

The Budget 2021: written representation from St Mungo's

January 2021

About St Mungo's

St Mungo's is a leading homelessness charity. We work with people experiencing homelessness and those who are at risk of homelessness.

Last year, we supported more than 32,000 people who have experienced or were at risk of homelessness. We provided a bed and support to 2,850 people each night, and 92% of our clients said that St Mungo's staff helped them make a positive change in their lives.

We have 1,500 staff, 1,400 volunteers and thousands of generous supporters. We work together with 53 local authorities 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).

St Mungo's has been at the forefront of supporting people who were rough sleeping or at risk throughout the COVID-19 pandemic. During this period we have supported a further 3,500 people in emergency hotels and helped 1,300 to move to longer-term accommodation.

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

Ensuring that the welfare system supports people at risk of rough sleeping

This submission is focused on welfare and employment policy changes that would reduce the number of people at risk of homelessness as a result of the pandemic, and help ensure people already experiencing homelessness can access the support they need during these unprecedented times.

However, it is important to note that calls made in our representation to the Spending Review earlier this year still stand.

St Mungo's welcomed the detail in the Spending Review of £254 million of additional funding for accommodation and substance misuse services, to support people sleeping rough and those at risk of homelessness during the pandemic. This included £151 million of new funding on top of £103 million that had previously been announced.

We understand the need for short term financial settlements in this time of uncertainty, but hope that in the near future multi-year settlements of funding for homelessness services will be made available. These should focus on working towards longer term solutions through schemes such as the Next Steps and Rough Sleeping Accommodation Programmes and restoring the nearly £1bn shortfall in investment in homelessness and housing related support services which has been recorded over the past decade as result of cuts to local authority budgets.¹

¹ WPI Economics (2020) *Local authority spending on homelessness: 2020 update*
<https://www.mungos.org/publication/local-authority-spending-on-homelessness-2020-update/>

Transient work and homelessness

St Mungo's recently carried out research into transient work and homelessness, which contained concerning findings about the impact of the pandemic on people in insecure work.

Between June and July 2020, we surveyed 96 people in transient work to find out how COVID-19 has affected their housing security during the period of 23 March – 4 July 2020.

- 59% of survey respondents reported that their housing circumstances changed as a result of COVID-19
- 87% of respondents reported losing working hours
- Before COVID-19, 78% of survey respondents reported being able to pay for their accommodation comfortably. This fell to 40% during the period of 23 March – 4 July 2020

While there have been a number of important policy changes in response to the COVID-19 pandemic to try and support people on low incomes, we are concerned that there have not been sufficient improvements to the welfare system to support everyone who is at increased risk of homelessness.

In March 2020, the Government announced a series of changes to the welfare system which were designed to mitigate some of the impact of the COVID-19 pandemic on claimants. This included raising Local Housing Allowance (LHA) rates to cover the lowest 30% of rents, and increasing the standard allowance within Universal Credit (UC) by £20 a week. These measures were welcomed by many, including St Mungo's.

However, some of these changes have only been introduced on a temporary basis, putting people at risk of homelessness or destitution if their income suddenly drops as a result of a return to previous rates. Further changes are also needed to ensure that everyone can benefit from the increased rates, and to support people in transient work whose income has dropped or become even less stable as a result of the pandemic.

The benefit cap

One policy which was left unchanged in March was the benefit cap. At St Mungo's, we have had concerns about the benefit cap for some time. Many of our services are based in London and other urban areas with high housing costs, and our clients are often single adults looking to move into the private rented sector (PRS). The cap can prevent move on from homelessness services, by dramatically reducing the amount of Housing Benefit (or housing costs within UC) which our clients are entitled to. These concerns have been put into stark relief during the COVID-19 pandemic.

As noted above, LHA rates were increased to ensure housing benefits covered at least 30% of market rents in every local area, to help people find properties they can afford. However, even with rates set at the 30th percentile it can prove difficult to find suitable properties for people who rely on welfare to cover the costs of their housing, including vulnerable people who are rebuilding their lives after rough sleeping.

St Mungo's has directly noticed the impact of the benefit cap on our clients, both in London and elsewhere. Many of our clients who live in London and are preparing to move on into independent accommodation are entitled to claim the one bedroom LHA rate.

We reviewed LHA rates in 63 Broad Market Rental Areas in London² and found that:

- Prior to the welfare changes in April 2020, there were 37 areas where people who were claiming the standard allowance in Universal Credit could claim the full one bedroom LHA rate without hitting the benefit cap;
- After April 2020, this reduced to just six areas.

This shows that, as a result of the benefit cap, the increase in LHA rates has done very little to improve housing affordability across London.

Without fundamental changes to the welfare system it will be very difficult to find suitable long-term housing for everyone currently in emergency accommodation. For people with low support needs, the private rented sector offers the most likely option for move on given the current scarcity of social housing.

