

## Spending Review 2019

### St Mungo's representation to HM Treasury

August 2019

#### **About St Mungo's**

St Mungo's vision is that everyone has a place to call home and can fulfil their hopes and ambitions.

As a homelessness charity and housing association our clients are at the heart of what we do.

We provide a bed and support to more than 2,700 people a night who are either homeless or at risk, and work to prevent homelessness.

We support men and women through more than 300 projects including emergency, hostel and supportive housing projects, advice services and specialist physical health, mental health, skills and work services.

We work across London and the south of England, as well as managing major homelessness sector partnership projects such as StreetLink and the Combined Homelessness and Information Network (CHAIN).

We influence and campaign nationally to help people to rebuild their lives.

For any questions about this submission, please contact Beatrice Orchard, Head of Policy, Campaigns and Research, email: [beatrice.orchard@mungos.org](mailto:beatrice.orchard@mungos.org) or tel: 07885 460 252.

#### **Introduction**

The 2017 Conservative Party manifesto committed to halving rough sleeping by 2022 and ending it altogether by 2027. The Government has provided some funding towards meeting these targets, through the introduction of the Rough Sleeping Initiative (RSI) Fund and other short-term funding programmes such as the Rapid Rehousing Pathway and Housing First pilots, which have all been welcomed by the homelessness sector. This funding has shown signs of making a difference. In 2018, the number of people recorded as sleeping rough fell for the first time in eight years, with the largest decreases being reported in areas which had received RSI funding.

We fully support the Government's commitment to ending rough sleeping, and recognise the importance and significance of the reforms and funding resulting from the Rough Sleeping Strategy. However, this funding does not go far enough to replace what has been lost from homelessness services over the past decade, and will not be sufficient to support the innovative services which are needed to end rough sleeping. Additionally, the structural

causes of homelessness and rough sleeping, including access to housing which is truly affordable and stable, have yet to be addressed.

If the Government is to end rough sleeping for good it must take bold action on the causes of rough sleeping, and focus on preventing homelessness in the first place. Indeed, it has recognized this itself, stating in the Rough Sleeping Strategy that this *“marks just the beginning of our plans to meet our 2027 ambition, when no one has to sleep rough again...we also recognise that we need to look beyond rough sleeping to ensure the entire system is working to prevent all forms of homelessness.”*<sup>1</sup>

To truly ensure that the entire system is working to prevent all forms of homelessness will require significant investment in a long-term, guaranteed programme of homelessness services, alongside increased funding for new social housing. The Government must also ensure that welfare can cover the true cost of renting a home in the private rented sector.

This briefing outlines the investment that is needed to end rough sleeping for good, and ensure that everyone has a stable, secure and long term home and the support they need to remain in it.

## **1. Long term, guaranteed funding for homelessness services**

There have been several Government funding announcements on homelessness services since the last Spending Review, which are outlined in Box 1 below. This includes the 2018 Rough Sleeping Strategy, which committed £100 million of funding for two years, as part of an overall Government spend of £1.2 billion on ending homelessness.

This new funding is welcome and covers a range of services, including homelessness prevention for both single people and families. Many of the reforms introduced by this investment have the potential to transform the way that local authorities approach ending homelessness. For example, the Flexible Homelessness Support Grant, which is ring-fenced and allows local authorities some choice in how to spend funding which was previously strictly regulated around the management of temporary accommodation, helps local areas to prioritise preventing homelessness.

However, our research shows that these spending commitments do not cover what has been lost from homelessness services for single people on an annual basis. It also does not represent enough funding to fully roll out the innovative services that we believe have the potential to end rough sleeping for good.

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<sup>1</sup> MHCLG (2018) *Rough Sleeping Strategy*. Available at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/733421/Rough-Sleeping-Strategy\\_WEB.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733421/Rough-Sleeping-Strategy_WEB.pdf)

## **BOX 1 - RECENT GOVERNMENT FUNDING ANNOUNCEMENTS RELATING TO HOMELESSNESS**

**The Government has announced more than £1.2bn in funding towards ending homelessness since 2016. This includes:**

- Rough Sleeping Grant: £20mn for 2016/17 to 2018/19
- Homelessness Prevention Trailblazers: £20mn for 2016/17 to 2018/19
- Social Impact Bonds: £10mn for 2017/18 to 2020/21
- Rough Sleeping Initiative Fund: £30mn in 2018/19, and £46mn in 2019/20
- New burdens funding for the Homelessness Reduction Act: £72.7mn for 2017/18 to 2019/20
- IT system updates for the Homelessness Reduction Act: £3mn for 2017/18 to 2019/20
- Housing First pilots: £28mn for 2017/18 to 2019/20
- Private Rented Sector Access scheme: £20mn
- Local Authority Homelessness Prevention Funding: £315mn until 2019/2020
- Move on grant: £100mn by 2018/19
- Voluntary organisations funding: £19mn by 2020
- Flexible homelessness support grant: £617mn by 2020, and ring-fenced for the first two years
- Rapid Rehousing Pathway funding: £25m in 2019/2020

The Government's Rough Sleeping Strategy, published in August 2018, was 'backed by an additional £100 million' of which £55 million was deemed to be 'new money for rough sleeping'. The Rapid Rehousing pathway, listed above, is funded through this investment. However, it is not clear how much else of this £100 million is accounted for by the initiatives above, nor how much will be delivered to local authorities. The NHS has also announced £30mn of funding for mental health services for people who have slept rough.

