



## Local authority spending on homelessness

Understanding recent trends and their impact

A WPI Economics Report for St Mungo's and Homeless Link

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## About WPI Economics and authors

WPI Economics is a specialist economics and public policy consultancy. We provide a range of public, private and charitable clients with research, modelling and advice to influence and deliver better outcomes through improved public policy design and delivery. We work with a range of organisations - from FTSE 100/250 companies to SMEs and charities and Central and Local Government.

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## About St Mungo's

St Mungo's vision is that everyone has a place to call home and can fulfil their hopes and ambitions.

As a homelessness charity and housing association our clients are at the heart of what we do.

We provide a bed and support to more than 2,700 people a night who are either homeless or at risk, and work to prevent homelessness.

We support men and women through more than 300 projects including emergency, hostel and supportive housing projects, advice services and specialist physical health, mental health, skills and work services.

We work across London and the south of England, as well as managing major homelessness sector partnership projects such as StreetLink and the Combined Homelessness and Information Network (CHAIN).

We influence and campaign nationally to help people to rebuild their lives.

## About Homeless Link

Homeless Link is the national membership charity for frontline homelessness agencies and the wider housing with health, care and support sector. We represent over 700 organisations providing homelessness and supported housing services across England. We work to improve services through research, training and guidance, and to promote policy change that will ensure everyone has a place to call home and the support they need to keep it.

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## About this report

This report is based on desk research and analysis of local government revenue outturn data, interviews and a roundtable with local authority and service provider staff, and site visits to providers of accommodation services. We would like to thank all those who contributed to this research, including the local authority and service provider staff who took part in interviews and a roundtable, and particularly to the staff and service users who took the time to speak to us on our site visits about their experiences.

We are particularly grateful to Polly Simpson of the IFS and Emily Andrews of the Institute for Government, who provided helpful comments at the outset of this project, as well as to Professor Suzanne Fitzpatrick, who provided valuable support throughout.

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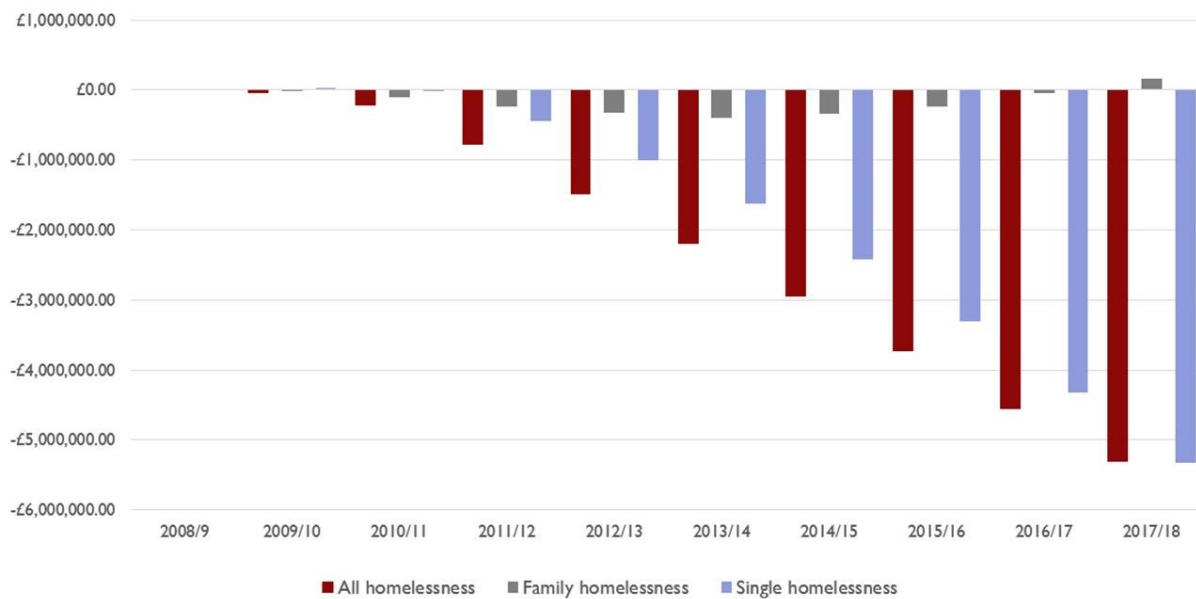
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## Executive summary

Local authorities have a vital role to play in tackling homelessness. The homelessness services councils commission, and the direct support they provide to homeless households, puts them at the heart of efforts to prevent and reduce homelessness in England.

But in recent years well-documented central government funding cuts have reduced local authorities' ability to tackle homelessness, even as the issue has grown. This report, commissioned by St Mungo's and Homeless Link, looks at how English local authority spending on homelessness-related activity<sup>1</sup> has changed since 2008/9. Using official returns from local authorities, our analysis confirms that there has been a significant reduction (see Figure 1).

**Figure 1: Cumulative change in expenditure since 2008/9, 2017/18 prices**



Source: WPI Economics analysis of MHCLG data<sup>1</sup>

This reduction has also not been felt equally across different groups of homeless people. In the period this report covers, statutory duties were primarily focused on family homelessness - with the impact that spending on activities relating to families actually increased over the period (largely due to temporary accommodation spending). While the Homelessness Reduction Act will go some way to resetting this balance by increasing the duties owed to households who are not in priority need, it will not undo the reduction in spend of recent years. In 2017/18, nearly £1bn less was spent on single homelessness than was spent in 2008/9 – a fall of more than 50%. This was entirely accounted for by reduced spending for Supporting People activity – which includes a wide range of types of support to help people maintain tenancies and keep their lives on track. Overall, more than £5bn less has been spent on single homelessness between 2008/9 and 2017/18 than would have been spent had funding continued at 2008/9 levels.<sup>2</sup>

<sup>1</sup> This includes advice and support to households who are or are at risk of homelessness, providing temporary accommodation, and measures to help people stay in their homes, whether housing-related support or discretionary housing payments.

