1. Summary

1.1. Government funding for local authorities has fallen by half since 2010/11\(^1\) and this has impacted on their ability to tackle homelessness.

1.2. New research from St Mungo’s and Homeless Link shows that cuts to local authority funding have seen spending on homelessness services shrink by 27% between 2008/9 and 2017/18. This has meant a cut of £590 million a year on average.

1.3. More striking is the cut to spending on support for single homeless people, which has fallen by 53% in the same period. This is the result of cuts to ‘Supporting People’ services which are often about helping people to avoid and escape homelessness. In 2017/18 nearly £1 billion less was spent on Supporting People services compared to 2008/9.

1.4. At the same time rough sleeping has risen by 165% since 2010.\(^2\)

1.5. Recent government funding to tackle homelessness is welcome but doesn’t come close to replacing the £590 million lost per year since 2008/9.

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1.6. We urge the Government to use the 2019 Spending Review to invest an extra £1 billion a year for homelessness services through a ring fenced grant to local authorities.

1.7. Alongside this, the Government should also use the Spending Review to:

1.7.1. Deliver a plan and investment for building 90,000 new homes for social rent every year for 15 years;³

1.7.2. Bring Local Housing Allowance back into line with at least the bottom 30% of local rents.

1.8. If these measures aren’t included in the 2019 Spending Review, the Government is likely to miss its target of halving rough sleeping by 2022 and ending it altogether by 2027.

2. What lessons can be learned from past changes to local government funding in England, the current financial situation of councils, and how this has affected their ability to deliver services.

2.1. Government funding cuts to local authorities have caused spending on essential homelessness services to shrink, while homelessness rises.

2.2. Local authorities have a vital role to play in preventing and reducing homelessness and rough sleeping. However, government funding for local authorities has fallen by half since 2010/11⁴ and this has impacted on their ability to tackle homelessness.

2.3. New research⁵ commissioned by St Mungo’s and Homeless Link has found local authority spending on all homelessness related activity fell from £2.8bn in 2008/09 to just over £2bn in 2017/18, a decline of 27%. More than £5bn less has been spent on homelessness in this period compared to what would have been spent if funding had continued at 2008/09 levels.

2.4. During the same period homelessness in England has risen. Rough sleeping has risen by 165% since 2010 when the current methodology for recording the number of people sleeping rough was introduced.⁶ The number of households accepted as homeless by their local authority now stands 48% above their

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³ Research by Heriot-Watt University on behalf of Crisis and the National Housing Federation found 90,000 new homes for social rent are needed every year for 15 years to meet the current and future housing need in England https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/housing-models-and-access/housing-supply-requirements-across-great-britain-2018/


⁵ WPI Economics (2019) Local authority spending on homelessness. Understanding recent trends and their impact. This report is forthcoming and will be published in full on 24 April 2019. The research, commissioned by St Mungo’s and Homeless Link, used Revenue Outturn data to analyse changes in English local authority spending on homelessness-related activity since 2008/9. This includes advice and support to homeless households and those at risk of homelessness, temporary accommodation, and measures to help people stay in their homes, whether housing-related support or discretionary housing payments. The research also used interviews with local authority staff and homelessness service providers to investigate the impact of the reduction in spending.

2009/10 low point\textsuperscript{7}, and the number of homeless households in temporary accommodation has been steadily rising since the end of 2011 and now stands at over 80,000.\textsuperscript{8}

2.5. Nearly 600 people died while sleeping rough or in emergency accommodation in 2017\textsuperscript{9} and at the last count there were 120,000 children living in temporary accommodation.\textsuperscript{10} The Government has been clear that preventing homelessness and ending rough sleeping is a priority. There can be little doubt it is an urgent priority.

2.6. **Spending on support for single homeless households has fallen by half**

2.7. Spending cuts have had the biggest impact on support for single homeless households. By this we mean single people and couples without dependent children who are least likely to be owed a ‘main homelessness duty’, meaning their council is not legally bound to provide them with settled accommodation. However, people in this category still need help to find and keep accommodation, and many will need significant support to help cope with problems related to their homelessness such as poor mental health, substance use and domestic abuse.