In March 2019, St Mungo's and Homeless Link commissioned WPI Economics to review local authority spending on homelessness between 2008/9 and 2017/18. This research found that in 2008/9, a total of £2.8bn was spent on all homelessness-related activities by local authorities.<sup>2</sup> By 2017/18, however, this had fallen to just over £2bn, a decline of 27%.

There were significant differences in the trends for spending on different groups of people experiencing homelessness.

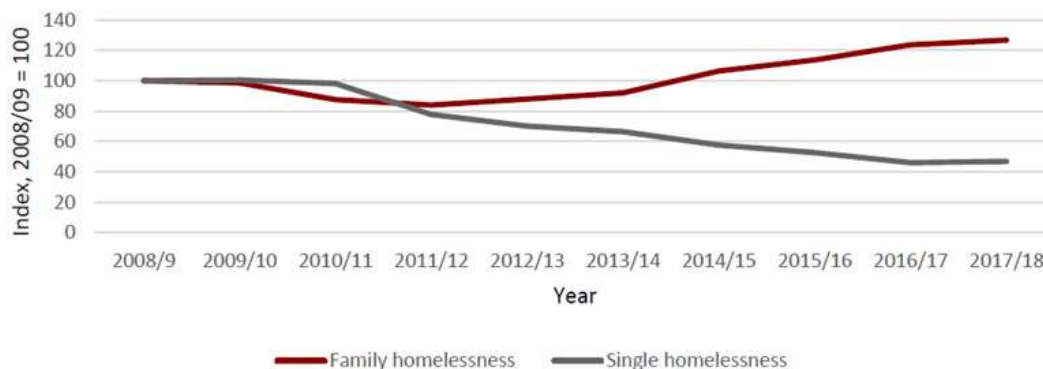
Single homelessness is a term used to define individuals or couples without dependent children who are homeless. They are less likely to be found in priority need under homelessness legislation than families and to be offered settled accommodation.

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<sup>2</sup> The analysis of English local government spending on homelessness-related activities in this report is based on Revenue Outturn data published by MHCLG. This data records spend by activity type, rather than the individuals or households that the spending is directed towards. WPI Economics reviewed relevant Revenue Outturn guidance notes and spoke to local authority staff to identify the expenditure lines that are most clearly associated with homelessness. For a full description of methods, please see <https://www.mungos.org/app/uploads/2019/04/Local-authority-spending-on-homelessness.pdf>

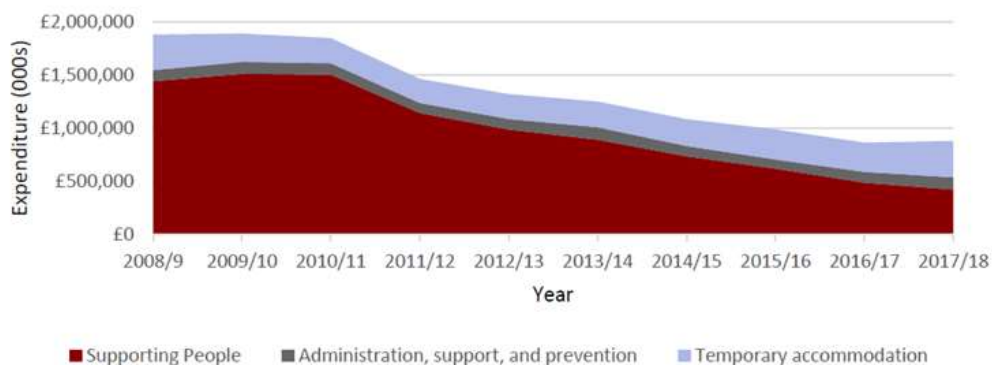
In 2008/9, expenditure on homelessness-related activities for single homelessness was more than double that of expenditure on family homelessness, but by 2017/18 more was spent on family homelessness. However, while the amount of money spent on family homelessness rose between 2008/9 and 2017/18, the amount spent on single homelessness fell by 53%.

Figure 4: Index of spending on family and single homelessness



This fall is entirely due to a decline in Supporting People expenditure after 2010/11. Spending on homelessness administration, support, and prevention stayed level during this time, while temporary accommodation has increased a little in recent years. By contrast, in 2017/18, nearly £1 billion less was spent on Supporting People services compared to 2008/9.