<sup>2</sup> All analysis of local authority spending in this report is presented in 2017/18 prices.

These numbers alone tell a story, but our interviews with local authority staff and service providers set out the impact on the ground of these reductions in spending. We heard that low and medium-level support services have been particularly reduced, meaning that people are left to manage for themselves – and support is increasingly only available when someone reaches crisis point, which imposes extra costs on service providers who then have more complex cases to manage.

Government has recognised the need for additional funding to tackle homelessness. This funding is welcome, but does not reverse years of reduced local authority expenditure on services to prevent and reduce homelessness.

## Getting the future system of funding right

Any future system of funding needs to meet three principles.

**Sufficiency:** Firstly, and most obviously, it needs to be sufficient. If local authorities are pressed to choose between managing crisis situations and preventing those situations from occurring, they will rightly manage the urgent crisis situations – but this can store up problems for the future. Preventing homelessness is both more desirable in human terms, and far more cost effective for the state, than responding to it. However, this is increasingly difficult to do as budgets have fallen and crisis needs have increased.

**Certainty:** Secondly, it must provide local authorities with certainty that funding will continue. Recent moves to provide additional funding streams are welcome, but too often are only for short periods, which constrain local authorities and providers – and they barely begin to replace the spending falls our research has revealed.

**Directed:** Finally, it needs to come with a mechanism for ensuring that any additional money reaches people experiencing homelessness, rather than being spent on other local political priorities or budgetary pressures. This could be a ring-fence to ‘push’ that funding to particular activities, or something like statutory duties or central government expectations to ‘pull’ that funding - but what matters most is there is *some* way to direct funding.

The upcoming Spending Review provides a golden opportunity to deliver the level of, and approach to, funding that is needed to deliver the Government’s own goals with regards to homelessness and rough sleeping.

Our recommendations in full are:

**Recommendation 1:** Government should provide greater clarity on its targets to reduce homelessness, and the expected trajectory to those targets.

**Recommendation 2:** Based on those targets, Government should ensure that local authorities are sufficiently funded to achieve them.

**Recommendation 3:** Additional funding should be delivered through the primary sources of local government funding, rather than individual pots.

**Recommendation 4:** Time-limited funding should be reserved for genuine pilots and new initiatives.

**Recommendation 5:** Where time-limited funding is used, there should be adequate time between the announcement of the funding and the bid deadline for local authorities to consider and make bids, and the timescale for the use of that funding should take into account the ‘start-up’ time for provision.

**Recommendation 6:** Alongside increasing the available funding and the certainty of funding intended for homelessness-related activities, government should ensure that a mechanism is in place to direct that funding to activities that genuinely and sustainably reduces homelessness.

**Recommendation 7:** Government should take steps to improve the consistency of local authority revenue expenditure data to enable data to be broken down more consistently by activity and by how it is spent on different groups of homeless people.

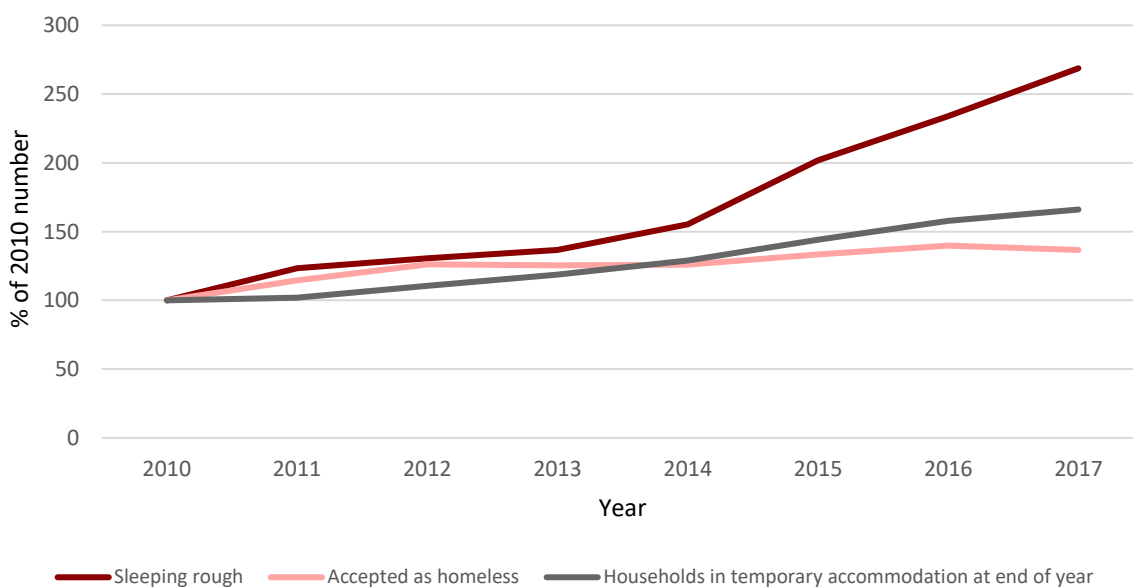
**Recommendation 8:** Government should collect and publish costs of homelessness to other public bodies, particularly organisations in the justice and health systems.

## Introduction

Homelessness in England is a pressing national issue. Latest figures at the time of writing show that more than 4,500 people were sleeping rough on the night of the autumn 2018 count, while over 80,000 households were in temporary accommodation at the end of June 2018 according to latest Government statistics. And even these underestimate the true extent of homelessness. Once estimates of ‘hidden’ homelessness are included, as many as 160,000 households could be homeless by the definition of ‘core homelessness’, which includes insecure accommodation such as sofa-surfing.<sup>2</sup>

By any measure of homelessness, the issue has increased, as Figure 2 shows. All of these figures are alarming, but especially the huge increase in people sleeping rough. The average age of death of someone who dies while homeless is just 47<sup>3</sup>, and nearly 600 people sleeping rough died in 2017<sup>4</sup>; it is not just the most visible but the most extreme of all forms of homelessness, and its increase has rightly drawn significant media and political attention.

