



Homeless Link

Homeless Link submission to the Spring Statement 2023

February 2023

1. Introduction

- 1.1. Homeless Link is the national membership organisation charity for frontline homelessness services. Representing over 900 organisations, we work to improve services through research, guidance and learning, and campaign for policy change that will ensure everyone has a place to call home and the support they need to keep it.
- 1.2. This representation draws on various sources of information, including interviews with members, ten in-depth case studies, information from the Homeless Link Annual Review 2022, discussions with the Homeless Link National Advisory Council, thematic surveys of our members conducted in July, October and December 2022 and a cost of living focused roundtable hosted in October 2022.
- 1.3. As the cost of running a household remains high and more people find themselves at risk of homelessness, we welcome the Spring Statement as an opportunity for the Chancellor to prevent a rough sleeping crisis and safeguard the homelessness sector from collapse. The Government must act now if it is to protect the hard-earned progress achieved in reducing homelessness across the last five years and continue to work towards its commitment to end rough sleeping by the end of next Parliament.¹
- 1.4. Homeless Link welcomes recent Government support to help those most at risk of homelessness including the 10.1% uplift to welfare benefits in line with inflation² and the £50million increase to the Homeless Prevention Grant.³ These are valuable interventions that will enable local authorities to prevent many people from losing their homes as the continued impact of the cost of living is felt by households across the country.
- 1.5. However, the additional support announced so far does not help services supporting people who are already experiencing or have recently moved on from homelessness and rough sleeping. As inflation drives up delivery costs, this combined with long-term funding deficits, staff shortages and increasing demand for support has pushed the already stretched sector into crisis.⁴ At the same time, homelessness and rough sleeping rates are rising. This includes an unprecedented rise in homelessness from the private rental sector⁵ as renters find their benefit value fall significantly below market rents.
- 1.6. New evidence from Homeless Link's Annual Review 2022⁶ 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

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

² HM Treasury (2022). *Autumn Statement 2022*.

³ Department for Levelling Up, Housing and Communities (2022). *Homeless Prevention Grant 2022 to 2023 exceptional winter top-up allocations: technical note*. 4th Dec 2022.

⁴ Homeless Link (2022). *Keep Our Doors Open: The Homelessness Sector and the Rising Cost of Living*.

⁵ Department for Levelling Up, Housing and Communities (2022). *Statutory homelessness in England: April to June 2022*. 24th Nov 2022.

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

2022.⁷ As budgets fall behind inflation, many services are facing increasingly unsustainable pressures as they rely on reserves to survive. Without urgent Government action, the country is at serious risk of a sharp rise in homelessness occurring at the same time as mass service closures. This will mean fewer beds to accommodate individuals and fewer avenues of support, leaving people without services to turn to and, in many cases, forcing them onto the street.

- 1.7. We have been here before. Housing, including homelessness support, was subject to some of the most severe cuts between 2008 and 2017⁸. During this same period, rough sleeping in England rose by 168%.⁹
- 1.8. The commitment of the Conservative Party to end ‘the blight of rough sleeping by the end of next Parliament’¹⁰ has led to a huge strategic drive and financial commitment to ending homelessness. 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.¹¹ Efforts across the last five years – accelerated during the COVID-19 pandemic through the £223.5 million Everyone In programme¹² – have worked to reduce rough sleeping numbers by 43% from 2018,¹³ a testament to the success of recent funding interventions.
- 1.9. More recently, the revised Rough Sleeping Strategy and the associated £2billion in funding committed across the next three years¹⁴ have been welcomed by the sector. However, as budgets were finalised prior to the steepest rises in inflation, services are already finding their funding fall short.
- 1.10. The current financial crisis has put the hard-earned progress of the last five years at risk. Homelessness and rough sleeping figures are already rising, with a 21% increase in rough sleeping across London¹⁵, a national 3% rise in people owed a duty for any form of homelessness¹⁶ and Citizens Advice Bureau identifying an upcoming ‘debt crisis’ as support grants are narrowed.¹⁷ Many more people remain at high risk of homelessness in the next 12 months as the cost of living continues to outweigh incomes. It is essential that funds be made available to better prevent new

⁷ Based on polling carried out with Homeless Link members in July 2022.

⁸ Oakley, M. and Bovill Rose, C. (2020). *Local Authority spending on homelessness: 2020 Update*.