Figure 5: Components of spending on single homelessness, 2017/18 prices



Source: WPI Economics analysis of MHCLG data<sup>10</sup>

Supporting People was a Government programme launched in 2003 to fund services for people who would otherwise struggle to cope to live independently, including supported housing.<sup>3</sup> It brought together several existing streams of funding and was ring-fenced until 2009. Evidence proves that these services, also known as housing-related support services, work when it comes to helping people avoid and escape homelessness. The programme generated net savings of £3.4 billion per year against an overall investment of £1.61 billion.<sup>4</sup>

<sup>3</sup> Although the Supporting People programme no longer exists, data on local authority spending still contains a line on Supporting People services. This was used to calculate the spending cuts.

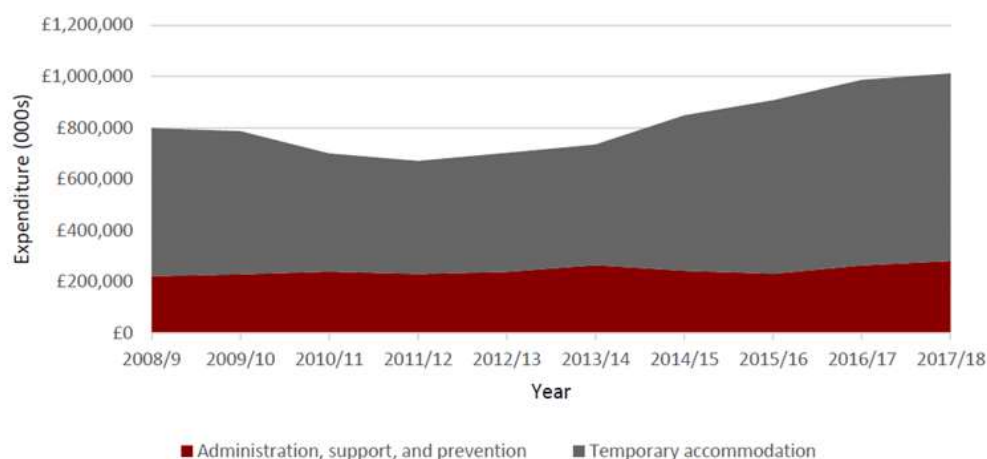
<sup>4</sup> Capgemini (2009) *Research into the financial benefits of the Supporting People Programme* [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/16136/1274439.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/16136/1274439.pdf)

The reduction in funding for support for single homeless people has led to a decrease in the availability of services for this group, even as demand for this support has dramatically increased.

The number of people seen sleeping rough has risen by 165% since 2010. However, Homeless Link data shows a 30% fall in the number of bed spaces in supported accommodation projects, including hostels, from an estimated 50,000 in 2008 to 35,000 in 2017.<sup>5</sup> Similarly, floating support services, which offer practical and emotional support to help people sustain their tenancy, have also been in decline. Previous research by St Mungo's found the total number of floating support services – which provide support to people to sustain their housing - fell by 31% between 2013/14 and 2017/18 in the areas with the highest levels of rough sleeping in England.<sup>6</sup> Some Housing First services, providing a stable home and intensive support to people with complex needs, have been introduced in recent years. However, these services are far too small in scale to make up for the number of bed spaces lost.

The same analysis for family homelessness shows a large recent increase in temporary accommodation costs, which increased by 66% between 2011/12 and 2017/18. This has driven the overall increase in spending on this type of homelessness.

Figure 6: Components of spending on family homelessness, 2017/18 prices



Source: WPI Economics analysis of MHCLG data<sup>13</sup>

Local authorities have a legal duty to provide temporary accommodation to families, and some other groups experiencing homelessness. We do not propose that this should change, or that funding should be removed from this group. However, temporary accommodation is an expensive response to a crisis situation. While it prevents eligible households from experiencing the most dangerous forms of homelessness, such as rough sleeping, it does not offer long term, stable or secure housing.

Finally, the research also found that the way in which services are funded can lead to uncertainty for both staff and service users. As a result of the reductions in available funding, and increased levels of need, the commissioning of homeless services has become more complex and challenging. Even if local authorities have been able to retain a significant

<sup>5</sup> Homeless Link (2018) *Support for single homeless people in England: Annual review*  
[https://www.homeless.org.uk/sites/default/files/site-attachments/Annual%20Review%202017\\_0.pdf](https://www.homeless.org.uk/sites/default/files/site-attachments/Annual%20Review%202017_0.pdf)

<sup>6</sup> St Mungo's (2018) *Home for Good: the role of floating support in ending rough sleeping*  
<https://www.mungos.org/publication/home-for-good-the-role-of-floating-support-in-ending-rough-sleeping/>

amount of funding for their Supporting People services, this largely has to be fought for on an annual basis. This reduces the ability of commissioners to plan their services strategically over the long term.

