Unlocking the Temporary Accommodation Crisis: Insights and Solutions from Sector Leaders

On 25 February 2026, Capsticks and DTP consultants hosted a roundtable in London bringing together senior leaders from housing associations, local authorities and sector specialists to confront one of the most pressing issues in housing today: the escalating crisis in temporary accommodation (TA). The discussion highlighted both the scale of the challenge and the potential for coordinated, systemic solutions.

While the problem is multifaceted, rooted in constrained supply, rising demand, regulatory rigidity and funding gaps, the roundtable produced striking consensus on the areas where intervention could be most transformative.

1. A SYSTEM UNDER EXTREME PRESSURE

Local authorities represented at the roundtable illustrated just how acute the pressures have become.

Many local authorities are running an overspend on TA of between 25% and 50%, Overnight rates, which are up to 200% of LHA levels, are a major driver.

Sutton, though smaller in scale, faces £1.3m annual overspend, despite a relatively traditional model and no families placed in B&Bs.

Both councils described the same challenge: even where innovative solutions exist, no single approach alone can address the crisis. Multiple models must run in parallel just to stabilise spend.

RPs around the table echoed these pressures. Increasing regulatory compliance (building safety, electrical testing), ageing stock and rising costs have reduced capacity, especially for London-based RPs.

Many have either paused development or face significant constraints due to covenants or risk appetite.

2. THE LOCAL AUTHORITY HOUSING FUND (LAHF) IS SEEN AS VITAL, BUT INSUFFICIENTLY FLEXIBLE.

Several key issues emerged:

Funding constraints

Local authorities and many RPs simply cannot take on additional debt at the scale required. New supply therefore depends heavily on grant, capital recycling, or private investment.

Asset ring-fencing reduces effectiveness

LAHF's requirement to acquire new, earmarked properties for specific cohorts creates community "queue-jumping" perceptions and limits provider flexibility. Participants argued for a nomination-based model, where grant recipients commit a proportion of their stock without tying grant to specific units

Misaligned rent regulation

The Rent Standard prevents providers from repurposing existing social rent units into TA or supported accommodation without regulatory conflict, despite the pressing need to do so.

Geographic distortion

LAHF's effective subsidy works well in lower-value areas but disincentivises acquisitions in higher-value markets – which are frequently the areas with the greatest need.

Missed opportunity: the Home Office

Participants repeatedly highlighted the extraordinary £10m per day spend by the Home Office on temporary accommodation, which currently generates no long-term asset value. Redirecting this funding into long-term housing could, at current rates, finance c. 64,000 homes per year - a potential game-changer.

3. THE NEED FOR FLEXIBILITY: REGULATION, TENURE AND PLANNING

A recurring theme was the need to break down unhelpful distinctions between temporary and permanent tenure. Participants stressed that homes are homes, and many could flex between uses if regulation allowed it.

Key regulatory barriers identified:

- Rent Standard rigidity prevents switching between tenure types.
- Section 106 agreements rarely permit higher-rent temporary accommodation within affordable housing quotas.
- LHA rates, decoupled from actual housing costs, make many schemes unviable even when CPI+1% increases are theoretically available.

Reforms in these areas would open the door to significantly more innovation, allowing RPs and councils to adapt assets to local need rather than treat TA as a siloed, emergency-only sector.

4. COLLABORATION: THE KEY TO UNLOCKING CAPACITY

Every participant identified partnership as central to unlocking scale and financial viability.

Large–small RP partnerships

With some smaller London-based RPs blocked by covenants or risk appetite, larger strategic partners such as Abri increasingly see a role in supporting delivery. whether through balance sheet strength, joint ventures or development partnerships. As well as a growing number of mergers, at Capsticks we are seeing such development partnerships emerging in practice, particularly outside London. Smaller RPs have demonstrated that they have an important role to play in accelerating delivery of large and complex sites, particularly where specialist provision is needed.

Local authorities and RPs

Authorities were encouraged to use their influence more assertively, for example by attaching temporary accommodation requirements to partnerships with RPs. This could, perhaps, be accompanied by a wider definition of affordable housing (to include temporary accommodation) in s106 agreements, as mentioned above. Capsticks colleagues are currently dealing with several temporary accommodation projects that involve collaboration between local authorities and RPs, a trend we expect to see grow over the next few years.