**Figure 2: % change in different types of homelessness between 2010-2017**



Sources: WPI Economics analysis of MHCLG<sup>5</sup>

This issue has not gone unnoticed by central government, which has taken a series of steps in this area. These include:

- Ministerial commitments to halve the number of people sleeping rough by 2022, with a target of eliminating rough sleeping altogether by 2027;
- The establishment of a high-level Rough Sleeping and Homelessness Reduction Taskforce and an expert Rough Sleeping Advisory Panel to support it;
- The publication in August 2018 of the cross-departmental Rough Sleeping Strategy;
- Supporting the Homelessness Reduction Act (introduced as a Private Member’s Bill), which places enhanced responsibilities on local authorities and other public bodies;
- Establishing a series of funding pots that local authorities can use to tackle homelessness; and



- Replacing the Temporary Accommodation Management Fee (TAMF) with the Flexible Homelessness Support Grant, which as well as being paid up-front rather than in arrears can be used for a wider range of activities than its predecessor.

These measures are welcome, but they are not being introduced in a vacuum – and nor has the issue of homelessness grown in isolation in recent years. Local authorities in England, who are primarily responsible for tackling homelessness, saw their overall spending power fall by 28.6% between 2010/11 and 2017/18, while spending on housing services (excluding social housing) fell by 45.6% between 2010/11 and 2016/17.<sup>6</sup>

These reductions in funding are significant, and importantly followed the removal of the ring-fence around the Supporting People programme. Since 2003 this programme had been a key source of funding for housing-related support services needed to prevent and reduce homelessness. This meant that this funding was newly-vulnerable to reductions as local authorities adapted to the new funding environment.

But changes in spending only tell part of the story. More important than the total amount of money spent is how these changes have affected the delivery of services that help to prevent homelessness and help people to move out of homelessness into safe and secure accommodation. In this report, therefore, we combine analysis of local authority data with interviews with commissioners of services, housing teams in local authorities, and providers of services to not only understand the changes in levels of spending, but what that has meant in practice.

The report is structured as follows:

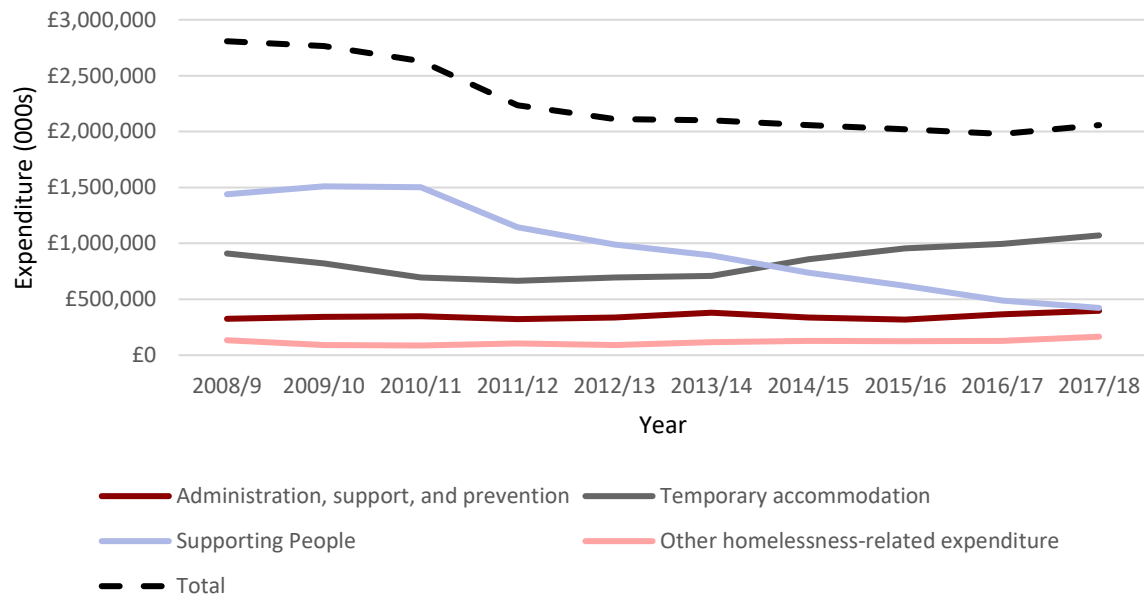
- In Part 1, we present our analysis of changes in spending on homelessness-related activity by local authorities across England, as well as outlining the impact of wider national policies;
- In Part 2, we discuss how the changes detailed in Part 1, together with changes in the delivery of funding, have affected local authorities and providers of services to homeless people;
- In Part 3, we consider how local authority funding can be placed on a sustainable, long-term footing to help to end homelessness for good.

## Part 1: Changes to local authority expenditure

### Changes in funding

In 2008/9, a total of £2.8bn was spent on homelessness-related activities by local authorities (see Annex for details of our analysis). By 2017/18, however, this had fallen to just over £2bn, a decline of 27%.

**Figure 3: Local authority expenditure on homelessness-related activity, 2017/18 prices**



Source: WPI Economics analysis of MHCLG data<sup>7</sup>

This is clearly a large reduction, and has not been in response to reduced *demand* for homelessness services. Since 2010, the number of people sleeping rough has more than doubled (despite a slight fall in the most recent data), and the number of households accepted as being eligible for homelessness prevention or relief rose by more than a third. Figure 3 also shows that spending on temporary accommodation has increased significantly since 2013/14, while spending on Supporting People activity (see Box 1) has fallen sharply since 2010/11. These reductions in spending also need to be considered in the context of overall Local Authority spending, which has also fallen significantly; the subsequent reductions in wider LA services are also likely led to have led to increased demand for homelessness services.

