

Salvation Army analysis of what's required from the 2019 Spending Review (homelessness)



About The Salvation Army

The Salvation Army (TSA) is a Christian church and registered charity present in 700 communities in the UK. We have worked with people with experience of homelessness for over 130 years. Today, our services include:

- The provision of over 2,200 units of supported housing in Lifehouses (residential homelessness services) across England, Wales, Scotland and Northern Ireland.
- Housing First services in Cardiff, Merthyr Tydfil, and Glasgow offering intensive support to people with experience of sustained and recurrent periods of rough sleeping.
- Non-residential services offering outreach to people who are currently rough sleeping and floating support for people living independently in their own homes.
- Church and community-based programmes offering practical support, including meals, cold weather shelters, opportunities to share fellowship and ease possible isolation, and the provision of information on social security and immigration.
- Social enterprise opportunities, such as a bicycle repair shop and a sandwich-making and selling project in Booth House Lifehouse, Swindon.

Executive summary

The connections between different facets of the housing market and levels of homelessness are not always clear and obvious. Over time, the number of homes available for rent below market rates (often termed 'social rent') has drastically reduced. This has left the private rented sector (PRS) as the only viable form of housing for many low income households. As an expensive and less stable form of tenure, the volatility of the PRS has made it more difficult for households to maintain their existing homes. If required, it has also made it more difficult for households to find alternative private housing.

In the absence of alternatives, demand for homelessness services offered by local authorities has increased. To manage this increase in demand, local authorities have made greater use of temporary accommodation to prevent or relieve cases of threatened or actual homelessness. At a time when local authorities' spending power has been reduced, greater use of temporary accommodation has been financed through funding that was previously allocated to other kinds of homelessness services. This has restricted local authorities' capacity to commission local services capable of working with people with complex levels of need, including experienced of sustained and recurrent periods of rough sleeping. At the same time, existing homelessness services are struggling to source move on accommodation for people who are ready to find independent accommodation due to concerns over the affordability of private rented housing and the limited availability of suitable alternatives.

The consequences of these interconnections are revealed in the Government's own homelessness statistics. For example, in 2017/18, 56,600 households were assessed by local authorities as requiring the

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provision of suitable housing to help prevent or relieve their homeless (i.e. they were owed the main homelessness duty); an increase of 28% since 2010/11.¹ Similarly, the number of households offered some form of homelessness prevention or relief by local authorities in 2017/18 was 13% higher than in 2010/11.²

Between December 2010 and December 2018, the number of households living in temporary accommodation increased by 74% (or 35,690 households). In December 2018, there were 83,700 households living in temporary accommodation across England, including 124,490 children.³ During this period levels of rough sleeping in England have increased by 165%.⁴

Targeted fiscal policy has a crucial role to play in reversing these trends by ensuring that different aspects of the housing market, including options for people with experience of homelessness, work together, rather than placing pressure on one another. Although the 2019 Spending Review may only look to cover spending and investment for the 2020/21 financial year, it is vital that the Government uses upcoming opportunities to set a long-term strategic direction, capable of delivering on its pledge to end rough sleeping by 2027.⁵

In order to lay a foundation capable of addressing the widespread human and economic costs of homelessness, The Salvation Army has three specific proposals. These proposals include:

1. providing the necessary investment to deliver a substantial number of new homes for social rent, as per plans put forward by organisations including the National Housing Federation, the Chartered Institute of Housing, and Shelter;
2. increasing the value of local housing allowance (LHA) rates to at least the 30th percentile of local rents, and uprating the value of LHA rates on an annual basis in line with inflation; and
3. introducing a new long-term programme of targeted investment, which local authorities can use to define local approaches to homelessness in a clear and consistent manner.

Crucially, these proposals must be engaged with simultaneously.

1. Providing the necessary investment to deliver a substantial number of new homes for social rent

The Government's current housebuilding target:

The Government's current target is to reach a level where the supply of new homes increases by 300,000 per year.⁶ Yet since the beginning of the decade, the number of net additional homes produced in England has averaged less than half this target at just 149,078.⁷

In addition to the restrictions in the overall net supply of homes, the composition of the new homes being produced is cause for concern. Of the 169,770 new build homes that were completed in 2018/19,

¹ MHCLG (2019), Table 784: local authorities action under the homelessness provisions of the Housing Acts, financial years 2004 to 2017-18 (revised): <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

² MHCLG (2019), Table 792: total reported cases of homelessness prevention and relief by outcome and local authority, 2009-10 to 2017-18 (revised): <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

³ MHCLG (2019), Temporary accommodation tables: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

