

Homeless Link submission to Energy Bill Relief Scheme Review 2022

December 2022

1. Introduction

- 1.1. Homeless Link is the national membership organisation charity for frontline homelessness services. Representing over 900 organisations, 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.
- 1.2. This submission is based on consultation and insight gathered through our member engagement including dedicated surveys and polling as well as case study collection.
- 1.3. At a time where support for those experiencing homelessness is more vital than ever, we welcome the Energy Bill Relief Scheme (EBRS) review as an opportunity for the Government to safeguard the homelessness sector from the worst of rising costs and are pleased to provide a submission in support of this.
- 1.4. The homelessness sector provides essential support to many of those experiencing the most severe forms of poverty and deprivation. Our members include accommodation providers, day centres and drop in services, with support encompassing outreach to people who are rough sleeping and preventative work for those at risk of losing their homes, through to recovery support for those with previous experiences of homelessness.
- 1.5. Homeless Link welcomes Government support to continue to help those most at risk of homelessness including increasing benefits by 10.1% in line with inflation, and the recent £50million increase to the Homelessness Prevention Grant. These are valuable interventions that will enable local authorities to prevent many people from losing their homes over the coming months as the continued impact of the rising cost of living is felt by households across the country.
- 1.6. However the additional support announced so far does not help services who are supporting those already experiencing homelessness and rough sleeping, or those who have recently moved-on from homelessness. As rising inflation drives up costs across the country, a combination of long-term funding deficits, staff shortages and increased demand for support has pushed the already stretched sector into crisis.
- 1.7. The rise in energy costs play a substantial role in the pressures being felt by homelessness services, and it is only through the EBRS that many providers have been protected from the impact of unsurmountable costs.
- 1.8. The EBRS has played a vital role in insulating the sector from collapse at a time when the costs of all parts of service delivery are rising rapidly. Failure to extend the scheme would put unsustainable pressure on an already vulnerable industry, forcing organisations to reduce staffing and close services.
- 1.9. Case study data collected from Homeless Link members estimated that without continued support average energy costs will rise by 141% next year in comparison to 2021. Despite this, organisations have not yet been granted any increase to budgets or additional funding from Government, instead expected to find cost-saving measures internally. And anxieties are growing regarding the

impending sunset of the EBRS, with few reassurance as to what support, if any, would replace it.

- 1.10. Recovering costs elsewhere is not possible, as statutory funding was set when inflation was lower, budgets were already extremely restricted and additional costs cannot be passed on to financially vulnerable service users.
- 1.11. At the same time as inflation drives funding deficits, demand for homelessness services is rising. Despite 8 in 10 of our members reporting increased demand in response to the cost of living crisis, many are having to consider scaling back or closing their service offer due to funding shortages.
- 1.12. Without urgent action, rising costs including energy bills will mean fewer homelessness services, forcing people onto the streets with nowhere to turn. An increase in rough sleeping will cost lives and its impacts continue to be felt for years to come.
- 1.13. **To deliver on this Government's shared goal of preventing and ending rough sleeping by the end of this parliament,¹ we ask BEIS to extend the EBRS scheme for homelessness providers beyond April 2023.**

2. Energy consumption

- 2.1. The homelessness sector encompasses a wide variety of services providing support for those experiencing or at risk of homelessness, including but not restricted to residential accommodation, supported housing, drop-in support, day centres, food kitchens and specialised outreach support.
- 2.2. Patterns of energy use are generally divided between use in accommodation, appointment and communal spaces and offices. Those providing residential accommodation often use large proportions of their energy to heat the homes of service users. Many providers have multiple functions and non-residential spaces will be multi-purpose, used by staff as well as appointment rooms or drop in spaces. One provider estimated that around 70% of their energy was used to heat residential units and around 30% to heat offices and appointment rooms.
- 2.3. Homelessness services overwhelmingly serve two functions, providing accommodation and face-to-face frontline support. They therefore cannot scale back on rental space without implications to their business model. As one provider told us: "An organisation cannot make savings simply be provide (sic) a reduced service - rent remains unchanged no matter how many hours we use the building, electricity change very little by turning everything off, heating remains unchanged as the building must be kept heated [...] All of this can only negatively impact on all of us."
- 2.4. Supported accommodation housing stock is often inefficient and improvements are costly due to their age, meaning efficiency measures are difficult to attain and require a high upfront costs that many providers cannot afford at this stage.