#### Box 1: Supporting People

Supporting People was a government programme launched in 2003 to develop and maintain a person's ability to live independently, either in their own home or in supported accommodation. It brought together several existing streams of funding, and was ring-fenced until 2009.

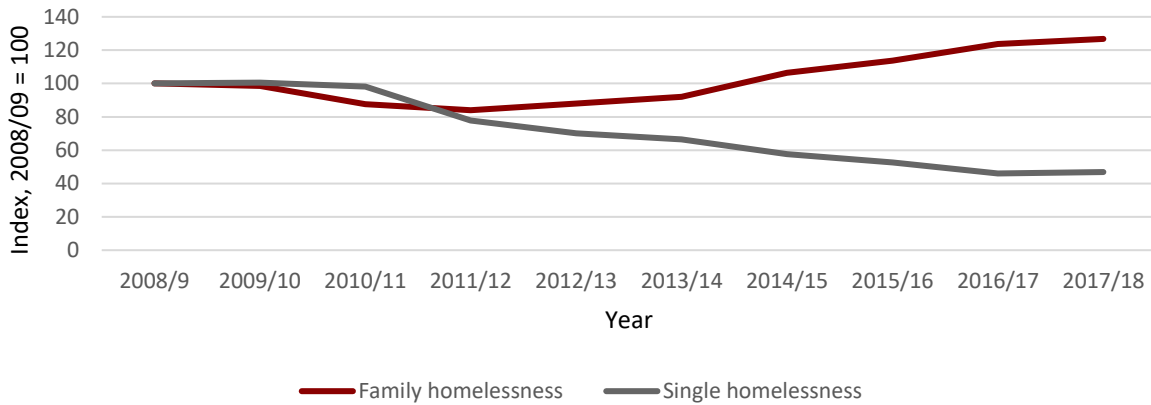
Although the funding stream no longer exists, local authority spending data still contains an expenditure line for Supporting People activity.

Source: House of Commons Library<sup>8</sup>

However, looking just at the overall money spent on homelessness also masks differences between different groups of people experiencing homelessness. In our analysis we have split this spending into

‘family’ and ‘single’ homelessness.<sup>3</sup> In 2008/9, expenditure on homelessness-related activities for single homelessness was more than double that of expenditure on family homelessness, but by 2016/17 more was spent on family homelessness. Figure 4 shows that the amount of money spent on family homelessness rose between 2008/9 and 2017/18, while the amount spent on single homelessness fell by half.

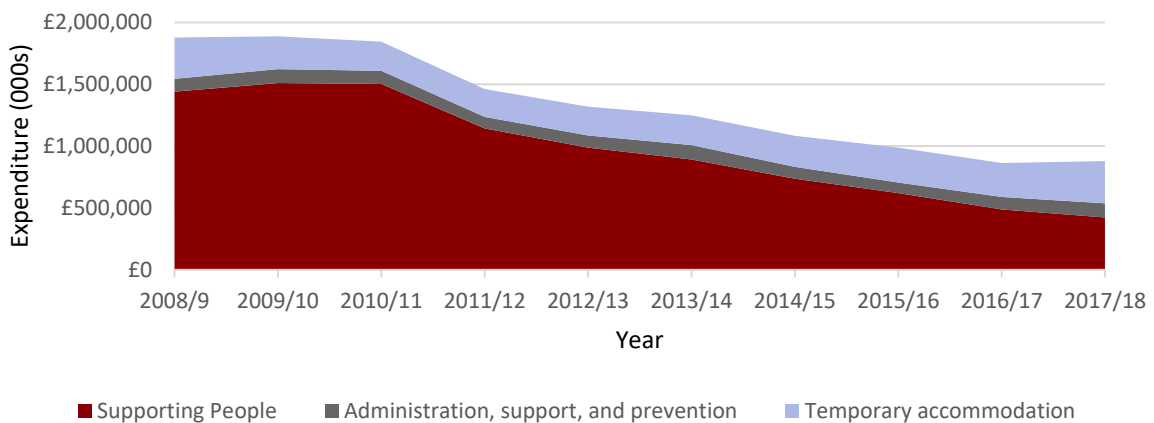
**Figure 4: Index of spending on family and single homelessness**



Source: WPI Economics analysis of MHCLG data<sup>9</sup>

Within the expenditure we have identified as being on single homelessness, the fall is entirely due to the fall in Supporting People expenditure after 2010/11.<sup>4</sup> Expenditure on homelessness administration, support, and prevention stayed level during this time, while temporary accommodation has increased a little in recent years.

