

# Breaking the cycle: Delivering a homelessness funding system that works for all

Homeless Link policy team  
September 2024

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## 1. Introduction

Ending homelessness and rough sleeping hinges on both sufficient supply of appropriate, affordable accommodation alongside the capacity of services to deliver high-quality, sustainable support to those who need it. Evidence has repeatedly shown that access to the right support plays a critical role in pathways out of homelessness for people with severe and multiple disadvantage. With political will and strategic investment, there is no reason why anyone should experience homelessness in England.

The homelessness system spans a huge range of services, working across homelessness prevention, relief and holistic support. These services are often the last line of defence for some of the country's most vulnerable residents. But the system overall is at once hugely expensive and insufficient, having been subject to severe cuts and funded in a patchwork manner that can trap people in homelessness for longer and leave some without any access to support at all.

As more people across the country are pushed into homelessness, support services are more essential than ever. Across the country, universal homelessness prevention measures – social housing, welfare provisions, social support, and poverty relief – continue to fall short after years of chronic underinvestment. From children growing up in temporary accommodation to the thousands of people with no choice but to sleep rough, rates of homelessness are unacceptably high.

Homelessness services can act as a lifeline for those with few other options. But the current funding system for the homelessness sector undermines its ability to deliver high-quality support. Like many other essential services, the sector faces significant budget shortfalls. This has left providers unable to plan strategically for the future, hopping from crisis to crisis as service quality drops. Sadly, it is the people in need of support who bear the consequences of short-term, patchwork and insufficient funding.

History shows us that things do not need to be this way. By building a clear picture of the current spend on homelessness, the new government can regain control of spending and strategically re-invest into support that works. Establishing secure, long-term and comprehensive funding will allow the whole system to plan strategically. Doing so will support a move away from cycles of crisis, allowing services to work more proactively and ultimately reduce the number of people pushed into homelessness in the first place.

This paper outlines the key issues with the homelessness funding model and highlights the actions the new government should take to get back on track to ending homelessness. Unless steps are taken to systematically review the funding needs of homelessness services, the system will continue to fail those it is designed to support.

## 2. An outline of the homelessness system

The homelessness system in England is made up of a mix of statutory and non-statutory support services designed to prevent and end homelessness for families and individuals. There is a huge diversity of people who access homelessness support, ranging from those whose homelessness stems purely from a lack of affordability, through to people experiencing severe and multiple disadvantage who may have significant health and social care support needs.

Homeless Link primarily represent members working with adults experiencing single homelessness, the majority of whom do not qualify for statutory funding. Therefore, when we refer to 'the system', we primarily mean the system of non-statutory support for people experiencing single homelessness.

These services are often the last line of defence for people who have fallen through the gaps of other public services including mental health, social care, and the justice system. Services delivered within the homelessness system include: local authority Housing Options services; commissioned and non-commissioned accommodation including supported accommodation, hostels and emergency accommodation; tenancy sustainment services; rough sleeping outreach services, and specialist support interventions for associated support needs including mental and physical health, substance use, domestic abuse, education and employment.

### 2.1 Local authority homelessness duties

Under Part 7 of the Housing Act 1996, a person is defined as homeless if there is no accommodation available for them to occupy or if it is not reasonable for them to continue occupying their current accommodation.

There is no obligation for local authorities to house everyone experiencing homelessness. They must instead determine what action they take based on the facts of each individual case, assessing whether someone qualifies as homeless or threatened with homelessness and if so, whether they are eligible for assistance based on immigration and residence status in the UK.

Prior to 2018, local authorities' duties were focused on the provision of temporary accommodation to homeless households deemed as being in 'priority need'. The introduction of the Homelessness Reduction Act 2017 (HRA) extended these statutory duties, bringing in 'prevention' and 'relief' duties. All households owed a duty under the HRA qualify for some level of support, regardless of priority need status. However, it remains the case that local authorities' duty to accommodate is only triggered for households in priority need. This is explained further in figure 1.

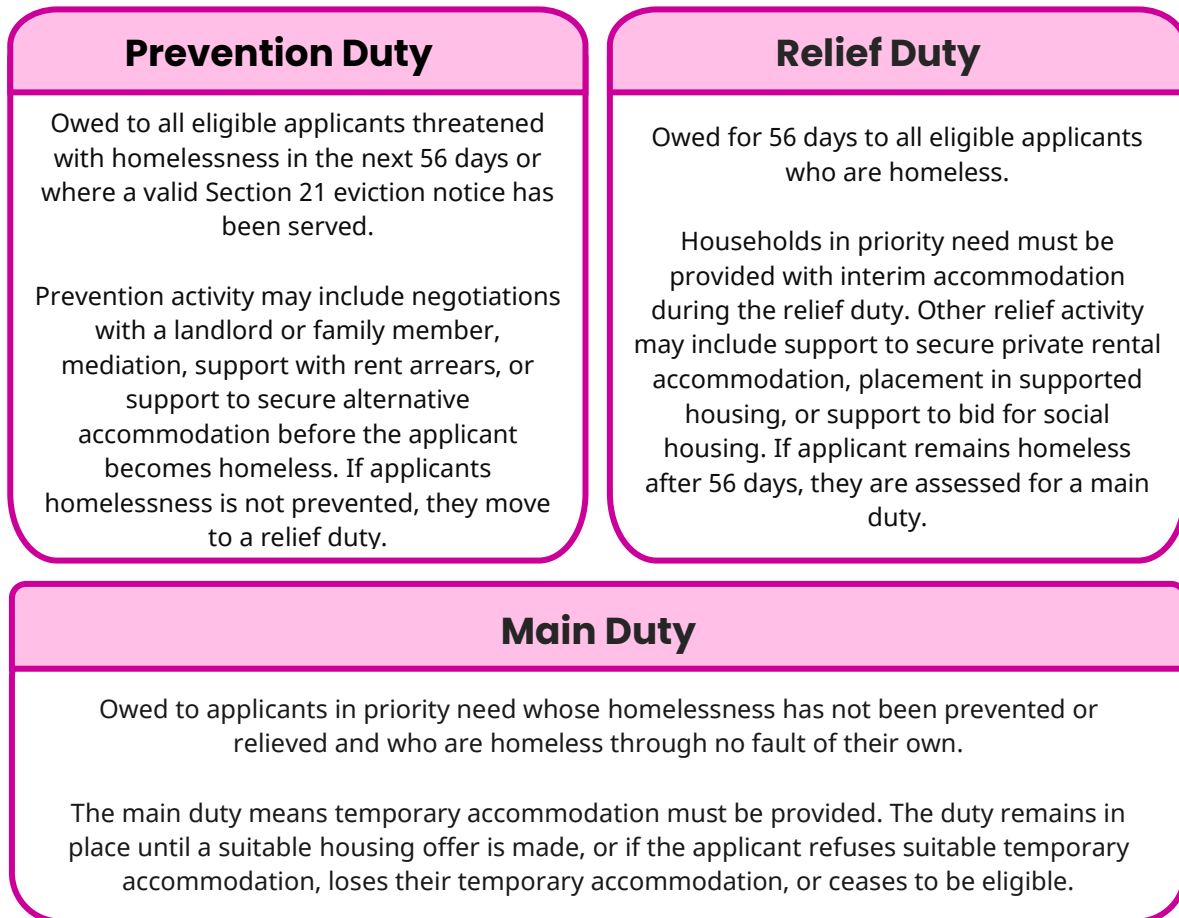


Figure 1: Homelessness duties

## 2.2 Priority need and the duty to accommodate

Priority need status is automatically granted to households with children, those who become homeless due to domestic abuse, and to young care leavers. Local authorities can also grant priority need status in certain other circumstances based on risk and vulnerability.<sup>1</sup> For 'single homeless' adults – those who enter homelessness without dependents – priority need status is only granted in cases of exceptional vulnerability.



### Family homelessness

Households experiencing homelessness comprised of one or more adults and at least one dependent living together. Automatically defined as in priority need.



### Single homelessness

Households of one or more adults, including couples, experiencing homelessness without dependents. Encompasses any form of homelessness or level of support need. Must evidence exceptional vulnerability to qualify as in priority need.

Figure 2: Household configurations under homelessness duties

<sup>1</sup> Housing Act 1996, S.193.

This can mean that even those with severe and multiple disadvantage are not deemed to be in priority need and do not qualify for a duty to accommodate.

For those households found in priority need and owed a 'main duty' the local authority has a statutory duty to accommodate. Over the long term the duty is typically discharged once the household is offered social housing. Until then the local authority is obliged to accommodate them in temporary accommodation.

For households not categorised as in priority need, accommodation and support is primarily delivered through the 'non-statutory' homelessness sector. The bulk of this provision – including many services run by Homeless Link members – is delivered through the voluntary sector, Housing Associations, and community and faith-based organisations. These providers frequently deliver support under commissioned government contracts but may also rely wholly or in part on alternative income such as Housing Benefit, fundraising, and private grants. This is outlined in more detail in chapter 5.

Statutory homelessness funding covers the provisions necessary for local authorities to meet their duties under the HRA. This includes local authority housing options support for households owed a prevention or relief duty and the provision of temporary accommodation for eligible households. Rising temporary accommodation costs have seen increasing proportions of funding channelled to meeting these costs, meaning fewer resources to support those without an accommodation duty.

*Table 1: Examples of homelessness accommodation types and typical funding sources*

<b>Accommodation model</b>	<b>Description</b>	<b>Typical funding sources</b>
<b>Temporary accommodation</b>	Provided by the LA to meet their statutory duty to accommodate. This may take the form of a property owned privately or by a council or housing association, a room in a hostel, B&B, or hotel.	Funded through LAs using a range of funding sources including Homelessness Prevention Grant, subsidised from main council budget. LAs can claim HB subsidy on their TA costs but this is currently frozen at 2011 rates.
<b>Emergency accommodation</b>	Provided through LAs, VCSE and faith and community sectors. Non-statutory provision, varies regionally but typically higher during winter. Includes night shelters, no second night out hubs, crash pads, severe weather emergency protocol accommodation. Used to accommodate people who are rough sleeping for a short period.	Local authority commissioned services, national government grants e.g. Night Shelter Transformation Fund, voluntary and community fundraised provision e.g. through churches.

