The Salvation Army's response to the Spending Review 2020 (Homelessness & Rough Sleeping)

Executive summary:

The Salvation Army wishes to make the following policy proposals to inform the development of the Spending Review 2020, which we believe will further the Government's levelling up agenda, support economic recovery following COVID-19, and improve the management and delivery of pre-existing policy commitments in these areas.

Homelessness and rough sleeping:

- **Satisfy the need for better data to inform decision making**: To guarantee that the Government has a stable foundation from which to calculate the right level of ongoing investment, the Treasury and the Ministry of Housing, Communities and Local Government (MHCLG) should work together to improve data collection methods on homelessness and rough sleeping. This should include the introduction of Combined Homelessness and Information Network (CHAIN) style recording systems in city regions with high levels of rough sleeping outside London.
- **Improve outcomes by rectifying years of underinvestment**: The Treasury and MHCLG should work together to introduce a new approach to investment in the homelessness and rough sleeping system, which prioritises long-term sustainability. Failure to tackle rough sleeping generates costs elsewhere in the public sector. Between 2013/14 and 2018/19, hospitals in England saw a 130% rise in admissions for which the primary or secondary diagnosis was homelessness.[1] This is at a time when the need for hospital capacity to be used as efficiently as possible has never been higher.
- **Ensure that connected systems, including the social security system, prevent rather than cause homelessness and rough sleeping**: The Treasury and the Department of Work and Pensions (DWP) should work together to maintain the value of the Local Housing Allowance (LHA) at the 30th percentile of local market rates indefinitely. This will significantly reduce local authorities' reliance on costly forms of temporary accommodation to prevent and relieve homelessness and rough sleeping.

Although each of these recommendations is addressed separately below, they should be considered as part of a single comprehensive package. These measures have been considered specifically because The Salvation Army believes they offer the greatest benefit to central and local government, their partners, and most importantly people experiencing homelessness and rough sleeping.

Homelessness and rough sleeping – The need for better data

The rationale for better data to inform decision making:

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[1] The King's Fund (2020), Delivering health and care for people who sleep rough
https://www.kingsfund.org.uk/sites/default/files/2020-02/Delivering-health-care-people-sleep-rough.pdf

There have long been concerns about the Government's ability to capture the true level of homelessness and rough sleeping across England. In particular, the accuracy of MHCLG's rough sleeping count has been called into question.[2] [3] The inadequacies of the rough sleeping count have been defended at various points on the grounds that it is intended to provide a 'snapshot' estimate. Yet, the utility of the rough sleeping count goes beyond this, as it is also used to calculate the level of investment allocated to programmes such as the Rough Sleeping Initiative (RSI). As a result, if the rough sleeping count is inaccurate, the investment allocated to programmes like the RSI is also likely to be inaccurate.

The latest rough sleeping count, conducted in November 2019, suggested that there were roughly 4,266 people sleeping rough in England on any one night.[4] However, the results of a similar snapshot survey conducted by local authorities less than six months later in April 2020 indicated that there were "6,000 people who were rough sleeping at the beginning of the Covid-19 pandemic across England".[5] This represents a discrepancy of 41% between the two snapshot estimates. This means that the investment allocated to the RSI for 2020/21 using the original snapshot estimate from Autumn 2019 may have underestimated the total amount required by well over a third.

The benefits and expected outcomes of introducing CHAIN type recording system in city regions with high levels of rough sleeping outside of London:

London's CHAIN database records more comprehensive information about the rough sleeping population than MHCLG's rough sleeping count. For example, information is broken down across different categories, including the number of people new to rough sleeping, people who have been rough sleeping intermittently, and people who are living on the streets. CHAIN's other major advantage over the rough sleeping count is that it is a live data set with information recorded year-round.

The benefits and expected outcomes of investing in new CHAIN type recording systems for city regions with high rough sleeping populations outside of London include:

- the ability to more accurately assess the overall number of people rough sleeping over time. This in turn will offer a more accurate assessment of the overall level of investment required to achieve the Government's manifesto pledge to end rough sleeping by the end of the current Parliament;
- the ability to use more detailed data collection to tailor specific initiatives to the needs of different groups. For example, if the number of women experiencing rough sleeping were to increase, more resource could be directed towards meeting their needs; and
- an improved understanding of the effectiveness of effort and investment. The latest CHAIN figures for London (covering April to June of 2020) suggest that the number of people living on the streets in the capital has decreased by 30% (or 130 people) from the previous quarter. This suggests that the 'Everyone In' initiative has been successful in reducing the number of entrenched rough sleepers in the capital since the outbreak of COVID-19. By contrast, the number of people new to rough sleeping increased by 31% (or 839 people) from the previous quarter. This suggests that efforts to prevent people from becoming homelessness have been less successful