⁴ MHCLG (2019), Rough sleeping statistics: <https://www.gov.uk/government/collections/homelessness-statistics>

⁵ MHCLG (2018), Rough Sleeping Strategy, p.8:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733421/Rough-Sleeping-Strategy_WEB.pdf

⁶ Autumn Budget 2017, para 5.4, p. 59:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661480/autumn_budget_2017_web.pdf

⁷ MHCLG, Table 120: components of new housing supply; net additional dwellings, England 2006-07 to 2017-18: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing>

139,300 (82%) were built for private enterprise (i.e. home ownership or private rent). By contrast, 27,910 (16%) were completed by housing associations and 2,560 (2%) by local authorities.⁸ Over time, the ability to create new social homes has also decreased. Between 2009/10 and 2017/18, the number of new homes for social rent completed through various Homes and Community Agency programmes fell from 23,947 to 990 (or 96%).⁹

This combination of below target increases in overall housing supply and a clear focus on the creation of new homes for private enterprise has contributed to an increasing reliance on the PRS. Since doubling in size around 2002, the PRS now plays host to 4.5 million (or 19%) of households.¹⁰

Private rented housing tends to place high costs on its occupants, as compared to other forms of tenure. On average, housing costs represent 33% of household income for private renters, 28% for social renters, and just 17% for owner occupiers.¹¹ To place these ratios in context, research suggests that spending 30% of income on housing costs is the maximum amount that should be seen as affordable.¹²

One way to reduce the ratio of housing costs to gross household income is to move between tenure types. However, the prospect of being able to switch to a cheaper form of tenure is limited. Recent estimates suggest that over 60% of private renters have no savings,¹³ making it difficult to enter owner occupation. The accessibility of social housing is also restricted, with 1.16m people currently on local authority waiting lists across England.¹⁴

This combination of high costs and limited alternative options can place tenants, especially those on low incomes, under severe financial pressure. At present, over 40% of private renters are adjudged to be in the two lowest quintiles (the bottom 40%) for gross weekly household income.¹⁵ During 2016/17, 243,000 low income households were either in rental arrears or had been so in the last 12 months.¹⁶

The high costs of private renting aren't limited to individual households. In 2001/02, annual housing benefit (HB) expenditure on private rents was £2.8bn. In 2017/18, HB expenditure on private rents had risen to £7.7bn; an increase of 250%. HB expenditure on private rents reached a peak in 2013/14 at £9.3bn a year.¹⁷

The decreases in HB expenditure between 2013/14 and 2017/18 are due to a limiting of the value of HB claims in the PRS. Nevertheless, although these reductions have restricted overall levels of expenditure on HB in the PRS, there is a definite limit to what can be achieved. According to the Department for

⁸ MHCLG, Table 209: Permanent dwellings completed, by tenure and country: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

⁹ Homes and Communities Agency (2017) *Housing Statistics 1 April 2016 - 31 March 2017*, HCA: London, Table 2a: Housing completions by tenure, England (excluding non-Homes England London delivery): <https://www.gov.uk/government/statistics/housing-statistics-1-april-2016-to-31-march-2017>

¹⁰ MHCLG (2019), English Housing Survey: Headline Report 2017/18, p. 6: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774820/2017-18_EHS_Headline_Report.pdf

¹¹ Ibid, p. 14

¹² Mean, G. (2018), How should housing affordability be measured: http://housingevidence.ac.uk/wp-content/uploads/2018/09/R2018_02_01_How_to_measure_affordability.pdf

¹³ MHCLG (2019) English Housing Survey 2017/18, Annex table 2.8: <https://www.gov.uk/government/statistics/english-housing-survey-2017-to-2018-private-rented-sector>

¹⁴ MHCLG (2018), Local authority housing statistics: Year ending March 2017, p.1: <https://www.gov.uk/government/statistics/local-authority-housing-statistics-year-ending-march-2017>

¹⁵ MHCLG (2019), English Housing Survey 2017/18, Annex table 1.7: <https://www.gov.uk/government/statistics/english-housing-survey-2017-to-2018-private-rented-sector>

¹⁶ MHCLG (2018), English Housing Survey 2016/17, Annex Table 2.8: <https://www.gov.uk/government/statistics/english-housing-survey-2016-to-2017-private-rented-sector>

¹⁷ DWP (2019), Benefit expenditure and caseload tables, 2018, Outturn and Forecast: Autumn Budget 2018: <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2018>

Work and Pension's (DWP) own projections, from 2019/20 onwards, HB expenditure on private rents is forecast to increase steadily year on year, reaching a peak of £8.9bn by 2023/24.¹⁸

In the long term, the only way for the Government to simultaneously achieve its housing supply target and reduce the disproportionate costs of private renting for individual households and the Exchequer is to increase the supply of homes available for social rent.

