



Homeless Link

Homeless Link submission to the Spring Statement 2024

January 2024

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. The continuous economic challenges of the last two years have been felt most severely by the poorest in our society. Countless people across England have been forced to turn to charities for support with their basic needs as household costs have outstripped incomes. But charities themselves are struggling, with inflation hitting budgets while funding remains largely static. In the homelessness sector, this means charities shutting their doors and ceasing their essential support at the time when they are needed most.
- 1.3. This representation draws on various sources of information, including a survey of Homeless Link members conducted in January 2024, information from the Homeless Link Annual Review 2023, case studies and information gathered during our Keep Our Doors Open campaign, our involvement in localised campaigns and our ongoing engagement with our members.
- 1.4. We welcome the Spring Statement as an opportunity for the Chancellor to reaffirm the Government's commitment to end rough sleeping and safeguard the homelessness sector from further financial risk. The Government must act now to prevent the loss of bed spaces and ensure people experiencing homelessness are not left without support to turn to.
- 1.5. Homeless Link welcome the measures Government have taken to help those most at risk of homelessness, including the decision to unfreeze Local Housing Allowance from April 2024. This measure will offer some welcome relief to households across the country, ensuring they are able to find and maintain homes in the Private Rental Sector rather than be pushed into homelessness, and help to relieve pressure on the increasing numbers in temporary accommodation.
- 1.6. The sector has also welcomed the support of the £100m investment in the charity sector that the Chancellor delivered through the 2023 Spring Budget. These funds have allowed for some much needed breathing room for our members, offering some additional resilience to the worst financial challenges. However, the one-off nature of this fund means its benefits have been short-lived, and many continue to face significant challenges that can only be weathered through a permanent uplift in funding.
- 1.7. New evidence from Homeless Link's upcoming Annual Review 2023 shows that 66% of homelessness accommodation providers have services that are no longer financially viable due to lack of inflationary increases in commissioned and grant funded projects and 36% have already reduced their services to meet financial pressures.¹ As budgets remain static at pre-inflation rates, some services are already closing their doors, and many more are facing unsustainable pressures and relying on reserves to survive. Without urgent action, it seems inevitable that more

¹ Based on survey carried out with 120 Homeless Link members in December 2023 – January 2024.

homelessness services will close, reducing the number of beds available to support people away from rough sleeping and leaving potentially thousands of people with nowhere to turn but our streets. There has already been a 20% decrease in the number of bed spaces in England over the last decade: we can't afford for that number to fall further.²

- 1.8. The crisis in homelessness services is not taking place in isolation. The widely publicised financial distress in local authorities means that many councils – who hold responsibility for oversight and commissioning of local homelessness services – simply have no more money to give. At the same time some local authorities are drastically scaling back the services they fund in response to shortfalls in their overall budget.
- 1.9. As the cost of meeting statutory homelessness duties through temporary accommodation has spiralled, some have taken the decision to decommission non-statutory support. This means effective, high-quality services shutting their doors, people with experience of homelessness facing eviction through no fault of their own, and whole areas with no support for people who are not classified as 'priority need' including many of those sleeping on our streets.
- 1.10. We have been here before. Housing, including homelessness support, was subject to some of the most severe cuts between 2008 and 2017³. During this same period, rough sleeping in England rose by 168%.⁴
- 1.11. The commitment of the Conservative Party to end 'the blight of rough sleeping by the end of next Parliament' has led to a huge strategic drive and financial commitment to ending homelessness⁵ This has primarily been delivered through the Rough Sleeping Initiative (RSI), a dedicated fund for services to support people off the street and into their own homes. Efforts across the last six years – accelerated during the COVID-19 pandemic through the £223.5 million Everyone In programme – have worked to reduce rough sleeping numbers by 43% from 2018, a testament to the success of recent funding interventions.⁶
- 1.12. More recently, the revised Rough Sleeping Strategy and the associated £2billion in funding committed across three years have been welcomed by the sector.⁷ However, as budgets were finalised prior to the steepest rises in inflation, services are already finding their funding fall short.
- 1.13. These funding problems have arrived alongside an increase in demand for homelessness support. Rough sleeping figures rose by 26% in 2023, the largest year-on-year rise since 2015.⁸ Members report steep rises in the number of people

² Homeless Link (2023). *Support for Single Homeless People in England: Annual Review 2022*. Homeless Link.

