Crisis’ response to the Housing, Communities and Local Government’s Select Committee Inquiry into Local Government Finance and the 2019 Spending Review inquiry

April 2019

- Crisis is the national charity for homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change.

- Our innovative education, employment, housing and well-being services address individual needs and help homeless people to transform their lives. Our eleven Skylight Centres across Great Britain offer holistic support across a range of issues, including support to secure access to adequate and affordable housing and employment support to help people prepare for, find, sustain and progress in work.

- Last summer, Crisis published a plan; Everybody In: How to end homelessness in Great Britain. The plan sets out the policies needed to ensure that everyone who is currently homeless has a stable home. If a government action plan, consisting of the principles reflected in Crisis’ plan, were to be adopted, and a long term political commitment to ending homelessness was to be made, homelessness in this country could be ended within 10 years. PwC have estimated the costs and benefits of the most targeted policies in the plan. They found that, over the next decade, these policies would cost £9.9bn and would deliver benefits worth £26.4bn.

- With regards to the terms of reference outlined by the Committee, Crisis welcomes the opportunity to submit evidence to this inquiry relating to the efficiency, sustainability and assessment of the current funding model for homelessness services and the approach the Government should take to local government funding as part of the Spending Review to better prevent and end homelessness.

- Our submission will set out the case for further investment in homelessness services alongside the need for increased accountability to ensure that additional resources are directed at the interventions that are proven to be the most effective in ending homelessness. This will deliver better value for government and ensure the commitment to end rough sleeping by 2027 is met and that local authorities are able to fully implement the new duties in the Homelessness Reduction Act. The submission will also address the investment needed in the forthcoming Spending Review across government to better prevent and tackle homelessness, including investment in social house building and Local Housing Allowance rates.

1. **Efficiency, sustainability and assessment of the current funding model for homelessness services**

1.1 The Ministry for Housing Communities and Local Government (MHCLG) should make additional investment in homelessness services

1.1.2 Forthcoming research from St Mungo’s and Homeless Link shows that reductions to local authority funding have resulted in a 27% reduction in spending on homelessness services
between 2008/9 and 2017/18.\textsuperscript{1} This has meant a cut of £590 million a year on average. For single homeless people, the reduction has been more severe with a 53% fall in spending in the same period. This is the result of cuts to ‘Supporting People’ services which are often commissioned to help people sustain a tenancy and prevent them from becoming homeless. In 2017/18 nearly £1 billion less was spent on Supporting People services compared to 2008/9.\textsuperscript{2} Reductions to local authority budgets have also resulted in a reduction to wider prevention activity including housing advice, which plays a critical role in preventing homelessness.\textsuperscript{3} These reductions in spending on services have coincided with significant rises in the number of people sleeping rough and living in temporary accommodation.\textsuperscript{4}

1.1.3 Modelling by PricewaterhouseCoopers LLP (PwC) on behalf of Crisis, found that the cost of interventions Crisis identified as being needed to end homelessness in our plan to end homelessness would be £9,938m between 2018 and 2027.\textsuperscript{5} While these costs are not spread equally across the ten-year period and are dependent on the levels of homelessness and support needs of the individual, on average over the period the annual spend would be similar to the £998m less than was spent on Supporting People in 2017/18 than 2008/9. This suggests that, over the medium term, the level of investment needed to effectively reduce homelessness is consistent with what governments have been willing to spend in the relatively recent past.

1.14 Crisis therefore recommends that the Government invest around an extra £1 billion a year for homelessness services through a ring-fenced grant to local authorities.

1.2 The MHCLG should review investment in homelessness services to ensure a sharper focus on prevention measures, and evidenced based, housing-led solutions to ending homelessness.

1.2.1 This submission calls on the Government to review the way it currently invests in tackling homelessness and assess the financial benefits of investing in policies and interventions that more effectively prevent and respond rapidly to homelessness. Crisis proposes that investment should be aligned to policies that are proven to end homelessness, as opposed to simply managing it. This means increased investment in upstream prevention mandates, alongside a long-term investment in personalised housing-led approaches. Prioritising investment in prevention and rapid rehousing for cohorts with a range of low to high level support needs will deliver the best value for money for Government and the taxpayer. Crucially, it will also provide a more effective way of improving public service provision to end all forms of homelessness for good.