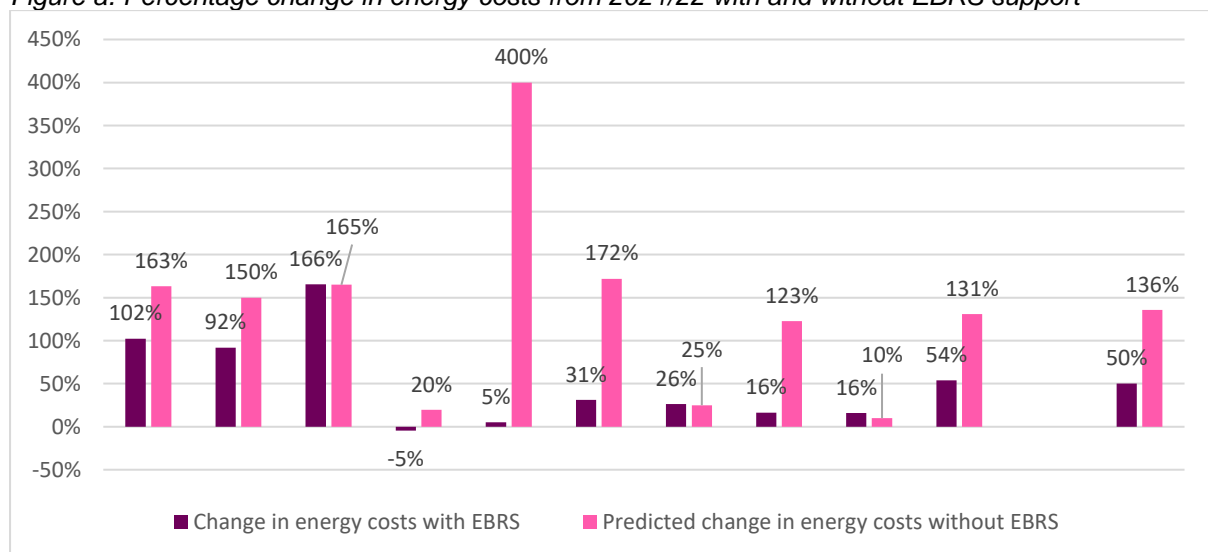
¹ Conservative Party. (2019). *Get Brexit Done, Unleash Britain's Potential: The Conservative and Unionist Party Manifesto 2019*.

- 2.5. Providers who deliver residential services have higher than average patterns of energy consumption than businesses with a large proportion going on residential use. One large-scale supported accommodation provider told us their energy costs are projected to rise from £1.5million to £7.7million once subsidies are lifted. This equates to a 413% rise in spending without any additional funding, a cost they are unable to absorb.
- 2.6. Despite paying the utility costs of accommodation units, providers are often not in control of the heat use for individual accommodation units, with tenants setting the levels themselves, making the task of reducing energy consumption additionally challenging.
- 2.7. The proportion of members' turnover accounted for by energy use in 2021 averaged 3% overall. Without continued support this is predicted to rise to 6.4%.

3. Rising costs and the EBRS so far

- 3.1. The impact of the rising costs of energy are not felt universally across homelessness services. Some providers were fortunate to lock into multi-year fixed rate deals just before utility costs rose. Others services are mid-way through a fixed-rate deal and are yet to renegotiate their costs. These providers are anxious that classification as business users will mean any support on renewed contracts will not reflect the largely residential nature of their consumption or their role in supporting vulnerable adults. A small number of providers who have renegotiated have qualified as residential users, but this appears to be discretionary. The remaining services who have renegotiated their tariffs since September 2022 have benefitted from the EBRS.
- 3.2. Case study data collected from 23 Homeless Link members showed that 10 had benefited from the EBRS so far. As displayed in fig (a), the EBRS has been of significant benefit to those who have qualified. While energy costs had risen by an average of 50% from their 2021 levels, this was a significant reduction to the 136% forecasted without the support of the scheme.