<p><b>Hostels</b></p>	<p><b>Provided through LA or VCSE. Short to mid-term provision of accommodation to help people move-on from rough sleeping. People are intended to move from hostels into more secure housing or supported accommodation.</b></p>	<p><b>Housing Benefit, LA commissioned contracts utilising different grants e.g. Homelessness Prevention Grant, Rough Sleeping Initiative. Fundraising income. Grants from trusts and foundations or philanthropy.</b></p>
<p><b>Supported accommodation (sometimes referred to as 'exempt accommodation')</b></p>	<p>Provided through VCSE and/or Housing Associations. Longer term, typically time limited housing for people experiencing homelessness with additional support needs. Provision can be for people with low, medium or high needs. People are usually expected to move on to a permanent independent tenancy.</p>	<p>Enhanced Housing Benefit. Local authority commissioned contracts utilising different grants e.g. Homelessness Prevention Grant and Rough Sleeping Initiative. National capital/revenue funds eg. Rough Sleeping Accommodation Programme, Single Homelessness Accommodation Programme, Supported Housing Improvement Programme. Fundraising income. Grants from trusts and foundations or philanthropy.</p>
<p><b>Housing First</b></p>	<p>Provided through VCSE and/or Housing Associations. Permanent accommodation with wrap around support for people with significant overlapping needs.</p>	<p>Universal Credit housing element. Local authority commissioned contracts including Rough Sleeping Initiative and national grants e.g. Single Homelessness Accommodation Programme. Fundraising income. Grants from trusts and foundations or philanthropy.</p>

### 3. The history of homelessness funding

Although the homelessness sector provides a vital service supporting some of the most destitute and vulnerable people in our society, the approach to funding the system has never been consistent. Services, both statutory and non-statutory, have seen huge changes in the models of funding, what funding is available for, the way in which funding is allocated, and funding timescales.

This has led to a complicated ecosystem that is now verging on collapse. Both local authority and VCSE providers buckling under the strain of increased demand after years of insufficient funding. To understand how we got here, we need to look back at how funding has evolved over the last 30 years.

This section covers significant funding announcements related to overarching Government homelessness spend and changes since 1997. While we have sought to include key announcements and investment, due to the range and complexity of funding made available it has not been possible to include all smaller grants or funding programmes related to homelessness.

Not included in this section are targeted pilot programmes or funds for specific cohorts such as prison release programmes delivered through the Ministry of Justice, or inclusion health and homelessness interventions funded through the Department for Health and Social Care, or broader multiple disadvantage programmes such as Changing Futures. These interventions and pilots are extremely important, play a vital role and must be considered in any full review of homelessness funding but for the purpose of this overview the focus remains on 'core' homelessness provision.

#### 3.1 1997: Reforming a complex and patchwork system

In 1997, the newly elected Labour Government inherited a complex and inefficient homelessness system. Rough sleeping rates were high and the system designed to respond to homelessness was criticised as lacking strategic oversight, favouring crisis responses over preventing the causes of homelessness, and for having too few options for those with high levels of intersecting support needs.<sup>2</sup>

Support for people experiencing homelessness was primarily funded through Housing Benefit. Legally, use of this income was restricted to the delivery of accommodation, and so could only be used to fund support activity in 'limited circumstances'<sup>3</sup> to preserve the quality of property. Additional support costs had to be made up from a web of alternative funding streams.

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<sup>2</sup> Social Exclusion Unit (1998). *Rough Sleeping – report by the Social Exclusion Unit*.

<sup>3</sup> Inter-Departmental Review of Funding for Supported Accommodation (1998). *Supporting People: A new policy and funding framework for support services*. 17 December 1998. DEP 1998/1489.



Contemporary accounts identified several problems with the then-funding system:<sup>4</sup>

- The overall amount being paid out in Housing Benefit was uncertain;
- The patchwork funding network was complicated, uncoordinated and overlapping;
- The complexity of funding structures made it impossible to assess value for money or to transparently analyse use of resources;
- The focus on Housing Benefit meant nobody held responsibility for ensuring adequate support was being delivered;
- The lack of prevention work pushed costs downstream, forcing people to rely on more expensive crisis services once their wellbeing had declined;
- Various departments delivered homelessness-related support, but there was no unifying strategy which coordinated that work across government;
- Providers had to put energy into managing multiple funding streams, efforts which diverted resources away from the delivery of support.

The new government sought to reform their approach to homelessness. This saw the development of the cross-government Social Exclusion Unit, followed by the Rough Sleepers Unit in 1999. In 1998, proposals were also laid out for a new funding arrangement.<sup>5</sup> Initially, Government conducted a full funding review to improve understanding of its current spending, and laid interim measures to stabilise the sector, ensuring that Housing Benefit could cover support costs while the review took place.<sup>6</sup> Once this concluded, the Government proceeded with the Supporting People Programme, radically overhauling the way the system was funded.

### 3.2 2004 – 2009: The rollout of Supporting People

When it was rolled out in 2004, Supporting People was a £1.8bn ringfenced grant made to local authorities. Its scope was broad-ranging. It could be used to fund housing related support services for vulnerable people to live independently, including people experiencing or at high risk of homelessness, older people, and people with learning difficulties. It also funded the support element of residential accommodation, including homelessness supported accommodation.

The fund consolidated existing funding streams, including Housing Benefit-paid for support services, beneath a single budget. Resources were allocated by central government to local authorities based on the level of need in its area. Local authorities were then able to distribute money to providers to deliver services, with freedom to make decisions about how money should be spent most effectively.<sup>7</sup>

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<sup>4</sup> House of Commons Library (2000). *The Local Government Bill [HL]: welfare services and social services functions: research paper 00/46*. 6<sup>th</sup> April 2000.

<sup>5</sup> Inter-Departmental Review of Funding for Supported Accommodation (1998). *Supporting People: A new policy and funding framework for support services*. 17 December 1998. DEP 1998/1489.

<sup>6</sup> House of Commons Library (2000). *The Local Government Bill [HL]: welfare services and social services functions: research paper 00/46*. 6<sup>th</sup> April 2000.

<sup>7</sup> House of Commons Library (2012). *The Supporting People programme: Research paper 12/40*. 16<sup>th</sup> July 2012.

Supporting People also introduced a quality standard framework allowing for oversight and monitoring of quality across provision and consistency in commissioning decisions.

Its impacts were significant. In 2009, the net financial benefits of the programme were weighed at £3.41bn per annum, against an investment of £1.61bn. This sat alongside 'long-term unquantified benefits [...] that include reductions in both need for support and social exclusion'.<sup>8</sup> The ringfence meant the grant 'punch[ed] above its weight'<sup>9</sup> in delivering outcomes, making it 'easy to use savings to pilot new services and approaches' and giving those involved 'an incentive to identify savings, because they knew these could be reinvested'.<sup>10</sup>

### 3.3 2009 – 2017: After the ringfence

Despite the success of the Supporting People programme, the funding ringfence was removed in 2009.<sup>11</sup> This decision was taken in the face of recession: the programme, while effective, was felt to be unnecessarily expensive. In removing the ringfence, government sought to give councils 'greater freedom to prioritise and allocate budgets to support public services'.<sup>12</sup>

Initially, Supporting People remained as an identifiable budget line in the Local Government settlement and redirected funds had to contribute towards the aims of Supporting People. This limited cuts and meant local authorities reported genuine efficiency savings as providers were pushed to offer improved services, lower prices, or to reassess provisions that should have fallen beneath statutory social care duties.<sup>13</sup>

But while the then DCLG initially indicated that the 'change in funding will not necessarily result in less money being spent on [support] services',<sup>14</sup> Supporting People was fully absorbed into local authority core grants in 2011, and austerity-era cuts saw service funding erode.<sup>15</sup> By 2012, Inside Housing found that 53% of councils had begun to decommission services previously funded by Supporting People, with homelessness services hit hardest.<sup>16</sup>

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<sup>8</sup> Ashton, T and Hempenstall, C. (2009). *Research into the financial benefits of the Supporting People programme, 2009*. Capgemini and Department for Communities and Local Government.

<sup>9</sup> Audit Commission (2009). *Supporting People Programme 2005–2009*.

<sup>10</sup> *ibid*

<sup>11</sup> HC Deb 26 November 2008 c

<sup>12</sup> Department for Communities and Local Government (2010). *Spending Review 2010: Equality Impact Assessment – Funding for the Supporting People Programme*.

<sup>13</sup> Thunder, J and Bovill Rose, C. (2019) *Local authority spending on homelessness: understanding recent trends and their impact*. WPI Economics, St Mungo's and Homeless Link.

<sup>14</sup> Department for Communities and Local Government (2010). *Spending Review 2010: Equality Impact Assessment – Funding for the Supporting People Programme*.

<sup>15</sup> House of Commons Library (2012). *The Supporting People programme: Research paper 12/40*. 16<sup>th</sup> July 2012.

<sup>16</sup> Inside Housing (2012). "Services cut for 46,000 vulnerable people". 23 March 2012.