1.2.2 Homelessness generates a financial, social and economic burden for society. In 2015/16 local authorities spent more than £1.1 billion on homelessness.\textsuperscript{6} This does not include the wider costs

\begin{enumerate}
\item WPI Economics (forthcoming) Local authority spending on homelessness. Understanding recent trends and their impact
\item WPI Economics (forthcoming) Local authority spending on homelessness. Understanding recent trends and their impact
\item Joseph Rowntree Foundation (2018), Housing advice service: widening access to housing advice. York: JRF.
\item MHCLG Rough sleeping stats and temporary accommodation send
\item PricewaterhouseCoopers LLP (2018) Assessing the costs and benefits of Crisis’ plan to end homelessness. London: PwC
\end{enumerate}
stemming from the impact of homelessness on public services, such as healthcare. With more than three quarters of this spend going on temporary accommodation, Government’s current response focuses its investment on tackling the symptoms of homelessness rather than addressing its root causes. A recent report from the National Audit Office on spending in this area concluded that without a published cross-government strategy to prevent and tackle homelessness, it is not possible to assess whether the MHCLG is using its overall homelessness resources effectively.  

1.2.3 Independent research commissioned by Crisis estimated that in 2017, there were more than 170,000 experiencing the worst forms of homelessness in Great Britain (153,000 in England). This figure includes rough sleepers, ‘sofa-surfers’, people staying in hostels, shelters and refuges, and households placed in unsuitable temporary accommodation. These numbers are projected to almost double over the next 25 years if current policy and spending regimes remain the same. By 2041 we could expect there to be over 290,000 homeless households in Great Britain. This clearly shows the significant cost – both to individual lives and to the public purse – of maintaining the Government’s current model of investment in tackling homelessness at crisis point, as opposed to investing in robust prevention measures and adopting a rapid rehousing model of homelessness support.

1.2.4 This summer, Crisis published a plan: *Everybody In: How to end homelessness in Great Britain*. The plan sets out the policies needed to ensure that everyone who is currently homeless has a stable home, and that robust structural policies to prevent homelessness are in place. If Government made a long-term political commitment to end all forms of homelessness, and produced an action plan, consisting of similar principles reflected in Crisis’ plan, homelessness could be ended within 10 years.

1.2.5 Crisis commissioned PwC to estimate the expected costs and benefits of implementing the solutions outlined in the Plan. It should be noted that these figures do not include the cost of increased investment in the welfare system and increases in housing supply. Although both areas of structural investment are fundamental to ending and preventing homelessness, investment would be wider than an exclusively homeless cohort. PwC estimated the total discounted costs of the policy solutions needed to end homelessness between 2018 and 2041 being £19,289m, at 2017 prices. Over the next decade, these policies would cost £9.9 billion and would deliver benefits worth £26.4 billion.

1.3 The MHCLG should introduce an outcomes and performance framework to provide consistency and accountability across policies and delivery of homelessness services at a national and local level.

---

1.3.1 The PWC costings make a case for greater investment in preventing and ending homelessness, but they also clearly show that current expenditure could generate significantly better value for money if it were to be targeted at interventions that yield better outcomes for preventing and ending more forms of homelessness as quickly as possible.

1.3.2 Crisis therefore recommends that the MHCLG put in place a shared outcomes and performance framework for all homelessness provision to ensure that investment is directed to evidence-based interventions. This would ensure that any additional funding for local authorities is being spent on effective housing-led prevention services, to help ensure that local authorities are better able to meet their duties under the Homelessness Reduction Act and deliver the best value for money for Government. This must be a central focus of the Government’s current review into homelessness and local accountability structures.

1.4 The MHCLG should ensure longer term funding for homelessness services

1.4.1 Crisis recommends that the Government commit to longer-term funding budgets for preventing and ending homelessness, providing greater financial stability and security to deliver tailored, housing-led solutions, particularly for people with multiple complex support requirements that necessitate access to services over a prolonged basis. This would include moving away from current funding arrangements which often involves the creation of discreet pots of money for local authorities to bid for as this system does not necessarily ensure that areas with the highest level of need receive the appropriate funds.