Figure a. Percentage change in energy costs from 2021/22 with and without EBRS support



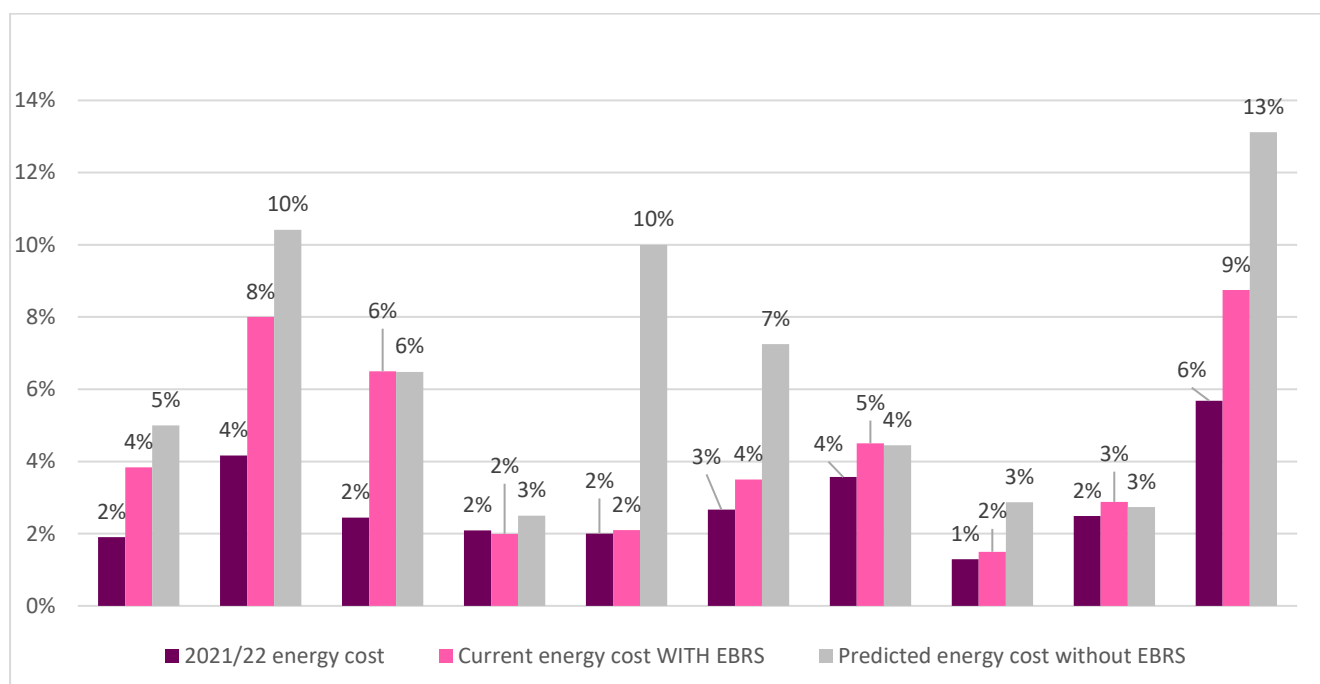
- 3.3. Predicted changes in energy costs vary hugely between providers from 400% through to 10%. These variations reflect the diversity of types of services being offered as well as the differing scale of provision. Fig (b) sets out the detailed costs for these services compared to 2021/22.