It also means that services are often at constant risk of closure. Interviewees for the research stated that even when long term contracts were offered, these often had break clauses in place in case the local authorities lost funding for services part way through the agreed term.

This problem is exacerbated by short term funding pots, administered by central Government to provide very specific services or pilots, where investment is only guaranteed for a very limited period and bidding rounds are short. The 'transaction costs' associated with bidding for such funding are also high, diverting resource from the actual delivery of services. However, many interviewees felt that it was crucial to apply for as many sources of funding as possible, given high levels of unmet support needs in their local areas. Rushed bidding rounds and short-term funding have also forced local authorities to take a light-touch, risk-averse approach to developing services due to concerns the funding will not be continued, and they will not be able to afford to continue the services.

## **Recommendation**

### **Invest an extra £1 billion a year in homelessness services, to prevent homelessness and end rough sleeping, in a ring fenced grant to local authorities**

More funding is needed to enable local authorities to meet the immediate demand for homelessness services, including supporting more people off the streets. This investment should also be sufficient to allow local authorities to plan and deliver long term services that work to prevent homelessness, by supporting people to stay in their homes. It should be ring-fenced to ensure that funding is used specifically on homelessness services, given the existing pressures on local authority budgets.

Records show that eradicating rough sleeping was in sight at the end of the last decade. On 15 July 2010 DCLG reported that the number of people sleeping rough in England had hit an 11-year low: 70 councils had conducted street counts and reported that there were 440 rough sleepers in England on any given night. Although the methodology for counting people sleeping rough has improved over recent years, this is still a stark reminder that rough sleeping is not inevitable, and that properly funded homelessness services can make a difference. Funding should be restored to the levels invested in homelessness services before the financial crash, on an on-going basis. This means investing an additional £1 billion in each year of the next Spending Review period and beyond if needed.

This figure has not been reached at simply by reviewing what has been lost from the system. It is supported by other organisations, who have assessed how much funding is required on an ongoing basis to support the delivery of homelessness services, including innovative solutions such as Housing First. Modelling by PwC on behalf of Crisis found that the cost of interventions required to help end homelessness would be £9.9 billion between 2018 and 2027. This would deliver benefits worth £26.4 billion.<sup>7</sup>

This new funding would enable the Government to set expectations about what local authorities should deliver with regards to ending homelessness. The Government recently

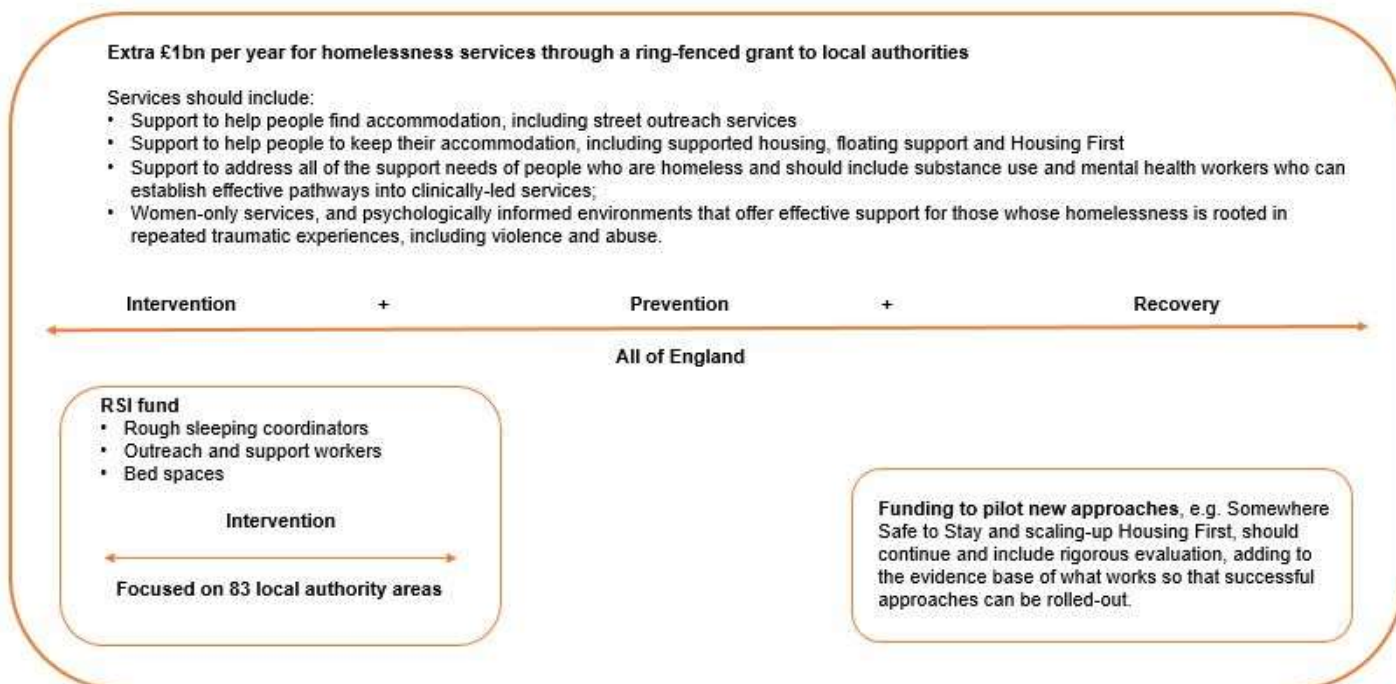
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<sup>7</sup> Crisis (2018) Everybody In: How to end homelessness in Great Britain. Available at [https://www.crisis.org.uk/media/238960/everybody\\_in\\_how\\_to\\_end\\_homelessness\\_in\\_great\\_britain\\_2018\\_e\\_s.pdf](https://www.crisis.org.uk/media/238960/everybody_in_how_to_end_homelessness_in_great_britain_2018_e_s.pdf)