1.4.2 This uncertainty of funding has a significant impact on people experiencing homelessness who risk losing services and relationships they rely on for vital support. It also has an impact on what can realistically be achieved given the time it takes to set up a service and then work with some of the most vulnerable people in society to help them rebuild their lives.  

1.4.3 Crisis also recommends that the MHCLG explores how homelessness services could be commissioned, more frequently, using pooled budgets across a range of public bodies including for example, mental health services, criminal justice agencies, substance and alcohol treatment services. This structure of commissioning would help to incentivise better integration of services and deliver a much better coordinated services, particularly for people experiencing homelessness who have high and multiple support needs.

1.5 The MHCLG should provide additional financial assistance to help local areas scale up the Housing First approach

1.5.1 Housing First is the most important innovation in tackling homelessness of the last few decades. The Housing First model prioritises getting people quickly into stable homes. From this point,
any other support needs they might have, such as alcohol and drug dependency, physical and/or mental health problems, are addressed through coordinated and intensive support.

1.5.2 Housing First is proven to end homelessness for around 80 per cent of people with high support needs.\textsuperscript{11} Despite the overwhelming evidence base, there is a significant gap between demand between current need and provision. Last year Crisis and Homeless Link commissioned Imogen Blood Associates to review and analyse existing evidence to identify what is needed to support the implementation of Housing First across Great Britain.\textsuperscript{12} A key part of this commission was to undertake secondary analysis of existing datasets to estimate the size of the cohort for Housing First. The research found that there were 18,500 people across Great Britain. There are currently only around 300-400 people in receipt of Housing First.

1.5.3 Central to the concept of Housing First is that permanent housing is provided without a test of having to be ‘housing ready’. Furthermore, maintaining the tenancy is not dependent on the tenant using support services. Housing First is built upon the principle that housing is a human right. It focuses on first giving someone immediate access to a settled and secure home. This is placed above goals such as sobriety or abstinence.\textsuperscript{13} The model is specifically tailored for homeless people with complex and multiple needs. It is designed to provide choice and control, giving rights and responsibilities back to people who may have been repeatedly excluded.

1.5.4 One of the most important principles of Housing First is that housing and support are separated. It is essential that tenancies are not dependent on someone’s willingness to accept support for other issues. This allows people to maintain their tenancy, even if they do not engage with support. Furthermore, the support continues even if the person goes to prison, returns to the streets or is admitted to hospital, etc.

1.5.5 There are several factors to consider when designing the funding and commissioning structures for Housing First to support the key principles and ensure high tenancy sustainment rates. These include the need for a specialist service to work with private and social landlords to procure accommodation and longer-term and integrated support packages, as outlined above.

1.5.6 Crisis does not believe that it is appropriate for Housing First to be funded via the existing mechanism for supported housing. Rather funding for housing and support should be separated. Rent for Housing First should be funded through the mainstream Housing Benefit system, provided that sufficient exemptions to the Benefit Cap, conditionality and the Shared Accommodation Rate are applied. Housing Benefit could be paid at standard rates to cover rental costs. To supported national provision of Housing First, the Government should provide additional funding to local authorities to commission the support services needed to procure Housing First stock and provide the support package for tenants.

\textsuperscript{11} Housing First Europe Hub, http://housingfirsteurope.eu/guide/what-is-housing-first/introducing-housingfirst/
1.5.7 The benefit of this approach is that it reinforces the key principle that access to a tenancy is not dependent on working with support services. The support could also remain in place even if the person was no longer in that tenancy if, for example, they went to prison. Separating the two funding streams would make it easier for one agency to provide housing and for a more specialist agency to provide the support package.

1.5.8 Crucially the higher rate of housing benefit that people in supported accommodation receive is not intended to pay for additional packages of support such as a personalised key worker or mental health support. Rather, the higher rate is designed to cover the cost of the additional maintenance work that is associated with people living in congregate housing. These costs would not be incurred in dispersed Housing First units.

1.5.9 Local authorities would however, need additional resource from central government to commission the support services needed to procure Housing First stock and provide the support package for tenants. By introducing a commissioning framework and process for Housing First support, local authorities would have greater control of the quality of the service provided.