St Mungo's staff who are working with clients currently living in emergency accommodation, such as hotels, have already reported that the benefit cap is preventing people from moving on into private rented housing. It can be very difficult to find any properties to rent at the 30th percentile, and the added pressure of the benefit cap has led to some services reporting that there are no suitable properties available at all in their local area for our clients who are looking to move on.

In increasing LHA rates, the Government has acknowledged that housing costs have increased since they were previously frozen and that housing benefits should be more closely aligned to the cost of rent to help prevent financial hardship and homelessness. However, the benefit cap means that many people in this group have not benefitted from the increase. If the Government is to ensure that the people accommodated under the Everyone In initiative do not simply return to the streets and more people are prevented from becoming homeless, it must ensure that housing benefits are able to cover the cost of renting.

Universal Credit and supported housing

Research by St Mungo's into transient work and homelessness has also found that some people who live in supported housing are dis-incentivised from finding work due to rules around claiming UC.³

If someone living in supported housing receives UC, they can claim the full amount of housing benefit to cover their rent in supported housing. However, once they start working enough hours to no longer be eligible to claim UC, they lose their entitlement to full housing benefit and this will start to taper off.

Furthermore, although people in supported housing should be able to claim their full rent through housing benefit if they claim UC (as set out above), their standard allowance will still start to taper off as they increase their working hours. As a result, people can earn more from working a small number of hours a week and retaining some UC instead of increasing their hours to the point where they can't receive any income from the welfare system.

The Government has recognised the higher cost of providing supported housing, when compared to general needs housing, and agreed that Housing Benefit should be available to cover the rent and eligible service charges. They should now ensure that those living in

² Broad Rental Market Area boundaries are used to determine LHA rates

³ St Mungo's (2020) *Tackling transient work and homelessness* <https://www.mungos.org/publication/tackling-transient-work-and-homelessness/>

supported housing, who are ready to work, can earn more before their Housing Benefit claim is affected. This could be achieved by re-introducing a 'work allowance' for everyone living in supported housing.

No Recourse to Public Funds

A key aspect of the Everyone In initiative was that homeless people were able to access support and accommodation regardless of their immigration status. This was particularly important for people who do not usually have access to homelessness assistance, or welfare support, either due to restrictions in their legal immigration status, or due to being undocumented. However, move-on options for this group remain very limited, and they are at serious risk of returning to rough sleeping if emergency accommodation is no longer available.

The Government's position on supporting people sleeping rough with NRPF is that the rules on eligibility for support relating to immigration status have not changed. They also state that local authorities are able to use their judgment when assessing the support that can lawfully be provided in relation to people with NRPF, as is the case in times where there is extreme weather and there is a potential risk to life. However, local authorities have expressed concern about the legal basis for providing ongoing support, and about not having sufficient funding to keep everyone who is homeless safe this winter.

Therefore, we recommend that the Government:

- **Suspends the benefit cap and lift Local Housing Allowance (LHA) rates in line with average rents.** We recognise that this would be an expensive intervention and note that removing the benefit cap fully may be unacceptable to the Government. If this is the case then we recommend that the Government instead alters the current level of the cap, either across the country or in areas with poor housing affordability. We also recommend that LHA rates should continue to be aligned to at least the 30th percentile of local rents beyond this financial year, in order to continue to support people to pay their rent in the future.
- **Makes the increase to the standard allowance of Universal Credit (UC) permanent.** As noted above, St Mungo's welcomed the temporary increase to the UC standard allowance, but this is currently due to end in March. We strongly recommend that this change is made permanent to help prevent further increases in poverty and homelessness.
- **Ensures people living in supported housing can earn more before their benefits are affected, helping them to experience the positive impact of work without putting their housing at risk.** The Government has recognised the higher cost of providing supported housing when compared to general needs housing, and agreed that Housing Benefit should be available to cover the rent and eligible service charges. They should now ensure that those living in supported housing, who are ready to work, can earn more before their Housing Benefit claim is affected. This could be achieved by re-introducing a 'work allowance' for everyone living in supported housing.
- **Funds specialist employment support programmes tailored to people experiencing homelessness.** Our research recognises that workers who are sleeping rough, experiencing hidden homeless or who are at risk of homelessness have challenges securing and maintaining work. With an increase in unemployment in the aftermath of COVID-19, tailored employment support programmes are urgently needed to help vulnerable groups.

- **Suspends NRPF conditions for 12 months.** To support this group, we have recommended that the Government suspends No Recourse to Public Funds (NRPF) rules for 12 months whilst the pandemic is ongoing. There is a strong case for using this approach as a tool to prevent further homelessness and hardship during these exceptionally difficult economic circumstances where unemployment is rising.
- **Ensures continued access to emergency accommodation, immigration advice and employment support for people with No Recourse to Public Funds (NRPF) who are sleeping rough.** There are also changes that could be introduced in the existing framework which could prevent an increase in rough sleeping over the coming months for people with NRPF, and support people into accommodation in the longer term. These include continued access to emergency accommodation and clear guidance that local authorities should provide this, investment in specialist immigration advice services that support people to find a route out of homelessness, and access to specialist employment support.