2.8. Spending on support for single homeless households has fallen by 53% since 2008/09, and by at least a third in every one of the English regions (see figure 1). This is the result of a reduction in spending on what is known as ‘Supporting People’ services. In 2017/18, nearly £1bn less was spent on Supporting People services compared to 2008/9 (see figure 2).

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\textsuperscript{7} Crisis (2018) *The Homelessness Monitor: England*  

\textsuperscript{8} MHCLG (2018) *Statutory homelessness in England: April to June 2018*  

\textsuperscript{9} ONS (2018) *Deaths of homeless people in England and Wales: 2013 to 2017*  
https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsofhomelesspeopleinenglandandwales2013to2017

\textsuperscript{10} MHCLG (2018) *Statutory homelessness in England: April to June 2018*  
<table>
<thead>
<tr>
<th>Region</th>
<th>2017/18 expenditure as % of 2008/9 expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Midlands</td>
<td>34%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>41%</td>
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<tr>
<td>North West</td>
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<tr>
<td>Yorkshire and the Humber</td>
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**Figure 2: Components of spending on single homelessness, 2017/18 prices**

2.9. Supporting People was a government programme launched in 2003 to fund services to support people - who would otherwise struggle to cope - to live independently, either in their own home or in supported housing. Evidence shows that these services, also known as housing-related support services, are proven to work when it comes to helping people avoid and escape homelessness.\(^*\)

Supporting People brought together several existing streams of funding, and was ring-fenced until 2009. The programme generated net savings of £3.4 billion per year against an overall investment of £1.61 billion.\(^{12}\) Although the Supporting People programme no longer exists, data on local authority spending still

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contains a line on Supporting People services. We used this to calculate the spending cuts.

2.10. Spending on all homelessness related activity includes spending on temporary accommodation for homeless families (inclusive of the amount local authorities can recover from the DWP in housing benefit). As the number of homeless families has risen so has the amount local authorities have had to spend to meet their legal duties, which is why total spending on homelessness hasn’t fallen as sharply as spending on support for single homeless households (see figure 3). The use of temporary accommodation highlights the dire shortage of truly affordable housing.

Figure 3: Components of spending on family homelessness, 2017/18 prices

2.11. Other factors affecting levels of homelessness

2.12. Rising homelessness is not only the result of reduced local authority spending on homelessness services and is not something local authorities alone can address. The 50% reduction in government funding for local authorities means spending has been cut across many different service categories. Some of these, including community mental health and substance use services, directly affect the likelihood of people becoming homeless and the ease with which they can be supported to live independently.

2.13. There are also several factors affecting the levels of homelessness that are mostly outside of local authority control. The main ones identified by our research participants were the shortage of social housing, the freeze in Local Housing Allowance rates, delays to Universal Credit payments and the use of short custodial sentences.

2.14. The impact of spending cuts

2.15. However, the fall in spending on homelessness since 2008/09 is significant and has undoubtedly had an impact. Our research investigated this further using
interviews and a roundtable with senior stakeholders from local authorities and homelessness service providers.

2.16. The most direct impact has been a reduction in homelessness services. Homeless Link data shows a 30% fall in the number of bed spaces in accommodation projects, including hostels, from an estimated 50,000 in 2008 to 35,000 in 2017.\(^\text{13}\)

2.17. Floating support services, which offer practical and emotional support to help people sustain their tenancy, have also been lost. Previous research by St Mungo’s found the total number of floating support services declined by 31% between 2013/14 and 2017/18 in the areas with the highest levels of rough sleeping in England.\(^\text{14}\)

2.18. Some Housing First services, providing a stable home and intensive wraparound 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.\(^\text{15}\)

2.19. Another theme that emerged from the research was a reduction in services that prevent homelessness and support people before they reach crisis point. Consequently, there has been an increase in complex needs among people accessing services. When local authority and health budgets don’t stretch to prevention and early intervention, it is inevitable people will only be able to access help when they reach crisis point and their problems are much more serious. For some, this means being forced to sleep rough.