1.5.10 In 2017 Crisis commissioned a study aimed to test the feasibility of implementing Housing First at scale within the Liverpool City Region (LCR). The study was funded by the Ministry for Housing, Communities and Local Government and the Housing First Europe Hub. It was conducted by a consortium led by Imogen Blood & Associates and including Housing & Support Partnership, HGO Consultancy, and the Centre for Housing Policy (University of York).

1.5.11 The study ran two scenarios to look at the potential for cash savings for local authority-commissioned support in LCR from shifting services towards Housing First.

1.5.12 A conservative scenario, in which Housing First runs alongside reduced but still significant provision of supported housing, with estimated cost savings of £1.18m; a year after five years of implementation.

1.5.13 A more ambitious scenario, in which most 24/7 supported housing is replaced by Housing First, with estimated cost savings of £4.02m a year after five years of implementation.

1.5.14 The study calculated that set up costs for implementing the more ambitious scenario would be a minimum of £0.63m per annum based on 50 service users in year 1 and £1.26m per annum based on 100 service users in year 2 (based on £12,607 cost per service user per annum). These effectively represent double running costs whilst existing supported housing provision remains unchanged. Crisis therefore recommend providing local areas with additional ‘pump priming’ funding for this phase to help scale up the approach.

2. The approach the Government should take to local government funding as part of the 2019 Spending Review to better prevent and end homelessness.
2.1 Increase investment in social housing over the long term

2.1.1 While the present Government’s decision to re-start investment in social renting is welcome, the scale of investment planned does not come close to meeting the scale of need, and in England there is still no national target for building homes at social rent levels. Government policy since 2012 has resulted in a significant reduction in the number of homes for social rent, making it harder for local authorities to house homeless households. Crisis proposes that the Westminster Government set an annual target of an additional 90,000 social homes each year for the next 15 years and invests in substantial increases in the delivery of social rented housing.\textsuperscript{14}

2.1.2 Investment in housing at social rent levels is an approach that would see cost benefits both for the taxpayer and for low income households. Analysis by Savills compared the costs of housing 100,000 households in the private rented sector and social rented sector respectively.\textsuperscript{15} The study found that the social rented sector option generated £23.9 billion savings over the long term compared with private renting. This considered the impact of upfront investment and Housing Benefit costs. Analysis by Capital Economics found that investing in 100,000 new social rent homes per annum creates a net annual surplus for national government over the long term.\textsuperscript{16}

2.2 Increased investment in Local Housing Allowance rates

2.2.1 To end homelessness, housing policy must provide people on low incomes with security, decent living conditions, and affordable rents.\textsuperscript{17} To achieve this over the long term, in the most economical way, there needs to be a considerable expansion in the supply of social rented housing.\textsuperscript{18} However, until social housing can meet demand, people on low incomes must be able to access secure, affordable and decent housing in the private rented sector.

2.2.2 Continued under investment and freezes to Local Housing Allowance rates, which determine the maximum amount of financial support people on low incomes receive to assist with paying rent in the private sector, has made the private rented sector unaffordable for many people who are already homeless, or at risk of becoming so.

2.2.3 As the freeze is due to be reviewed in 2020, there is a key opportunity in the Spending Review to ensure adequate investment in the rates so that Universal Credit covers the cost of renting. Currently, the rates mean there is increasing financial pressures on households to cover the gaps between Local Housing Allowance rates and their rent, increasing their risk of homelessness.

2.2.4 In 2018, Crisis and the Chartered Institute of Housing carried out joint research on the continued under investment in Local Housing Allowance rates. The research found that across Great Britain, 59 per cent of areas were unaffordable\(^{19}\) within Local Housing Allowance rates for 2018/19 to single people, couples, and small families, and 91 per cent were unaffordable to at least one of these household types. This is despite £40 million of Targeted Affordability Funding. This reveals the extremely limited choices people receiving Universal Credit have in finding and keeping, secure and stable housing in the private rented sector.

2.2.5 By nation, households in England face the biggest challenge with 97 per cent of areas unaffordable for at least one household type. This is impacting on the ability of councils to fulfil homelessness prevention and relief duties under the Homelessness Reduction Act (2017). Without sufficient social housing stock in many parts of the country, councils rely on the private rented sector to fulfil their statutory duties under the Act.