³ Oakley, M. and Bovill Rose, C. (2020). *Local Authority spending on homelessness: 2020 Update*.

⁴ Ministry for Housing, Communities and Local Government (2018). *Rough sleeping statistics, Autumn 2017, England (Revised)*. 16th February 2018.

⁵ Conservative Party (2019). *Get Brexit Done, Unleash Britain's Potential: The Conservative and Unionist Party Manifesto 2019*.

⁶ Department for Levelling Up, Housing and Communities (2022). (2022). *Statutory homelessness live tables*. Available at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

⁷ Department for Levelling Up, Housing and Communities (2022). *Ending rough sleeping for good*. 5th Sept 2022.

⁸ DLUHC (2023). *Rough sleeping snapshot in England: Autumn 2022*. Published 28 Feb 2023.

turning to their services for help, and increases in the complexity of support needs among those they support, including severe physical and mental health problems.⁹ The homelessness sector has become the primary source of support for many with severe unmet support needs, but our members tell us that funding shortfalls put that at risk.

- 1.14. As the cost of living has driven up all forms of homelessness, services across the country are already turning people away. Allowing more services to close because of funding shortfalls will add fuel to an already rising fire. Without swift action, the number of people sleeping rough in England is set to pass the 2017 peak, undoing the good work of recent years and exposing countless more people to the lasting trauma of homelessness.

2. Local authorities must be adequately funded to deliver non-statutory homelessness support, ensuring nobody is left with no choice but to sleep rough.

- 2.1. Local authorities across the country are facing unprecedented levels of financial distress. As service delivery costs have spiralled and demand for support across different departments has increased, many face impossible decisions about which services to fund as they struggle to remain afloat. 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 2024/25.¹⁰
- 2.2. The scale of shortfalls in local authorities is growing as budgets remain frozen. One Homeless Link member council told us they face a 20% increase in costs in 2024/25, 'on top of the 20% impact from [the 2023/24] financial year'.¹¹ This shortfall is funded from reserves – but they recognise that 'one day we will no longer have reserves'. Similar cost pressures mean that one in five council leaders think it is 'very or fairly likely' that their council will issue a Section 114 notice in the near future.¹²
- 2.3. In the face of these pressures, a number of upper-tier local authorities are in the process of de-commissioning non-statutory homelessness support. Two such decisions have already been approved, with at least three more seeking to do so. These funding decisions mean services will have their support funding withdrawn, forcing them to close at a time when homelessness is rising sharply.
- 2.4. While county councils are not statutorily obliged to fund homelessness support services, more than half do fund some form of provision. These services are essential lifelines to the thousands of people who face homelessness each year but do not fall into narrow 'priority need' categories. This includes the majority of non-family homelessness,¹³ and spans from individuals who require very light-touch support through to those with complex and intersecting support needs.

⁹ Homeless Link (2023). *Support for Single Homeless People in England: Annual Review 2022*. Homeless Link.

¹⁰ Local Government Association (2023). *Post-Autumn Statement Temperature Check*. November 2023.

¹¹ Ibid.

¹² Ibid.

¹³ DLUHC (2023). *Homelessness code of guidance for local authorities: Chapter 8, Priority need*.