In terms of numbers, recent research by Heriot Watt University, commissioned on behalf of the National Housing Federation and Crisis, estimates the need for 145,000 new affordable homes per year over a ten year period, of which 90,000 would be available for social rent.¹⁹ Similarly, Shelter has proposed a plan that would see 3.1m new social homes over a 20 year period, at an average of 155,000 new homes for social rent per year.²⁰

In terms of costs, both plans require upfront investment from government. The total cost of the proposal contained within Heriot Watt's research is estimated to be £46.2bn per year, of which £14.6bn would be met through capital grant from central government. Although substantial, this level of investment is not dissimilar to current government investments in different areas of the housing market. The present value of government investment in Help to Buy equity loans and ISAs is over £34bn per year.²¹

This upfront investment would also not be made in isolation. Capital Economics' assessment of Shelter's proposal shows a variety of benefits in terms of revenue generation and savings. According to their figures, a housebuilding programme of this kind would generate £58bn in rents. It would also reduce the HB bill by £60bn within 30 years of breaking ground.²²

If the Government is serious about achieving its current housebuilding target in a way that brings maximum benefit, it must give full and serious consideration to the implementation of a housebuilding programme, which priorities the construction of homes for social rent.

2. Increasing the value of LHA rates

Although the Government should begin investing in a new programme of social housebuilding as soon as possible, it remains a medium to long-term strategy that will take time to reach capacity. As a result, to address the additional problems connected to a lack of low cost housing supply, the Government should also take two immediate steps to reduce pressure on low income households and improve local authorities' ability to prevent and relieve homelessness.

The first of these measures is to restore the value of LHA rates to the 30th percentile of local rents and to return to uprating the value of LHA rates on an annual basis in line with inflation.

¹⁸ Ibid: <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2018>

¹⁹ G. Bramley (2018), Housing supply requirements across Great Britain: for low income households and homeless people: https://www.crisis.org.uk/media/239700/crisis_housing_supply_requirements_across_great_britain_2018.pdf

²⁰ Shelter (2019), Building for our future: A vision for social housing: https://england.shelter.org.uk/_data/assets/pdf_file/0005/1642613/Shelter_UK_-_A_vision_for_social_housing_full_interactive_report.pdf

²¹ S. Wilcox & P. Williams, Dreams and Reality? Government finance, taxation and the private housing market, p. 44: <http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Dreams%20and%20reality.pdf>

²² Capital Economics (2019), Increasing investment in social housing: Analysis of public sector expenditure on housing in England and social housebuilding scenarios: https://england.shelter.org.uk/_data/assets/pdf_file/0007/1641175/Capital_Economics_Confidential_-_Final_report_-_25_October_2018.pdf

The lack of a connection between LHA rates and local rents:

The LHA represents the rate of HB that can be claimed for help with housing costs in the private rented sector. At present, one in five private renters is in receipt of HB to help meet their housing costs. Of those in receipt of HB in the PRS, 47% are in paid work and 53% are not in paid work.²³

Over the last decade, the Government has introduced a variety of reforms, which have restricted the value of LHA rates. These reforms include reducing the value of LHA rates from the 50th to the 30th percentile of local rents in 2011 and freezing the value of LHA rates for four years in 2016.

Originally, these reforms were designed to limit rent rises in the PRS. Yet given the size of the PRS and level of demand for private rented properties, in part stimulated by the difficulties associated with sourcing other forms of tenure, rents in the PRS have continued to increase.²⁴ As a result, these reforms have created a situation where:

*'The current version of LHA includes rent controls that have uncoupled the benefit payment from rent levels at the bottom of the market, successfully undermining the functioning of that market within the PRS. Impacts are clearly evidenced through rapidly increasing homelessness applications.'*²⁵

Even in its reduced state, the LHA is unable to operate according to its present terms. If LHA rates operated as intended, three in every ten houses (30% of properties) in a defined area would be affordable to households in receipt of HB or Universal Credit. A range of recent pieces of research have proved this to be false, revealing sizeable disparities between LHA rates and local rents in rental markets across England.