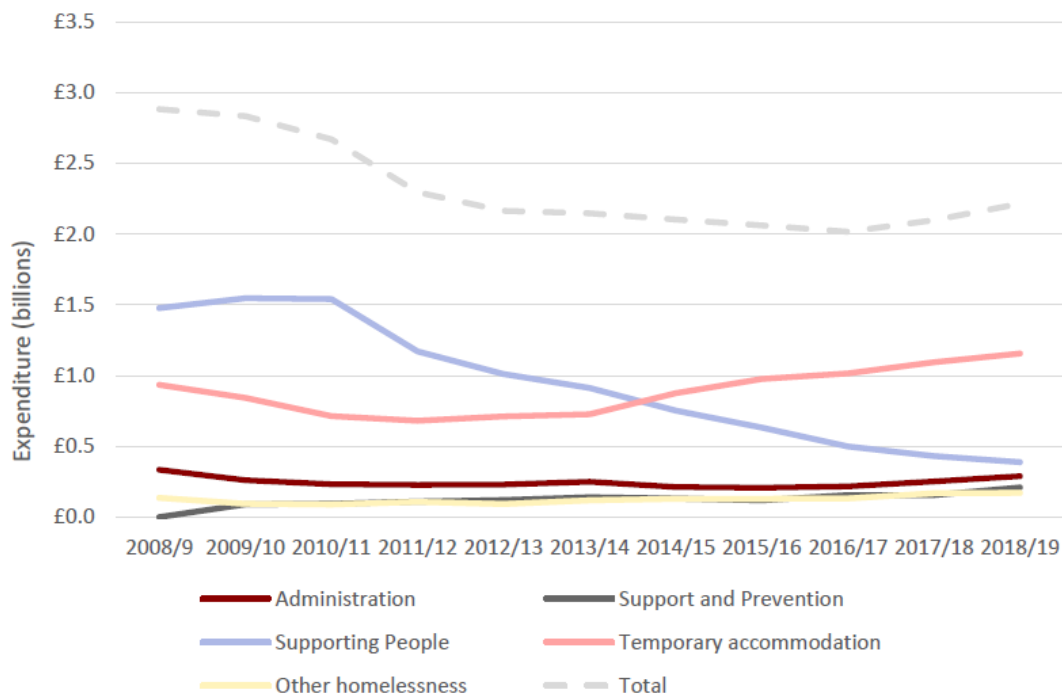


Figure 33: WPI Economics analysis of MHCLG data<sup>17</sup>

Throughout the early 2010s, rates of homelessness slowly crept up. The number of people sleeping rough increased year on year, and the cost of meeting statutory homelessness duties gradually increased. While pots of funding were released during this period (see figure 3), analysis from WPI Economics found that spending on homelessness related activity declined by 27% between 2008/9 and 2017/18 (see figure 2). This reduction disproportionately impacted people classified as ‘single’ homeless, where the local authority was less likely to have a duty to accommodate. For this cohort, spending on support services fell by more than 50% - a drop entirely accounted for by cuts to services previously funded under Supporting People.<sup>18</sup>

During this period Government responded to increases in homelessness with a range of different funding approaches initially introducing the DWP funded Temporary Accommodation Management Fund (TAMF). The TAMF made £40 available per week per eligible temporary accommodation unit operated by authorities in London and £60 elsewhere in England. As the main source of funding for homelessness support this restricted local authorities to committing the vast majority of their spending on temporary accommodation further reducing the available support services and wider infrastructure needed to effectively help people experiencing homelessness and rough sleeping.

<sup>17</sup> WPI Economics, Homeless Link & St Mungo’s (2020) *Local authority spending on homelessness*

<sup>18</sup> Thunder, J and Bovill Rose, C. (2019) *Local authority spending on homelessness: understanding recent trends and their impact*. WPI Economics, St Mungo’s and Homeless Link.

This model was criticised as poor value for money by a 2017 report of the National Audit Office, which stated that it represented a 'light touch approach to working with local authorities' that was 'difficult to understand' in the face of a visibly growing homelessness crisis:

*“Although it is the government department with responsibility for tackling homelessness, during its increase in recent years the [DCLG] took a light touch approach to working with local authorities. It is difficult to understand why the Department persisted with this approach in the face of such a visibly growing problem...There remain gaps in its approach and it has not, for example, sought to evaluate the majority of funding provided to prevent and tackle homelessness. The Department's recent performance in reducing homelessness therefore cannot be considered value for money”*

- NAO report on homelessness spending (2017)<sup>19</sup>

### 3.4 2017: Homelessness Reduction Act and associated funding

The Homelessness Reduction Act (HRA) was introduced in 2017 in recognition of the two tier system within homelessness support. Increasingly people who were not deemed to be in priority need were not able to access any services, and therefore people experiencing 'single homelessness' were cut off from the statutory system. These included people who were rough sleeping, as well as those with significant health and social care needs. As a consequence an increasingly dynamic non-statutory system had started to develop around the statutory system, providing accommodation and support services to meet the needs of people in their community.

The HRA was intended to reduce the disparities in the system through the introduction of the prevention and relief duties – both of which are available to anyone with access to public funds experiencing homelessness, regardless of priority need.

The introduction of the HRA in April 2018 saw additional funding released to local authorities to meet their new duties. This included three years of New Burdens Funding following the introduction of the HRA.

The 2017 reforms also saw the then-DCLG replace the TAMF with the Flexible Housing Support Grant (FHSG), a lump sum grant allocated to local authorities with flexibility on how they could spend this across homelessness support activities, shifting significant homelessness spend from DWP back to DCLG. This was intended to allow local authorities to expand from a focus on temporary accommodation to a range of homelessness activity including prevention. In 2017/18 total spend through the FHSG

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<sup>19</sup> National Audit Office (2024). *The effectiveness of government in tackling homelessness*. 23<sup>rd</sup> July 2024.

was £186million, rising to £200million in 2020/21 before it was replaced by the Homelessness Prevention Grant (HPG).

The new HPG combined the FHSG and the Homelessness Reduction New Burdens Funding, acknowledging the need for the additional resource for the HRA to be sustained. Alongside the main grant, various top-ups have been made available in recognition of further resources needed. The HPG is allocated to local authorities based on a formula that considers relative homelessness and temporary accommodation pressures. In 2024/25 the Homelessness Prevention Grant allocation is set at £331.3M with an additional £190M allocated to account for ongoing pressures from the Homes for Ukraine scheme.

The purpose of the Homelessness Prevention Grant as set out by MHCLG is “to give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness.” This includes enforcing the HRA, reducing temporary accommodation use by maximising homeless prevention for families, and reducing reliance on B&B accommodation. However, much of the HPG has been consumed by the cost of meeting statutory duties, leaving many local authorities with little left over to channel towards prevention.

## Funding announcements for single homelessness<sup>20</sup>

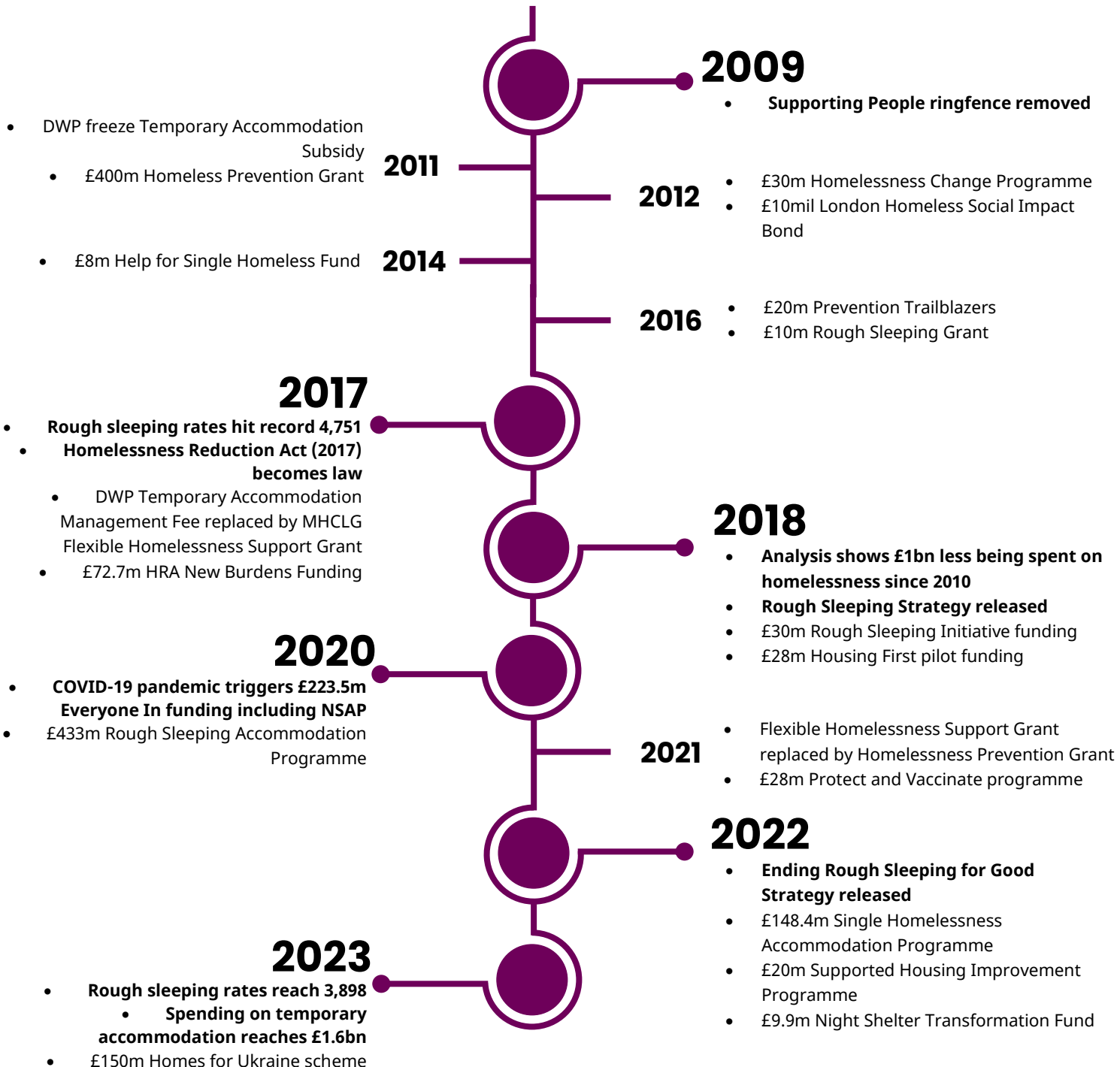


Figure 4: Funding announcements for single homelessness

<sup>20</sup> Figures reflect value at point of announcement. For up to date figures please see table 2.

