



Autumn Statement 2023 representation

October 2023

1. Introduction

- 1.1. Homeless Link is the national membership organisation charity for frontline homelessness services. Representing over 800 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. At a time where support for those at risk of homelessness is more vital than ever, we welcome the Autumn Statement as an opportunity for the Chancellor to prevent homelessness and safeguard the homelessness sector from collapse. We are pleased to provide a submission in support of this. The Government must act now if it is to meet its commitment to end rough sleeping by the end of next Parliament.¹
- 1.3. The long term impacts of rising inflation has driven up costs across the country pushing more and more families and individuals into financial hardship and risk of losing their home. Increased homelessness is driving record numbers of households in temporary accommodation with local authority costs rising to £1.7billion.²
- 1.4. The freezing of Local Housing Allowance in 2020 coupled with rising inflations means that the private rented sector is rapidly becoming inaccessible to anyone at risk of, or experiencing homelessness across the country. Analysis by Crisis and Zoopla shows that, in 2022, fewer than one in twelve private properties listed were affordable within housing benefit levels, with increasing average shortfalls between LHA and the cheapest rents.³
- 1.5. With limited social housing supply the private rented sector is a key part of the housing infrastructure available to prevent and end homelessness. With no access this leave households pushed in homelessness, and trapped in costly and damaging temporary accommodation.⁴
- 1.6. At the same time a combination of long-term funding deficits, staff shortages and increased demand for support has pushed the already stretched sector into crisis. Services nationally are concerned that, without an inflationary funding uplift, they will be forced to scale back the support they offer. Evidence from Homeless Link's Annual Review 2022⁵ shows that nearly half (47%) of homelessness organisations manage services that are at immediate risk of closure due to rising costs. This has doubled from one in four when polled in July 2022.⁶

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

² Department for Levelling Up, Housing and Communities (2023) *Local authority revenue expenditure and financing*. Available at: <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

³ Crisis and Zoopla (2022). *Falling short: Housing benefit and the rising cost of renting in England*.

⁴ APPG for households in Temporary Accommodation (2023) *Call for evidence findings: summary, analysis of themes and call to action*.

⁵ Based on polling carried out with Homeless Link members in October 2022.

⁶ Based on polling carried out with Homeless Link members in July 2022.

2. Uplifting the Local Housing Allowance is the single most significant action Government can take to prevent people on low incomes being pushed into homelessness and relieve increasing pressures on temporary accommodation.

- 2.1 The Private Rental Sector (PRS) has become a core driver of homelessness in recent years, with a 22% increase in homelessness from the PRS this year compared to the same period before the pandemic.⁷ Private rental prices have increased by an average of 5.5% in the last 12 months, the largest annual percentage increase in rents paid by private tenants since the data series began in 2016.⁸
- 2.2 The Local Housing Allowance (LHA) was last set in 2020 and has steeply fallen behind inflating rental costs. Analysis from the Institute of Fiscal Studies (IFS) found just 5% of advertised private rental homes in England were affordable at LHA rates, with this affordability crisis even more acute in large urban areas.⁹
- 2.3 We are rapidly approaching a situation where there are no new rental properties affordable under LHA rates.
- 2.4 The best value option for the Treasury is to prevent homelessness wherever possible, and the most immediate and effective measure that Government can take is to unfreeze LHA rates to cover the true cost of rents. This was acknowledged in March 2020 at the beginning of the COVID-19 pandemic, when Government restored LHA to the 30th percentile, reducing rent arrears by ensuring that the lowest 30% of the PRS was affordable to those in receipt of housing benefit or the housing element of Universal Credit.¹⁰ This move was welcomed by Homeless Link members, but prices have since remained set at 20/21 levels.
- 2.5 The current main driver of homelessness is affordability; PRS evictions due to rent arrears have risen 51% since last year and 6% on the same period pre-pandemic.¹¹ Modelling from Crisis has shown that continued failure to raise LHA in line with rents will lead to rises in homelessness of up to 39% across four years.¹²
- 2.6 Analysis by Crisis and Zoopla¹³ shows that, in 2022, fewer than one in twelve private properties listed were affordable within housing benefit levels, with increasing average shortfalls between LHA and the cheapest rents. This included an average £950 a year shortfall for a one-bedroom home - an increase of £300 from five months earlier – and

⁷ Department for Levelling Up, Housing and Communities (2022). *Statutory homelessness live tables: April to June 2022*. 24th Nov 2022. Available at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

⁸ ONS (2023). *Index of Private Housing Rental Prices, August 2023*. 20th September 2023.

⁹ Waters, T. and Wernham, T. (2023). *Housing quality and affordability for lower-income households*. Institute for Fiscal Studies.