Research by the Chartered Institute of Housing and Crisis measured the affordability of private rents for single people, couples and families with dependent children. According to the research, over 90% of local authority areas were unaffordable within LHA rates for at least one of these households. An area was defined as 'unaffordable' when 20% or less of local rents fell within LHA rates.²⁶

Crucially, this is not a problem which simply applies to overheated rental markets in places like London. In places as geographically diverse as Barnsley, Bedford, Chesterfield, Coventry, Hull & East Riding, Southern Greater Manchester, and Worcester South, 10% or less of one bedroom properties are affordable under LHA rates for single people and couples aged 35 and over.²⁷

In the Autumn Budget 2017, the Government acknowledged the need to support HB and Universal Credit claimants living in areas where private rents had risen fastest by increasing some LHA rates through Targeted Affordability Funding (TAF).²⁸ Unfortunately, this limited investment has made little impact. According to research by the Chartered Institute of Housing, in 74% of areas where TAF was applied, LHA rates would still only cover 5% or less of the available shared, one-bedroom, and two bedroom properties.²⁹

²³ English Housing Survey 2017/18, Annex Table 2.6: <https://www.gov.uk/government/statistics/english-housing-survey-2017-to-2018-private-rented-sector>

²⁴ ONS (2018), Figure 2: Index of Private Housing Rental Prices indices, Great Britain, January 2011 to January 2018:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/january2018>

²⁵ J. Rugg & D.Rhodes (2018), The Evolving Private Rented Sector: Its Contribution and Potential, p. 138:

<http://www.nationwidefoundation.org.uk/wp-content/uploads/2018/09/Private-Rented-Sector-report.pdf>

²⁶ Crisis (2019) Cover the Cost: How gaps in Local Housing Allowance are impacting homelessness:

https://www.crisis.org.uk/media/240377/cover_the_cost_2019.pdf

²⁷ Ibid, Appendix A

²⁸ Autumn Budget (2017), p. 64:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661480/autumn_budget_2017_web.pdf

²⁹ CIH (2018), Missing the Target? Is targeted affordability funding doing its job?:

<http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Missing%20the%20target%20final.pdf>

The inability of LHA rates to fulfil their stated intention of allowing households in receipt of HB or Universal Credit to afford a reasonable number of homes in their local area creates two significant problems. First, it can make it extremely difficult for households to maintain their current homes in the PRS; and second, it prevents households and local authorities from being able to source alternative accommodation in the PRS to prevent or relieve cases of threatened or actual homelessness.

Loss of last settled home

Evidence of households' increasing difficulties in maintaining their existing homes in the PRS can be found in the Ministry for Homes, Communities and Local Government's (MHCLG's) official homelessness statistics.

As part of its statutory homelessness figures, the MHCLG records the reason for households' loss of their last settled home. The three most common reasons for the loss of a last settled home are: family or friends no longer willing to accommodate, relationship breakdown, and the termination of an assured shorthold tenancy (AST) in PRS.

The number of households who lost their last settled home due to family and friends no longer being willing to accommodate them and relationship breakdown have remained steady since 2010/11.³⁰ By contrast, the number of households who lost their last settled home due to the termination of an AST has increased exponentially.

In 2010/11 the number of households who lost their last settled home due to the termination of an AST was 6,630. Following year on year increases, the number of households who lost their last settled home in this way reached a peak of 18,270 in 2016/17; an increase of 176%. Between 2014/15 and 2017/18, the single biggest cause of statutory homelessness in England was the termination of an AST in the PRS.³¹

Sourcing alternative accommodation to prevent or relieve threatened or actual homelessness

One option available to local authorities in preventing or relieving threatened or actual homelessness is to help effected households secure alternative accommodation. As the second largest form of tenure in England after owner occupation,³² private renting has a significant role to play in helping to prevent and relieve threatened or actual homelessness. However, figures from the MHCLG's official prevention and relief statistics suggest that households and local authorities are finding it increasingly difficult to source alternative accommodation within the PRS.

In 2010/11, there were 45,580 cases where a household's threatened or actual homelessness was prevented or relieved via a move to the PRS. This accounted for 43% of all cases of prevention and relief that required a move to alternative accommodation. In 2017/18, there were 27,619 cases where a household's threatened or actual homelessness was prevented or relieved via a move to the PRS. This accounted for 26% of all cases of prevention and relief that required a move to alternative accommodation.³³

The MHCLG's official prevention and relief statistics also distinguish between moves to alternative accommodation in the PRS that made use of a landlord incentive scheme and those that did not. Between 2010/11 and 2017/18, the percentage of moves to housing in the PRS to prevent or relieve cases of threatened or actual homelessness that made use of a landlord incentive scheme ranged from

³⁰ Between 2010/11 and 2017/18, the number of settled homes lost due to family and friends no longer being willing to accommodate ranged between 14,440 and 16,810 households per year; a variation of 16%. Across the same period, the number of settled homes lost due to relationship breakdown ranged between 9,500 to 10,940 households per year; a variation of 15%. There were no consistent patterns of year on year increases or decreases in either case.