### 3.5 2017 – now: A rough sleeping crisis

The criticisms levied by the National Audit Office came at the same time as a visibly growing homelessness and rough sleeping crisis. By 2017, reductions in support for single homeless households had seen bed spaces for this cohort drop by 30% in 10 years.<sup>21</sup> Across this same period, rates of rough sleeping had increased to 4,751 – a rise of 169% and the highest number since records began.

#### **Rough Sleeping Initiative**

Alongside the passing of the Homelessness Reduction Act, Government responded to this crisis by introducing the Rough Sleeping Initiative fund (RSI) from 2018. RSI was initially announced as a £30m pilot delivered directly to local authorities to support people sleeping rough into accommodation, including funding for staff and some service costs.

Following the pilot period, RSI was rolled out nationally from 2019, with funding announced on an annual basis until 2021. High demand for support saw the funding allocation rise substantially year on year: from £86 million in 2019, £112 million in 2020, to £203 million in 2021. The annual approach to allocations were heavily criticised by both local authorities and VCS commissioned providers, who were often not told of new contracts until April or May of the new financial year. This forced services to cover costs in arrears based on anticipated funding and led to constantly disrupted services, support, and job insecurity. Local authorities and VCS partners were also forced to commit significant resource to annual bid development and tendering processes taking away limited capacity from frontline delivery.

In recognition of the damaging nature of one year contracts Government announced that the 2022-25 RSI funding would be allocated on a three-year basis allowing for longer term contracts and the hoped ability for better strategic planning and innovation. Current allocations for the three years total £530M.

#### **Rough Sleeping Accommodation Programme and Single Homelessness Accommodation Programme**

In 2020, recognising that there was also a need to increase capacity to accommodate within the sector and therefore capital investment alongside revenue Government also announced the Rough Sleeping Accommodation Programme (RSAP), a £435M capital and revenue programme delivered between 2021-2024 with the intention of providing up to 6,000 new move-on homes and associated support for people experiencing homelessness.

In 2022 the Single Homelessness Accommodation Programme (SHAP) was announced, releasing a further £200M to deliver up to 2400 homes and support services for people sleeping rough or at risk of sleeping rough with a specific intention of providing

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<sup>21</sup> Homeless Link, *Support for single homeless people in England, Annual Review 2022, 2023*.

Housing First and housing-led provision for people with multiple disadvantage and young people at risk of rough sleeping.

### **Other funds**

Alongside these core programmes since 2017 numerous other funding schemes have been released in response to acute and ongoing pressures. Most notably is the £223.5 million Everyone In programme, which saw rough sleepers housed in self-contained emergency accommodation units in response to the COVID-19 pandemic.<sup>22</sup> Everyone In combined close strategic oversight with a huge injection of funding, and resulted in a 37% drop in the number of people sleeping rough in England. While many of the people housed through Everyone In went on to be successfully rehoused, rough sleeping rates once again increased after the scheme was withdrawn.

Other programmes of temporary funding have included the £20 million Supported Housing Improvement Programme, £150 million Ukraine homelessness prevention grant top-up, £28 million Protect and Vaccinate fund, the £10 million Night Shelter Transformation Fund, the £7 million Voluntary and Community Frontline Sector Support Grant and the £50 million cost of living homelessness prevention support grant, among others. These were delivered on a time-limited basis in addition to longer-term funding arrangements, some of which are still in place. A fuller breakdown of current known spending is given in the next chapter.

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<sup>22</sup> [Coronavirus: Support for rough sleepers \(England\) - House of Commons Library \(parliament.uk\)](https://www.parliament.uk/library/research-briefings/coronavirus-support-for-rough-sleepers-england/)



## 4. Current spending on homelessness

### 4.1 Quantifying the spend

As outlined above, the current scheme of spending on homelessness is extremely complex. Funds have by and large been developed in response to crisis, rather than as part of a coordinated response to prevent and end homelessness. The system is therefore funded through a patchwork of different funding schemes, creating roadblocks when trying to quantify the current overall spend.

The previous government announced their headline spend on homelessness and rough sleeping as £2.4 billion, including £1.2 billion Homelessness Prevention Grant funding, funding commitments laid out in the 'Ending Rough Sleeping for Good' strategy, and multiple subsequent 'top ups' and 'boosts'.<sup>23</sup>

However, in an echo of 1997's General Election, the precise figure currently being spent on relieving homelessness is not currently available. Many non-statutory 'exempt' supported accommodation services are funded through Enhanced Housing Benefit. While there is no accurate breakdown of current spending on exempt accommodation, estimates place this at around £1.9 billion of additional funding based on 2016 spending levels.<sup>24</sup> Further information on Enhanced Housing Benefit is given in chapter 6.

A recent report from the National Audit Office attempted to quantify spending on homelessness across government (see table 1).<sup>25</sup> In doing so, they showcased the complexity of current funding arrangements. Funding pots are varied, with different timelines, changeable values and a lack of coordination or strategic oversight.

The analysis found that funding was 'fragmented and generally short-term, inhibiting homelessness prevention work' and that DLUHC (now MHCLG) could not 'demonstrate that it is delivering optimal value for money from its efforts to tackle homelessness'.<sup>26</sup> While NAO's report found £2.44bn was spent on homelessness services, this is exclusive of the unknown figure also spent on non-statutory exempt accommodation services, meaning the total figure is likely to be significantly higher.

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<sup>23</sup> House of Commons (2024). *Homelessness and Rough Sleeping Funding*. HC 746. 28<sup>th</sup> February 2024; House of Commons (2024). *Rough sleeping and homelessness*. HC 746. 4<sup>th</sup> March 2024.

<sup>24</sup> Davies, G (2022). *Letter from the Comptroller and Auditor General to the Chair of the LUHC Select Committee*. GF 1370 22, 27<sup>th</sup> July 2022. Available at: <https://committees.parliament.uk/publications/28518/documents/172215/default/>

<sup>25</sup> National Audit Office (2024). *The effectiveness of government in tackling homelessness*. 23<sup>rd</sup> July 2024.

<sup>26</sup> Ibid

Table 2: Source National Audit Office (2024). The effectiveness of government in tackling homelessness. 23<sup>rd</sup> July 2024.

Fund	Amount	Funding period	Department
<b>Funding specifically for homelessness/rough sleeping</b>			
<b>Homelessness Prevention Grant</b>	£432.2 million in 2023-24, £440.4 million in 2024-25	2023/24 to 2024/25	MHCLG
<b>Single Homelessness Accommodation Programme</b>	£255.7 million over 5 rounds	2023/24 to 2024/25	MHCLG
<b>Housing Benefit Temporary Accommodation Subsidy</b>	Variable	2017 to present	DWP
<b>Rough Sleeping Initiative</b>	£548 million	2022/23 to 2024/25	MHCLG
<b>Rough Sleeping Accommodation Programme</b>	£435 million	2021/22 to 2024/25	MHCLG
<b>Accommodation for Ex-Offenders Scheme</b>	£42 million	2021/22 to 2024/25	MHCLG
<b>General funds that can be used for homelessness</b>			
<b>Local Government Finance Settlement</b>	£59.7 billion in 2023/4, £64.7 billion in 2024/5.	2023/24 to 2024/25	MHCLG
<b>Household Support Fund</b>	£3.8 billion	2021/22 to 2024/25	DWP
<b>Homes for Ukraine Scheme</b>	£1.24 billion	2022/23 to 2023/24	MHCLG
<b>Local Authority Housing Fund</b>	£1.2 billion over 3 rounds	2022/23 to 2024/25	MHCLG
<b>Asylum Dispersal Grant</b>	£750 per asylum seeker in Home Office accommodation	2023/24	Home Office
<b>UK Resettlement Scheme</b>	Variable	2021/22 to 2026/27	Home Office
<b>Discretionary Housing Payments</b>	£100 million	2023/24	DWP

Despite this significant and varied spend, local authority spending on homelessness has increased 113% in real terms since 2010/11. Spending on homelessness now represents 60% of the total gross expenditure on housing services, up from 25% in 2010/11. Spending on temporary accommodation alone has risen to £1.63 billion, representing 40% of the total spend on housing services. These spiralling costs have put many local authorities at risk of bankruptcy.<sup>27</sup>

<sup>27</sup> National Audit Office (2024). *The effectiveness of government in tackling homelessness*. 23<sup>rd</sup> July 2024.

### 4.2 Exempt accommodation and Enhanced Housing Benefit

Often missing from considerations of the overall costs of the homelessness system is the spend made from DWP through the delivery of exempt accommodation – which currently makes up significant proportion of the homelessness supported accommodation provision. Exempt accommodation is a term used in Housing Benefit regulations which allows providers of supported housing to collect higher rates of Housing Benefit known as Enhanced Housing Benefit. Exempt status was established to support the activity of Housing Associations and VCSE accommodation providers in recognition of the higher cost of managing supported housing and to account for Intensive Housing Management.<sup>28</sup>

Exempt status is primarily used by VCSE providers and Housing Associations including many of our members, and encompasses many high-quality services. For these, the ability to collect higher rents is often instrumental in their ability to deliver support and maintain financial viability. In recent years, however, an increasing number of bad actors have stepped into the sector to take advantage of the exempt accommodation loophole and the low level of scrutiny placed on providers. Unscrupulous providers across the country have purchased properties and begun delivering non-commissioned ‘supported’ accommodation at ‘excessive profits’.<sup>29</sup> Such providers will deliver limited to no support while collecting income directly from the Housing Benefit bill. The state and scale of low-quality exempt accommodation ‘shocked and alarmed’ the LUHC committee who described the system as ‘a complete mess’.<sup>30</sup>

The LUHC committee inquiry into the cost of exempt accommodation reported the money spent on exempt accommodation was ‘not readily available and to provide it would incur disproportionate cost’.<sup>31</sup>

*“The SAR [Supported Accommodation Review in 2016] estimated that £2.15 billion was spent on ‘specified accommodation’ across Great Britain. No further breakdown was provided, but as 89% of people in specified accommodation are in exempt accommodation, it is probable that a significant proportion of this is spent on exempt accommodation.”<sup>32</sup>*

What this means is that although the headline costs of homelessness spend by Treasury is currently £2.4billion this does not include the presumed billions being spent

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<sup>28</sup> Crisis (2021). *Crisis Policy Briefing: Tackling problems with exempt accommodation*. October 2021.