Private funding

Where public debt cannot stretch further, pension funds and private capital may play a role, provided governance, regulation and long-term tenancy security can be ensured. Lease-based arrangements are regularly offered by the private sector, but there are other profit-sharing models that might give a better share of risk.

Voluntary and faith-based sector involvement

In boroughs like Sutton, preventative initiatives draw heavily on community-based organisations, reducing TA inflow and demand on statutory services.

5. INNOVATIVE SOLUTIONS EMERGING

Several creative approaches were put on the table, including:

- A national RP-led model partnering with the Home Office, perhaps via Homes England, with local RPs delivering locally through back-to-back arrangements.

- Greater use of supported housing models where rent standard exemptions allow flexibility and financial viability.
- Churn-and-reinvest models used by organisations like Local Space: acquiring individual properties, refurbishing, and recycling value to create local TA supply.
- An SPV to bulk-purchase void units otherwise destined for private sale - offering RPs slightly reduced immediate receipts in return for an ongoing share in rent, hence preserving long-term social use of the asset (structured to ensure flexibility beyond current rent standard restrictions).

- Change in LAHF conditions to allow grant to be used more flexibly, including applying grant to existing stock in exchange for nomination rights, rather than only funding new units.

6. WHAT NEEDS TO HAPPEN NOW: A SHARED CALL FOR REFORM

From the collective experience of the group, several concrete priorities emerged:

Regulatory

- Reform the Rent Standard to allow tenure flexibility across the life of an asset when it is being repurposed as TA.
- Amend section 106 frameworks to explicitly incorporate temporary accommodation as part of affordable housing allocations.
- Ensure LHA is index-linked, restoring financial realism to TA schemes.

Funding

- Expand and reform LAHF to permit flexible application across portfolios.
- Mobilise Home Office funding into contracts with RPs, providing long-term supply rather than nightly-paid placements.
- Create blended funding models involving Homes England, strategic RPs and private capital.

Government coordination

- Reopen Treasury's previous work on TA procurement.
- Ensure RPs can participate meaningfully in upcoming Home Office procurement exercises.
- Support large RPs to help unlock the development potential of smaller providers.

CONCLUSION: THE MOMENT TO ACT

Despite the scale of the challenge, the tone of the roundtable was one of genuine optimism. The Government appears increasingly aware of the unsustainable financial trajectory of temporary accommodation. Funding programmes are available and the political climate, while complex, recognises the urgency.

But success hinges on one thing: the sector stepping up together.

Local authorities, RPs, specialist providers, community organisations and private capital each hold part of the solution.

What is needed now is the structural flexibility and the political will to bring these pieces together.

Temporary accommodation does not need to remain a high-cost, low-value sticking plaster. With the right reforms, it could instead become a catalyst for long-term, permanent supply - reducing spend, improving outcomes, and restoring stability to a system stretched far beyond its limits.


DARREN HOOKER
HEAD OF SOCIAL HOUSING GOVERNANCE
075 5282 2979
Darren.Hooker@capsticks.com


SUSIE ROGERS
HEAD OF HOUSING
077 3873 9182
susie.rogers@capsticks.com


SARAH JACKSON
DIRECTOR
079 8352 3574
s.jackson@dtp.uk.com


MUHAMMAD AKHTAR
SENIOR CONSULTANT
075 9371 8775
m.akhtar@dtp.uk.com

BIRMINGHAM
1 Temple Row
Birmingham, B2 5LG
T: +44 (0)121 230 1500
F: +44 (0)121 230 1515

EXETER
Winslade House
Exeter EX5 1FY

LEEDS
Toronto Square
Leeds LS1 2HJ
T: +44 (0)113 322 5560
F: +44 (0)113 242 2722

LONDON
Wellington House
60-68 Wimbledon Hill Rd
SW19 4DR
T: +44(0)20 8780 2211

MANCHESTER
Clarence House
Clarence Street
Manchester M2 4DW
T +44(0)125 726 6008

WINCHESTER
Staple House
Hampshire, SO23 8SR
T: +44 (0)1962 678 300
F: +44 (0)1962 678 311