Figure b. Changes in energy costs from 2021/22 with and without EBRS

Region	Service type	Annual turnover	Annual energy cost - 2021/22	Annual energy costs - 2022/23 WITH EBRS	Predicted annual energy costs WITHOUT EBRS
South East	Supported Accommodation	£1,000,000.00	£19,000.00	£38,400.00	£50,000.00
East of England	Detox & Residential Rehab and supported accommodation	£1,200,000.00	£50,000.00	£96,000.00	£125,000.00
London	Day centre, supported accommodation, recovery & resettlement	£5,400,000.00	£132,101.00	£350,808.00	£350,000.00
North West	Supported Accommodation	£1,600,000.00	£33,471.00	£31,932.00	£40,029.00
North West	Supported Accommodation	£10,000,000.00	£200,000.00	£210,000.00	£1,000,000.00
West Midlands	Supported Accommodation	£1,200,000.00	£32,000.00	£42,000.00	£87,000.00
South West	Supported Accommodation	£3,200,000.00	£114,140.00	£144,000.00	£142,500.00
West Midlands	Domiciliary Care	£400,000.00	£5,160.00	£6,000.00	£11,500.00
East of England	Supported Accommodation and D&A Recovery Services	£750,000.00	£18,659.00	£21,600.00	£20,500.00
East Midlands	Supported Accommodation	£343,000.00	£19,500.00	£30,000.00	£45,000.00

- 3.4. These costs contribute a significant proportion of annual expenditure and are mainly absorbed through contract overheads. Yet the majority of homelessness services and have not seen inflationary uplifts to their contracts for years. Thus rising energy costs are cutting into available funds for service delivery. One of our member services, a large provider in the north of England, told us in detail about the challenges they were facing. Their budgets were agreed when inflation was lower and many services have not seen their contract values increase in years. Many of their services are now running deficit budgets driven by core delivery costs and high spends on recruitment as staff leave for better paid jobs elsewhere. Despite negotiations with commissioners around contract uplifts, they have had little success. Staff have gone through budgets 'with a fine tooth comb' to identify potential savings, but costs are already as low as possible with 'no more fat to trim'
- 3.5. For providers being supported through the EBRS energy costs as a proportion of turnover have already increased on average by 54% from 2.8% to 4.4%. However without this support providers are anticipating a 129% increase to 6.5% of their turnover.

Figure c. Proportion of annual spend on energy costs with and without EBRS compared to 2021/22: selected homelessness services benefitting from EBRS



3.6. Services who have fixed tariffs and have therefore been insulated so far are still bracing for a difficult future. Costs for those who have not benefitted from EBRS so far are on average forecast to rise by 164%.

Figure d. Changes in energy costs from 2021/22 without EBRS for homelessness services on fixed tariffs