¹⁰ Valuation Office Agency. *Local Housing Allowance (LHA) rates applicable from April 2020 to March 2021 – amendment as instructed by the Social Security (Coronavirus) (Further Measures) Regulations 2020*. Web. Available at: <https://www.gov.uk/government/publications/local-housing-allowance-lha-rates-applicable-from-april-2020-to-march-2021>

¹¹ Crisis and Zoopla (2022). *Falling short: Housing benefit and the rising cost of renting in England*.

¹² Watts, B. Bramley, G. Fitzpatrick, S. et al. (2022). *The Homelessness Monitor: Great Britain 2022*. Crisis. September 2022.

¹³ Crisis and Zoopla (2022). *Falling short: Housing benefit and the rising cost of renting in England*.

an average £1,500 a year shortfall for a two-bedroom home, an increase of nearly £400 from five months earlier.¹⁴

- 2.7 Failure to uplift LHA has driven up homelessness and locked people in temporary accommodation as they are unable to find genuinely affordable homes. The country now has the highest number of households living in temporary accommodation ever recorded.¹⁵ Between 2021 and 2022, rough sleeping rose by 26%.¹⁶ Our members tell us that housing affordability is the primary reason that residents are unable to move out of temporary accommodation and into their own homes,¹⁷ trapping people in homelessness and reducing the supply of accommodation for people newly sleeping rough.
- 2.8 Experiences of homelessness are traumatic and incredibly damaging to health and wellbeing.¹⁸ The costs of homelessness are felt across the economy, reducing educational attainment in children¹⁹ and pushing people away from the labour market.²⁰
- 2.9 Findings from the APPG for Households in Temporary Accommodation highlighted the grave impact temporary accommodation has on child mortality highlighting data from the National Child Mortality Database which found from the child deaths reported between 1 April 2019 and 31 March 2022 there were at least 200 individual records where homelessness or living in temporary accommodation (bed and breakfast, hostel, shelter, and in extended family accommodation) were recorded as present in the child's mother, child, or child's family life.²¹ As of 31st March 2023 there were 131,370 children living in Temporary Accommodation in England.
- 2.10 The DWP estimate that restoring LHA rates to the bottom 30th percentile for 2023/24 would cost £700 million.²² In comparison, local authorities spent £1.7 billion on temporary accommodation for homeless households in 2022/23.²³ Uplifting LHA would unlock the PRS for many in temporary accommodation, meaning much-needed savings to the temporary accommodation bill.

¹⁴ Crisis and Zoopla (2022). *Falling short: Housing benefit and the rising cost of renting in England*.

¹⁵ DLUHC (2023). *Statutory homelessness in England: January and March 2023*. 25th July 2023.

¹⁶ DLUHC (2023). *Rough sleeping snapshot in England: Autumn 2022*. 28th February 2023.

¹⁷ Homeless Link (2023). *Support for single homeless people in England: Annual Review 2022*.

¹⁸ Hertzberg, D. and Boobis, S. (2022). *The Unhealthy State of Homelessness 2022: Findings from the Homeless Health Needs Audit*. Homeless Link.

¹⁹ McCallum, A. and Rich, H. (2018). *The impact of homelessness and bad housing on children's education: A view from the classroom*. Shelter.

²⁰ Jones, K et al. (2020). *Working and homeless: exploring the interaction of housing and labour market insecurity*. Social Policy and Society.

²¹ APPG for households in Temporary Accommodation (2023) *Call for evidence findings: summary, analysis of themes and call to action*.

²² The Parliamentary Under-Secretary (Department for Work and Pensions) provided estimates of DWP housing expenditure increasing LHA rates to the 30th percentile for specific years. (HC written questions 10 July 2023 UIN 193130). Available here: <https://questions-statements.parliament.uk/written-questions/detail/2023-07-10/193130>

²³ Department for Levelling Up, Housing and Communities (2023) *Local authority revenue expenditure and financing*. Available at: <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>.

2.11 Reducing the cost of the temporary accommodation bill is increasingly critical as rising costs and pressures are pushing local authorities across the ²⁴ into risk of bankruptcy.

2.12 As social housing supply remains limited, the private rental sector plays an important role in preventing homelessness and delivering accommodation for those exiting homelessness. Local Housing Allowance should cover the cheapest third of the rental market to ensure that those in receipt of benefits are able to access accommodation quickly and can maintain that accommodation without incurring debts. Increasing access to affordable housing is central to any strategy to reduce rough sleeping and properly supporting private renters is pivotal if we are to end homelessness.

In order to ensure affordable housing is available to those on low incomes, we call on Government to:

- Unfreeze the Local Housing Allowance rate so that it continues to cover at least the 30th percentile of local rents.