2.2.6 This was reflected in the council survey for the England Homelessness Monitor 2018, which found that 86 per cent of responding councils (185 of 180) felt the freeze on Local Housing Allowance rates will significantly or slightly increase homelessness in their area.\(^{20}\)

2.2.7 The limited tools that councils do have at their disposal, such as Discretionary Housing Payments, are not generous enough to enable councils to successfully prevent homelessness for every household who needs this support. There are competing priorities for Discretionary Housing Payments. Last year, 13 per cent of the total amount for Discretionary Housing Payments for England and Wales was spent on the impact of underinvestment in Local Housing Allowance rates, compared to 28 per cent on the Benefit Cap.

2.2.8 Councils in England and Wales report that Discretionary Housing Payments do not meet demand.\(^{21}\) This problem has also been raised by the National Audit Office in their report into the changes to Local Housing Allowance rates. The National Audit Office found that from 2011/12 to 2014/15 it was unclear whether funding for Discretionary Housing Payments would be sufficient to tackle the reforms, and the total amount represented six per cent of the total savings expected from the changes to Local Housing Allowance rates.\(^{22}\)

2.2.9 The amount of funding made available fluctuates and has been impacted by Targeted Affordability Funding. Previously, as increased Targeted Affordability Funding has been made available the funding for Discretionary Housing Payments that is allocated for Local Housing Allowance rates has been reduced.\(^{23}\) However, as outlined, Targeted Affordability Funding has largely been insufficient in

---

\(^{19}\) Unaffordable is defined here as 20 per cent or less of the private rented market available within the Local Housing Allowance rate.


making up the gaps between the cheapest rents and the Local Housing Allowance rates. Therefore, reductions in the amount of funding available through Discretionary Housing Payments further impedes the ability of councils to prevent and respond to homelessness.

2.2.10 The limited funding and local discretion about how councils can award the payments has raised concerns about a ‘postcode lottery’ of support, and strict criteria being applied to access the payments. Discretionary Housing Payments cannot therefore be used to prevent homelessness to the extent to which they were intended to.

2.2.11 As councils struggle to use both the social and private rented sector to prevent homelessness under the Homelessness Reduction Act (2017), they are forced into using temporary accommodation as a route into housing. In England, homeless placements in temporary accommodation have risen sharply since 2010/11. In the year to 30 June 2018, the placements rose to over 82,000 – up by 71 per cent from its low point seven years earlier. A continuation of this trend would see homeless placements topping 100,000 by 2020.

2.2.12 In a 2019 survey by the Local Government Association, 61 per cent of respondents had seen increases in the number of people in temporary accommodation. In 21 per cent of areas these increases were significant. The length of time people are spending in temporary accommodation also increased for 60 per cent of responding councils.

2.2.13 This is having a significant impact on council budgets, putting further strain on existing financial pressures faced by councils in the context of a 63 per cent cut in the general funding they have received since 2010. Analysis by the National Audit Office found that in 2015/16, councils spent around £1.1 billion on homelessness, with two-thirds (£845 million) of this spent on crisis responses by sustaining people in temporary accommodation. Recent research by Inside Housing suggests that this amount has increased, with their analysis of Freedom of Information requests showing that 290 of 326 councils in England spent almost £1 billion on temporary accommodation in 2017/18.

---

2.2.14 The underinvestment in Local Housing Allowance rates has effectively transferred the funding burden from national to local government, and councils are struggling under this financial pressure. The limited tools that councils do have at their disposal, such as Discretionary Housing Payments, are not generous enough to enable councils to successfully meet the needed scale of homelessness prevention activity. This also undermines the Government’s commitment to end rough sleeping by 2027, as councils are restricted in their abilities to prevent homelessness or move people on from temporary accommodation, reducing access to these services to people who may be in hostels or sleeping rough.

2.2.15 Crisis strongly recommends that Local Housing Allowance rates should be realigned to the 30th percentile of market rents, and this level should be maintained going forward, in order to address this problem. Investment in Local Housing Allowance rates will provide councils with much needed housing options to secure stable housing and fulfil prevention duties as required by statutory homelessness legislation. This will help secure the success of the Homelessness Reduction Act (2017) and the Government commitment to end rough sleeping by 2027.

April 2019