<sup>29</sup> Levelling Up, Housing and Communities Committee (2022). *Exempt Accommodation Report*. 19<sup>th</sup> Oct 2022 HC 21.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Davies, G (2022). *Letter from the Comptroller and Auditor General to the Chair of the LUHC Select Committee*. GF 1370 22, 27<sup>th</sup> July 2022. Available at: <https://committees.parliament.uk/publications/28518/documents/172215/default/>

on Housing Benefit for exempt accommodation. DWP are not able to provide a figure of what is being spent at current, nor estimate what proportion of that money is spent on homelessness specific exempt accommodation, nor of which is on poor-quality provisions.<sup>33</sup>

In an echo of 1997 the reliance on Housing Benefit has meant restrictions on the type of support provided, limitations on strategic development and a lack of systematic oversight.

### 4.3 Temporary accommodation crisis

The rapid increase in households owed a main homelessness duty and the spiralling cost of delivering temporary accommodation has left local authorities on the brink of collapse. The number of households in temporary accommodation rose to 117,450 in April 2024, a 12.3% increase on the previous year and the highest number since records began.

Local authorities' spending capacity on temporary accommodation is further compromised by the means used to recover costs. Under the current system, local authorities pay upfront for temporary accommodation and reclaim the cost as a subsidy from the DWP. Reimbursement rates are laid out in legislation and are calculated based on the January 2011 LHA rate.

The freeze on subsidy rates at 2011 levels was set to control welfare expenditure. The significant inflation in rental costs since 2011 means that subsidy rates have fallen significantly behind actual costs. This gap is known as the 'Temporary Accommodation Subsidy loss'. Local authorities reported losing £204.5 million in 2022/23 because of the shortfall, with some spending up to half of their total net budget on temporary accommodation as a result.<sup>34</sup>

While temporary accommodation is a necessary measure in cases of emergency, its widespread use comes at huge cost to the wellbeing of those who live there. Conditions are often poor, with shared facilities, cramped rooms and no access to basic cooking or washing facilities.<sup>35</sup> The lack of permanent, affordable housing to move on into means people remain in temporary accommodation for long periods, often months or years.

This has resulted in a bed-blocking effect, as the number of beds being freed up by move-on falls short of the number of new people owed a main homelessness duty. This has led to councils' increased use of expensive and unsuitable B&B

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<sup>33</sup> Davies, G (2022). *Letter from the Comptroller and Auditor General to the Chair of the LUHC Select Committee*. GF 1370 22, 27<sup>th</sup> July 2022. Available at: <https://committees.parliament.uk/publications/28518/documents/172215/default/>

<sup>34</sup> National Audit Office (2024). *The effectiveness of government in tackling homelessness*. 23<sup>rd</sup> July 2024.

<sup>35</sup> Garvie, D. et al. (2023). *Still Living in Limbo: Why the Use of Temporary Accommodation Must End*. Shelter.

accommodation. The Local Government Association (LGA) found half of local authorities do not feel confident they will have 'enough funding to fulfil their legal duties' in 2024/25,<sup>36</sup> and the cost of temporary accommodation means one in five councils are 'very or fairly likely' to issue Section 114 notices in the near future<sup>37</sup>.

### 4.4 The knock-on impact to single homelessness

For many local authorities, the rise in costs associated with meeting statutory homelessness duties has pushed them to the edge of bankruptcy. Many are scaling back support in other areas – including services for non-statutory homelessness meeting the needs of rough sleepers and other people not eligible for the main duty despite experiencing homelessness - to cover the cost of temporary accommodation. This squeeze has led a growing number of homelessness services focused on 'single homelessness' to see commissioned contracts cut or their services decommissioned altogether as local authorities focus resources on meeting their legal duties.

These cuts have reduced activity across homelessness prevention, rough sleeping outreach, and supported accommodation. Some areas have ceased or propose to cease contracts for non-statutory homelessness services altogether.<sup>38,39</sup> This means quality services closing down, hundreds of beds removed from the sector, and few alternative options for those who rely on services for support and accommodation. Examples of this can be seen around the country including in [Devon, Hampshire, Leicestershire](#) and [Newcastle](#).

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<sup>36</sup> Local Government Association (2023). *Post-Autumn Statement Temperature Check*. November 2023.

<sup>37</sup> Ibid.

<sup>38</sup> Kent County Council (2022). *Record of Decision: Kent Homeless Connect: Termination of Service*. Decision no. 22/00075. Available at: <https://letstalk.kent.gov.uk/kent-homeless-connect-consultation>

<sup>39</sup> Booth, R. (2024). *Planned cuts to shelters in England will cost lives, say homeless people*. The Guardian. 24<sup>th</sup> May 2024.

## 5. The impact on single homelessness

*"We have had to redefine the way we describe our services. The services themselves haven't changed – we are still trying to do the same things, house people safely and enable them to develop independence – but we have to describe ourselves doing more intensive housing management or supervision [...] there's less time for the type of support that used to be paid for by housing related support contracts. The emphasis should be on support rather than just the housing."*

- CEO, Homeless Link member organisation

The fifteen years since the removal of ringfencing on Government homelessness funding has seen support contracts slashed and has meant many accommodation providers have seen their primary source of income shift to Housing Benefit. Homeless Link members described the challenge of delivering effective homelessness support while working beneath Housing Benefit regulations as 'dancing on regulatory pinheads'.

As VCSE providers struggle to maintain standards beneath restricted funding, the sector has grown increasingly vulnerable to exploitation. Members report an increase in private, for-profit providers moving in to deliver supported housing with little consideration of the quality or consistency of support.<sup>40</sup>

Overall, the picture is one of a traumatised system,<sup>41</sup> so deeply impacted by cuts and shortfalls that it is unable to meet its purpose in ending homelessness. Changes to funding systems means support has been forcibly deprioritised, with providers left to deliver 'intensive housing management' ie. maintenance of property. The shift in focus had gutted providers' ability to deliver effective support and left numerous providers to describe their own services as 'inadequate'.

### 5.1 Funding for accommodation providers

In our 2023 Annual Review of Support for Single Homeless People in England, accommodation providers spoke of the shift in their income streams across the last 10 years. 56% cited Housing Benefit as their main source of income, a steep jump from just 13% in 2012. And of this 31% cited Enhanced Housing Benefit as their main source of income. Overall Housing Benefit is now the main source of income across the sector, increasing 231% overall in 10 years.

Across the same period, local authority commissioned funding has reduced significantly. While 89% of providers cited this as their primary source of income in

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<sup>40</sup> Levelling Up, Housing and Communities Committee (2022). *Exempt Accommodation Report*. 19<sup>th</sup> Oct 2022 HC 21.

<sup>41</sup> Blood, I. et al. (2019). *'A Traumatized System': Research into the commissioning of homelessness services in the last 10 years*. Riverside, University of York and Imogen Blood & Associates.

2010, this has now dropped to just 36%. While commissioned funding streams often pay for essential support activity, shorter funding windows can mean they are perceived as less stable than Housing Benefit income.

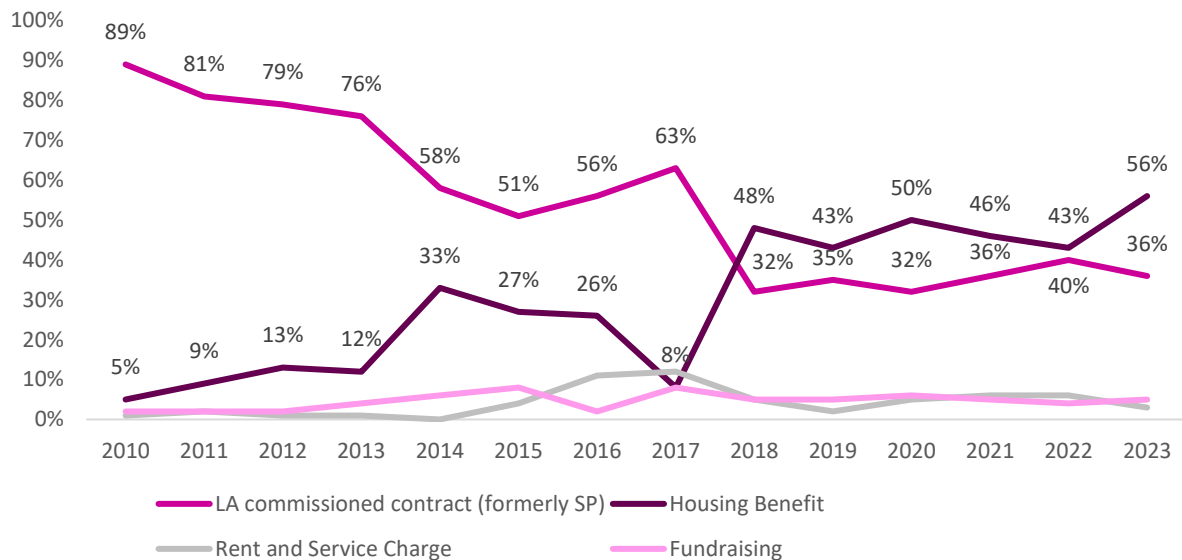


Figure 56: Accommodation providers main source of funding, 2010-2024 (from 'Annual Review of Single Homelessness 2023', Homeless Link, [Forthcoming]).