³¹ MHCLG, Statutory homelessness figures: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

³² English Housing Survey: Headline Report, 2017/18, p. 6:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774820/2017-18_EHS_Headline_Report.pdf

³³ MHCLG (2019), Detailed local authority level homelessness figures: 2009 to 2016:
<https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

68% to 58%. The fact that the majority of moves were facilitated via a landlord incentive scheme facilitated by a local authority demonstrates the difficulties that households face in trying to secure alternative accommodation in the PRS independently.³⁴

These difficulties are further compounded by the reluctance of a large proportion of landlords in the PRS to rent to households in receipt of HB or Universal Credit. The English Private Landlord Survey reveals that 52% of landlords and 37% of letting agents are unwilling to let to tenants in receipt of HB. The survey also reveals that 47% of landlords and 33% of letting agents are unwilling to let to tenants in receipt of Universal Credit. One of the most commonly reported reasons for this unwillingness was the risk that HB and Universal Credit would not cover the rent.³⁵

The use of temporary accommodation

As a consequence of the rising numbers of households being made homeless from the PRS, and the difficulties faced by households and local authorities in securing alternative housing in the PRS, local authorities' use of temporary accommodation to prevent or relieve homelessness has increased. Between December 2010 and December 2018, the number of households living in temporary accommodation increased by 74% (or 35,690 households). As of December 2018, there were 83,700 households living in temporary accommodation across England, including 124,490 children.

This has created enormous financial costs for local authorities. As part of a recent investigation into the costs of temporary accommodation, Inside Housing found that local authorities had spent at least £937m on temporary accommodation in 2017-18 alone.³⁶ As a number of local authorities had still to respond to the FOI request at the time of the article's publication, the actual cost of temporary accommodation to local authorities in England is likely to exceed £1bn per year.

Restoring LHA rates to the 30th percentile of local rents and returning to uprating

In response to these figures, The Salvation Army urges the Government to restore LHA rates to a level that accurately represents the 30th percentile of local rents. The estimated cost of this change is £1.2bn in the first year, rising to £1.248bn and £1.273m in subsequent years.³⁷

However, there would be substantial human and economic benefits to this investment. Recent research commissioned by Crisis reveals that if LHA rates were restored to the 30th percentile of local rents every year between the current financial year and 2022/23, 6,000 households would be prevented from becoming homeless. In financial terms, restoring LHA rates to the 30th percentile would produce a net benefit of £2.1bn for government, including £124m's worth of savings from reduced use of temporary accommodation alone.³⁸

Further to these benefits, the current freeze to working age benefits has generated some fiscal headroom, which could be used to help facilitate the restoration of LHA rates to the 30th percentile of local rents. At the 2016 Budget, the Treasury predicted that the four year freeze would produce an annual saving of £3.5bn by 2019-20.³⁹ Recent estimates by the Resolution Foundation suggest that the fourth year of the freeze has produced a saving of £1.5bn in 2019/20. When added to the £2.9bn of

³⁴ Ibid

³⁵ MHCLG (2019), English Private Landlord Survey 2018: main report, p. 7:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/775002/EPLS_main_report.pdf

³⁶ The cost of homelessness: Council spend on temporary accommodation revealed:

<https://www.insidehousing.co.uk/insight/insight/the-cost-of-homelessness-council-spend-on-temporary-accommodation-revealed-57720>

³⁷ Chartered Institute of Housing (2019), Submission to the Comprehensive Spending Review, pp. 3-4:

<http://www.cih.org/resources/policy/Consultation%20responses/CIH%20submission%20to%20CSR%202019.pdf>

³⁸ Alma Economics (2019) Local Housing Allowance - options for reform, p. 3: https://www.crisis.org.uk/media/240978/alma-economics_local-housing-allowance-options-for-reform-002.pdf

³⁹ HM Treasury, Budget 2016, red book table 2.2 line as

savings resulting from years two and three of the freeze, the total in year saving in 2019-20 reaches £4.4bn.⁴⁰

3. Introducing a new long-term programme of targeted investment for homelessness services

The second immediate measure that the Government should look to implement to reduce the pressure on low income households and to improve the ability of local authorities to prevent and relieve homelessness is the introduction of a new long-term programme of targeted investment for homelessness services.

Comparing the costs of rough sleeping and supported housing:

According to a 2015 study by the LankellyChase Foundation,⁴¹ cited by the MHCLG's Rough Sleeping Strategy,⁴² rough sleeping is conservatively estimated to cost between £14,300 and £21,200 per person per year in public service expenditure. The more complex a person's needs the higher the level of expenditure, with people experiencing a combination of needs related to rough sleeping, substance misuse, offending, and poor mental health facing the highest costs. This compares to a benchmark of £4,600 per person per year for the same range of services for those without complex needs.