2.20. The Homelessness Reduction Act is intended to shift local authority focus towards preventing homelessness in the first place and is a very welcome piece of legislation. However, during our research some local authorities said the new Act was inadvertently leading to reduced ‘upstream’ preventative work as resources were reallocated to meeting the new statutory prevention and relief duties, which guarantee help to find and keep a tenancy 56 days before someone faces homelessness, but not before. Without sufficient funding, local authorities will understandably be forced to focus on meeting the letter, rather than the spirit, of the law.

3. The efficiency, fitness for purpose and sustainability of the current system for funding local government (central government funding, council tax, business rates retention and other income); how it could be improved, including options for widening the available sources of funding; and what lessons can be learned from other jurisdictions.

3.1. Recent funding announcements for homelessness services fall short

3.2. Our research covered the period from 2008/09 to 2017/18, which is the most recent financial year for which data is available. Since 2017/18, the Government has announced some additional funding to help local authorities tackle homelessness and rough sleeping. While valuable, this new funding falls far short of the annual reduction in spending identified by our research. If total spending on homelessness had stayed constant since 2008/9, more than £5bn extra would have been spent. This equates to a reduction of around £590m a year on average since 2008/9. As figure x below shows, recent funding initiatives do not get close to replacing the funding that has been lost during the past decade.

3.3. Recent government funding announcements relating to homelessness

- Rough Sleeping Grant: £10m over 2016/17 to 2018/19
- Homelessness Prevention Trailblazers: £20m over 2016/17 to 2018/19
- Social Impact Bonds: £10m over 2017/18 to 2020/21
- Rough Sleeping Initiative Fund: £30m in 2017/18, and £45m in 2018/19
- New burdens funding for the Homelessness Reduction Act: £72.7m over 2017/18 to 2019/20

The Government’s Rough Sleeping Strategy, published in August 2018, was also ‘backed by an additional £100m’. However, it is not clear how much of this £100m is accounted for by the initiatives above, nor how much will be delivered to local authorities.

3.4. The combined effect of the increased demand for homelessness services and the reduced funding for local authorities has been to make commissioning and delivering services more difficult.

3.5. The recent proliferation of small pots of short term funding from central government, such as those identified above, adds to the uncertainty. The requirement for local authorities to bid for the funding within a short timeframe diverts resources from effective commissioning, delivery and oversight.

3.6. This uncertainty has a big impact on service users who risk losing services and relationships they are relying 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 support some of the most vulnerable people in society to start to rebuild their lives.

4. How funding needs of local government are assessed. The current and forecast funding needs of local government and how these needs can be better understood at both a national and local level.

4.1. Funding should also be allocated fairly taking into account the difference in demand for homelessness services and the cost of providing support.

5. The approach the Government should take to local government funding as part of the 2019 Spending Review, what the key features of that settlement should
be, and what the potential merits are of new or alternative approaches to the provision of funding within the review.

5.1. We support the case being made for a significant overall increase in funding for local authorities to close the funding gap caused by an 'unprecedented loss of funding' and increased demand for children’s services, adult social care, public health services and homelessness support.¹⁶

5.2. The Local Government Association estimates the funding gap facing local homelessness services will be £400m per year by 2024/25. This is based on current trends in demand for homelessness services and assumptions about local government revenue. However, the baseline for the analysis is 2017/18 and the funding gap only corresponds to keeping local authority services 'standing still'. It does not include any extra funding needed to improve services or to reverse any cuts made to date.¹⁷

5.3. In order to turn the tide on rising levels of homelessness the Government should use the Spending Review to provide long-term, guaranteed funding for homelessness services via local authorities. This can be achieved by implementing the recommendations below.