⁹ Ministry for Housing, Communities and Local Government (2018). *Rough sleeping statistics, Autumn 2017, England (Revised)*. 16th February 2018.

¹⁰ Conservative Party (2019). *Get Brexit Done, Unleash Britain’s Potential: The Conservative and Unionist Party Manifesto 2019*.

¹¹ Ministry of Housing, Communities and Local Government (2018). *Rough Sleeping Strategy*. August 2018.

¹² Ministry of Housing, Communities and Local Government (2020). *£3.2 million emergency support for rough sleepers during coronavirus outbreak*. 17th March 2022.

¹³ 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>

¹⁴ Department for Levelling Up, Housing and Communities (2022). *Ending rough sleeping for good*. 5th Sept 2022.

¹⁵ Greater London Authority (2022). *Rough Sleeping in London (CHAIN reports): 2022/23 Quarter 3 Reports*. Available at: <https://data.london.gov.uk/dataset/chain-reports>

¹⁶ 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>

¹⁷ Wild, M. (2023). *Our new cost-of-living dashboard: the crisis we’re seeing unfold*. Citizen’s Advice Bureau. Web. Available at: <https://wearecitizensadvice.org.uk/our-new-cost-of-living-dashboard-the-crisis-were-seeing-unfold-aac74fb98713>

cases of homelessness from occurring and to protect the safety net of support for those who are already experiencing homelessness.

- 1.11. Unless Government increase homelessness funding now, there is a risk that those who are pushed into homelessness because of the rising cost of living will be left without services to turn to for support. Those who are already being supported risk having this support withdrawn, including evictions out of accommodation. Services closing will accelerate the rise in rough sleeping which is already taking place across the country as increased demand is met with severely reduced housing supply. This means more people remaining homeless for longer periods of time, at high long-term cost to the state¹⁸ and with devastating, even deadly, impacts on the individual.

To deliver on our shared goal of preventing and ending rough sleeping by the end of this parliament, we ask Government to:

- Provide funds to enable local authorities to uplift commissioned contracts for homelessness accommodation and support services in line with inflation.
- Provide targeted utility discounts for homelessness providers beyond March 2023.
- Unfreeze the Local Housing Allowance rate so that it continues to cover the lowest 30th percentile of local rents.

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

- 2.1. 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
- 2.2. 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.
- 2.3. 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

¹⁸ PricewaterhouseCoopers LLP (2018). *Assessing the costs and benefits of Crisis' plan to end homelessness*.

¹⁹ Based on polling carried out with Homeless Link members in October 2022.

²⁰ 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.

²¹ Homeless Link (2022). *Support for Single Homeless People in England: Annual Review 2021*. Homeless Link.

market instability and unable to cut costs on services which had already been stripped back.

- 2.4. 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 National Living Wage, and high recruitment costs as existing staff leave for better paid jobs elsewhere.
- 2.5. 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.

Case study – core costs

One of our member services, a large provider in the North delivering a wide range of support services including accommodation, told us in detail about the challenges of rising costs. Their budgets were agreed when inflation was lower and many of their services have not had their contract values increased in years. They are now facing deficit budgets driven by core delivery costs. Despite negotiations with commissioners around contract uplifts they have seen little success. After years of budget restrictions there are few costs left to cut, meaning an uncertain future for many services.

Passing costs onto residents is impractical, with service charges already going unpaid as residents struggle with their own budgets. They have seen significantly increased costs to keep buildings running and rooms sitting vacant as they await delayed repairs, putting significant additional financial strain on services. Plans to improve the efficiency of properties had gone 'onto the backburner'. The organisation has turned down tender opportunities they would normally have bid for, choosing not to retender for existing services and considering returning some contracts to local authorities which were no longer financially viable.

They were clear in their requirements – more money. 'We don't normally ask for more – 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 trusted providers are pushed out of the market, this leaves a vacuum for unsafe providers to step in'.

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

²³ Department for Business, Energy and Industrial Strategy (2023). *Monthly Statistics of Building Materials and Components: Commentary, December 2022*. 11th Jan 2023.

²⁴ Charities Aid Foundation (2022). *UK Giving Report*.

