Keep Our Doors Open

The Homelessness Sector and the Rising Cost of Living

Homeless Link

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 homelessness sector into crisis. Services nationally are concerned that, without an inflationary funding uplift, they will be forced to scale back the support they offer or even close their doors all together. At the same time, homelessness and rough sleeping rates are on the rise. Without Government action to Keep Our Doors Open, people experiencing homelessness may not have safe, trusted providers to turn to as services are forced to close.

Homeless Link is the national membership charity for frontline homelessness agencies. With over 900 members, we work to improve services and campaign for policy change that will help end homelessness and ensure that everyone has a place to call home and the support they need to keep it. The message from our members is clear; the financial pressure being placed on services is unsustainable. Without an inflationary uplift to budgets, organisations of all sizes will struggle to deliver services and many are at risk of collapse. 93% of our members have already expressed concern that the rising cost of living will impact the standard of support they are able to offer; one in four fear they will be forced to close services altogether.[1] Paired with the forecasted increase in homelessness, this leaves the country at risk of a huge spike in people who find themselves with no option but to sleep rough without services available to support them.

This paper explores the challenges facing our members and recommendation on how to support the sector through the cost of living crisis. Information is drawn from five key sources:

- A roundtable focused on the cost of living crisis from October 2022, hosted in partnership with National Housing Federation and the Local Government Association;
- Discussions with the Homeless Link National Advisory Council;
- A survey of the homelessness workforce carried out in June 2022;
- A survey of 77 of our members carried out in July 2022, and;
- Five in-depth case studies with member organisations.

[1] Based on polling carried out with Homeless Link members in July 2022

Context

The current UK cost of living crisis has seen inflation rise steeply in comparison to wages, standing at 10.1% in October 2022 and expected to remain at around 10% for some time.[2] The causes are multifaceted, with the COVID-19 pandemic having caused supply chain bottlenecks and the Russian invasion of Ukraine driving up gas prices. For many, this means a real terms fall in income at the same time as higher costs for essential items including energy, fuel and food.

Energy costs have been central to the Government response. Wholesale prices have spiralled, leaving households and businesses facing sharp price increases. In September 2022[3] the Government announced varying packages of support. For households, the Energy Price Guarantee has capped the energy unit price to a set rate for six months. Businesses, including charities, are covered by a more variable six month Energy Price Relief Scheme, which offers reduced rates dependent on usage and contracted price. Heat networks provided on non-domestic contracts, which are often favoured by housing associations, have also been able to claim under the Energy Price Relief Scheme alongside a £400 additional discount for residents.[4]

Despite relief, the cost of energy has risen with average bills more than double those of the previous year. While energy relief measures have been welcomed, these alone have not been enough to prevent a rise in poverty. 87% of the population report feeling the impact of the rising cost of living.[5] For those on low incomes, the impact is worse – larger proportions of household income are spent on essential bills, food and fuel, meaning less breathing space in budgets to absorb increased costs. Joseph Rowntree Foundation forecast that if price caps are lifted, some will face energy bills of up to 120% of their income after

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[2] Bank of England. (2022). Bank Rate increased to 2.25% - September 2022, 22nd September 2022. Available at: https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-summary-and-minutes/2022/september-2022.pdf

[3] Prime Minister's Office. (2022). Government announces Energy Price Guarantee for families and businesses while urgently taking action to reform broken energy market. 8th September 2022. Available at: https://www.gov.uk/government/news/government-announces-energy-price-guarantee-for-families-and-businesses-while-urgently-taking-action-to-reform-broken-energy-market

[4] National Housing Federation. (2022). Households on heat networks will not miss out on the $400 winter energy discount. 3rd August 2022.

[5] Office for National Statistics. (2022). Public opinions and social trends, Great Britain: 29 September to 9 October 2022. 14th October 2022. Available at: https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/publicopinionsandsocialtrendsgreatbritain/latest

housing costs.[6] Food banks have seen a 90% increase in use,[7] with a wider range of the population – including many public service workers – now accessing support.[8] Market uncertainty has also meant mortgage costs rising steeply, with an increasing number of homeowners facing financial crisis and some landlords passing these costs across to tenants. The result is over 50% of renters – and a third of the population overall – worried about their ability to pay their housing costs.[9] With household budgets increasingly unsustainable destitution will continue to rise, with homelessness as an inevitable outcome for many.