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[2] UKSA (2015), Assessment of compliance with the Code of Practice for Official Statistics – Statistics on Homelessness and Rough Sleeping in England (as produced by the Department for Communities and Local Government): https://uksa.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-assessmentreport320statisticsonhomelessnessandroughsleepinginenglan_tcm97-45078.pdf

[3] https://uksa.statisticsauthority.gov.uk/correspondence/response-on-rough-sleeping-statistics-in-england/

[4] https://www.gov.uk/government/statistics/rough-sleeping-snapshot-in-england-autumn-2019

[5] MHCLG (2020), Coronavirus (COVID-19) emergency accommodation survey data: May 2020: https://www.gov.uk/government/publications/coronavirus-covid-19-rough-sleeper-accommodation-survey-data-may-2020

since the outbreak of COVID-19, and that further or a different type of investment is required to strengthen prevention efforts.

In the context of COVID-19, the ability to use live, up-to-date information to inform flexible decision-making processes will also be increasingly important as local lockdowns continue to increase the need for emergency accommodation.

The costs and ease of administering CHAIN type recording systems:

The cost of running CHAIN in London is £215,000 a year.[6] Based on this figure, if CHAIN type recording systems were rolled out to the four city regions outside of London with the highest levels of rough sleeping (in descending order: Greater Manchester, the West Midlands, the Sheffield City Region, and West Yorkshire), the total operating cost to the Treasury would be no more than £1,075,000 a year. There is also reason to suspect that the administration of these new systems could be improved through connections with other pre-existing systems. This includes StreetLink (a system whereby members of the public can refer people who are rough sleeping to local outreach teams). StreetLink currently operates at a national level across England and Wales.

Homelessness and rough sleeping – A new approach to sustainable investment

The rationale for a new approach to investment, as evidenced by rising levels of homelessness and rough sleeping following years of underinvestment:

During Quarter 1 (January to March) of 2020, 75,140 households were assessed by their local authority as being legally entitled to a homelessness prevention or relief duty. This is the highest quarterly total since the new statutory homelessness figures were introduced in April 2018. As of 31 March 2020, there were 93,000 households living in temporary accommodation, including 129,380 children. This is the highest number of households living in temporary accommodation since 31 June 2006.

The high rates of homelessness and rough sleeping currently experienced across England are connected to years of underinvestment following the previous financial crisis in 2008/09.

For example, as part of previous governments' approaches to deficit reduction, between 2010/11 and 2017/18, local authorities' spending power (government funding plus council tax) reduced by 29%.[7] Due to this decrease in spending power, local authorities have been forced to reduce their expenditure on services for certain groups. As a result, councils in England spent nearly £1 billion less on services supporting single homeless people in 2018/19, as compared to what was invested in this group in 2008/09.[8]

At the same time, between 2010 and 2019, the number of people recorded as rough sleeping on a single night in England rose by 141% (or 2,498).[9] In London, the number of people seen rough sleeping over the course of a year increased from 3,673 in 2009/10 to 10,726 in 2019/20 (or by 192%).[10]

This underinvestment, combined with other factors including a severe lack of suitable housing options, has severely limited the abilty of local authorities to prevent and relieve people's homelessness. In 2019,

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[6] Greater London Authority (2019), Briefing on the Mayor's 'Life of the Streets' Rough Sleeping Services, p. 5

[7] The National Audit Office (2018), Financial sustainability of local authorities 2018, p. 4: https://www.nao.org.uk/wp-content/uploads/2018/03/Financial-sustainabilty-of-local-authorites-2018.pdf

[8] St Mungo's, Home for Good, https://www.mungos.org/publication/local-authority-spending-on-homelessness-full-report/

[9] https://www.gov.uk/government/publications/rough-sleeping-snapshot-in-england-autumn-2019/rough-sleeping-snapshot-in-england-autumn-2019

[10] CHAIN Database, Greater London Full Report 2018-19, https://data.london.gov.uk/dataset/chain-reports

33% of councils (103 from a sample of 311) were unable to get more than a third of households owed a relief duty in their local area into secure accommodation for six months or more.[11]