- 2.6. 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.
- 2.7. 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. As explored in section 3, these costs are well beyond what can be absorbed under current contracts and are placing established providers at risk of failure.
- 2.8. 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.
- 2.9. 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.
- 2.10. 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'.

²⁵ Department for Business, Energy and Industrial Strategy (2023). *Monthly Statistics of Building Materials and Components: Commentary, December 2022*. 11th Jan 2023.

2.11. Budget deficits also mean increased risk of redundancies to supplementary staff or an increase in posts intentionally left vacant. This results in staffing shortages on the frontline and fewer resources for fundraising and business development, reducing organisational resilience long-term.

Case study – staffing costs

One provider delivering night shelter and outreach support in the East of England told us of the challenge inflation has presented to their staffing costs. 70% of their funding is provided through the RSI and they had initially celebrated the three-year settlement. However, this was closely followed by the rapid rise in inflation and they have quickly found that funding has fallen behind their costs. At the same time fundraising and donation income streams have reduced as supporters face their own cost of living challenges.

96% of the charity's RSI funding is spent directly on staff costs. Staff were described as going 'above and beyond' on 'very modest salaries' ranging from £9.50 - £12.58 per hour. Their RSI settlement allows for a 2% pay increase per year, now well behind inflation. The 9.7% increase to the National Living Wage will raise some staff costs directly and move other wage bands to just pence per hour above minimum wage. The charity calculates they would need an extra £25,000 to remunerate staff in line with inflation, which they explained they simply do not have. They have awarded a small top-up payment to all staff from donations but cannot afford to sustain this.

The charity's board highlighted the contradictory nature of the challenge: 'we are a charity focused on helping those in hardship and we don't want those staff who are very dedicated to that cause to be facing hardship themselves'. However, their funds are stretched as far as possible and wage increases approaching inflation are not possible on their current settlement. They highlighted that staff wages had only increased by 4.5% since March 2019, well below the 18% inflation from across this time.¹ This left the charity – and the sector – at risk of losing staff who find themselves needing to 'make ends meet' elsewhere. They were clear that the only resolution to protect financially vulnerable staff was a true inflationary uplift to their RSI settlement.

2.12. As providers manage increasingly unaffordable finances, efforts are focused on keeping existing services afloat rather than taking on new projects. Over a quarter (27%) of members told us that they anticipate turning down tender opportunities they would previously have bid for as costs become unmanageable.²⁶ Providers also told us they risk returning contracts to the local authority if values remain unviable.

2.13. 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

²⁶ Based on polling carried out with Homeless Link members in October 2022.

²⁷ Levelling Up, Housing and Communities Committee (2022). *Exempt Accommodation: Third Report of Session 2022-2023*. 19th Oct 2022. House of Commons.

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.

- 2.14. 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.
- 2.15. 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.
- 2.16. 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.
- 2.17. At a time where homelessness services require funding more than ever, the outlook is bleak. The budgets set for local authorities in the 2022 Autumn Statement mean that councils face 'significant challenges when setting their budgets and trying to protect services'.³² If funding for homelessness services is not increased in line with

²⁸ Greater London Authority (2022). *Rough Sleeping in London (CHAIN reports): 2022/23 Quarter 3 Reports*. Available at: <https://data.london.gov.uk/dataset/chain-reports>

²⁹ 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>

³⁰ Wild, M. (2023). *Our new cost-of-living dashboard: the crisis we're seeing unfold*. Citizen's Advice Bureau. Web. Available at: <https://wearecitizensadvice.org.uk/our-new-cost-of-living-dashboard-the-crisis-were-seeing-unfold-aac74fb98713>

³¹ Hertzberg, D. and Boobis, S. (2022). *The Unhealthy State of Homelessness 2022: Findings from the Homeless Health Needs Audit*. Homeless Link.

³² Local Government Association (2022). *LGA responds to provisional Local Government Finance Settlement*. 19th Dec 2022.

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.

2.18. 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.

3. Homelessness charities require targeted utility support beyond March to enable their work to continue.

3.1. Despite the sector's essential function, vulnerability to inflated costs and the inability to pass on costs to end users, homelessness providers were not included to receive any additional support from Government as part of the Energy Bill Discount Scheme (EBDS) beyond what is extended to all businesses.³³

3.2. Energy consumption in the sector is used to meet the health and wellbeing needs of people with recent experiences of homelessness and cannot be reduced without serious impacts on the quality of care provided. Data collected from 23 Homeless Link members³⁴ shows services estimate their energy costs will rise by an average of 136% from March 2023 after the end of the Energy Bill Relief Scheme (EBRS).³⁵ Energy use accounted for an average of 3% of member turnover in 2021, with this number expected to rise to 6.4% when subsidies are lifted;³⁶ this without any increase in funding.