Providers also report significant challenges in affordability. Those in receipt of local authority commissioning have seen contract values remain largely static in recent years despite sharp rises in inflation. Many have ramped up private grant applications through trusts and foundations or fundraising activity to meet their core delivery costs, but describe this as leaving them vulnerable to market changes. The cost of living crisis has seen individual giving and grant fundraising drop significantly for some providers, all while the cost of delivery has risen. As services struggle to make up the shortfall in Government contracts, many have been forced to reduce the scale of their delivery and, in some cases, to close services altogether, with the latest data from Homeless Link members showing 19% of providers have already reduced or closed services, and 47% at further risk of doing so.

In addition to larger contracts such as RSI, many services fund support activity through smaller grant funding. These are usually tied to smaller government contracts or to trusts and foundations, and are often delivered on particularly short cycles of around 12 months.<sup>42</sup> Chasing small funding pots can take up significant resources, particularly for smaller organisations, and funds often favour new or innovative projects over day-to-day delivery. This can have serious impacts on the continuity of care, with staff moving between temporary contracts and changing roles to match whatever funding is available.

<sup>42</sup> Mackie, P., Fitzpatrick, S. and Morris, N. (2024). *Prevention into Action: Gaps and opportunities in locally-led homelessness prevention in England*. Homeless Link.



### 5.2 Fundraising holistic support

The push towards Housing Benefit as a primary income source provokes distinct challenges in the delivery of holistic support. Such provisions include services such as floating support, employability and support with intersecting needs such as substance use or domestic violence. While these services can be instrumental in breaking the cycle of homelessness by addressing its root causes and helping someone settle in their community, they fall beyond the remit of Housing Benefit. This means people moving on from supported housing face a steep cliff edge in support and has resulted in many successful services closing as providers are pushed to focus their resources into accommodation.

The shortage of holistic funding streams raises particular challenges for smaller non-accommodation providers such as day centres or outreach support. A survey of Homeless Link member day centres showed their primary funding came from a combination of grant funding, individual giving and other fundraising activity.<sup>43</sup> These services frequently act as a first point of contact for people at risk of homelessness and can provide essential services like food, clothing or company to those who may otherwise be unable to access support.

But despite the essential role they play in the homelessness ecosystem, many have faced significantly reduced funding and cost pressures that have forced them to reduce their service or, in some cases, close altogether. Holistic services delivered by larger-scale providers are often first to be cut in efforts to reduce spending. Many smaller-scale or independent providers have seen their donation income decrease in light of cost of living pressures. This has coupled with an increasingly competitive small grant environment, inflated delivery costs and higher demand for crisis support, and has left many smaller providers at risk of closing altogether.

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<sup>43</sup> Homeless Link, *Support for single homeless people in England, Annual Review 2022, 2023*.



## 6. Key challenges of the current system

*"There's no sense of real planning for development, improvement, stability – it's just an ongoing battle to survive."*

- CEO, Homeless Link member organisation

After years of poorly-planned and increasingly unsustainable funding, the homelessness sector is in crisis. As many as 19% of our members have already reduced or closed services, and 47% at further risk of doing so because of financial viability, and an increasing number have faced outright funding cuts from their local authority.<sup>44</sup> Our members report an overall lack of strategic financial coordination that stems from central Government. Despite delivering services on their behalf, charities are forced to waste significant time and resource chasing insecure funding to cover shortfalls and funding gaps, at the expense of planning and coordination. The result is a network of services forced to hop from crisis to crisis, vulnerable to market changes and unable to address the root causes of homelessness among the people who turn to them for support.

The inability of services to move beyond crisis responses means a revolving door of clients who return 'year after year' with homelessness driven by unresolved support needs, all while cost pressures push an ever-increasing number of people into homelessness for the first time. Services are now working within an unsustainable norm, with rough sleeping numbers rising rapidly, caseloads far beyond their intended capacity, and rising levels of overall need causing more people to become trapped in preventable cycles of homelessness.

This section outlines the widespread impacts of the broken funding system. This begins at the highest level, with services are unable to conduct common-sense business planning more than a year or two in advance. We then outline how cost-focused commissioning approaches trickle down into service delivery and the homelessness workforce. Most tragically, this section closes with a brief outline of the impact this has on people experiencing homelessness themselves, who are too often forced to rely on services that cannot deliver the support they need. The overall picture is one of crisis. Without a long-term plan to fund a system that works, the homelessness sector will continue to be pushed past breaking point.

### 6.1 Overreliance on Housing Benefit

Quality support is the key to ending homelessness. Specialist providers are set apart by the support they deliver. Forcing charities to pay for staff time and support costs out of accommodation-focused Housing Benefit income fundamentally misrepresents the role that services play for those who access them. For many experiencing

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<sup>44</sup> Homeless Link (2024). *Homeless Link submission to the Spring Statement 2024*.

homelessness, a roof over their head is the first step on the road to recovery – but it is high-quality, person-centred support that unlocks a sustainable move on from homelessness.

Our current funding system works against this. Funding is channelled into maintaining the bricks and mortar of a property rather than supporting the people who live within it. This has created a system ripe for exploitation by those whose only motivation is profit. The exempt scandal has placed this into the spotlight, with an alarming amount of accommodation delivered without regard for quality nor safety while collecting money directly from the public purse. The LUHC committee described current funding regulations as ‘a licence to print money to those who wish to exploit the system’<sup>45</sup> – while the people unfortunate enough to be housed in such schemes live with the lasting damage and trauma they can cause.

The historic lack of oversight in the sector has left the system ‘a complete mess’, and it falls to the new government to unpick this. This work has already begun, with the Supported Housing (Regulatory Oversight) Act offering a promise of change within the sector. But in a support-focused system, exempt status would not be required and this crisis would not exist.

While it is not clear how much money is currently spent on exempt accommodation, the system is clearly generating huge inefficiency and waste. The new government can regain strategic oversight of spending by quantifying the existing Housing Benefit spend and redistributing funds to deliver better investment, higher-quality services and improved outcomes for those who live in them. To achieve this, the focus of funding must shift away from bricks and mortar and onto the provision of high-quality, consistent and person-centred support.

### 6.2 Short-termism

As outlined in Chapter 5, many of our members receive some portion of their funding through Government funding streams. One of the core criticisms of the current funding model is the short-term nature on which funding is commonly allocated. Contracts are generally awarded on a short-term cycle with little consideration of the impact this has on service delivery.

The most prominent example of this is RSI funding. While welcomed as a necessary injection of funding when it was first introduced in 2018, providers were critical of the challenges posed by its initial one-year funding cycle.<sup>46</sup> Single-year contracts made it impossible to reliably forecast more than a year in advance, leaving little space for strategic planning and coordination. Services were left handing out fixed-term

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<sup>45</sup> Levelling Up, Housing and Communities Committee (2022). *Exempt Accommodation Report*. 19<sup>th</sup> Oct 2022 HC 21.

<sup>46</sup> Homeless Link (2021). *Everyone In for Good: Homeless Link submission to the Comprehensive Spending Review 2021*.

contracts to staff, driving high staff turnover and anxiety among the workforce. Providers were often not told of the outcome of new contract bids until April or May of the financial year, meaning they were forced to take the risk of covering delivery costs from reserves based on their anticipated funding.

After significant lobbying from the sector, Government announced that the 2022-25 RSI funding would be allocated on a 3-year basis. While this was a welcome change, providers maintain that the three-year cycle is still not long enough. As the end of the funding period draws closer, members report feeling they are again on a funding cliff-edge with no certainty about their future viability.

### 6.3 Race-to-the-bottom approaches

Even for those with relatively secure local authority contracts, commissioned contract values have increasingly fallen behind the cost of service delivery. We have heard from our members that despite headline announcements of new funding from Government, service-level funding has largely remained static in recent years. Many services have seen real-terms or actual cuts to their budgets, despite inflation-driven rises in the cost of service delivery and an increase in both the number of people requiring support and the severity of need they require support with. Services describe being expected to deliver more for less, all at the cost of their service quality.

The financial shortfalls in homelessness funding have also driven a cost-first approach to commissioning. Members describe losing contracts – often for services that they have provided for years – because lower-quality providers are able to offer to deliver them cheaper but in doing so sacrificing better outcomes. Tendering culture can pit local organisations against one another, with a number of providers chasing the same grants and winning out based on who can offer to deliver it the cheapest. Providers spoke of their frustration, both at the cost of contracts and the culture of competition that this fosters:

*“Sometimes the price of a contract is so low you know you can’t afford to tender for it. We are all aware these types of procurement practices kill collaboration and collaboration is what solves homelessness for people.”*

The culture of ‘race-to-the-bottom’ commissioning in homelessness drives the quality of services and support down as providers try to fit their service standards around what funding is available. This can make the effective implementation of high-quality support almost impossible. The basic principles of trauma-informed care require both time and strategic oversight to embed, with staff supported and trained to move away from crisis management. Without the ability to effectively horizon-scan, retain staff or offer sufficient support time to each resident, services instead remain trapped responding to crisis after crisis. This, in turn, prevents the effective support and recovery for people supported by the service, preventing recovery and perpetuating

the long-term traumas of homelessness.<sup>47</sup> All of this leads to ultimately driving up the costs to the public purse: not only through homelessness provision because of the protracted length of time people risk being trapped in homelessness, but also on wider public services including health, mental health, social care and criminal justice as the impact and trauma of homelessness takes hold.

### 6.4 Impact on workforce

*"We are commissioned to work in a trauma-informed way, but at the same time, we have to support so many people with a limited staffing capacity."*

The homelessness workforce has suffered shortages in recent years caused by low wages and high rates of burnout. The Homeless Link Workforce survey,<sup>48</sup> completed in June 2022, showed that workers are driven by a desire to make a positive difference, but that low wages and challenging workloads are driving people away from the sector. Only 28% of respondents felt frontline staff were appropriately paid, and workers who remained in the sector often did so in the knowledge that they could earn more elsewhere. The effect is an 'unsustainable' reliance on 'good will and passion'.<sup>49</sup>

Frontline workers, who provide much of the flagship support for homelessness organisations, are generally the lowest paid among the workforce and the most likely to be exposed to trauma and burnout. Charity leaders have spoken to us of their intentions to fairly compensate staff but emphasised the limited resources available to do so. Low wages were portrayed as a symptom of the homelessness commissioning culture. Contracts have very fine margins on staff costs, making competitive pay challenging to deliver, with frontline wages often only slightly above minimum wage. Because wages are so suppressed, they are often lower paid than entry-level positions in supermarkets, and leaders report difficulty in delivering attractive job conditions to retain workers under current contracts.