consulted on the development of new Homelessness Reduction Boards, which could provide strategic leadership at a local level, and improve monitoring and accountability towards meeting national expectations. We support the introduction of these boards, and think they should have a statutory footing, with responsibility for consulting on, developing, and scrutinising implementation of local homelessness and rough sleeping strategies and associated annual action plans. They should also have the ability to hold local partners to account for their actions.

With adequate levels of funding, and strategic oversight of delivery at a local level, all local areas should be able to provide the services outlined in the diagram below:



## **2. Increase the availability of social housing**

Research from the Chartered Institute for Housing and Britain Thinks<sup>8</sup> demonstrates that members of the public believe that social housing has a key role to play in tackling poverty and housing those who are vulnerable or at risk of homelessness.

Further evidence suggests that social housing can be crucial in ensuring that people with a history of rough sleeping never return to the streets.

A comprehensive study, which followed the experiences of hundreds of people for five years after homelessness, found that:<sup>9</sup>

- People were much more likely to become homeless again if they were resettled into the private rented sector (PRS) rather than social housing (58% compared to 22%)

<sup>8</sup>Chartered Institute for Housing. *Rethinking Social Housing*. Available at <http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Final%20Rethinking%20social%20housing%20report.pdf> and Britain Thinks (2019) *Social housing in England after Grenfell*. Available at: [https://england.shelter.org.uk/\\_data/assets/pdf\\_file/0011/1642655/Britain\\_Thinks\\_final\\_report.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0011/1642655/Britain_Thinks_final_report.pdf)

<sup>9</sup> King's College London (2016) *Rebuilding Lives: supporting formerly homeless people to achieve independent living*. Available at <https://www.kcl.ac.uk/scwru/pubs/2016/reports/RebuildingLives2016Report.pdf>

- People who moved into the PRS were three times more likely than those in social housing to have moved at least four times over the 5 year period
- People living in the PRS were less likely than those living in social housing to have received support after moving out of homelessness

Social housing offers more stability and affordability than the PRS, and can support new approaches to ending rough sleeping.

Services to end rough sleeping are increasingly focused on providing housing-led support. One such model is Housing First, in which wrap-around, intensive support is provided to people with a history of homelessness and high support needs after they have been resettled into a new home.

St Mungo's is one of the largest providers of Housing First in England and is very supportive of the model. However, this type of service is difficult to provide in the PRS, as short term tenancies are disruptive to recovery and the delivery of support. This type of service can work better in social housing, where tenants have the stability they need to focus on rebuilding their lives away from the street.

However, in spite of this, the experience of clients at St Mungo's demonstrates that access to social housing is extremely limited for people with a history of rough sleeping. CHAIN data shows that in 2017/18 just 0.1% of people seen sleeping rough who achieved an accommodation outcome moved directly into a general needs social housing tenancy in London.

People with a history of rough sleeping struggle to access social housing for a number of reasons. In recent years local authorities have been encouraged by central Government to reduce the number of people and families on their waiting lists. The 2011 Localism Act increased the amount of discretion that local authorities can use to allocate their social housing stock. Further guidance was then issued in which the Government encouraged all local authorities to adopt a requirement that applicants must have resided in the borough for at least two years, alongside some other means of proving a local association. Other restrictions that local authorities can place include a history of rent arrears, criminal convictions, and a history of anti-social behaviour.