In response, the Government has opted to amend the homelessness legislation. However, there are increasing signs that the effectiveness of this action is also being impacted through underinvestment.[12]

Following the introduction of the Homelessness Reduction Act in Quarter 2 (April to June) of 2018, the number of households assessed as being owed a Main Homelessness Duty decreased by 50% (or 12,380 households) from the preceding quarter's total. Since then, the number of households owed a Main Homelessness Duty has increased steadily across every subsequent quarter. During Quarter 1 (January to March) 2020, 15,620 were owed a Main Homelessness Duty. An increase of 21% (or 2,700 households) from Quarter 2 of 2018. Across the country, the average cost of a Main Homelessness Duty is estimated to be £4,200, rising to £9,566 in London.

A new approach to investment in the homelessness and rough sleeping system:

Over the last decade, investment in the homelessness and rough sleeping system has typically been made through time limited grants, with the value of these grants often reducing in real terms between investment cycles. To provide stability at this critical juncture, this outdated system of investment must be replaced by one that prioritises sustainability through multi-year settlements.

Through a series of planned increases and additional allocations provided in response to COVID-19, approximately £650 million's worth of investment has been made available for homelessness and rough sleeping in 2020/21. At a minimum, this level of investment should be maintained across every year for the remainder of this Parliament, increasing in real terms via an inflation proofed floor.

Following this period of stabilisation, **a simple rule should be adopted**, meaning that if numbers are steady or increasing then central government investment in homelessness and rough sleeping cannot decrease. Where decreases do occur, a mechanism should be used to guard against severe cuts. For example, if the rough sleeping numbers decrease by 10%, investment can only decrease by 5%. This would provide a base level of certainty over the long term.

To ensure that councils have the flexibility to respond to unexpected and/or specific local circumstances, they should receive increased investment through their Revenue Support Grant to tackle homelessness and rough sleeping.

The benefits and expected outcomes of introducing a new approach to investment:

During the pandemic, there has been significant activity across government, local authorities, service providers, and community and faith groups, to help protect people at risk of homelessness and rough sleeping from the spread of COVID-19. This work has come to be known as the 'Everyone In' initiative. As a direct result of this unprecedent effort, close to 15,000 people have been found emergency accommodation and support.[13]

Despite this ongoing work, there is early evidence to suggest that incidences of rough sleeping are continuing to increase. According to the latest CHAIN figures, between April and June 2020, 4,227 people slept rough in London.[14] This is an increase of 14% (535 people) on the number that slept rough in the capital during the preceding quarter (January to March 2020 or pre-COVID-19), and an increase of 33% on the figure for April to June 2019.

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[11] The Salvation Army (2020), Future-Proof the Roof: The case for sustainable investment in the homelessness and rough sleeping system post-COVID-19: https://www.salvationarmy.org.uk/sites/default/files/resources/2020-08/WPI%20Economics%20-%20Salvation%20Army%20-%20Future-Proofing%20-%20Final.pdf

[12] New Local Government Network (2019), Leadership Index http://www.nlgn.org.uk/public/wp-content/uploads/Leadership-Index_April-2019.pdf

[13] MHCLG (2020), Coronavirus (COVID-19) emergency accommodation survey data: May 2020: https://www.gov.uk/government/publications/coronavirus-covid-19-rough-sleeper-accommodation-survey-data-may-2020

[14] https://data.london.gov.uk/dataset/chain-reports

One of the main benefits to the Treasury in providing MHCLG with the resources to introduce a new sustainable approach to investment is the need to maintain the recent progress made through the 'Everyone In' initiative. This will prevent people from returning to positions of homelessness and rough sleeping, thus minimising the associated costs to various parts of the public sector including the NHS. It also offers the Government the chance to reinforce the system against the kinds of ongoing increases in demand detailed by the latest CHAIN figures. Again, this will help to limit costs occurring further downstream.

These potential savings are substantial. The average annual local authority expenditure per person rough sleeping has been estimated to be around £9,000, rising to £25,500 for someone experiencing severe and multiple disadvantage.[15] A significant proportion of these costs are associated with the use of acute medical services, including A&Es. Between 2013/14 and 2018/19, hospitals in England saw a 130% rise in admissions for which the primary or secondary diagnosis was homelessness.[16]

The costs to local authorities are also enormous. In 2017/18, the cost of homelessness and rough sleeping services in London alone was £919 million, with some £200 million coming from general funds.[17]

To reduce these costs over time, this new approach to investment in the homelessness and rough sleeping system should be underpinned by a full set of multi-year financial settlements. Although this investment can be spent flexibly at a local level, analysis of local authorities' statutory homelessness plans suggests that most councils would benefit from an enhanced set of housing options and an increase in support available for non-British nationals, including people with no recourse to public funds (NRPF).[18]

Targeted investment in these areas will improve outcomes considerably, thereby reducing costs.