For people with experience of a combination of complex needs, including rough sleeping, accommodation-based homelessness services, including supported housing and Housing First, offer a point of access to housing and support. Of the 3436 people who spent time at a Salvation Army Lifehouse (accommodation-based supported housing) in 2018 before moving on, 1139 (33%) disclosed recent histories of rough sleeping.⁴³ 188 people (16% of those with disclosed histories of rough sleeping) had experienced a sustained period of rough sleeping lasting 180 days (approx. six months) or more.

Further to these experiences of rough sleeping, as part of the support planning process, 53% of people requested support to help manage issues of substance misuse, 47% with poor mental health, and 21% with offending. 13% of people requested support to help manage issues of substance misuse, poor mental health, and offending simultaneously. Given the severity of these needs, if left unsupported, it is likely that many of these people would have continued to experience the high human and economic costs of rough sleeping, as laid out by the LankellyChase Foundation's research.

There are, of course, costs to homelessness services, which require public expenditure. In 2015/16 (the same year as the LankellyChase Foundation's research was commissioned), the average cost per unit at a Salvation Army Lifehouse in London was £15,514 per person per year. This represents the combined cost of HB and support commissioned by local authorities. Yet, unlike the costs of rough sleeping, the costs of homelessness services come with distinct benefits to the individual, local statutory and non-statutory services, and the Exchequer. The below examples offer evidence of the legislative, human, and economic benefits that homelessness services can bring at people's point of access, during their residence, and at their point of move on to new forms of accommodation.

Following the recent introduction of the Homelessness Reduction Act (HRA), the Government has started the process of adopting a more preventative approach to homelessness via legislation. As part of this approach, the HRA places prisons, alongside various other public bodies, under a duty to refer people for support who might otherwise be at risk of homelessness upon release.

⁴⁰ Resolution Foundation (2019), *The Living Standards Outlook 2019*, p. 20:

<https://www.resolutionfoundation.org/app/uploads/2019/02/Living-Standards-Outlook-2019.pdf>

⁴¹ Lankellychase Foundation (2015), *Hard Edges: Mapping severe and multiple disadvantage*, p. XX, as cited in MHCLG's (2018) *Rough Sleeping Strategy*, pp. 42: <https://lankellychase.org.uk/wp-content/uploads/2015/07/Hard-Edges-Mapping-SMD-2015.pdf>
Ibid, p. 41

⁴² MHCLG (2018), *Rough Sleeping Strategy*, p. 19:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733421/Rough-Sleeping-Strategy_WEB.pdf

⁴³ All statistics from Salvation Army services are drawn from our bespoke recording system, ATLAS.

Of the 3436 people who spent time at a Salvation Army Lifehouse in England in 2018, 202 (6%) listed their last settled accommodation as prison. 808 (24%) had previous experience of prison. This suggests that homelessness services offer a clear point of access to housing and support for people once they have left prison. This in turn has a vital role to play in reducing the connection between homelessness and recidivism,⁴⁴ and the associated economic and social costs of recidivism.⁴⁵

Increasingly homelessness services are providing a source of support for people who are unable to access other forms of statutory services. It is estimated that 40% of opiate users across the UK are outside of treatment.⁴⁶ The latest data from the Office of National Statistics (ONS) reveals that in 2018 the level of drug related deaths across England and Wales increased by 16% on the previous year.⁴⁷

In response to these trends, The Salvation Army has implemented an addictions strategy focusing on harm reduction. As part of this approach, all Salvation Army homelessness services in England have access to needle exchanges, safe disposal of sharps, and Blood Born Virus (BBV) screening and treatment. 90% of The Salvation Army Lifehouses in England also hold Naloxone, a medication used to block the effect of opioids during overdose. Further to improving the access of residents to these essential services, the addictions strategy has saved lives. Since its introduction to English Salvation Army homelessness services, Naloxone has been used 62 times, with all individuals treated surviving the overdose.