The overall result of workforce pressures has been a self-perpetuating cycle of staff shortages. Understaffing rarely means a reduction in the number of people supported. Instead, the same number of clients are shared across a smaller pool of support workers. As demand for services rises, workers are increasingly asked to take on additional cases, reducing the quality and intensity of support they can deliver while increasing the pressure associated with a higher caseload.

The high staff turnover driven by unstable funding can be destabilising at best and retraumatising at worst, with trusting relationships becoming less feasible as residents

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<sup>47</sup> Homeless Link (2024). *Being Trauma-Informed – a practice development framework*.

<sup>48</sup> Grassian, T. (2022). *2022 Workforce Survey: Key Findings*. Homeless Link.

<sup>49</sup> Ibid.

are shifted between workers or left worrying if staff will leave. Funding culture drives services to give high caseloads to low-paid staff, who are left not only 'trying to support people with higher levels of needs than they are equipped to cope with, but they are also often doing so under constant threat of redundancy'. This drives high turnover and burnout across the sector. For people experiencing homelessness, 'without continuity of staff, there is neither opportunity nor motivation to build any sort of relationship'.<sup>50</sup>

### 6.5 Impact on people experiencing homelessness

*"Housing First is meant to be open-ended. But we know with how our funding system works, that's not possible for us to promise. So we do also have a responsibility to get them in a place where everything's not going to crumble when we walk away"*

- Housing First support worker<sup>51</sup>

Ultimately, it is people experiencing homelessness who are most impacted by the negative outcomes of homelessness funding. In many cases, the structure of the homelessness system means people remain in situations of homelessness for longer than necessary. Cliff-edge funding can undermine evidence-based approaches such as Housing First or trauma-informed care, which rely on unconditional support for as long as a person needs it.

At its worst – yet all too often – the system can re-embed the traumas of homelessness. Forced to turn to services for support, an increasing number of people are being met with closed doors. Funding gaps mean that services may be unable to extend support to anyone beyond a core cohort of rough sleepers. For some, service closures may mean that support and accommodation services are simply absent, leaving people with no options to turn to. Even when able to access support, many are met with services that are delivered in precarity, with an unstable workforce and uncertainty about the future. In the worst cases, services can be actively damaging, fail to meet even minimum standards of care and support while collecting huge profits straight from the Housing Benefit bill.

### 6.6 The right time for change

The homelessness system cannot continue as it is. While fantastic work happens across the system every day, this is done in the face of significant hardship. Patchwork funding and financial shortfalls leave providers across the sector vulnerable to crisis. Systemic underfunding has combined with exceptional financial pressures to leave providers drifting from one emergency to another while trying to remain afloat.

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<sup>50</sup> Blood, I. et al. (2019). 'A Traumatized System': Research into the commissioning of homelessness services in the last 10 years. Riverside, University of York and Imogen Blood & Associates.

<sup>51</sup> Abdul Aziz, S. and Boobis, S. (2024). *More Than a Roof: Exploring the holistic outcomes of Housing First*. Homeless Link.

The challenges are rooted across the system as a whole. The cost of delivering temporary accommodation has left local authorities with little choice but to pull resources inward to meet their statutory duties, but this comes at the expense of non-statutory homelessness. Services have done all they can to balance the books and are running out of things to cut without undermining the safety of their services.

Inadequate services perpetuate homelessness: they trap people in cycles of engagement and disengagement, keep people held in situations of homelessness longer than necessary and can cause significant harm. Delivering services below cost forces inadequacy, and in doing so delivers very low value for money. Higher quality, localised services have been pushed out of the market as services are granted to the lowest bidder. The false economy of these services has taken precedent over delivering what works.

History shows us that change is possible. Radical changes to sector funding have taken place before, and they have delivered cost-effective services that have changed the lives of thousands. Without reform, the system will be pushed past breaking point. It should be an urgent priority of the new Government to reevaluate the system and its funding and work with providers to redesign a system that works.

## 7. Fixing the problem

*"It's the morally right thing to do but financially it also makes sense. Funding at the moment is a drop in the ocean compared to what homelessness is costing the country."*

- CEO, Homeless Link member

With careful strategy, investment and oversight, a country without homelessness is possible. Funding can enable the system to promote health and recovery, and ensure people are consistently supported to move on from homelessness for good.

But there is work required to get to this stage. The homelessness sector has faced crisis for years, and getting to this point requires a fundamental shift in how its funding is allocated, evaluated and monitored. Without this, the way the system is delivered will continue to undermine efforts to end homelessness and let down the people it is intended to support.

### Step 1: Regain strategic control over spending

The homelessness system spans a huge range of services, working across homelessness prevention, relief and holistic support. These services are often the last line of defence for some of the country's most vulnerable residents. But the system overall is at once hugely expensive and insufficient, having been subject to severe cuts and funded in a patchwork manner that can trap people in homelessness for longer and leave some without any access to support at all.

The problems of this approach are evident across the country, as the cost of statutory homelessness threatens to bankrupt local authorities and non-statutory services close their doors while rough sleeping numbers continue to rise. Housing Benefit loopholes have led to the rise of unscrupulous providers who are able to deliver harmful, poor-quality housing while collecting inflated rents directly from the welfare bill.

It is evident that the former government lost control of spending on homelessness. To regain this control, the new government should commit to conduct a systematic review of homelessness spending – from direct spend on hostels, temporary and emergency accommodation to the unknown amount paid out to exempt accommodation providers, and the costs incurred by health, justice, the Home Office and other departments in supporting people with problems that stem from a lack of housing.

While current spending on homelessness is demonstrably inefficient, the true cost of that system remains unknown. It is imperative that Parliament conduct a systematic review of the costs and benefits of current approaches before consolidating this into a single budget designed to deliver strategic, proactive support to everyone who needs it rather than bouncing from one crisis after another.



### Step 2: Redesigning the funding system

Once the overall homelessness bill has been quantified, government should redesign the funding system to enable a sustainable, effective and prevention-focused approach. Doing so will enable government to work more effectively with the VCSE and get the country back on track towards ending homelessness.

## The Essential Principles of Homelessness Funding

### Prevention first

#### Long term

Funding is delivered alongside a long-term plan to end homelessness, on a 5-10 year cycle and matched to inflation.

#### Joined-up

The whole system is funded to deliver consistent, high-quality support from their first contact with services until their last.

#### Personalised

Commissioners fund a menu of options so that flexible support is available to everyone for as long as they need it.



#### Ringfenced

Homelessness funding is ringfenced, and safeguarded from cuts to save elsewhere.

#### Cross-departmental

Ending homelessness is a whole-Government mission, with investment and collaboration across departments.

#### Comprehensive

Homelessness funding reflects the true cost of service delivery, covering the costs essential to delivering effective support.

#### Trauma informed

All commissioned services hold trauma-informed care as a minimum standard and are sufficiently funded to deliver this.

### Prevention – the golden thread

The first priority of any homelessness system should be to prevent homelessness whenever possible, and the funding system is no exception. Prevention is always the cheapest and least traumatising response to housing insecurity and risk of



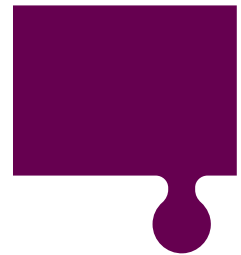
homelessness,<sup>52</sup> and everyone should be supported to remain in their home unless it is unsafe for them to do so.

While prevention has seen increased focus in local authority housing responses, it is yet to be truly embedded in the homelessness system in England and is often the first area to be cut in response to increased crisis demands.<sup>53</sup> Homelessness prevention is a shared responsibility, requiring a commitment to treat the causes of homelessness wherever they appear across government, and the funding commitments should echo this cross-departmental approach. Without it, the homelessness system is only ever able to respond to crisis, with an increasing flow of people turning to services because of needs that should have been met elsewhere.

Funding reforms must hold homelessness prevention at its core at every stage. Prevention saves money, minimising the risk of homelessness, preventing the worsening of support needs and driving down demand for support over time.

## Ringfenced

Ending homelessness is a sound investment. At current, the cost of homelessness is enormous – both the financial cost to local government, the NHS, DWP, police and prisons, and the human cost to those whose lives are placed at risk because of a shortage of coordinated accommodation and support.



Homelessness services are currently funded through a complex network of ever changing funding sources, many of which are vulnerable to cuts and reactive to market pressures. Budgets for homelessness support have diminished significantly across the last fourteen years, following the removal of the Supporting People ringfence.<sup>54</sup> In the years since 2010, bed spaces for people experiencing homelessness have dropped by 38%<sup>55</sup> while rates of rough sleeping have risen by 120%.<sup>56</sup> Many supported housing services now rely primarily on Enhanced Housing Benefit income to survive through exempt accommodation. Providers told us of ‘dancing on pinheads’ to fit support under strict Housing Benefit criteria, limiting service improvements and innovation. At the same time, unscrupulous providers have used loopholes in these regulations to deliver poor-quality exempt supported accommodation, with extremely damaging

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<sup>52</sup> Pleace, N. & Culhane, D.P. (2016) *Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England*. London: Crisis.

<sup>53</sup> Homeless Link (2024). *Homeless Link submission to the Spring Statement 2024*.

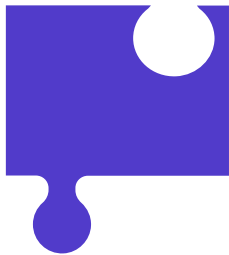
<sup>54</sup> Thunder, J. and Bovill Rose, C. (2019). *Local Authority Spending on Homelessness: Understanding recent trends and their impact*. WPI Economics, St Mungo's and Homeless Link.