- 2.5. If these provisions are decommissioned, whole counties will be left without any services to support the vast majority of single adults facing homelessness, leaving them with no option but to sleep on the street.
- 2.6. Nationally, the scale of proposed cuts is vast, with hundreds of bed spaces at risk as well as a significant retraction in non-accommodation support delivered through day centres, outreach and recovery services. In just one county council currently proposing to withdraw non-statutory support, 172 bed spaces are at risk – alongside prevention-focused community support, street outreach services and intensive resettlement services.
- 2.7. While the councils in question are making cuts to fill significant budget shortfalls, evidence repeatedly shows that cuts to non-statutory homelessness services act as false economy.¹⁴ Homelessness services, particularly those who house people experiencing severe and multiple disadvantage, often deliver support in the absence of other services. One Homeless Link member facing service decommissioning told us they expected 50% of their tenants would qualify as having care and support needs and would therefore require statutory support if they were to close down.
- 2.8. Homelessness services also play an essential role in promoting health and preventing demand on other services. Good quality supported housing has a significant positive impact on residents' health, wellbeing and sense of social connection, all of which play a crucial role in relieving pressures on the social care, health, justice and housing sectors. If services are forced to close, the increased pressure on public services will negate any savings made, with costs simply pushed further downstream as people go unsupported.¹⁵

Any homelessness bedspaces lost to decommissioning is a step backwards on the Government's commitment to end rough sleeping. To maintain the supply of non-statutory supported housing for people experiencing homelessness, the Treasury should:

- Release funding to safeguard non-statutory homelessness support services and ensure accommodation services are not put at risk as part of budget-saving measures.
- Use the Final Local Government Finance Settlement to provide additional funding to ensure councils can meet the increasing demand for all statutory services including homelessness without compromising on the wider commitment to end rough sleeping.
- Uplift the temporary accommodation subsidy from the 2011 rates it is currently set up to account for the costs of temporary accommodation in 2024, ensuring local authorities can afford to both meet their statutory duties whilst continuing to deliver wider services to prevent and end homelessness and rough sleeping.

¹⁴ PwC (2018). *Assessing the costs and benefits of the Crisis plan to end homelessness*; Pleace (2015). *At What Cost? An estimation of the financial costs of single homelessness in the UK*; DLUHC (2024). *Monetising the social benefits of reducing rough sleeping*.

¹⁵ Ibid.

- Protect existing funds focused on homelessness prevention, including the Household Support Fund and Discretionary Housing Payments, to reduce the pressure on demand for homelessness support through local authorities.

Case study: Large scale provider offering homeless outreach, accommodation and support.

Our financial outlook has changed significantly in the past year. We have been delivering many of our contracted services to very tight budgets, or at a loss, for several years. However, in 2023-4 two of our commissioning local authorities have proposed far-reaching budget cuts which will further impact our funding. Decisions are pending, but it is very likely that we will need to stop delivering some of our services in these areas in the next financial year.

The charity has gone through an extensive and thorough cost-saving process, applying for grants, maximising their income through Housing Benefit and identifying efficiencies. But, despite delivering a high quality service with sound financial management, the service faces decommissioning.

Around 70% of our income comes from contracts commissioned by local authorities, including Housing Benefit claimed through our supported accommodation services. We are not able to manage our supported accommodation through enhanced Housing Benefit alone; an accompanying support contract is needed for the service to be sustainable.

We are awaiting the outcome of local authority budget consultations. If commissioners decide to decrease the budgets for our contracts, or eliminate them altogether, we will not be able to continue to deliver those services. The staff who work on those contracts will lose their jobs and we will no longer be able to support the vulnerable individuals who rely on those services. Depending on the scale of these cuts, there could be ramifications for the wider organisation as we will no longer be able to sustain all of our central services and infrastructure.

3. Commissioned contracts have fallen so significantly behind inflation that services are shutting down. Contract values must be uplifted to prevent further closures.