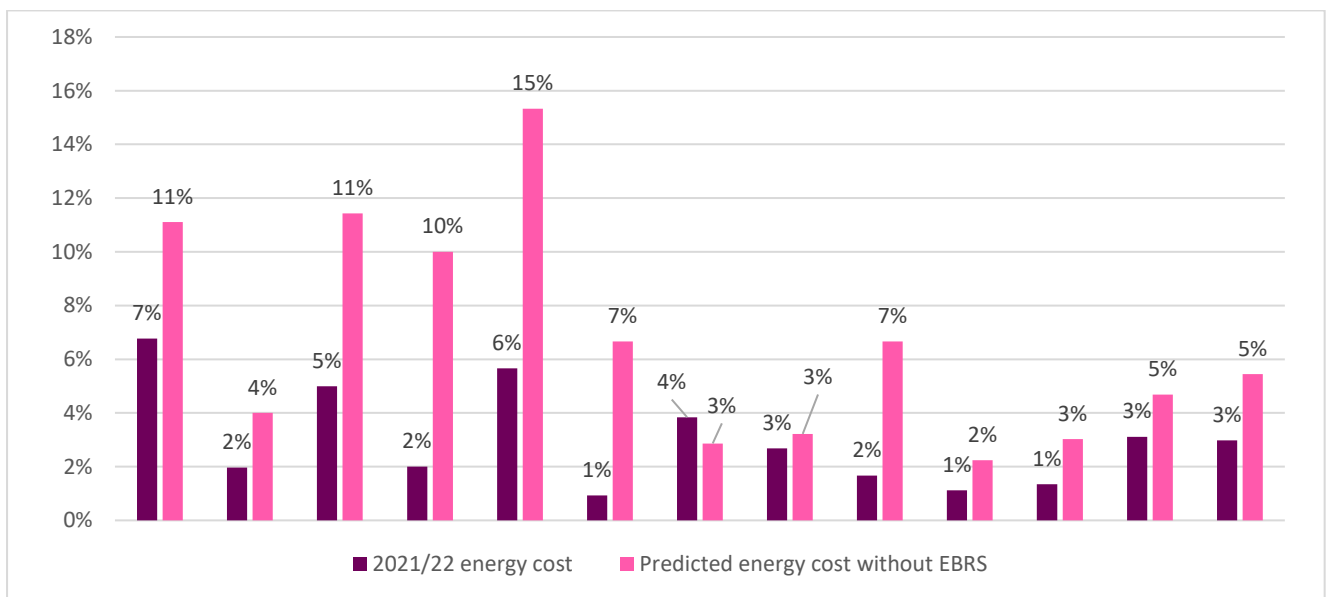
Region	Service type	Annual turnover	Annual energy cost formatted	Predicted annual energy costs without EBRS	Predicted change in energy costs
Yorkshire and The Humber	Supported Accommodation	£450,000.00	£30,488.00	£50,000.00	64.0%
Yorkshire and The Humber	Supported and non-supported accommodation	£500,000.00	£9,832.00	£20,000.00	103.4%
South West	Supported Accommodation	£350,000.00	£17,500.00	£40,000.00	128.6%
North West	Supported Accommodation	£10,000,000.00	£200,000.00	£1,000,000.00	400.0%
North West	Day centre	£150,000.00	£8,500.00	£23,000.00	170.6%
West Midlands	Day centre	£1,500,000.00	£14,000.00	£100,000.00	614.3%
West Midlands	Supported Accommodation	£14,655,000.00	£563,119.00	£420,000.00	-25.4%
South West	Supported and non-supported accommodation	£20,000,000.00	£537,000.00	£644,000.00	19.9%
East Midlands	Supported Accommodation	£3,000,000.00	£50,000.00	£200,000.00	300.0%
West Midlands	Supported Accommodation	£150,000.00	£1,680.00	£3,360.00	100.0%
London, South East, South West	Outreach and supported accommodation	£119,000,000.00	£1,600,000.00	£3,600,000.00	125.0%

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Yorkshire and The Humber	Supported Accommodation	£999,654.00	£31,068.00	£46,835.00	50.7%
East Midlands	Supported Accommodation	£4,000,000.00	£119,029.86	£217,983.90	83.1%

- 3.7. The average proportion of turnover consumed by energy costs for this group, who have yet to renegotiate their energy tariff, is projected to rise by 122% from 3.0% to 6.7%.

Figure e. Proportion of annual spend on energy costs without EBRS compared to 2021/22: selected homelessness services currently on fixed tariffs



- 3.8. Some were already feeling the full impact of uncapped costs, with their organisations pushed into emergency measures. One provider we spoke to was locked in a 5-year variable contract meaning they were ineligible for the EBRS.

Case study – day centre

One of our members, a day centre in the North West, told us their energy costs have risen from £700 per month in March to £1,900 per month in October – a 170% increase. They provide food and drop in support for around 130 people experiencing or at risk of homelessness but have had to reduce their service in recent months.

They are on a 5-year variable contract and have therefore been ineligible for EBRS support. Funded solely through grants and donations, they have seen their income streams reduced with cash donations down 30% and income from fundraising events down by around 50%. Food donations are also down 30%. They have returned to grant funders for additional support but have not yet been successful in securing this.