**Figure 5: Components of spending on single homelessness, 2017/18 prices**



Source: WPI Economics analysis of MHCLG data<sup>10</sup>

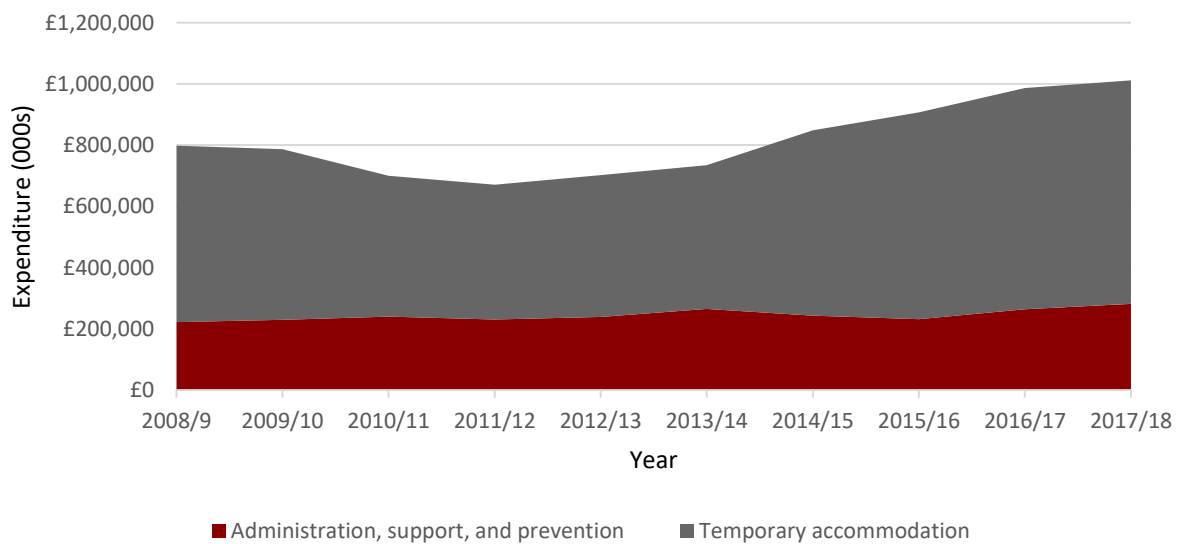
<sup>3</sup> Homelessness legislation requires local authorities to provide certain households – most commonly those with dependent children and some very vulnerable individuals – with settled accommodation. As a result, ‘family homelessness’ closely links to ‘statutory homelessness’ and ‘single homelessness’ to ‘non-statutory homelessness’, although they are not identical. The ‘single homelessness’ category includes single people and childless couples. For details of our approach to allocating expenditure between these groups, see Annex.

<sup>4</sup> Not all Supporting People expenditure directly affects homelessness, as it can also be used to support older people to remain in their homes rather than enter residential care. However, from the published data we have not been able to break this down further.

This is not to say that the reduction entirely represents a reduction in services. Although a 2009 government-commissioned analysis of the Supporting People programme found that it delivered benefits of £3.4bn per year (against annual expenditure of £1.6bn per year)<sup>11</sup>, reviews of the programme have highlighted areas where local authorities could have achieved better value for money,<sup>12</sup> and this view was supported by many of our interviewees. Particularly in the first years of reductions, local authorities told us, they had found genuine efficiency savings by pushing providers to offer improved services or lower prices, or by reassessing some provision that was in fact statutory social care provision. Since then, however, there is little doubt that further reductions have led to reduced services.

The same analysis for family homelessness, meanwhile, shows a large recent increase in temporary accommodation costs, which increased by 66% between 2011/12 and 2017/18, which has driven the overall increase in spending on this type of homelessness.

**Figure 6: Components of spending on family homelessness, 2017/18 prices**



Source: WPI Economics analysis of MHCLG data<sup>13</sup>

This increased spending has been driven by increased need – and our argument is not that this expenditure should be reduced to instead fund support for single homelessness. In fact, the increased spending on temporary accommodation points to wider problems that are increasing the need for this sort of provision; in short, this sort of provision is a form of ‘crisis management’ or sticking-plaster, which is not a long-term solution to homelessness.

### *Changes by region*

Just as different regions have different profiles of homelessness, the changes in spend have not been universal across England, as Table 1 demonstrates.

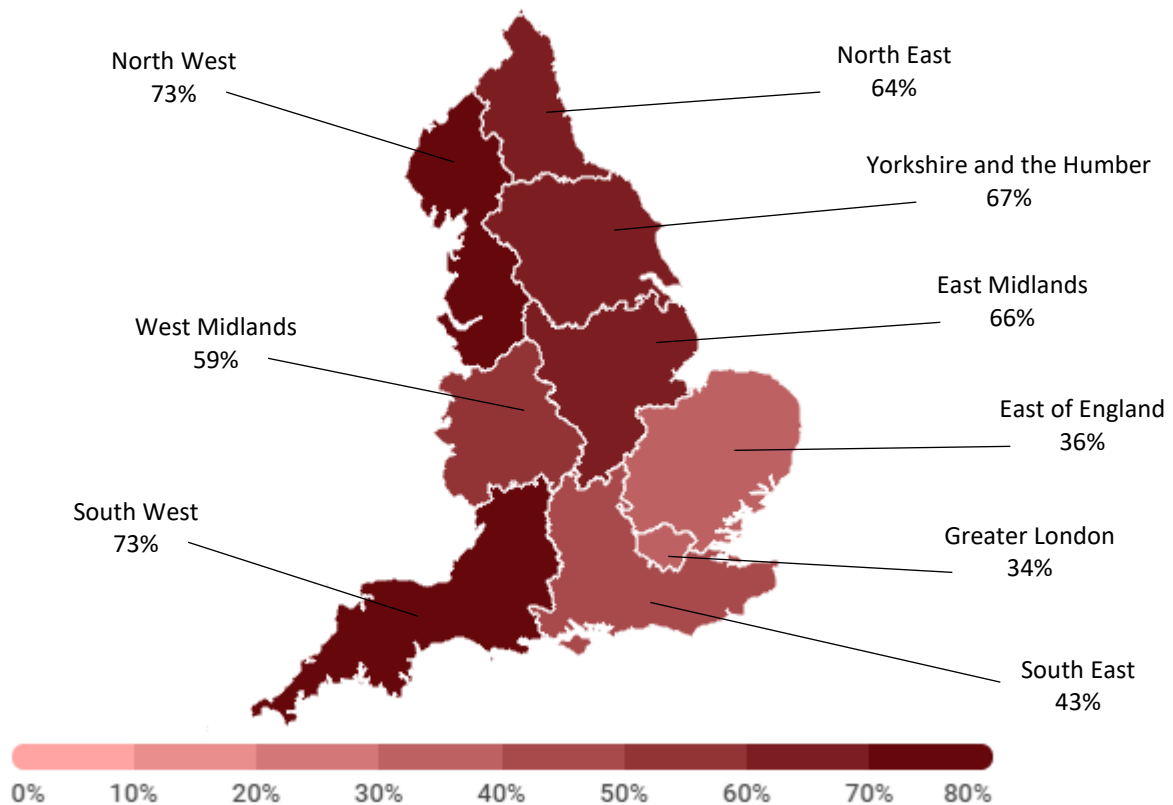
**Table 1: Change in spending on types of homelessness between 2008/9 and 2017/18, 2017/18 prices**