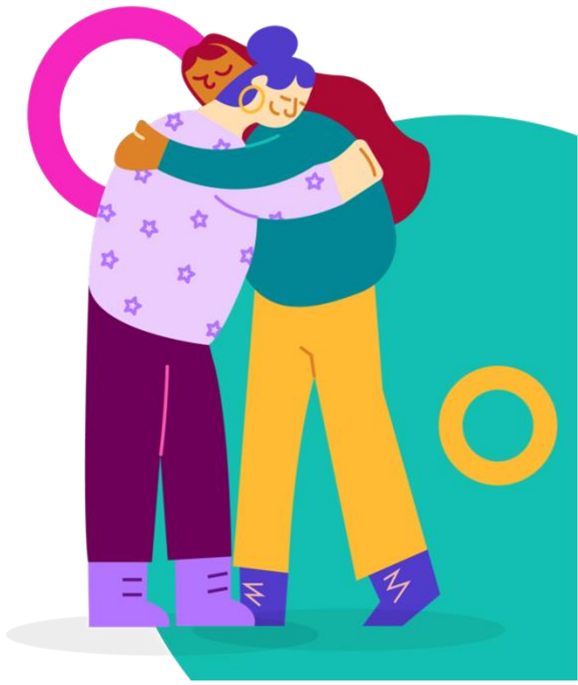
The pressures on charities is significant. Budgets are stretched, with business energy costs more than doubled, inflation in the cost of essential goods, building materials and maintenance costs up by 25%[10] and a 10% increase to the National Living Wage. Income streams are restricted as charitable giving from the general public has shrunk.[11] At the same time, poverty levels are rising, meaning more demand for support services including food banks, fuel banks and, inevitably, homelessness services.[12] The result is a very real bind in which charities are expected to do more for less. The risk of public sector cuts looms large, but these fall at a time when homelessness services require support more than ever.

The country has been here before. Housing was subject to some of the most severe cuts during austerity[13] with an over £5 billion reduction in funding between 2008/09 and 2017/18.[14] Across this same period, rough sleeping in England rose by 168%,[15] reaching its peak in 2017 and triggering significant political intervention. The commitment of the Conservative party to end 'the blight of rough sleeping by the end of next Parliament'[16] has led to a huge strategic drive and financial resources committed to ending homelessness. This has primarily been delivered through the Rough Sleeping Initiative (RSI), a dedicated fund for services to support people off the

[6] Joseph Rowntree Foundation. (2022). Energy price analysis. August 2022. Available at: https://www.jrf.org.uk/press/stratospheric-energy-bills-will-completely-wipe-out-incomes-low-income-households-new-jrf
[7] Independent Food Aid Network. (2022). IFAN Survey October 2022. Available at: https://www.foodaidnetwork.org.uk/data
[8] Gorb, A. (2022). Food bank demand and the rising cost of living. House of Commons Library. 18th October 2022. Available at: https://commonslibrary.parliament.uk/food-bank-demand-and-the-rising-cost-of-living/
[9] Ipsos. (2022). A third of Britons worry about paying their rent or mortgage now while 4 in 10 worry about whether they'll be able to in 12 months' time. Available at: https://www.ipsos.com/en-uk/third-britons-worry-about-paying-their-rent-or-mortgage-now-while-4-10-worry-about-whether-theyll
[10] 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/
[11] Charities Aid Foundation. (2022). UK Giving Report.
[12] Fareshare. (2022). Running on Empty: FareShare survey highlights dramatic impact cost of living crisis is having on the most vulnerable in society. Available at: https://fareshare.org.uk/news-media/press-releases/running-on-empty-fareshare-survey-highlights-dramatic-impact-cost-of-living-crisis-is-having-on-the-most-vulnerable-in-society/
[13] Zaranko, B. (2022). Spending Review 2021: plans, promises and predicaments. Institute for Fiscal Studies.
[14] Oakley, M. and Bovill Rose, C. (2020). Local Authority spending on homelessness: 2020 Update.
[15] Ministry for Housing, Communities and Local Government. (2018). Rough sleeping statistics, Autumn 2017, England (Revised). 16th February 2018.
[16] Conservative Party. (2019). Get Brexit Done, Unleash Britain's Potential: The Conservative and Unionist Party Manifesto 2019.