3.3. While members have welcomed the positive trend in falling wholesale prices, the newly introduced EBDS remains a source of uncertainty for the sector. The unpredictability of gas prices across the last year makes effective budget setting difficult and the wholesale discount does not account for the additional charges

³³ HM Treasury (2023). *Energy Bills Discount Scheme*. Web. 17th Jan 2023. Available at: <https://www.gov.uk/guidance/energy-bills-discount-scheme>

³⁴ Homeless Link (2022). *Homeless Link submission to the Energy Bill Relief Scheme Review 2022*. Dec 2022.

³⁵ Department for Business, Energy and Industrial Strategy (2022). *Energy Bill Relief Scheme: help for business and other non-domestic customers*. Web. 21st September 2022. Available at: <https://www.gov.uk/guidance/energy-bill-relief-scheme-help-for-businesses-and-other-non-domestic-customers>

³⁶ Homeless Link (2022). *Homeless Link submission to the Energy Bill Relief Scheme Review 2022*. Dec 2022.

faced by providers when brokering energy contracts. Residential accommodation providers face 'additional premia which are not covered by the announced support scheme' including increased standing charges and risk-management fees, all of which have significantly increased the base rate for delivery costs.³⁷ Discounts are unlikely to benefit the sector until the cost of energy increases significantly, with providers otherwise expected to absorb inflated costs without additional help or funding. Unlike commercial businesses, the sector cannot compensate for increased costs by raising prices or attracting new customers. Instead, services are forced to make compromises with what few resources they have available, a problem that can only be rectified through additional financial support.

- 3.4. Energy costs comprise a significant proportion of annual expenditure and are mainly absorbed through contract overheads, but this is growing increasingly unfeasible as service budgets grow more stretched. Energy costs are therefore cutting into available funds for service delivery. Services reflected on a 'significant amount of management time' being redirected on 'seeking ways to reduce energy usage rather than focus on the charity's core objectives'. Members describe going through budgets with 'a fine tooth comb' to identify potential savings, but years of budget limitations means there is 'no more fat to trim' and inflated costs can only be accounted for by depleting reserves.
- 3.5. The homelessness sector encompasses a wide variety of services with little capacity to reduce energy use. Services usually operate a combination of residential accommodation, appointment rooms, communal spaces and offices. Those who provide residential accommodation use a large proportion of their energy to heat the homes of service users. Others run energy-intensive kitchens serving meals for no cost. One provider estimated that around 70% of their energy consumption was used to directly heat residential accommodation units, with the remaining 30% used to heat offices and appointment spaces. One provider told us: 'An organisation cannot make savings simply by provide (sic) a reduced service – rent remains unchanged no matter how many hours we use the building, electricity change very little by turning everything off, heating remains unchanged as the building must be kept heated'.
- 3.6. Nor is it practical to introduce other cost-saving measures such as home working. Our member services overwhelmingly serve two functions, providing accommodation and offering face-to-face frontline support. The nature of working with people experiencing homelessness means that work must take place face-to-face, a nuance that was recognised by central Government during the pandemic. Services cannot scale back on office space without implications to their business model. Providers often have multiple functions and non-residential spaces will be multi-purpose, variously used as staff offices, appointment rooms and drop-in spaces, leaving very few options to cut costs.
- 3.7. Providers who deliver residential accommodation have highly variable patterns of energy use with the majority used to directly heat people's homes. One large-scale supported accommodation provider told us their energy costs are projected to rise from £1.5million to £7.7million once subsidies are lifted, equating to a 413% increase – which, without any additional funding, is a cost they are unable to

³⁷ Care England (2023). *Disappointed and unsupported*. Web. 12th Jan 2023. Available at: <https://www.careengland.org.uk/disappointment-and-unsupported/>

absorb. Many services are drawing on reserves to meet costs and some providers told us they are already scaling back or facing closure.