They have already had to reduce their opening times, closing during the day for 3 days per week. They are providing 40% fewer meals to save costs despite demand increasing. The building is advertised as a warm bank by the local authority but management have had to return to them to correct this due to restricted opening hours. Money is being borrowed from budgets 18 months in advance and staff are being coached on reducing electricity usage. With no remaining costs to cut, the service remains at risk of further service reductions if their energy costs stay as high.

They had already seen costs rise from £500 per month in March to £1,800 per month in October. As explored below, this service had already reduced their opening hours and was serving 40% fewer meals to their community because of this.

- 3.9. Across all services, Homeless Link members reported they were anticipating a 126% increase in the amount of budget they will have to allocate to energy costs, rising from 30% to 6.4%. This is an additional 3.4% of their budgets to energy costs, with some seeing costs rise to 15% of their overall turnover. Services reflected on the pressure meaning a 'significant amount of management time' being redirected 'on seeking ways to reduce energy usage rather than focusing on the charity's core objectives'.
- 3.10. The reduction in margins means less money available for other costs including staff costs and support activity. Many organisations are considering redundancies to reduce expenditure. Others were leaving vacancies unfilled to save costs. The result is twofold; fewer frontline workers available to support service users would mean less capacity within teams, and cuts to supplementary staff would mean less resilience and fewer resources for fundraising or business development.
- 3.11. Throughout our discussions with members a clear pattern of service closures has also emerged. Many of our members have told us that the cost of living crisis puts them at risk of service closure – and this risk has become more pressing as the crisis continues.
- 3.12. A number of services told us they have already reduced their offer, including reducing opening hours, outreach hours, staff-led activities, and less preventative work to reduce the risk of homelessness in future.
- 3.13. More worrying, a number of services told us of handing back accommodation units they could no longer afford. One provider whose costs had doubled told us they had planned a 10% reduction already with potential to scale this up to 25%. This reduction was directly proportionate to the number of people they had capacity to support, meaning 10-25% fewer people able to access supported accommodation.
- 3.14. The impacts of mass service closures would be devastating. Indicators show that rough sleeping rates are already rising, up by 24% in London² and that the number of people presenting as homeless is rising nationally.³ Services closing would mean a huge increase in people facing homelessness without support. Learning from austerity has shown us that this is expensive to fix and comes at significant human cost for those who find themselves homeless.⁴
- 3.15. Homelessness has severe negative impacts on all aspects of health and wellbeing. Reduced capacity for support and more people experiencing elongated periods of homelessness will mean higher rates of physical and mental

² Greater London Authority (2022). *Rough Sleeping in London (CHAIN reports): 2022/23 Quarter 1 Reports*. Available at: <https://data.london.gov.uk/dataset/chain-reports>

³ Ministry of Housing, Communities and Local Government (2022) *Statutory homelessness live tables*. Available at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

⁴ Hoddinott, S. Fright, M. and Pope, T. (2022). *'Austerity' in public services: Lessons from the 2010s*. Institute for Government.

ill-health, increased demand for long-term support and risks leading to an increase in early deaths related to homelessness.⁵