<i>Category of homelessness</i>	<i>Region</i>	<i>Change in spending</i>
<i>Single</i>	East Midlands	-66%
	West Midlands	-59%
	North West	-73%
	North East	-64%
	East of England	-36%
	London	-34%
	South West	-73%
	South East	-43%
	Yorkshire and the Humber	-67%
<i>Family</i>	East Midlands	-26%
	West Midlands	+15%
	North West	+56%
	North East	+15%
	East of England	+101%
	London	+23%
	South West	-10%
	South East	+73%
	Yorkshire and the Humber	0%
<i>Total</i>	East Midlands	-53%
	West Midlands	-42%
	North West	-56%
	North East	-48%
	East of England	-4%
	London	-8%
	South West	-57%
	South East	-3%
	Yorkshire and the Humber	-56%

Source: WPI Economics analysis of MHCLG data<sup>14</sup>

Figure 7 shows how cuts in spending have on single homelessness services have affected different regions of England differently.

Figure 7: Percentage cut in spending on single homelessness services in 2017/18, in 2017/18 prices



Source: WPI

Economics analysis of MHCLG data<sup>15</sup>

This analysis demonstrates a number of things. Firstly, that London, the South East, and the East of England have seen very different patterns of spending. In these regions, spending on all homelessness has remained very close to 2008/9 levels, while other regions have seen their spending fall by between 42% (West Midlands) and 57% (South West) of what was spent in 2008/9. These differences are likely to be down to several factors, including level and type of need, and other factors such as the cost of providing temporary accommodation – but they also show that the impact of reduced spend has not been felt equally across the country.

Secondly, in every region, there has been a fall of at least a third in spending on single homelessness, with several regions seeing spending fall to 40% or less. Although again London, the South East, and the East of England have seen less of a reduction, this is still a significant fall at a time when pressures have increased.

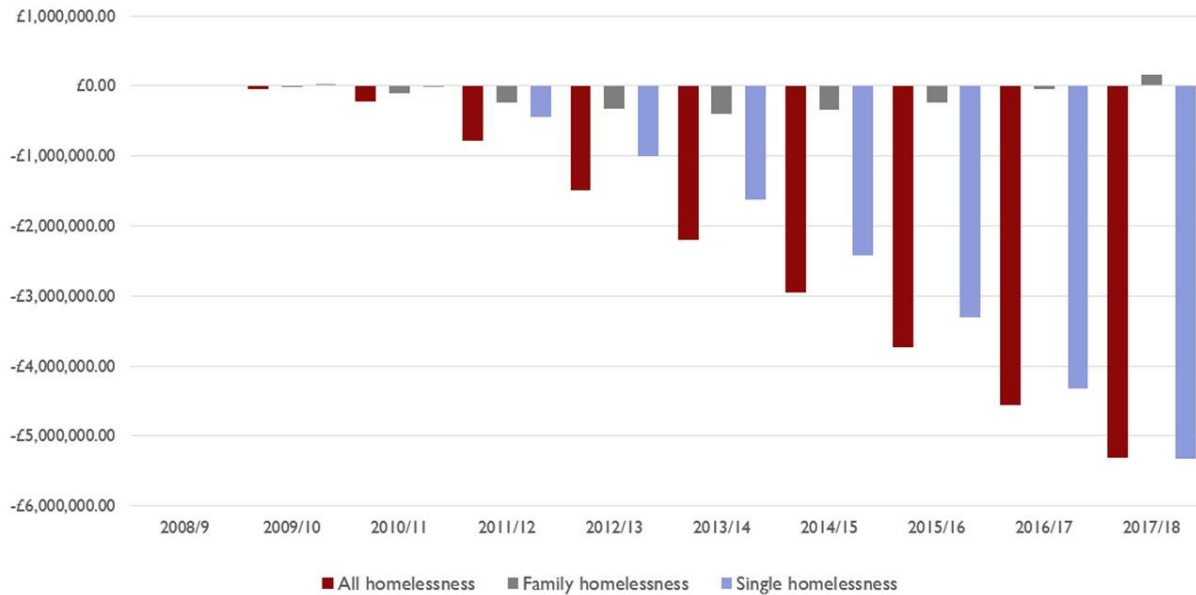
All regions also saw less of a downward impact on family homelessness than single homelessness, and all bar two saw an increase in spend on family homelessness. Three regions saw increases of more than 50% (the North West, South East, and East of England – which saw its expenditure double).

### *How does this compare to new funding initiatives?*

If total expenditure on homelessness-related services had stayed constant since 2008/9, more than £5bn extra would have been spent – which is entirely accounted for by the reduction in single homelessness expenditure. And while family homelessness spending in 2017/18 was higher than in

2008/9, there was less spent between 2009/10 and 2014/15. This means that over the period this research covers, around the same has been spent between 2008/9 and 2017/18 as would have been if 2008/9 levels had been maintained over the period.

**Figure 8: Cumulative change in expenditure since 2008/9, 2017/18 prices**



Source: WPI Economics analysis of MHCLG data<sup>16</sup>

This equates to a reduction of around £590m a year on average since 2008/9, and in 2017/18 local authorities spent £750m less on homelessness-related activity than 2008/9. While Government has announced additional funding for local authorities for the coming years, this is dwarfed by the money that has been lost in this time. Some of the key announcements are below.