- 3.8. One member, a day centre in the North West, told us they had seen their energy costs rise by 170% between March and October 2022. Locked into a variable contract and with donation and fundraising income down by 30% and 50% respectively, they had been forced to scale back their offer. This meant closing for three days per week and reducing the meals they served by 40%. Even with these reductions, they told us of borrowing from budgets 18 months in advance and of the risk of further service reductions if they were not able to access more funding.

Case study – energy costs

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

Their accommodation is provided through a combination of social housing and private rental, but the stock is outdated meaning high levels of energy inefficiency. While the organisation has successfully secured some inflationary uplifts, these are generally earmarked for items or activities and do not cover core delivery costs. Rents are largely paid through Housing Benefit, covering building maintenance and some delivery costs. Other costs, including utilities, are covered through alternative funding sources and a small service charge to residents.

Service charge arrears are frequent, and the charity anticipate these will be paid around 32% of the time with a loss of around 20k per year. The charity has worked with residents on reducing energy usage and while some have responded, 'some have ignored us', with higher-than-average patterns of use from residents.

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

- 3.9. Members highlighted obvious energy efficiency measures that would reduce their costs long-term but were clear that these would require cash investments which are not feasible in the short term. Homelessness accommodation is often delivered in old housing stock, with providers variably owning properties or acting as managing agents for social housing landlords. This stock is often very inefficient, costing huge amounts to heat and maintain as compared to more modern buildings. While numerous providers told us of their desire to update stock to improve long-term efficiency, these plans have largely been delayed as funds are channelled directly into service delivery.
- 3.10. Nor can providers easily reduce heat use in residential accommodation. Despite holding responsibility for utility costs, providers are often not in control of heat and energy use in units where tenants will set levels themselves. While some tenants had recognised the need for reduced use, others had continued their use as usual.

Reducing energy consumption is therefore particularly challenging as tenants may be less aware or less incentivised to keep costs low.

- 3.11. This means services making difficult decisions about how to fund additional energy costs. 'Either we have to pass the rises onto tenants who cannot afford them and may lead to rent arrears and homelessness, or as an organisation we try to subsidise the increases'. When combined with the pressure of other competing costs, inflated energy costs leave services at high risk of financial failure.

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

- Provide targeted utility discounts for homelessness providers beyond March 2023, recognising the essential function of their business.

4. As rents in the Private Rental Sector increase, Local Housing Allowance should be uplifted to prevent further people being pushed into homelessness.

- 4.1. 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 as compared to the same period pre-pandemic.³⁸ Private rental prices have increased by an average of 4.1% in the last year³⁹ and over 12% since Local Housing Allowance (LHA) was last set in 2020.⁴⁰ As LHA continues to fall behind steeply inflating rental costs, a new raft of renters find themselves at risk of arrears and homelessness. PRS evictions due to rent arrears have risen 51% since last year and 6% on the same period pre-pandemic.⁴¹ 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.⁴²
- 4.2. 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 raised 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.⁴³ This move was welcomed by Homeless Link

³⁸ 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>

³⁹ North, A (2023). *Index of Private Housing Rental Prices, UK: December 2022*. Office for National Statistics. 18th Jan 2023.

⁴⁰ Crisis and Zoopla (2022). *Falling short: Housing benefit and the rising cost of renting in England*.

⁴¹ Ibid.

⁴² Watts, B. Bramley, G. Fitzpatrick, S. et al. (2022). *The Homelessness Monitor: Great Britain 2022*. Crisis. September 2022.

⁴³ 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>

members, but prices have since remained set at their 20/21 levels. The same steps in raising LHA must be taken in recognition of the rising cost of living.

- 4.3. Recent analysis by Crisis and Zoopla⁴⁴ shows that fewer than one in twelve private properties listed last year were affordable within housing benefit levels, with increasing average shortfalls between Housing Benefit 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 an average £1,500 a year shortfall for a two-bedroom home, an increase of nearly £400 from five months earlier.⁴⁵
- 4.4. 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. With rising rent arrears and increasing numbers of households in temporary accommodation, a lack of affordability within the PRS risks both pushing new people into homelessness and trapping them in temporary accommodation at high cost to local government. 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.

⁴⁴ Crisis and Zoopla (2022). *Falling short: Housing benefit and the rising cost of renting in England*.

⁴⁵ Ibid.

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**