- 3.1. Since inflation began to rise in 2021, we have flagged the difficulties faced by homelessness providers as they have struggled to meet rising costs on limited funding.¹⁶ With budgets in the sector remaining largely static year-on-year, providers have struggled to match the inflated cost of service delivery and the increased demand for their support. After nearly two years of shortfalls, services across the country have begun to shut down – with many more likely to follow suit if the funding situation remains unchanged.
- 3.2. New insights from the sector show that 66% of accommodation providers have services that are no longer financially viable due to lack of inflationary increases in commissioned and grant funded projects and 41% risk service closures due to increasing costs.¹⁷ These pressures mean that many services are running deficit budgets and relying on reserves for the first time just to meet essential costs. In

¹⁶ Homeless Link (2022). *Keep Our Doors Open: The homelessness sector and the rising cost of living.*

¹⁷ Based on a survey carried out with 120 Homeless Link members, Dec 23 – Jan 24.

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.

- 3.3. Members welcomed measures from the Government such as the National Lottery administered cost of living grant scheme for charities. But while this grant was 'extremely helpful', members reflected that one-off grants did not respond to the scale of challenges they were facing: 'One-off grants [have] cushioned the financial impact of the immediate crisis, but will not have a long-term impact'. While inflation has slowed, inflated prices are not expected to reduce, meaning providers must adjust to increased costs long-term.
- 3.4. For many providers, the only way to meet these sustainably is an increase in contract values or through either reducing or closing their service offer. 36% of accommodation providers told us that they had already reduced services to meet the rising cost of living, nearly double the 19% who had reduced services the year before.
- 3.5. The inflation crisis arose at a time of existing financial vulnerability across the homelessness sector. Contracts commissioned through local authorities are won via competitive tendering processes which can favour lower budgets over quality or cost effectiveness.¹⁸ This means services are often forced to deliver extremely tight margins, with low staff wages and a finely cut service scope to match contract values. Many of our members report that their contract values were already below the cost of delivery prior to the cost of living crisis, with shortfalls made up through charitable giving and short-term grants.
- 3.6. 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 in practice; between 2020-2021, over three quarters of service budgets remained static or decreased overall.¹⁹ This means budgets were already facing restrictions as they fell behind inflation, even prior to the steep cost increases seen in 2021/22. This had left providers vulnerable to market pressures, unable to cut costs on services which had already been stripped back to just their essential costs.
- 3.7. The cost of delivering support services has faced rapid inflation, and although price rises have slowed in recent months, service delivery costs remain significantly higher than they were when most contracts were set. Average business energy costs have doubled since the start of 2021.²⁰ Building materials and maintenance costs have risen by 24% over the same period.²¹ Services also face a significant uptick in staffing costs, with a further 9.8% rise in the National Living Wage set to

¹⁸ 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.

¹⁹ Homeless Link (2022). *Support for Single Homeless People in England: Annual Review 2021*. Homeless Link.

²⁰ Ofgem (2024). *Wholesale market indicators*. Web. Accessed 19th Jan 2024. Available at: <https://www.ofgem.gov.uk/energy-data-and-research/data-portal/wholesale-market-indicators>

²¹ Knight, O. (2023). *What is happening to build and labour costs?* Knight Frank. 29th June 2023.

take effect from April and steep recruitment costs as existing staff leave for better paid jobs elsewhere.