Homelessness services often act as a bridge for people to more independent forms of housing. Of the 1139 people with experience of rough sleeping who spent time at a Salvation Army Lifehouse in England in 2018, 12% found a new tenancy in the private or social rented sector. 29% of people moved on to live with family or friends, often in private or social rented housing. It is likely that these percentages would be higher if not for the disparity between LHA rates and local rents. In 2016, 34% of accommodation-based homelessness services reported people being unable to find new accommodation due to a lack of affordable housing.⁴⁸

Moving on to independent accommodation has the prospect of reducing a person's housing and support costs. The average weekly HB award for supported housing for working age claimants in England is estimated to be £171.⁴⁹ By comparison, the average weekly HB award in the social rented sector is estimated to be £103 per week.⁵⁰ A person moving to independent accommodation might continue to receive support via a floating support service. However, given that this support will be less intensive

⁴⁴ Ministry of Justice (2012), Accommodation, homelessness and reoffending of prisoners: Results from the Surveying Prisoner Crime Reduction (SPCR) survey:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/278806/homelessness-reoffending-prisoners.pdf

⁴⁵ Ministry of Justice (2019), Economic and social costs of reoffending: Analytical report:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/814650/economic-social-costs-reoffending.pdf

⁴⁶ Collective Voice (2018), Six key challenges facing the drug and alcohol system: <https://www.collectivevoice.org.uk/blog/six-key-challenges-facing-drug-alcohol-treatment-system/>

⁴⁷ ONS (2019), Deaths related to drug poisoning in England and Wales: 2018 registrations:

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsrelatedtodrugpoisoninginenglandandwales/2018registrations>

⁴⁸ Homeless Link (2017), Support for single homeless people in England: Annual Review 2016, p. 3:

<https://www.homeless.org.uk/sites/default/files/site-attachments/Summary%20-%20Support%20for%20single%20people%202016.pdf>

⁴⁹ DWP & DCLG (2016), Supported accommodation review: The Scale, scope and costs of the supported housing sector, p. 53:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/572454/rr927-supported-accommodation-review.pdf

⁵⁰ MHCLG (2019), English Housing Survey: Social rented sector, 2017-18, p. 17:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817629/EHS_2017-18_SRS_Report.pdf

than the kind of 24 hour on site support provided at accommodation-based homelessness services; its unit costs are likely to be lower.⁵¹

Crucially, of the 1139 people with experience of rough sleeping who spent time at a Salvation Army Lifehouse in England in 2018, just 4% returned to rough sleeping. This shows the effectiveness of homelessness services in supporting people to move on to positive, less costly, circumstances.

A lack of resource:

The sustainability of homelessness services of all kinds is linked to the financial position of local authorities. Over the course of the last decade, local authorities' overall spending power has reduced by 29%.⁵² The only real lever provided to local authorities to help manage this reduction in spending power has been the grant of greater flexibility over how their remaining resources are spent.⁵³ In practice, this has seen a shifting of resources from non-statutory areas of spending to an irreducible core of statutory activities. This process has had a significant and disproportionate impact on homelessness services.

For example, to fund their increasing use of temporary accommodation to fulfil their legal obligations to the growing number of households with children who face threatened or actual homelessness, local authorities have been forced to redirect resources away from programmes, which would have previously supported vulnerable people to live independently.⁵⁴

As a result, local authorities' yearly spending on programmes to support vulnerable people to live independently has fallen by 69% (from £1.44bn to £444m) since 2010/11. Over the same period, local authorities' yearly expenditure on temporary accommodation has risen by 59%.⁵⁵ Based on these yearly reductions in spending, the homelessness charity St Mungo's estimates that since 2008/09, a total of over £5bn less has been spent on homelessness services, as compared to what would have been invested by local authorities if spending had remained at 2008/09 levels.⁵⁶

This funding gap has led to a substantial loss of resource. Data from Homeless Link reveals a 30% reduction in bedspaces across England, from 50% in 2008 to 35,000 in 2017.⁵⁷ Tellingly, a lack of capacity is the most commonly identified primary reason for a service to refuse access to a new referral. In 2017, 35% of accommodation-based services reported having refused a new referral for this reason.⁵⁸ In recent years, The Salvation Army has also seen a reduction in its capacity. Between 2011/12 and 2019/20, the number of units The Salvation Army is commissioned to provide by local authorities in England has reduced by 517 (-24%).

At the same time as capacity has reduced, demand for supported housing services has increased. According to the MHCLG's homelessness statistics, cases of threatened or actual homelessness that were prevented or relieved through a referral to supported housing were 33% higher in 2017/18 than in 2010/11.⁵⁹ During its recent deliberations on the future funding of supported housing, the MHCLG also

⁵¹ It is important to note that the costs of supported housing are proportional to the additional costs of sourcing and maintaining safe and suitable accommodation and of supporting people with complex levels of need. DWP & I. Blood, et al (2016), Supported accommodation review: The Scale, scope and costs of the supported housing sector, pp. 58-62, provides a full rationale for how these costs breakdown.

