation (HMOs) to maximise revenue.

Councils are increasingly having to rely on providers to procure accommodation – leaving them with a choice between paying high (often nightly) rates, or spending even more on budget hotels, such as Travelodge Hotels. A situation made worse by rising homelessness and the increased demand for temporary accommodation in many areas.

Some providers describe themselves as offering ‘social housing solutions’ to local authorities, even though they are not registered with the Regulator of Social Housing as providers and are in effect profit making private companies.<sup>6</sup>

It appears that as the supply of regulated social housing has dried up due to a lack of central government investment, unregulated companies have sought to capitalise on the need of local and national government (e.g. Home Office) to procure accommodation to meet their statutory duties to provide accommodation to homeless households.

### **Office to residential permitted development rights**

There is further evidence that investors are purchasing office blocks, which they then convert to temporary accommodation without local authority planning permission under permitted development rights. This means there is no scope for the local planning authority to insist on national or local standards (e.g. on space) being met.

Our in-depth investigation into both the brokers, and the owners of the accommodation blocks they manage, reveals a tangled web of related

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<sup>6</sup> Regulator of Social Housing: [Current registered providers of social housing](#), 23 October 2019

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businesses and property deals, and some high returns on investment. Some have 'social' subsidiaries in other areas of housing provision, including for-profit housing associations, specialist supported accommodation<sup>7</sup> and asylum seeker accommodation contracted by the Home Office.

Case evidence gathered from our local service hubs and news reports suggests that temporary accommodation is not always being managed or maintained in line with statutory or regulatory standards, in the latter case because unregistered temporary accommodation providers are not subject to standards set by the Regulator of Social Housing. This could be putting homeless families at risk of fire and other serious health and safety risks.

## Conclusion

The new government must get a grip of this dreadful phenomenon. They have inherited a system where billions of pounds of taxpayer money are paid to accommodate homeless families in such dreadful places and line such unscrupulous pockets. Councils need an alternative: they must instead invest in a new generation of decent, affordable social homes.

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<sup>7</sup> For example, for people with learning difficulties and young people learning care

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## Appendix 1: Further information about FOI data collection

Some councils refused to respond to our FOI request, including several of the higher spending councils in London, such as Barnet, Croydon, Bromley, Havering, Harrow and Hounslow.

Councils refused to respond to our request for the following reasons:

- Commercial sensitivity
- Confidentiality – protection of vulnerable persons
- Time and cost to collect information
- Data available on council website

Where data was available on councils' websites, we prioritised downloading and collating results for the financial year 2018/19. Piecing together multiple years' worth of data is often time consuming, so collecting three years' worth of data was not practical.

For the last three financial years we have been able to collect the following spend data:

- 2016/17 - £311,323,595
- 2017/18 - £380,971,548
- 2018/19 - £526,076,932

The difference in spend here reflects the prioritisation of the financial year 2018/19 when downloading online records and should not be interpreted as an increase in financial spend.

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