4. Recovering costs

- 4.1. The energy crisis has arisen at a time of existing financial vulnerability for the homelessness sector. Local authority contracts are commissioned via a competitive tendering process which has been criticised for favouring low budgets over quality or cost effectiveness.⁶ Even prior to the cost of living crisis, staff wages and service budgets were cut to fine margins to match contract values.
- 4.2. Despite investment in recent years through the Rough Sleeper Initiative (RSI) and dedicated pandemic funding, over three quarters of services reported that their budgets remained the same or decreased between 2020-2021,⁷ the result of increased demand for support and a competitive funding environment. This meant providers moving into the current crisis with 'no more fat to trim'.
- 4.3. Energy costs are just one area of inflation impacting the sector, with building costs up by 25%⁸ and increased staffing costs driven by the 10% increase in the National Living Wage. Many services are running deficit budgets and relying on reserves for the first time just to meet essential costs⁹.
- 4.4. Where services are commissioned through local authorities, commissioners are rarely able to help with additional funding as local authority budgets, which were set when inflation was around 3%, were frozen in the Chancellor's Autumn Statement¹⁰.
- 4.5. This makes cost recovery an impossible task. Additional income streams are restricted; members told us of very competitive grant funding environments which often exclude core costs, and individual giving shrinking across the population.¹¹
- 4.6. Passing costs onto customers is also unfeasible given the model of support and the financial vulnerability of many residents, who are usually on restricted incomes. Accommodation providers will normally charge an additional 'top-up' service charge which is collected directly from residents on top of their Housing Benefit payment, but arrears are common and the costs are difficult to recover. One provider told us they typically expect service charge will be paid at around 32% with the remaining balance absorbed by the charity. The delivery models of homelessness charities, including a higher rate of unplanned exits than other forms of supported housing, further complicate the ability to recover costs directly from residents. Members told us that attempts to pass costs on to residents are

⁵ Hertzberg, D. and Boobis, S. (2022). *The Unhealthy State of Homelessness 2022: Findings from the Homeless Health Needs Audit*. Homeless Link.

⁶ Blood, I. Pleace, N. Alden, S. and Dulson, S. (2020). *A Traumatized System: Research into the commissioning of homelessness services in the last 10 years*. Riverside.

⁷ Homeless Link. (2022). *Support for Single Homeless People in England: Annual Review 2021*. Homeless Link.

⁸ Simian. (2022). *How is the cost of living crisis impacting the construction industry?* 20th September 2022. Available at: <https://simian-risk.com/all-news/how-is-the-cost-of-living-crisis-impacting-the-construction-industry/>

⁹ Homeless Link. (2022). *Keep Our Doors Open: The Homelessness Sector and the Rising Cost of Living*. November 2022.

¹⁰ HM Treasury. (2022). *Autumn Statement 2022*.

¹¹ Charities Aid Foundation. (2022). *UK Giving Report*.

likely only to increase debt among residents rather than increase income streams.

- 4.7. One-off cost of living welfare payments were welcomed by members but accommodation providers reflected that the money, designed to account for rising utilities, did not reflect the utility set up of supported accommodation. Members reflected that while payments 'a benefit for our service users, [they were] not much help to the providers. We pay the rents, energy bills and council tax, not the individuals.' For those in receipt of energy vouchers, recovering these was highlighted as particularly difficult where the landlord was the registered bill payer.
- 4.8. This means services making difficult decisions about where to find additional funds for energy costs. "Either we have to pass the rises onto the tenants who cannot afford them and may lead to rent arrears and homelessness, or as an organisation we try to subsidise the increases to our tenants which at this time I am not sure is financially viable".

Case study – supported housing

We spoke to a provider who currently deliver 75 supported housing beds in the East of England. Their energy costs have risen from £50,000 last year to £96,000 this year – and are expected to rise to a further £125,000.

Their accommodation is provided through a combination of social housing and private rental, but the stock is outdated meaning high levels of energy inefficiency. While the organisation has successfully secured some inflationary uplifts, these are generally earmarked for items or activities and do not cover core delivery costs. Energy costs are largely covered through Housing Benefit, which is also expected to cover rising building and maintenance costs.

To account for costs, residents are charged a top-up service charge. However, this is typically paid around 32% of the time, with a loss of around 20k per year. The charity has worked with residents on reducing energy usage and while some have responded, 'some have ignored us', with higher-than-average patterns of use from residents.

The charity is already struggling and expressed their concern about further rises. "If [energy] prices rise again, our margins will shrink further – we've already given notice on three 2-bedroom properties [...] if prices continue to rise, we'll be scaling down as a charity. This would mean evictions, anything up to 70 people being made homeless". The charity stress that they are one of the primary providers in the area and so residents would be forced to present to local authorities for services that already have waiting lists, likely meaning a rise in rough sleeping.

For further information please contact Cat Tottie, Policy Manager:
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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.

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Together**