Building on the ongoing work of the Next Steps Accommodation Project, all possible options to increase housing supply for the close to 15,000 people helped through the 'Everyone In' Initiative should be explored, including the restoration of existing stock.

For example, in England there are 225,845 long-term vacant properties of all ownership types. In the North East there are 271 long-term vacant properties for every person counted in its snapshot of rough sleeping. In London there are 22 long-term vacant properties for every person counted in its snapshot of rough sleeping.[19]

For people with long histories of rough sleeping access to an increased supply of supported housing is essential. During 2019, just 4% of the 5,958 people who left a Salvation Army supported housing service after a period of residency returned to a position of rough sleeping. This demonstrates the value that services of this kind can have in working with people to move away from the damaging and costly experience of rough sleeping.

This increase in housing options has the potential to significantly improve the ability of local authorities to prevent and relieve homelessness and rough sleeping.

If the five poorest performing combined authority areas at securing accommodation for homelessness relief cases were to improve to the levels of the five strongest, this would have meant 7,599 fewer

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[15] Greater Manchester Combined Authority, Unit Cost Database, https://www.greatermanchester-ca.gov.uk/what-we-do/research/research-cost-benefit-analysis/
[16] The King's Fund (2020), Delivering health and care for people who sleep rough
https://www.kingsfund.org.uk/sites/default/files/2020-02/Delivering-health-care-people-sleep-rough.pdf
[17] London Councils (2019), The Cost of Homelessness Services in London, https://www.londoncouncils.gov.uk/our-key-themes/housing-and-planning/homelessness/cost-homelessness-services-london
[18] The Salvation Army, Future-Proof the Roof: The case for sustainable investment to tackle homelessness and rough sleeping post-COVID-19, pp. 23-24: https://www.salvationarmy.org.uk/sites/default/files/resources/2020-08/WPI%20Economics%20-%20Salvation%20Army%20-%20Future-Proofing%20-%20Final.pdf
[19] Ibid. p. 7

households being owed a Main Homelessness Duty in 2019.[20] Using MHCLG's estimates of post-HRA average unit costs of homelessness by user type, this would have resulted in a saving of £27,888,330.[21]

If London's relief performance were to match that of the best performing combined authority, this would have meant 4,580 fewer households being owed a Main Homelessness Duty in 2019. Using London Councils and the London School of Economics' estimates of post-HRA unit costs of homelessness by user type,[22] this would have resulted in a saving of £32,284,600.[23]

Over time, these improved outcomes will significantly reduce the human and financial costs of homelessness and rough sleeping.

The costs of the new approach and ease of administration:

At a minimum, the cost of the new approach to investment in the homelessness and rough sleeping system advocated for by The Salvation Army would cost £650 million a year across the remainder of the current Parliament. However, beyond this specific funding, there is also a need to ensure that local authorities can use their general funds to adapt to local circumstances and address gaps as and when they occur. The Salvation Army would expect this to cost around £400 million (in 2017/18 councils in London spent circa £200 million of their general funds on homelessness and rough sleeping), taking overall expenditure to £1 billion a year. This new approach to investment would be distributed through existing mechanisms, keeping administration costs to a minimum.

Homelessness and rough sleeping – Maintaining the value of the LHA

The rationale for maintaining the LHA at the 30th percentile of local market rents:

Between 2016 and 2020, the value of the LHA was frozen. In practice, this meant that the rate at which the LHA was paid would no longer keep pace with inflation. When the LHA was first frozen, its value was set nominally at the 30th percentile of local market rents. As a result, LHA claimants could, in theory, meet the full rental costs of three in ten of most affordable private rental properties in a given area. However, due to the freeze, by February 2020, the value of the LHA had fallen to just the 13th percentile of local market rents.[24] In 94% of areas across Britain this reduction in value has meant that just one in five (or often less) private rented homes are affordable to most households who rely on the LHA to help meet their housing costs.[25]

During this time, households' inability to maintain tenancies in the private rented sector has become one of the leading causes of homelessness. **Between 2014/15 and 2017/18, the single biggest cause of homelessness in England was the termination of an assured shorthold tenancy in the private rented sector**. In 2019 alone, 15,380 households were accepted as homeless by their local authority due to issues with rent arrears in the private rented sector. This in turn has led to a substantial increase in costs for local authorities, most notably in their spiralling expenditure on temporary accommodation.