5.4. **Sufficient funding: Invest an extra £1 billion a year on preventing homelessness and ending rough sleeping**

5.5. More funding is needed to enable local authorities to meet the immediate demand for homelessness services, including supporting more people off the streets. Funding should also be sufficient to plan and deliver services that work to prevent homelessness by supporting people to stay in their homes.

5.6. We recommend funding is restored to the levels invested in homelessness services before the financial crash and enough funding is provided in the future. This means spending an extra £1 billion in each year of the next Spending Review period and beyond if needed.

5.7. Analysis by other organisations supports this. 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 2027.¹⁸ This suggests that, over the medium term, the amount needed to effectively reduce homelessness is consistent with what governments have been willing to spend in the relatively recent past.

5.8. **Certain and sustainable funding: Additional funding should be part of the overall financial settlement for local authorities**

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¹⁶ Local Government Association (2018) *Local government funding: Moving the conversation on* [https://www.local.gov.uk/sites/default/files/documents/5.40_01_Finance%20publication_WEB_0.pdf](https://www.local.gov.uk/sites/default/files/documents/5.40_01_Finance%20publication_WEB_0.pdf)

¹⁷ Ibid

5.9. The Government has been clear that local authorities are important partners in achieving their goals of preventing homelessness and ending rough sleeping. The Rough Sleeping Strategy and recent MHCLG consultation on ‘tackling homelessness together’ state that local strategies and structures should ensure homelessness services are planned according to need, outcomes are monitored effectively and accountability is clear. Local authorities can only do this effectively and efficiently if they have certain and sustainable funding.

5.10. There is a role for short-term funding to support innovation, but the current reliance on providing new funding through short-term initiatives is causing problems, including disruption to services and service users, and prohibits a more strategic approach based on local need. The Government should move away from small pots of short-term funding and instead ensure that funding for homelessness services is a reliable part of the overall financial settlement for local authorities.

5.11. **Targeted funding: Ring-fence the funding to ensure it is spent on preventing homelessness and ending rough sleeping**

5.12. Given the wider pressure on local authority budgets, there must be a mechanism for ensuring additional funding is targeted at activity to prevent and reduce homelessness. Without this, the money will be spent on other priorities. We believe it should be ring-fenced for homelessness and housing related support services to ensure everyone who is homeless, or threatened with homelessness has a tailored package of support that will help them end their homelessness for good.

5.13. Services should:

5.13.1 help people to find accommodation, including street outreach services for people sleeping rough;
5.13.2 help people to keep their accommodation, including supported housing, floating support and Housing First;
5.13.3 be able to address all of the support needs of people who are homeless and should include substance use and mental health workers who can establish effective pathways into clinically-led services;
5.13.4 also include women-only services, and psychologically informed environments that offer effective support for those whose homelessness is rooted in repeated traumatic experiences, including violence and abuse.

5.14. **Ensuring everyone has a home for good**

5.15. Rough sleeping is not inevitable. By 2010, 20 years of government action meant the end of rough sleeping was in sight. But since then spiralling housing costs, increasing insecurity for private renters and cuts to services that prevent homelessness have seen rough sleeping more than double. And more people are returning to the streets than ever before.

5.16. This inquiry is focused on local government finances and local authorities have a large responsibility for preventing and reducing homelessness, but ultimately a
coordinated, cross-Government approach is needed to end homelessness for good and ultimately relieve the pressure on local authorities and reduce spending on temporary accommodation.

5.17. In order to meet its own targets to halve rough sleeping by 2027 and end it altogether by 2027, the Government must act to ensure everyone has a home for good. In addition to providing long-term, guaranteed funding for homelessness services, the Government must also use the Spending Review to invest in building 90,000 new homes for social rent every year for 15 years and bringing Local Housing Allowance back into line with at least the bottom 30% of local market rents with a commitment to further increases in line with inflation in the future.

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