**Box 2: 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 2018/19, and £46m in 2019/20
- **New burdens funding for the Homelessness Reduction Act:** £72.7m over 2017/18 to 2019/20

Source: WPI Economics analysis of MHCLG<sup>17, 18, 19, 20, 21</sup>

This is not an exhaustive list of additional recent government funding; the Rough Sleeping Strategy, published in August 2018 set out £100m of funding to tackle rough sleeping from 2018/19 onward, some of which is included in the announcements in Box 2.<sup>22, 23</sup> Much of this funding will be provided to local authorities, although some will be delivered by, for example, the prison service, which may have also seen reductions in their spending on homelessness-related services in recent years that new funding only partially replaces.

This additional funding is clearly welcome, but at most replaces a small proportion of local authority spending that has been lost in recent years. This funding also comes with stipulations on what it can be spent on, and in most cases it comes with short timeframes, which we explore more in the next section.

## Wider changes affecting local authorities

Other important factors that drive level of need and the types of need relate to wider government policy that is outside the control of local authorities. From our discussions with local authorities and providers of homelessness services, these include:

- **Lack of availability of social housing:** The single main factor raised by interviewees was the shortage of genuinely affordable housing. This leads homeless people to need to look for accommodation in the private rented sector, which is more expensive, less secure, and more difficult to access as landlords will often not accept welfare recipients as tenants.<sup>24</sup>
- **Welfare reform:** One of the most common issues raised was the level of Local Housing Allowance, which has been frozen since 2016 even as rents have risen, and is paid at a reduced rate for under-35s. Delays in Universal Credit payments were also regularly mentioned.
- **Reduced availability of non-crisis mental health and substance misuse treatment:** This means that by the time people engaged with or were eligible for support they have more complex needs – which brings with it increased costs.
- **The use of short custodial sentences:** Several interviewees raised short sentences as highly disruptive to some homeless people's recovery or attempts to move forward, particularly if they lost access to accommodation, support services, or medication while in prison.

Many of these appear to have been caused by budget reductions in both national and locally funded services, particularly NHS outreach, and LA support services, but each affect the likelihood of people becoming homeless, and the ease with which they can be supported to live independently.



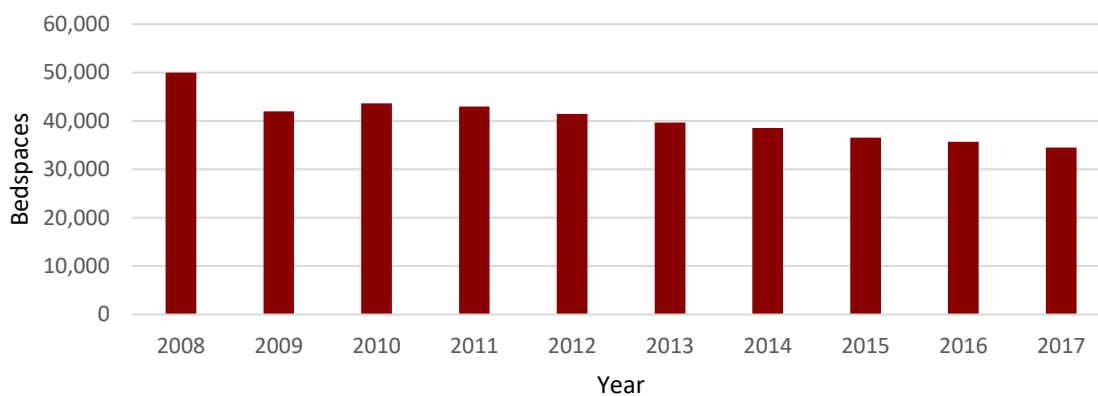
## Part 2: The impact of changes on local authorities and providers

The changes in local authority expenditure since 2008/9 are significant in financial terms, but these numbers do not tell the whole story of the impacts. To explore these further, in this section we pull out the key themes that our interviewees and roundtable participants raised as impacts of changes in funding for local authority services. These themes all interact, but we have divided them into two central points.

### Reduced provision, particularly for preventative services

The most direct impact of the reduction in local authority expenditure is the reduction in provision of services. Data from Homeless Link's annual reports show a reduction in the number of bed spaces has fallen from an estimated 50,000 in 2008 to 35,000 in 2017, a fall of close to 30%.

**Figure 9: Number of bedspaces for single homelessness in accommodation projects in England**



Source: Homeless Link annual reviews of single homelessness support<sup>25</sup>

Several interviewees also raised difficulties in accessing preventative support, especially for people with lower-level needs (and including once people had moved on from medium-term temporary accommodation such as a hostel into private or socially-rented accommodation). Some of this related to the availability of community mental health or substance misuse services, or to prison resettlement teams - but part related directly to local authority services and access to housing-related support. In some cases this relates to adhering more tightly to statutory thresholds (or increasing thresholds for non-statutory provision), while in others there were suggestions of 'gatekeeping', where local authorities were not meeting their statutory duties.<sup>26</sup>

Additionally, in April 2018 the Homeless Reduction Act came into force, which increased the definition of 'at risk of homelessness' from 28 days to 56 days and increased the duties on local authorities, particularly for single homeless people. At the time of our research there was limited information on the Act's impact, but some local authorities told us that it was inadvertently leading to less 'upstream' preventative work as resources were reallocated to meeting the new statutory duties.<sup>27</sup>

This reduced focus on upstream prevention is unfortunate, but also understandable. When budgets don't stretch to both prevention and crisis management, crisis management will take priority – because the outcome of not providing it is known (and failing to provide crisis management is more likely to be in breach of a local authority's statutory duty). Not providing preventative support, on the other hand,

may not result in someone later requiring crisis management support. That is not to say, however, that there are no costs to this approach. While this report focuses mostly on the financial impact, there is also a huge human cost to having to wait until reaching crisis point to access vital support – while other people will never need crisis support, but will bear the costs of lack of support themselves in reduced wellbeing and quality of life.

### *Higher prevalence of complex needs*

Partly because of the difficulty outlined above in accessing support before someone reaches crisis point, there was a consistent theme from local authorities and providers that when people do access services, they do so with greater or more complex needs than previously. One of the reasons that this occurs is because, as lower-level support services are reduced (both housing and health-related), people don't get support until their housing situation deteriorates to the point that they are eligible for statutory housing support or are sleeping rough.