streets and into their own homes.[17] Efforts across the last five years have succeeded in bringing rough sleeping numbers down, although the spending shortfall across the sector was still estimated as around £1bn per year prior to the pandemic.[18] The progress towards ending rough sleeping was accelerated during COVID-19 and the Everyone In programme, which saw safe accommodation made available to anyone who needed it, made possible by an overall £223.5 million boost in funding.[19] By Autumn 2020, rough sleeping numbers were down by 43% from 2018, a testament to the success of recent interventions.[20]

The cost of living crisis puts this progress at risk. Indicators such as statutory homelessness data[21] and London's CHAIN database show that homelessness and rough sleeping figures are rising[22] and economists forecast further increases in homelessness[23] as the crisis continues. As this report outlines, unless Governments resource homelessness services now there is a risk that they will not be there to meet the rise in demand. We ask the Government to show their continued commitment to ending rough sleeping in England by 2024 by uplifting the contracts of homelessness services at least in line with inflation. Anything less will be devastating for the sector and those it is designed to support.



[17] Wilson, W. and Barton, C. (2022). Rough sleeping (England). House of Commons Library. Available at: https://commonslibrary.parliament.uk/research-briefings/sn02007/

[18] Oakley, M. and Bovill Rose, C. (2020). Local Authority spending on homelessness: 2020 Update.
[19] The Kerslake Commission on Homelessness and Rough Sleeping (2021). When We Work Together: Learning the Lessons.
[20] Ministry of Housing, Communities and Local Government. (2021). Government continues drive to end rough sleeping, building on success of Everyone In. Available at: https://www.gov.uk/government/news/government-continues-drive-to-end-rough-sleeping-building-on-success-of-everyone-in
[21] 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
[22] 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
[23] O'Connor, S. (2022). Why I couldn't have been more wrong about big city rents. The Financial Times. 23rd August 2022.

‘No more fat to trim’ – the state of the sector

For organisations supporting those experiencing homelessness, the current cost of living crisis has arrived after a decade of shrinkage that has sat alongside an increase in demand. Data from the Homeless Link 2021 Annual Review of Single Homelessness shows that between 2010-2021, bed spaces across the sector dropped by 26% while rough sleeping rose by 37.9%.[24] Despite investment in the sector across recent years including through RSI and dedicated funding through the pandemic, over three quarters of services report that their budgets either remained the same or decreased in the previous year in the face of increased demand and competition for funding. The result is providers frequently doing more for less alongside high levels of financial vulnerability across the sector. The added pressure of rising costs has tipped many organisations into crisis.

Homelessness outreach and supported accommodation providers are often funded through commissioned contracts funded by local authorities. Budgets for these are tight, with competitive tendering processes that can focus on delivering for the lowest price rather than on quality or cost effectiveness.[25] This has been criticised as a ‘race to the bottom’ approach, with staff wages and service scope cut to a fine margin to meet budgets. Wages are low across the sector and services are often delivered with short-term, patchwork funding. The result is an unsustainable norm, with charities providing essential services with incredibly tight margins, leaving them highly vulnerable to any financial risk.

Given the existing pressures on homelessness providers, the cost of living has acted as a catalyst to what was a slow-building crisis. Rising costs mean that budgets risk falling into deficit and many organisations are relying on reserves to get by. While some private grant funders have agreed inflationary uplifts, these are the exception rather than the rule. In most cases, grant funding has grown incredibly competitive and local authority commissioners simply have no more to give. 92% of the members we surveyed expressed their concern that the rising cost of living would impact their ability to maintain service and support standards. Most worryingly of all, over one in four said that the current crisis had put their service at risk of closure. In October 2022 inflationary uplifts to public sector services were ruled out by then-Chancellor Kwasi Kwarteng. If sustained, this decision will function as a real term cut to homelessness sector budgets, meaning many providers will struggle to survive.