⁵² NAO (2018), Financial sustainability of local authorities 2018, Key Facts: <https://www.nao.org.uk/wp-content/uploads/2018/03/Financial-sustainability-of-local-authorities-2018.pdf>

⁵³ NAO (2014), Local government funding: Assurance to Parliament, p. 18: <https://www.nao.org.uk/wp-content/uploads/2014/06/Local-government-funding-assurance-to-parliament.pdf>

⁵⁴ NAO (2017), Homelessness, p. 28: <https://www.nao.org.uk/wp-content/uploads/2017/09/Homelessness.pdf>

⁵⁵ NAO (2018), Financial sustainability of local authorities 2018, p. 30: <https://www.nao.org.uk/wp-content/uploads/2018/03/Financial-sustainability-of-local-authorities-2018.pdf>

⁵⁶ WPI Economics (2019), Local authority spending on homelessness: Understanding recent trends and their impacts: <http://wpieconomics.com/site/wp-content/uploads/2019/04/Local-authority-spending-on-homelessness-FULL-FINAL.pdf>

⁵⁷ Homeless Link (2018), Support for single homeless people in England: Annual review 2017: https://www.homeless.org.uk/sites/default/files/site-attachments/Annual%20Review%202017_0.pdf

⁵⁸ Ibid, p 31

⁵⁹ MHCLG Prevention and Relief statistics: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

released research to suggest that demand for supported housing in England was likely to increase by 21% between 2015 and 2030.⁶⁰

Stretching beyond the number of bedspaces lost, cost constraints have also limited people's access to existing services. At a national level, data from Homeless Link suggests that 59% of accommodation-based services have refused a referral because a person's needs are too high and 42% because a person's needs are too complex.⁶¹ In certain cases, refusals will be linked to a lack of resource. As of the current financial year, the value of support commissioned by English local authorities per unit at Salvation Army Lifehouses is £755 (11%) lower than in 2011/12. Increasingly this is causing services to reconfigure to support people with lower levels of need than would have previously been the case. As a result of these reconfigurations, people with complex levels of need, such as those cited in the LankellyChase Foundation's research, are being left with an ever diminishing set of housing and support options. In 2018, levels of rough sleeping were 165% higher than in 2010.⁶²

New programme of investment

Without a new programme of investment for homelessness services, the Government has little chance of meeting its target of eliminating rough sleeping by 2027. Across the course of the most recent spending period, the Government has invested around £1.2bn in tackling homelessness. Although this investment is undoubtedly welcome, it represents a little under a fifth of what has been removed since 2008-09.

The nature of the funding has also made it difficult for local authorities to invest in strategic long-term outcomes. The majority of the investment has come through short-term funding pots, including the Rough Sleeping Grant, Homelessness Prevention Trailblazers, and the Rough Sleeping Initiative. Instead of being allocated solely on the basis of need, these funding pots have required local authorities to bid for allocations. The intensive work of producing bids of this kind against tight timeframes has meant that already overstretched housing teams have been required to divert further resources away from the planning and commissioning of local homelessness services.

To ensure that homelessness services are able to continue making positive contributions to people's lives on a sustainable basis, the Government must make a targeted investment, which matches current levels of demand. As part of financial modelling commissioned by Crisis, PriceWaterhouseCoopers estimated that the cost of the interventions necessary to end homelessness would be £9.9bn over a nine year period. These interventions would deliver benefits worth approximately £26bn over the longer term.⁶³

Based on this estimate, the Government should look to make around £1bn a year available to local authorities to commission local services to help prevent and relieve cases of rough sleeping and homelessness more generally. To ensure that this investment reaches its intended target, the programme should include a funding ring-fence. The last time a programme of this nature was employed to prevent and relieve homelessness, it generated significant net savings of £3.4bn a year against an overall investment of £1.61bn.⁶⁴

⁶⁰ Personal Social Services Research Unit (2017), Projected Demand For Supported Housing In Great Britain 2015 To 2030, p. 13: http://eprints.lse.ac.uk/84075/1/Wittenberg_Projected%20demand_2017_author.pdf

⁶¹ Homeless Link (2018), Support for single homeless people in England: Annual review 2017, p 31:

https://www.homeless.org.uk/sites/default/files/site-attachments/Annual%20Review%202017_0.pdf

⁶² MHCLG (2019), Rough sleeping statistics: <https://www.gov.uk/government/collections/homelessness-statistics>

⁶³ PriceWaterhouseCoopers (2018), Assessing the costs and benefits of Crisis' plan to end homelessness:

https://www.crisis.org.uk/media/238957/assessing_the_costs_and_benefits_of_crisis-plan_to_end_homelessness_2018.pdf

⁶⁴ Capgemini (2009), Research into the financial benefits of the Supporting People Programme, Executive Summary:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/16136/1274439.pdf