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[20] Ibid. p. 7
[21] The cost of 7,599 main duty acceptances is £31,915,800 (7,599 x 4,200). The cost of 7,599 relief duties is £4,027,470 (7,599 x 530). As a result, the total saving is £27,888,330 (31,915,800 – 4,027,470).
[22] London Councils (2018), The cost of homelessness services in London, p. 27:
https://www.londoncouncils.gov.uk/sites/default/files/LC%20final%20report%20-%20CA%20edit.pdf
[23] The cost of 4,580 main duty acceptances is £43,812,280 (4,580 x 9,566). The cost of 4,580 relief duties is £11,527,860 (4,580 x 2,517). As a result, the total saving is £32,284,600 (43,812,280 – 11,527,860).
[24] he Local Government Association (2020), Evidencing the link between the Local Housing Allowance freeze and homelessness, p. 46:
https://www.local.gov.uk/sites/default/files/documents/Evidencing%20the%20link%20between%20the%20LHA%20freeze%20and%20homelessness-Full%20report-pub5Feb20.pdf
[25] Crisis (2019), Cover the Cost, p. 6: https://www.crisis.org.uk/media/240986/crisis-cover-the-cost-solutions-report.pdf

In 2018/19 alone, local authorities spent £1.1bn on temporary accommodation. This is an increase of 9% on 2017/18 year and 78% over the previous five years.[26]

The benefits and expected outcomes of maintaining LHA at the 30th percentile of local market rents:

The main reason for the Treasury to invest in maintaining the current value of the LHA into the long-term is a substantial reduction in the number of households required to spend time in unsuitable and costly temporary accommodation. Recent research by the Local Government Association suggests that if the LHA were set at the 30th percentile permanently, the average local authority would see 300 fewer households in temporary accommodation. As a result, the average gross cost of temporary accommodation for a local authority would reduce by between £1.4 and £3.3 million. If the LHA was increased to the 40th percentile or market rents, the average local authority would have next to no households in temporary accommodation, with costs reduced to close to £0.[27]

These savings could then be reinvested in other parts of local authorities' homelessness and rough sleeping systems. Using MCHLG's estimated conversion rate of prevention and relief into avoided homelessness acceptances, it is projected that the savings gained from maintaining the value of the LHA could be used to fund around 2,500 extra prevention and relief cases, with an additional 975 households prevented from becoming homeless.[28]

Costs and ease of administration:

The cost of increasing the LHA to the 30th percentile of local market rents is approximately £1 billion per year, as compared to the expenditure required to maintain its previous lower level.[29] This is a substantial expenditure. However, due to the severe and long-lasting economic consequences of COVID-19, it is vital that the Government continues to support people at a time when their financial resilience has been severely restricted through no fault of their own. The recent increase in the value of the LHA is estimated to have increased the value of over one million households' claims for Housing Benefit or Universal Credit by an average of £600 per year. This vital financial support must continue. This is also a gross cost before the net benefits have been considered. Once considered the net cost would be significantly lower.

As the value of the LHA is currently set at the 30th percentile of local market rents, albeit temporarily, any costs associated with implementing this change have already been incurred. Due to the existing mechanism any further increases in the value of the LHA in response to rising levels of demand could be implemented swiftly and at negligible cost.

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[26] https://england.shelter.org.uk/media/press_releases/articles/homelessness_crisis_costs_councils_over_1bn_in_just_one_year#:~:text=They%20show%3A,in%20the%20last%20five%20years.

[27] Local Government Association (2020), Evidencing the link between the Local Housing Allowance freeze and homelessness, pp. 46-47:
https://www.local.gov.uk/sites/default/files/documents/Evidencing%20the%20link%20between%20the%20LHA%20freeze%20and%20homelessness-Full%20report-pub5Feb20.pdf

[28] Ibid, p. 10

[29] DWP (2020), Annual Report and Accounts 2019-20, p. 54:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/896268/dwp-annual-report-and-accounts-2019-2020.pdf