- 3.8. Much like domestic providers, energy costs have been a huge source of financial strain for homelessness charities. Energy costs have risen by an average of 136%, and in some cases by up to 400%.²² Homelessness accommodation providers pay business rates for large-scale energy consumption even where that energy is used in residential settings. For some large-scale providers, these increases have meant additional costs into the millions. 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.
- 3.9. One member told us that the cost of utilities, maintenance and repairs means that the cost of running their services has risen by 20% in the previous year while their commissioned income has remained static. They have tightened budgets, reduced staff hours and given up the lease of an office space to account for the loss. Despite that, their financial outlook is difficult, with fundraising and grant income significantly restricted.
- 3.10. Staffing costs have also posed an outsized threat to service models. Budget and commissioning culture across the homelessness sector has seen staff wages restricted for years, and frontline staff are often on very low wages for the skilled and challenging work they do. Budget restrictions means wages have grown well below the rate of inflation across recent years, and the upcoming Living Wage increase means many previously competitive salaries will be pulled in line with the minimum.
- 3.11. While members welcomed the rise in the National Living Wage, they also reflected the challenge of meeting these new costs to deliver services on behalf of the Government, without an associated increase in funding. Forced to make up the shortfall on wages from other funding sources, many providers are struggling to offer competitive wages. One member told us of their frustration at the lack of recognition that 'costs have increased for us, whilst the need for our services has escalated'.
- 3.12. Suppression of wages in the sector has driven up staff retention costs, as attracting and retaining employees proves challenging. Members told us of staff members 'no longer able to afford the job' who had left 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'.
- 3.13. Overall, the funding picture in the sector remains extremely challenging. One member summarised: *Our financial position has worsened with contractual cuts from the local authority and reduced fundraising income affecting our income, alongside increasing costs due to inflationary pressures and forecast increases due to a significant rise in Living Wage rates from April 2024. We have deleted a few posts and cut expenditure across the organisation [...] we are awaiting information from our local authority regarding contract extensions/cuts, so we are unable to produce a budget [for 2024/25] at all at present.*
- 3.14. 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

²² Homeless Link (2022). *Homeless Link submission to the Energy Bill Relief Scheme Review 2022*. Dec 2022.

fundlers – 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.

- 3.15. One Homeless Link member told us: *We have been using money from our reserves, from fundraising and from trusts and foundations to resolve budget shortfalls. Fundraising resourcing, which should be focused on generating income for new projects, to enhance client support or to improve organisational resilience, is being diverted to raise money for services which some commissioners already consider to be 'fully funded'. We have also been forced to close some projects, and others are under active consideration for closure, because budget shortfalls make them untenable.*
- 3.16. 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.
- 3.17. The impact of mass 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 NHS budgets and services. Rough sleeping rates have already risen steeply in recent years, up by 26% in 2022. More recent CHAIN data shows that rough sleeping in London increased 24% between June and September 2023,²³ and members across the country have told us of even steeper rises in their local areas as the cost of living crisis has worsened.
- 3.18. Services closing would mean a huge further increase in people facing homelessness, with many finding themselves on the street without support or options to help leave homelessness behind.
- 3.19. For those in priority need, services closing means accommodation costs are pushed downstream to local authorities who would instead be required to fund expensive – and often unsuitable – forms of temporary accommodation such as bed and breakfasts. For those not in priority need, most would be left with no option but to sleep rough.
- 3.20. Homelessness, and rough sleeping in particular, has devastating long term health impacts. Reduced capacity for support means more people experiencing elongated periods of homelessness, which in turn means higher rates of physical and mental ill-health caused by homelessness, increased demand for long-term support with emerging needs, and a higher likelihood of developing intersecting support needs

²³ Greater London Authority (2023). *CHAIN quarterly report: Greater London, July-September 2023*.

that require intensive, and costly, support.²⁴ An increase in people sleeping rough is also very likely to mean an increase in early deaths associated with homelessness, an outcome that is both tragic and avoidable with a properly resourced system.²⁵

Without an inflationary funding uplift, homelessness services nationally will be forced to scale back the support they offer or close their doors altogether. This will mean a huge increase in people sleeping rough without access to support. 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 the Rough Sleeping Initiative 2022 – 2025.

²⁴ Hertzberg, D. and Boobis, S. (2022). *The Unhealthy State of Homelessness 2022: Findings from the Homeless Health Needs Audit*. Homeless Link.

²⁵ Aldridge, R. *et al.* (2019). *Causes of death among homeless people: a population-based cross-sectional study of linked hospitalisation and mortality data in England*. Wellcome Open Res.

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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