<sup>55</sup> Homeless Link, *Support for single homeless people in England, Annual Review 2022, 2023*.

<sup>56</sup> DLUHC (2024). *Rough sleeping snapshot in England: Autumn 2023*.

outcomes.<sup>57</sup> All this has created a fragmented system of homelessness funding, leaving the Government with no knowledge of what is truly spent on relieving homelessness.<sup>58</sup>

To remedy this, the disparate funding that goes into the homelessness sector should be unified under one ringfenced budget that considers the homelessness system as a whole. Funding should be rebalanced towards the provision of high-quality support, with commissioning decisions based on service quality as much as cost.



### Long term

There is no quick fix to ending homelessness. Government, local authorities and homelessness service providers must work together to deliver a long-term, strategic approach if we are to make a country without homelessness a reality.

The current system of short-term funding cycles prevents this. Contracts are often granted on a one- to three-year basis, without enough certainty to plan strategically for the future.<sup>59</sup> This is further compounded by funds operating on different funding cycles and timescales, meaning constant shifting budgets for providers. This funding approach directly contravenes the principles of effective support. It prevents collaboration as services compete for the same funding pots year in, year out. It drives high turnover, pushing skilled workers out of the sector in pursuit of permanent contracts elsewhere. At its worst, it can drive repeat homelessness as people settled in accommodation find their homes placed up for tender, or successful services are lost due to contract changes.

Long-term funding is essential to achieve a country free from homelessness. This should span at least five to ten years and be matched with a long-term national homelessness strategy addressing the root causes of homelessness. Initial financial settlements should act as a minimum, with flexibility built in to respond to market changes, inflation, and variations in patterns of homelessness which may change the shape of service delivery.

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<sup>57</sup> Levelling Up, Housing and Communities Committee (2022). *Exempt Accommodation Report*. 19<sup>th</sup> Oct 2022 HC 21.

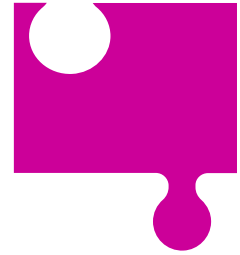
<sup>58</sup> Davies, G (2022). *Letter from the Comptroller and Auditor General to the Chair of the LUHC Select Committee*. GF 1370 22, 27<sup>th</sup> July 2022. Available at:

<https://committees.parliament.uk/publications/28518/documents/172215/default/>

<sup>59</sup> <sup>59</sup> Blood, I. *et al.* (2019). *'A Traumatized System': Research into the commissioning of homelessness services in the last 10 years*. Riverside, University of York and Imogen Blood & Associates.

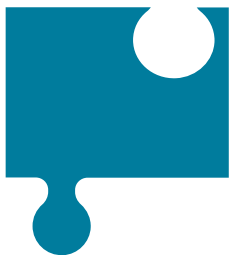
### Cross-departmental

Homelessness is not a single-department issue. Its drivers – including health, welfare, the justice system, and migration – are spread across government departments. It is in everyone’s interest to collaborate and invest in preventing and ending homelessness.



At current, however, responsibility for homelessness-related costs falls almost entirely to MHCLG. Funding is channelled through housing-related support even where the causes of homelessness sit across other support areas, and other government departments can play an active role in trapping someone in homelessness. This means MHCLG are left holding undue financial risk for shortfalls across other departments. Ultimately, this forces siloed working, letting other departments off the hook for their role in preventing and ending homelessness.

To achieve a whole-government commitment to ending homelessness, the funding system requires whole-government investment. This means not just shared accountability and strategy, but shared financial responsibility across MHCLG, DHSC, DWP, Home Office, Justice and Education. Collaborative funding should drive collaborative working, with each hand of government working together to address the root causes of homelessness and relieve it swiftly wherever it occurs.



### Joined-up

People often navigate their way through a range of services during their journey through homelessness. The funding system should support these services to work collaboratively and consistently, so that everyone receives high-quality support from the first contact with services until the day they exit homelessness for good.

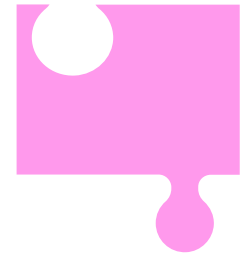
Unfortunately we know that the current system is often far from consistent. Service funding for accommodation is often based on bed spaces rather than the people who occupy them, and services are often working in competition with one another. Outreach, day centres, emergency accommodation or other independently funded providers can face siloes on which other services they can work with as they are perceived to be outside of the mainstream system. This can mean huge variety in the quality or nature of the support offered to a person depending on who provides their support and accommodation. It also means that those moving into their own homes are often met with a steep drop-off in support. This too often destabilises progress, preventing people from settling in a new tenancy and making their house a home.

To prevent gaps in support and promote collaboration, the funding system should embed a whole-systems approach. Funding for support should follow the person being supported, ensuring consistency and care at every stage of their journey. This means collaborative commissioning across local areas to ensure that every service works

together, from the first contact in a day centre to the moment someone is settled and secure in their own home.

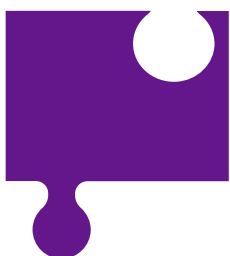
### Comprehensive

It is homelessness services that turn government ambitions on ending homelessness into reality. They deliver essential support to some of the country's most vulnerable adults, and often do so on government contracts. Their services, when funded properly, relieve pressure on the NHS, justice system, local authorities and social care.



Current funding fails to recognise the essential role homelessness services play in supporting those with multiple complex needs. Some providers, like day centres and some night shelters, are excluded from government funding systems entirely, reliant on trusts, foundations or fundraising income to survive. Commissioned services often manage a complex patchwork of funding that rarely meets the cost of core service delivery.<sup>60</sup> Race-to-the-bottom commissioning practices have seen contracts awarded on price over quality, with providers pressed to deliver more for less or risk losing funding altogether. This false-economy approach has seen service quality decrease, outcomes worsen, and services scrambling to make up shortfalls elsewhere.<sup>61</sup> The unstable funding environment has seen some choose to move away from commissioning altogether. Most worryingly, an increasing number of demonstrably successful services have closed their doors as static contracts have fallen well behind the cost of service delivery.<sup>62</sup>

Any approach to funding must consider a comprehensive view of the homelessness system recognising and valuing the diversity of services needed to tackle homelessness. Commissioning should be based on the true cost of delivering high-quality, effective services. Commissioners should be adequately resourced to pay providers for the services they deliver, covering all core staffing and building management costs. Settlements should be reviewed annually, adjusted in line with inflation and responsive to changing patterns of homelessness.



### Personalised

People who experience homelessness are incredibly diverse, and no two journeys through homelessness are the same. Evidence has repeatedly shown that effective support embraces diversity, meeting a person where they are and fitting around their needs.

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<sup>60</sup> Blood, I. *et al.* (2019). 'A Traumatized System': Research into the commissioning of homelessness services in the last 10 years. Riverside, University of York and Imogen Blood & Associates.

<sup>61</sup> Homeless Link (2024). *Homeless Link submission to the Spring Statement 2024*.

<sup>62</sup> Homeless Link (2022). *Keep Our Doors Open: The homelessness sector and the rising cost of living*.

Funding approaches mean the current system is rarely able to deliver on this standard of care. Budgets are usually linked to specific populations or forms of homelessness, meaning providers may face restrictions on who they can support. Competitive and time-consuming tendering processes have pushed many smaller, specialist providers out of the market as they struggle to compete with larger, general-needs providers. This has seen an increase in one-size-fits-all provisions, where everyone is funnelled through the same services and offered the same level of support. Such provisions can be dangerous and traumatising, disproportionately impacting those with multiple and complex needs, and those who already face heightened levels of discrimination, including women, young people, LGBTQ+ people and people of colour.

For homelessness support to be effective and economical, the system must be funded to deliver personalised support to everyone who needs it. This means embracing a diverse ecosystem of services: outreach, specialist supported accommodation, in-tenancy floating support and Housing First, to name a few. Ringfenced funding should cover all forms of homelessness and commissioners should embrace specialism, funding a menu of options so that everyone has equitable access to support.

### Trauma informed

People experiencing homelessness have disproportionate experiences of trauma. Trauma-informed care can prove lifechanging for those engaged with services, supporting them to move past cycles of re-traumatisation and make sustainable progress towards ending homelessness. Becoming trauma-informed requires the whole system to continually reflect and develop to minimise the risk of re-traumatising those who access support.<sup>63</sup>



But homelessness is a trauma in itself, and people are too often traumatised by the systems designed to support them. Insecure, insufficient and short-term funding cycles across the homelessness sector can make embedding trauma-informed care almost impossible. Providers are often themselves delivering in crisis, unable to effectively plan for the future under the threat of funding cliff-edges. Restricted funding inflates caseloads and drives down the time staff can dedicate to each person they work with, creating challenges when trying to deliver and maintain person-centred and trauma-informed care. Services that are able to deliver trauma-informed care often rely on significant fundraising income to achieve this, with most providers simply unable to meet this standard within the budgets they receive from government.

All services funded through government should hold trauma-informed care as a minimum standard. This means funding that enables the conditions of trauma-informed care, including sufficient staff time to maintain low caseloads, to engage in reflective practice and to deliver safe and strategically planned services consistently.

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<sup>63</sup> Homeless Link (2024). *Being Trauma-Informed – a practice development framework*.

## What We Do

Homeless Link is the national membership charity for frontline homelessness services. We work to improve services through research, guidance and learning, and campaign for policy change that will ensure everyone has a place to call home and the support they need to keep it.

## Homeless Link

Minorities House  
2-5 Minorities  
London  
EC3N 1BJ

[www.homeless.org.uk](http://www.homeless.org.uk)  
@HomelessLink

# Let's End Homelessness Together