When discussing the cost of living crisis with our members, it was clear that financial pressures were coming from costs that could not be cut. Minimum service delivery costs were rising, with increases to essential building maintenance, energy prices and

[24] Homeless Link (2022) Support for Single Homeless People in England: Annual Review 2021. Homeless Link
[25] Blood, I. Pleace, N. Alden, S. and Dulson, S. (2020). A Traumatised System: Research into the commissioning of homelessness services in the last 10 years. Riverside.

staffing costs. Providers were clear there was ‘no more fat to trim’ and that services had already cut anything but essential costs with very little space for negotiation.

While overall market inflation sits at 10%, the construction market – particularly impacted by supply chain and importing issues – has seen inflation of around 25%.[26] For those providing accommodation services, this means a steep increase in the cost of essential repairs and building maintenance. Some providers report these costs having risen by up to 40%. The knock-on impact is itself costly. Delays to essential repairs means providers are forced to leave rooms vacant and absorb the costs that would otherwise be covered by rental income. Delayed work to one room can have an impact on overall building safety, with providers reporting spiralling costs and delays to essential fire safety work. Vacant rooms also carry a human cost, with voids meaning fewer bed spaces for people experiencing homelessness. Without additional funding, providers are likely to see a backlog of repairs reduced to only the most essential work, impacting the quality and safety of the accommodation they provide.

For those providing residential accommodation, the rising cost of energy has a disproportionate impact on budgets. While the Energy Price Relief Scheme has been welcomed, organisations are still absorbing much higher energy costs than in previous years. One supported accommodation provider told us they needed to find an additional £2.3million this year compared to last, with their energy bill rising from £1.5million to £3.8million even after Government assistance. Passing costs on to residents is unlikely to make a meaningful difference, with service charges already going unpaid as residents struggle with their own budgets. For accommodation providers, the only viable option is more funding. The alternative is bleak; some of our members reported local providers already choosing to shut over the winter as staying closed proves to be the only financially viable approach for them. This means fewer beds for those experiencing homelessness and more people forced to sleep rough through the winter months. Without financial support, more providers are likely to make similar decisions if they are to avoid closing entirely.

Already feeling significant financial strain, members expressed concern about long-term sustainability as support measures come to an end. The current Energy Price Relief Scheme was announced for a six-month period and no assurances have been made as yet to outline what support may be available after this. Without subsidies, the same provider as above report their energy costs would double again, bringing the total to £7.7million per year

[26] 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/

– a 413% increase since last year and a cost they cannot absorb. Many organisations also reported they were on fixed tariffs which were yet to be renegotiated, meaning a huge amount of uncertainty when forecasting budgets. The current classification of charities as business users was not felt to reflect the realities of supported accommodation, where most energy use is residential. A small number of providers told us they had negotiated residential rates for energy used in accommodation, but this appeared to be discretionary and therefore not widely available. Members suggested either an additional energy support category to cover third sector usage or the reclassification of supported accommodation as residential use.

When discussing budgets, providers were clear that there was no more money to be found. Long-standing financial pressures mean that anything spare had already been spent or cut. Services who have functioned on a shoestring budget for years are now at risk of collapse because of the pressures of inflation. Services reflected that they were already considering handing contracts back to commissioners as they were unable to sustain them financially. Organisations were focused on staying afloat, no longer bidding for new work or seeking to grow. The process of applying for small grants to cover core costs was becoming increasingly resource intensive as so many organisations were applying for the same pots of money. At the same time, providers reflected on the changing landscape for tenders in their local area. Previously competitive bids were now struggling to attract applicants as services focused on delivering what they already had. Providers reflected their concerns about the vacuum this may leave for rogue providers, similar to the problems seen in some areas with exempt accommodation. Proposed rent caps for social housing will also have a knock-on impact, with many supported accommodation units provided via social landlords. The proposed caps would reduce the funding available to subsidise support for those experiencing homelessness, without providing financial benefits for the majority whose rent is paid through housing benefit.