3. Local authority contract values have fallen behind inflation and require uplifting urgently to prevent mass closures.

3.1 With local authority budgets frozen in the Autumn Statement 2022, most homelessness service contracts have remained static despite the steep rise in operating costs across the last year. Because of this, nearly two thirds (64%) of our members say their services are no longer financially viable, with 47% at risk of closing altogether if the funding environment remains the same.¹⁹

3.2 The current cost of living crisis has arisen at a time of existing financial vulnerability across the sector. Contracts commissioned through local authority budgets are won via competitive tendering processes which can favour lower budgets over quality or cost effectiveness.²⁰ This approach had already seen staff wages and service scope cut to fine margins to match contract values.

3.3 There have been significant injections of funding for the sector since 2018, most notably through the Rough Sleeping Initiative (RSI) and dedicated pandemic funding. While this funding has been transformative for the sector, increased demand for support and growing competition in the sector means that individual services rarely see their contract values increase; between 2020-2021, over three quarters of service budgets remained static or decreased overall.²¹ This means budgets were already facing restrictions as they fell behind inflation even before the steep rises in the previous year. Providers entered the current crisis vulnerable to market instability and unable to cut costs on services which had already been stripped back.

3.4 Essential service costs have inflated rapidly, leaving providers no choice but to absorb increased prices or make serious compromises on the quality of care they provide. Energy costs are set to rise by an average of 136% and in some cases by up to 400%,²². Building materials and maintenance costs have risen by 15%,²³ and services are facing significant workforce pressure including demand for wage uplifts, the 10% increase in

²⁴ Inside Housing (2023) *Councils 'about to go bust' over temporary accommodation costs, CPC23 attendees told*. Available here: <https://www.insidehousing.co.uk/news/councils-about-to-go-bust-over-temporary-accommodation-costs-cpc23-attendees-told-83377>

National Living Wage, and high recruitment costs as existing staff leave for better paid jobs elsewhere.

- 3.5 These pressures mean that many services are running deficit budgets and relying on reserves for the first time just to meet essential costs. In most cases, existing funders – primarily local authorities – are facing financial restrictions themselves and are unable to offer budget increases. Additional income streams are also restricted, with members reporting increasingly competitive grant funding environments and a shrink in charitable giving.²⁴ While rapid inflation is expected to stabilise, costs are not expected to go back down, meaning providers must adjust to increased costs long-term. For many providers, the only way to meet these sustainably is an increase in contract values.
- 3.6 The cost of delivering residential accommodation has risen above market inflation, with building and maintenance costs rising by 15% nationally.²⁵ Members report that in practice this has translated to much larger increases, in some cases of up to 40%, and that these sit alongside significant delays. Bed spaces have been left vacant as rooms await repair for extended periods and providers risk compromised building safety due to outstanding fire safety work. The outcome of this is two-sided, with a reduction in the number of people an organisation can accommodate at the same time as a reduction in rental income for providers, further exposing them to financial risk.
- 3.7 Providers pay business rates for large-scale energy consumption even where that energy is used in residential settings. While many providers are locked into multi-year contracts, an increasing number are facing vastly inflated costs without the support of additional funding. These costs are well beyond what can be absorbed under current contracts and are placing established providers at risk of failure.
- 3.8 The sector's service model means that costs cannot be passed on. Residents are often vulnerable adults, are on restricted incomes and universally have current or recent experiences of homelessness. Rental income is in most cases recovered through Housing Benefit alongside an additional top-up 'service charge' to be paid directly by the resident. Service charge arrears are common and difficult to recover reliably. One provider told us they typically anticipate around 32% payment of service charges, with the remaining balance absorbed by the charity. While efforts are made to improve payment rates, homelessness providers accommodate people in extreme deprivation who often cannot meet costs and only risk incurring increased arrears. Members told us that any increased efforts to pass costs on to the people they work with are likely only to increase debt among residents rather than increase income streams.
- 3.9 Workforce pressures are also increasingly impacting budgets. Organisations are under pressure to deliver pay rises as staff – who are often on low incomes, at or just above minimum wage - are impacted by rising costs. This includes the mandatory 10% increase in the National Living Wage, which has been implemented without any associated funding uplift. The low-cost commissioning culture for the sector means that budgets for staffing are often extremely restricted with minimal funding for anything beyond frontline activities, which in turn means there is no spare money to finance increases even where organisations intend to do so.
- 3.10 Staff retention problems are also costly. Uncompetitive salaries at or near minimum wage meaning attracting and retaining candidates is challenging. Members told us of staff members 'no longer able to afford the job' who were leaving for better pay elsewhere. High staff turnover across the sector means huge associated recruitment costs, with some large-scale providers referencing this as being 'into the millions'.