The basis for such restrictive allocations policies is a lack of supply of social housing. Shelter has found that there were over 1.2 million families and individuals on social housing waiting lists in 2017, but only 290,000 social homes were made available in 2016/17. Over 25% of people on the social housing waiting list spend over five years waiting for a home and almost two-thirds will wait for over one year.<sup>10</sup> Research from the Chartered Institute for Housing found that around 150,000 local authority homes and housing association homes for social rent were lost between 2012 and 2017.<sup>11</sup> This has been caused by a number of factors including the loss of social homes from the sector due to Right to Buy. Many of the properties lost through Right to Buy have not been replaced with new stock, in part because of financial pressures on the sector. Other socially rented properties have been converted to affordable rents levels – which tend to be higher – or demolished. Finally, the construction of

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<sup>10</sup> Shelter (2018) *Why we need a bold new plan for social housing*. Available at: [http://blog.shelter.org.uk/2018/06/why-we-need-a-bold-new-plan-for-social-housing/?\\_ga=2.251211663.822816220.1529932593-1608485346.1493385740](http://blog.shelter.org.uk/2018/06/why-we-need-a-bold-new-plan-for-social-housing/?_ga=2.251211663.822816220.1529932593-1608485346.1493385740)

<sup>11</sup> Chartered Institute for Housing (2018) *More than 150,000 homes for social rent lost in just five years, new analysis reveals*. Available at: <http://www.cih.org/news-article/display/vpathDCR/templatedata/cih/news-article/data/More+than+150000+homes+for+social+rent+lost+in+just+five+years+new+analysis+reveals>



new homes for social rent has consistently declined over recent years. Just 6,463 homes were built in England for social rent in 2017/18, down from almost 30,000 a decade ago.<sup>12</sup>

We believe that access to social housing is crucial in ensuring that people with a history of rough sleeping can access stable, secure and affordable long term housing. However, people with a history of sleeping rough will not be able to access the social homes they need unless new stock is created.

## Recommendation

**The Government should invest an average of £14.6bn (£12.8bn per year in today's prices), per year for 10 years in capital grants to build the social homes that are needed in England**

St Mungo's supports recommendations developed by Crisis and the National Housing Federation regarding the best methods to ensure the sustainable delivery of social housing.

Recent modelling undertaken by Heriot Watt University on behalf of Crisis<sup>13</sup> assessed the existing backlog of housing need across the UK, and determined how many new homes would be required to address this. It found that there are four million households with a housing need in England. This group is made up of individuals and families who:

- are currently in concealed and overcrowded households
- have serious affordability or physical health problems and are living in unsuitable accommodation
- are experiencing core and wider homelessness, including living in temporary accommodation, rough sleeping or hidden homelessness
- are older households with suitability needs
- live in poverty after paying their housing costs

The research went on to suggest that in order to address this backlog of need and meet expected future needs, the total level of new housebuilding required in England is 340,000 units per year for 15 years. This includes 145,000 affordable homes, 90,000 of which should be let at social rents.

The National Housing Federation have further developed this research to determine the level of Government grant which will be required to deliver this number of social homes across England.<sup>14</sup>

This model takes into account the subsidy required by housing associations and local authorities to deliver the social housing that is needed over the next ten years, by modelling the costs of a programme of building across England and calculating the funding which can be obtained on the basis of future rental income and the sale of shared ownership

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<sup>12</sup> MHCLG (2019) *Live tables on supply of affordable housing*. Available at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

<sup>13</sup> Crisis (2018) *Housing supply requirements across Great Britain: for low-income households and homeless people*. Available at: <https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/housing-models-and-access/housing-supply-requirements-across-great-britain-2018/>

<sup>14</sup>National Housing Federation (2019) *Capital grant required to meet social housing need in England 2021 – 2031*. Available at: [http://s3-eu-west-1.amazonaws.com/doc.housing.org.uk/Editorial/Grant\\_modelling\\_report\\_June\\_2019.pdf](http://s3-eu-west-1.amazonaws.com/doc.housing.org.uk/Editorial/Grant_modelling_report_June_2019.pdf)

properties. This calculation shows that there is a “subsidy gap”. This could be partially met through other means, such as land discounts, but a significant increase in capital grants from the Government will be required to build the housing which is clearly needed.

Increased grant rates are required as:

- The total building programme is three times larger than current building plans
- A far greater proportion of all affordable housing built under the proposed programme would be let at social rents – 59% up from 12% - to address housing need across England. Building homes for social rent requires a higher capital subsidy than an affordable rent or shared ownership home.
- New housing is disproportionately needed in areas with high land and building costs, but these higher costs cannot be recovered from future income.
- Inflation of build costs is anticipated
- Cross-subsidies from the sale of market homes do not increase as the total number of homes increases, as there would not be a significant increase in the number of homes for sale

As a result of these issues, the NHF found that an average of £14.6bn (£12.8bn per year in today's prices), in capital grant from Government will be needed each year for ten years to deliver the social homes that are needed in England. This will enable a total housebuilding programme worth £46.2bn per year on average to begin. For the grant-funded homes, this grant would cover 44% of total scheme costs. The NHF has also suggested that such investment in new homes could add £120bn to the economy per year, due to the number of jobs created through the programme, and that every pound invested would generate up to £8.22.<sup>15</sup>

Finally, increasing access to social housing should lower the Government's Housing Benefit bill over the long term. It is 23% more expensive for the Government to pay to house someone in the PRS compared to social housing (at an average of £110 per week in Housing Benefit for someone in the PRS, compared to £89 in social housing).<sup>16</sup>

We recommend that the Government take up the recommendations made by Crisis and the National Housing Federation, and begin to increase investment in grants designed to support the building of new social homes.