After years of austerity, the risk of further public sector cuts is a source of anxiety across an already thinly stretched sector. Despite the funding introduced during Everyone In, only 45% of providers came out of the pandemic feeling their funding from the local authority sufficiently met their needs. RSI allocations for 2021/22 already left a shortfall of at least £132.5 million following Everyone In and were allocated prior to steep rises in inflation.[27] Most services have already made compromises on their delivery models and the threat of further reductions means some members are reaching the limit of what they are comfortable delivering. An inflationary uplift to contract values would offer enough for existing providers to keep their heads above water, but members were clear this was just a 'sticking plaster' over problems caused by long-term, systemic underfunding. While the system needs a short-term injection of

[27] The Kerslake Commission on Homelessness and Rough Sleeping. (2021). When We Work Together: Learning the Lessons.

funding to prevent collapse, long-term reforms to the funding environment will be required to prevent the same problems repeating again.

Case study

A leading provider of homelessness services in the north of England provides a range of services including supported accommodation, housing support and addiction and recovery services. As a large provider they have some financial resilience but spoke of making tough decisions already. Their budgets were largely agreed when inflation was lower and many services have not had their contract values increased in years. 'It's cumulative – this has been happening year on year and we've been absorbing the costs. This is just the trigger point'.

Despite returning to commissioners to request contract uplifts, they have had little success in having these increased. The increase to core delivery costs and an uptick in demand for support has paired with already high recruitment costs to push many into deficits. Managing this has been resource intensive as staff 'go through budgets with a fine tooth comb' to locate possible savings. Costs they have previously absorbed, such as service charge arrears, are proving increasingly unsustainable and the organisation is exploring other options to cover this in a competitive funding environment. Diversifying income streams through fundraising was described as a service priority – but one that has grown increasingly resource intensive as funding streams dry up.

The cost of living crisis has also begun to challenge some of the strategic direction that the organisation had worked hard to embed. 'We had been trying to move away from large hostel accommodation into more trauma-informed support where people could have their own front door. But this crisis is telling us this might not morally be the right thing anymore – people can't afford it'. Instead, residents were staying in hostels for longer, and the organisation was exploring how to best support the volume of people requiring help. They were clear in their requirements: more money. 'We don't normally ask for more money, but there's no other solution'. Without this, the organisation fears it will not be able to meet the need for support at a standard they are comfortable with. 'We're often providing services against less ethical suppliers who will open unsafe accommodation. If the current situation pushes trusted providers out of the market, this leaves a vacuum for unsafe providers to step in'.

‘This is just the trigger point’ – the impact on the workforce

The homelessness workforce has suffered shortages in recent years caused by low wages and high rates of burnout. Exacerbated by pressures during the pandemic, the passion and resilience seen across staff teams had already been stretched in the face of limited resources, high caseloads and low rates of pay. The cost of living crisis has, for many, come as a final straw.

The Homeless Link Workforce survey, 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’. With increased costs making low-paid work unfeasible for many, the already understaffed homelessness workforce is likely to reduce even further unless funding for wage increases is made available.

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. Many teams were already understaffed following the COVID pandemic, with some members reporting near permanent staff shortages and recruitment costs into the millions. As the cost of living crisis bites, many who were already struggling have been left with no choice but to pursue better paid jobs elsewhere. Because wages are so supressed, 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. With limited funding for pay rises or other rewards, the sector is already struggling to retain staff. Without support, it is at risk of a serious crisis.

Charity leaders expressed their intentions to 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, meaning frontline wages are often only slightly above minimum wage. The 10% uplift in the National Living Wage was welcomed, but without an associated increase in contract value providers were required to find the money elsewhere. This meant providers frequently relying on reserves to make just the most essential wage increases. Organisations we spoke to widely agreed that they wanted to increase wages by 10% across the board, but that few were able to do so under their current budgets. The pressures caused by wage increases meant services anticipating difficult decisions. While none had yet made redundancies, there was an awareness that this was a risk unless more financial support was delivered. Cuts to supplementary staff