- 3.11 Contracts left unmanaged by trusted providers means the risk of a support vacuum which can be exploited by rogue providers. As has been found recently in the exempt accommodation sector,²⁷ providers who offer to cut costs below what is feasible can mean dangerous services exploiting vulnerable people while collecting public money. While these services appear to save costs in the short-term, rogue providers can be less ethical in approach, profiteering in nature and gravely harmful to those they accommodate and their local communities. The exempt accommodation scandal has evidenced that any short-term savings are likely to be offset by significant long-term costs and reputational damage for the sector. Reliance on non-specialised support can ultimately lead to further trauma, embedding longer-term homelessness and creating circumstances which can be costly to resolve and incredibly damaging for those who rely on services for support.
- 3.12 Given the universal increase in the cost of delivering homelessness support and the inability to recover costs from clients, the sector requires more funding from Government if it is to avoid collapse. Some services have already closed due to costs; one provider in the South East told us they had closed six of their 75 supported housing beds and would consider 'scaling down' and closing further properties if the funding environment did not change. Another provider in the North West told us they plan to reduce their offer by a minimum of 10% and faced further reductions up to 25%. These reductions are directly proportionate to the number of people a service has capacity to support, meaning 10-25% fewer people housed. Any contractions in supported housing capacity mean fewer people moving on from rough sleeping.
- 3.13 The impact of mass service closures would be devastating both for the health and wellbeing of individuals who would not be able to access the support they need, and for already stretched local authority and health service budgets and services. Rough sleeping rates are already rising, with London data showing this has increased by 21% since last year - including a 29% rise in people sleeping rough for the first time.²⁸ Alongside this, there has been a 3% rise in people owed a homelessness duty nationally²⁹ and advocacy services report a record number of people stepping forward for support around homelessness issues.³⁰ Services closing would mean a huge increase in people facing homelessness without support.
- 3.14 For those in priority need, accommodation costs would simply be pushed downstream to local authorities who would instead be required to fund unsuitable and expensive temporary accommodation such as bed and breakfasts. For those not in priority need, homelessness – and rough sleeping in particular – has devastating long term health impacts.³¹ Reduced capacity for support and more people experiencing elongated periods of homelessness will mean higher rates of physical and mental ill-health, increased demand for long-term support and risks leading to an increase in early deaths related to homelessness.
- 3.15 At a time where homelessness services require funding more than ever, the outlook is bleak. If funding for homelessness services is not increased in line with inflation, they face real-terms cuts significant enough that many will not survive. For some, actual cuts in the local authority budget-setting process loom. Any savings will only mean increased costs to the Treasury in the long term, and will mean more people forced to live - and die - on our streets.
- 3.16 Homeless Link share the Governments' commitment to end rough sleeping by 2024 and are encouraged by the efforts that have been made since 2018, including the recent

three year RSI funding settlement. However, inaction on funding will undermine this progress and could well mean rough sleeping numbers returning to and surpassing their 2017 peak. Services require more funding if they are to meet their increased delivery costs and continue to deliver the Governments' strategy to end rough sleeping for good.

Without an inflationary funding uplift, homelessness services nationally will be forced to scale back the support they offer or close their doors altogether. In order to prevent this, we call on Government to:

- Provide funding to enable inflationary uplifts to local authority commissioned contracts for homelessness services and accommodation projects, including those commissioned under newly released Rough Sleeping Initiative 2022 – 2025 funds.

4. Energy Bills Support Scheme Alternative Funding

4.1 The EBSSAF ran alongside the Government's Energy Bill Support Scheme, allowing people without a domestic energy supply to also claim the £400 energy support available due to the sudden rise in energy costs brought on by inflation.

4.2 The majority of people living in homelessness accommodation services don't have a domestic energy supply, with the service provider paying their energy bills and the resident in question paying a service charge.

4.3 However government records show that just 23,740 people living in council, housing association or temporary accommodation (such as homelessness accommodation) applied for the scheme, with nearly half of those applications being rejected.

4.4 The majority of those applications will likely have come from council or housing association tenants, and that homelessness services accommodate over 33,000 people at any one time in England alone, it's clear that likely tens of thousands of people experiencing homelessness missed out on payments they were eligible for.

4.5 This is a trend across the scheme with just 207,890 households applying overall (53,330 of these applications were rejected), when the scheme originally set out to reach 900,000 households. According to the charity Age UK. almost four in five people eligible for the support never received any.

4.6 This means many of the most vulnerable individuals in this country missed out on any support with rising energy bills and are carrying the burden of covering those costs into the upcoming winter.

In order to mitigate the impact of rising energy and fuel costs on providers of homelessness accommodation, we call on the Government to:

- Re-open the EBSSAF, allowing people who were eligible for the support but did not receive it to apply.

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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Let's End Homelessness Together