### **3. Ensuring that welfare covers the cost of rent**

As outlined above, the delivery of new social housing will be crucial if rough sleeping is to be eradicated for good. However, the supply of such housing will take considerable amount of time to deliver. Short-term policy changes must also be made to reduce homelessness as quickly as possible.

The shortage of social housing means that more and more vulnerable people who are at risk of repeat episodes of homelessness are living in the PRS, where rents are increasingly

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<sup>15</sup> National Housing Federation (2019) *Let's end the housing crisis*. Available at [http://s3-eu-west-1.amazonaws.com/files.ciw.housing.org.uk/Lets\\_end\\_the\\_housing\\_crisis.pdf](http://s3-eu-west-1.amazonaws.com/files.ciw.housing.org.uk/Lets_end_the_housing_crisis.pdf)

<sup>16</sup> National Housing Federation. *How public money is spent on housing*. Available at <https://www.housing.org.uk/how-public-money-is-spent-on-housing/>

unaffordable, tenancies insecure and conditions often very poor. Cuts to floating support services mean that this group are much less likely to receive help before they face the crisis of homelessness.<sup>17</sup>

There is abundant evidence that the cost of renting in the private sector is increasing levels of homelessness. The end of an assured shorthold tenancy has become the most common reason for the loss of a last settled home amongst people who present as homeless to their local authority,<sup>18</sup> and being asked to leave or evicted from their previous home was the most common reason that people sleeping rough in London gave as to why they had left their last settled base.<sup>19</sup>

A key issue which impacts on an individual's ability to pay their housing costs is how much those on a low income can claim through the welfare system to support them to pay their rent.

Local Housing Allowance (LHA) rates were introduced in 2008 as a means of calculating Housing Benefit entitlements for individuals in the PRS. They are used to determine a flat rate of benefit that individuals can claim, based on the number of bedrooms in the property they need and average rents in a Broad Rental Market Area (BRMA).<sup>20</sup> When LHA rates were introduced, the amount that someone could claim was set at the median of local rents, but between 2010 – 2015 the Government introduced a number of restrictions on LHA rates, including:

- Setting national weekly LHA caps, which were based on the size of properties
- Restricting LHA rates to the bottom 30th percentile of rents in BRMAs rather than the median
- Restricting the uprating of LHA to become in line with the Consumer Price Index (CPI) rather than local rent increases. In 2014 and 2015, rates were uprated by 1% rather than by CPI
- Extending the Shared Accommodation Rate (SAR) to most single people under the age of 35, as opposed to 25.

Finally, in 2016 the Government announced that LHA rates would be frozen for four years until 2020.

The Government intended that these changes would restrict rent increases, but this has not been the case. Instead, tenants are finding it much more difficult to source affordable properties, or are being forced to cover rent shortfalls with other benefits. Shelter found that between April 2011 and April 2014, rents across England increased by 6.8%. Over the same period LHA rates increased by just 3.2%.<sup>21</sup>

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<sup>17</sup> St Mungo's (2018) *Home for Good: the role of floating support in ending rough sleeping*

<https://www.mungos.org/publication/home-for-good-the-role-of-floating-support-in-ending-rough-sleeping/>

<sup>18</sup> MHCLG Statutory homelessness live table 774, 29 June 2018 – referenced in Alma economics review of homelessness.

<sup>19</sup> CHAIN (2019) CHAIN annual report. Available at [https://airdrive-secure.s3-eu-west-1.amazonaws.com/london/dataset/chain-reports/2019-06-19T08%3A14%3A39/Greater%20London%20full%202018-19.pdf?X-Amz-Algorithm=AWS4-HMAC-SHA256&X-Amz-Credential=AKIAJJDIMAIVZJDICKHA%2F20190814%2Ffeu-west-1%2Fs3%2Faws4\\_request&X-Amz-Date=20190814T132951Z&X-Amz-Expires=300&X-Amz-Signature=f08fbdd149f670d0a02e9c8f48a7a24de735636a9bb7c771372fdacb057c4e8e&X-Amz-SignedHeaders=host](https://airdrive-secure.s3-eu-west-1.amazonaws.com/london/dataset/chain-reports/2019-06-19T08%3A14%3A39/Greater%20London%20full%202018-19.pdf?X-Amz-Algorithm=AWS4-HMAC-SHA256&X-Amz-Credential=AKIAJJDIMAIVZJDICKHA%2F20190814%2Ffeu-west-1%2Fs3%2Faws4_request&X-Amz-Date=20190814T132951Z&X-Amz-Expires=300&X-Amz-Signature=f08fbdd149f670d0a02e9c8f48a7a24de735636a9bb7c771372fdacb057c4e8e&X-Amz-SignedHeaders=host)

<sup>20</sup> A BRMA is defined as "an area within which a person could reasonably be expected to live having regard to facilities and services for the purpose of health, education, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from these facilities and services".