were in turn likely to mean fewer resources for fundraising or business development, decreasing organisational resilience long-term.
Even with the National Living Wage increase, providers reported their frontline workforce finding wage levels were increasingly unsustainable. Low wages mean that frontline workers are highly vulnerable to market pressures, meaning increased fuel, food and rental costs have a significant impact on their wellbeing. Many reported staff were in receipt of some level of benefit alongside their wages and stressed it was not just those on the lowest pay who were struggling. Services reported staff approaching them to cover new costs for the first time, including travel to work and winter clothing for outreach activities. Organisations report leaving supermarket vouchers in the office for staff to pick up or earmarking money as emergency hardship funding as workers struggle to get by. Some providers reported that a small number of employees had left specifically because they were unable to afford to sustain the job – and anticipated that, unless pay uplifts were available for all staff, this number would grow as the crisis worsened.

Members emphasised the particular financial pressure placed on staff by fuel costs. Frontline work often necessitates travel due to dispersed accommodation units and accompanying clients to appointments. Due to inflated and fluctuating fuel costs, members report that the HMRC Mileage Allowance Payment (MAP) rate of 45p per mile – which has not risen since 2011 - is no longer sufficient to cover staff transport costs. 58% of Homeless Link members said that fuel costs were impacting the ability of staff to carry out work-related travel, including client visits. For roles that relied on travel, fuel costs risk unintentionally being passed over to the worker, with a survey of Welsh frontline staff showing that 89% felt work-related fuel costs were putting a strain on their personal finances[28]. The result was staff visiting clients less often and turning down additional shifts to avoid the additional cost of fuel, often in the knowledge that this impacted the quality of service delivery. Motoring costs have risen by 18% in the last year and by 39% overall since 2011 when MAP rates were set[29]. Members therefore suggested an uplift of MAP rates would mean staff were more likely to be able to fulfil their duties without feeling the impact on their personal finances.

The overall result of workforce pressures has been a self-perpetuating cycle of staff shortages. Understaffing rarely means reduced case numbers, instead meaning that the same number of clients are shared across a smaller pool of workers. As demand for services rises, workers are increasingly asked to take on additional cases, reducing the quality and intensity

[28] Lynn Montes, G. Powell, M. and Dalton, K. (2022). Struggles from the Frontline: The impact of the cost of living crisis on frontline homelessness and housing support workers in Wales. Cymorth Cymru.
[29] Office for National Statistics. (2022). Consumer Price Inflation Tables to July 2022.

of support a service can deliver while placing workers under increased pressure. Leaders were worried about the health of their workforce and the harm that increased financial pressure would do. Post-pandemic, the risk of burnout had already increased. The current crisis is likely to accelerate what were already systemic levels of burnout among the homelessness workforce with an outsized fallout for workers, for organisations and for the people they support. Leaders expressed their concerns that the cost of living crisis would lead to a spike in mental health crises and suicides across the population – and that without financial support, their staff teams were a high risk group for this.

Case study

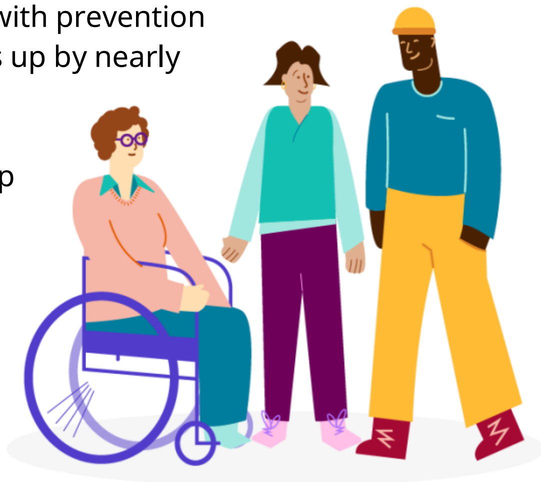
A leading homelessness organisation working in the east of England provides accommodation and supports people out of homelessness. They work with around 300 people each day. The organisation report seeing a noticeable increase in the number of people sleeping rough and predict that 'this is just the start of a tsunami of homelessness'.

At the same time as homelessness rises, their services are facing significant financial pressures. 'Our local authorities don't have the resources to uplift our contracts anywhere near in line with inflation, meaning we are having to use our reserves to increase team member wages and meet other costs such as energy bills'. The charity report that public donations have also dropped significantly meaning further strain on their finances. Their CEO was clear that additional funding was essential for their work to be sustained. 'Without an inflationary uplift we will need to make difficult decisions around what we can offer in the near future, at a time when demand is rising quickly'

'The tip of the iceberg' – impact on those experiencing homelessness

At the centre of this crisis lie those on the lowest incomes – many of whom rely on services to provide essential support. Third-sector homelessness services have been a key component of the Government strategy to reduce rough sleeping following its peak in 2017 and have worked closely with local and central Government to support people into accommodation. This has worked, with a huge decrease in the number of people sleeping rough across the country in the years since. But this progress and the efforts that went into it are at risk of being undone by the current crisis unless more support is introduced for those at risk of homelessness and the services supporting them.

While official rough sleeping statistics were collected prior to the current crisis, indicators – including London's CHAIN data[30] and information from our members – show that rough sleeping is rising again. After the success of Everyone In in supporting huge numbers of people away from rough sleeping[31] some areas are now reporting a return to pre-pandemic levels. Local authority data shows that more people are presenting as homeless, or at risk of homelessness, with prevention duties up 11% from last year and Section 21 evictions up by nearly 100%[32]. Four in five of our members are seeing an increase in demand already and anticipate that, with further price rises ahead, this is likely to be just the tip of the iceberg. Local authority officials anticipate a huge spike in homelessness and a new raft of homeowners needing support. Any disruption to the ability to deliver services – particularly emergency accommodation – will have a widespread impact on those in need. Trusted providers collapsing would leave a void in support which would prove costly to the local authority and devastating to those facing homelessness. Current providers have worked hard to establish what works and to develop the sector to deliver support that helps people break cycles of homelessness. Cost-saving measures that put this expertise at risk would derail this progress. Learning from austerity shows us that this is expensive to fix and comes at significant human cost for those who find themselves homeless.



[30] Mayor of London. (2022). Rough Sleeping in London (CHAIN reports): 2022/23 Quarter 1 Reports. Available at: https://data.london.gov.uk/dataset/chain-reports

[31] Ministry of Housing, Communities and Local Government. (2021). Government continues drive to end rough sleeping, building on success of Everyone In. 22nd June 2021. Available at: https://www.gov.uk/government/news/government-continues-drive-to-end-rough-sleeping-building-on-success-of-everyone-in

[32] 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

The increased demand for support has arrived during a time in which social and supported accommodation is already struggling. Suitable move-on accommodation is scarce, with a shortage of social housing tenancies and private rental costs that outstrip Local Housing Allowance. Accommodation providers who would traditionally have sought to move people to independent tenancies are beginning to question this model under the current circumstances. The current cost of running a household outweighs welfare benefits for a significant proportion of people, with Changing Lives estimating single households facing deficits of anything between £36-£200 per month after only essential payments are made[33]. Providers report feeling they are 'setting people up to fail' if they encourage people to move on into an unsustainable tenancy. Providers report referring people into social housing only to find they fail standard financial eligibility tests. The private rental sector has also become increasingly untenable as frozen Local Housing Allowance (LHA) rates fall behind the steep increases in market rents. This was true across the country; no provider we spoke with felt that LHA was sufficient to cover housing costs in their locality. Some have had former residents seek to move back, no longer able to sustain their own household. As move on rates drop, the system stagnates – beds are blocked meaning new tenants are unable to access accommodation. The result is more people remaining in all forms of homelessness for longer, with longer stays in supported accommodation for some inevitably mean longer spells rough sleeping for others.

Concerns were also raised about the effectiveness of some streams of financial support for those on low incomes. The introduction of the Household Support Fund was welcomed by providers but its application and accessibility were uneven across local authorities, meaning many were unaware of or unable to access funds just because of their location. Members stated that a lack of directive about the oversight and distribution had combined with a lack of resources within some local authorities to mean that funds were going unallocated. Some providers had been approached directly by local authorities requesting that they take over management of the fund. Members were concerned that without additional instructions, fund were at risk of being handed back rather than reaching their intended recipients. One-off cost of living grants also faced criticism as being insufficient in the face of benefit shortfalls, often being spent immediately, consumed by existing debts or in some cases leaving the recipient vulnerable to targeting and exploitation.