<sup>21</sup> Shelter (2015) Cuts and changes to housing benefit for private renters. Available at:

[https://england.shelter.org.uk/\\_data/assets/pdf\\_file/0020/1142183/7567.01\\_LHA\\_Briefing\\_Report\\_v4.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0020/1142183/7567.01_LHA_Briefing_Report_v4.pdf)

Instead, tenants have increasingly struggled to access affordable housing. Crisis and the Chartered Institute for Housing carried out joint research on LHA rate levels. The research found that across Great Britain, 61% of areas were unaffordable within Local Housing Allowance rates for 2018/19 to single people, couples, and small families, where unaffordable was defined as 20% or less of the private rented market available within the Local Housing Allowance rate. 92% of areas were unaffordable to at least one of these household types.<sup>22</sup>

This analysis included Targeted Affordability Funding (TAF) in its calculations. The TAF was established as the Government recognised that limiting LHA rates has negatively impacted the ability of some people to access the PRS. This is money available to uprate LHA rates by a maximum of 3% in BRMAs where less than 5% of the private rented sector is affordable. The money is taken from savings made through the LHA freeze and previous cuts. However, the CIH found that the TAF has not been effective in bridging the gap between LHA rates and actual rents, particularly in years when CPI is low.<sup>23</sup>

As a result, many people in the PRS are facing a shortfall between their rent and the level of Housing Benefit they can claim. For those who also claim welfare for their income this can prove especially difficult, as income levels are set at subsistence levels and are calculated only to cover basic living costs (which does not include housing). Indeed, the Supreme Court recently found in favour of a Housing Benefit claimant, that she and her family should not be expected to spend the money they claimed for their living expenses to cover shortfalls in rent.<sup>24</sup>

For many people, this financial pressure builds to the point they are pushed into homelessness. For those who are already experiencing homelessness, the disparity between LHA rates and actual rent levels can prevent them from securing new accommodation. This leads to greater numbers of people either requiring support from their local authority (often in the form of expensive temporary accommodation), or being forced to sleep rough.

## Recommendation

**The Government should restore LHA rates to the bottom 30<sup>th</sup> percentile of local rents, at a cost of £3.3billion over three years.**

Research by Alma Economics, on behalf of Crisis, has demonstrated that uprating LHA rates to the 30<sup>th</sup> percentile of local rents will prevent homelessness for thousands of people, and deliver substantial savings to public spending.<sup>25</sup>

In particular, they found that if LHA rates were uprated to the 30<sup>th</sup> percentile of local rents every year between 2019/2020 and 2022/23, it would mean:

- 6,000 households would be prevented from facing homelessness
- 32,000 households would be lifted out of poverty

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<sup>22</sup> Crisis (2019) *Cover the Cost: How gaps in Local Housing Allowance are impacting homelessness*. Available at: [https://www.crisis.org.uk/media/240399/cri0226\\_cover\\_the\\_cost\\_report\\_aw\\_web.pdf](https://www.crisis.org.uk/media/240399/cri0226_cover_the_cost_report_aw_web.pdf)

<sup>23</sup> Chartered Institute for Housing (2018) *Missing the target*. Available at: <http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Missing%20the%20target%20final.pdf>

<sup>24</sup> <https://www.theguardian.com/law/2019/jun/12/supreme-court-rules-in-favour-of-single-mother-declared-intentionally-homeless>

<sup>25</sup> Alma Economics (2019) *Local Housing Allowance – options for reform*. This research used the Treasury's Green Book framework to calculate costs and savings to the taxpayer.

The research also found that implementing this policy would bring net benefits, in financial savings and welfare gains over three years, of £2.1billion This is based on £5.5billion of savings to Government from reduced use of homelessness services and other costs associated with homelessness, including £124million savings from reduced use of temporary accommodation, against spending of £3.3billion.

## **Conclusion**

This briefing outlines the level of investment that the Government should commit to in order to achieve its commitment to ending rough sleeping by 2027, and moving towards its stated aim of addressing wider forms of homelessness.

It should:

- Invest an extra £1 billion a year in homelessness services, to prevent homelessness and end rough sleeping, in a ring fenced grant to local authorities
- Invest an average of £14.6bn (£12.8bn per year in today's prices), per year for 10 years in capital grants to build the social homes that are needed in England
- Restore LHA rates to the bottom 30<sup>th</sup> percentile of local rents, at a cost of £3.3billion over three years