With homelessness and rough sleeping numbers rising at the same time as providers struggle to survive, the nation risks an unprecedented homelessness crisis. With bed spaces already stretched, organisations collapsing or returning contracts would leave a vacuum that they fear would be filled by less scrupulous providers who would seek to reduce support and capitalise on local authority funding. Parts of the country have seen problems arise with the exempt accommodation sector, which has seen vulnerable people housed by rogue providers without appropriate support. Our

[33] Changing Lives. (2022). Priced Out: The impact of the rising cost of living on people with multiple unmet needs. August 2022.

members reflected their fears that similar provisions could spread across the country as trusted providers struggle to meet demand or scale back their delivery.

Much of the progress that the sector has made towards trauma-informed practice is also at risk. Reductions in spending which lead to increased rough sleeping come at significant financial and human cost long-term. Learning from austerity has shown that savings made by short-term cuts to support services are often more than offset by the later cost of delivering acute services[34]. Already workers are increasingly unable to deliver recovery-based work, with more and more support time taken up with helping people manage the basics. The move away from recovery and homeless prevention means that those who have experienced homelessness are more likely to face it again in the future. As support time reduces, the risk of benefit sanctions rises and the likelihood of social isolation and mental health difficulties increases. Financial vulnerability exposes a person to a range of other risks including predatory lending, exploitation, and abuse. Homelessness has a severe negative impact on all aspects of health and wellbeing, meaning failure to intervene is likely to come at huge cost to the individual and to the public purse. In the face of widespread deprivation, services fear an increase in deaths among those they support[35]. Rising costs are likely to embed further trauma into the lives of those experiencing homelessness with a ripple effect for years to come.

Providers expressed extreme concern about the increase in demand and vulnerability that the cost of living crisis was already causing. They were clear that the cheapest option for the whole system was to keep people in their own home, but that this was becoming increasingly difficult as costs continued to rise. The Government's commitment to end rough sleeping by ensuring it is 'rare, brief and non-recurrent'[36] is laudable but unrealistic unless services are properly resourced to support people. Until this happens, rough sleeping numbers are likely to grow once again – but with fewer avenues of support available to those on the streets as services are forced to close their doors.

[34] Hoddinott, S. Fright, M. and Pope, T. (2022). 'Austerity' in public services: Lessons from the 2010s. Institute for Government.
[35] Changing Lives. (2022). Priced Out: The impact of the rising cost of living on people with multiple unmet needs. August 2022.
[36] Department for Levelling Up, Housing and Communities. (2022). Ending Rough Sleeping for Good. September 2022.

Recommendations

Emergency inflationary uplift in commissioned contracts: housing costs, building costs and staff costs are all rising – this urgently needs to be reflected in contract uplifts.

Uplift of HMRC mileage rate: the 45p MAP rate is no longer reflective of the cost of fuel and must be uplifted to make outreach support viable.

Specialised utility support for charities: residential accommodation providers are at risk of higher costs due to being classified as businesses – an additional support category is required to overcome the 'resident/business' distinction and ensure providers are given an adequate level of protection from rising costs beyond six months.

Rent cap exemption for supported accommodation: given the tight financial margins many supported housing schemes are run on, it is important these are exempted from any cap on social housing rents announced by government in the coming weeks.

Uplift welfare benefits at least in line with inflation: Government should honour previous commitments to uprate benefits in line with inflation and ensure rates are sufficient to meet essential household costs.

Uplift Local Housing Allowance in line with market rents: as rental prices have risen steeply Government must unfreeze the Local Housing Allowance so that it covers at least the 30th percentile of local rents.

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

Minories House
2-5 Minories
London
EC3N 1BJ

www.homeless.org.uk
@HomelessLink

Let's End Homelessness Together

Homeless Link