This can cause difficulties for some services, because with increased needs come increased requirements for treatment – and therefore increased intensity and / or duration of treatment, which is both costly, and which some providers may not be set up to deliver. While this is clearly not something that local authorities alone can address, it is nonetheless having an impact on the services they commission.

Another factor that reduced funding risks is stricter contract terms, particularly around the length of time for which a service user can access a service. If this is less than the time the service user needs to achieve their housing or related goals, this makes it far more likely that they will end up in a 'revolving door', or simply moving from service to service, rather than moving into sustainable housing.

### **Less certainty and sustainability**

The combined effect of the increased level of need and the reductions in local authority funding has been to make commissioning and operating homelessness services more difficult. Even where local authorities had retained a sizable (but still reduced) amount of money for Supporting People activity, it had to be fought for internally year on year, reducing capacity of those teams to commission strategically.

The proliferation of small pots of funding that last, or are only guaranteed to last, for a small number of months or years only adds to this. This uncertainty, interviewees told us, applied even if a provider had a long-term contract with a local authority, as it is common for these contracts to have break clauses that can be enacted in the event of a local authority not having sufficient funds to honour the contract. Such uncertainty affects providers and their staff, who may have little certainty of their continued employment - as well as to service users, who risk losing services and relationships they are relying on.

The 'transaction costs' associated with needing to regularly bid into funding pots was also a common theme. Both providers and local authorities told us that due to the levels of unmet need they felt it was necessary to bid for as many such pots as they could – but that this also diverted resource away from delivery, commissioning, and oversight.

These small pots are often intended to be used to pilot new approaches to delivering homelessness services. But we also heard that, because of wider funding cuts, this money was not just trialling new types of projects, but delivering essential services needed by people experiencing homelessness, such as outreach workers and emergency accommodation.

This is clearly better than that need not being met at all, but using these pots for necessary services is a problem. The funding is typically only guaranteed for two years, but these services are still likely to be needed after the funding stops. And some funding pots come with conditions about the people or activities the funds can be used to support, which may not align with need. As a result, some people who would otherwise access support remain on the streets or in unsuitable accommodation (including squatting or sofa-surfing).

A related issue was that, given the timeframe needed to procure a service and set up and recruit staff for new provision, funding periods of typically two years did not allow for services to achieve as much as they could. We heard that where time-limited pots are used, a timeframe of even a year longer would make a substantial difference to what could be delivered.

Finally, we heard that in some cases the nature of funding available, and particularly the need to regularly bid into different pots with relatively short timeframes between announcement and bid deadlines, affected local authority commissioning practices. In particular it made it difficult for local authorities to undergo an extensive commissioning exercise - with interviewees arguing that the result was that existing contracts were often simply extended, regardless of whether that was the most appropriate thing to do. If true, this clearly poses a risk to the quality or appropriateness of that commissioning, as existing providers may not be best placed to deliver services meeting the objectives of the new funding, or may not be required to deliver efficiently if the commissioning process is not competitive.

We also heard from some larger providers that they were subsidising their services from charitable activity to a greater degree than previously. While this is welcome to the extent that it ensures provision, it also raises important questions about the sustainability of that funding should fundraising income fall in future years, as well as the role of the state in ensuring the provision of such essential services. Smaller local organisations might also have less access to wide individual funding bases or individual high net worth donors, or have less fundraising capacity to bid for contracts – which may mean the service is not commissioned or is commissioned to a lower standard. There was a perception from some providers that local authorities had moved from needs-led procurement, where the authority invites providers to bid for funding that meets particular needs or outcomes, to resource-led procurement. Given the very significant cuts to overall funding that LAs have faced over the last decade, this was recognised as being driven by budgetary constraints, rather than a desire to do this.

## Part 3: Moving the debate forward

In the previous two sections, we set out the significant reduction in local authority expenditure on homelessness, particularly for homeless households without children, and the impact this, combined with changes in the funding of local authorities, has had on services. In light of these findings, this section considers policy responses that might be taken forward to provide the necessary level and structure of funding for homelessness services.

### What affects local authority expenditure on homelessness?

There is no single factor that determines how much local authorities spend on particular issues or on particular types of activity. Instead there are a range of factors at both a local and national level, which we summarise below.

**Table 2: How central government influences local authority expenditure**

Central government action	Explanation and impact
Setting local authority funding levels and ability to raise funds	By setting levels of central government grant and, for example, local authorities' ability to increase council tax, central government affects the total amount of money available to local authorities to meet statutory and non-statutory needs.
Setting certainty of funding streams	The certainty local authorities have over amounts of funding available affects the types of services they provide. Less certain funding is likely to lead to services that provide more immediate benefits being funded, either due to a need to report outcomes or a desire to achieve outcomes before the funding is potentially withdrawn.
Providing ring-fenced funding	By ring-fencing funding, central government can require that particular amounts of money are spent on particular activities. The conditions for using the money can be widely or narrowly drawn.
Setting duties or expectations, or creating structures / accountability	<p>If local authorities must by law provide certain types of services, these will take priority within local budgets. The level of local need for such services will affect how much this costs – and therefore the amount of money remaining for non-statutory services.</p> <p>Government can also set expectations or targets, which, while not binding, can direct local attention to particular outcomes. These can take several forms, from reporting requirements to requirements to develop local strategies.</p> <p>Government could also set out structures through which local delivery is required to happen or accountability frameworks. Examples of such approaches include Health and Wellbeing Boards and requirements to monitor and report on outcomes.</p>
Taking policy decisions affecting need	Wider government policy on issues including housing, welfare, and criminal justice can affect levels of local need, which then interacts with duties and expectations to influence the amount of money that is spent.

Source: WPI Economics

These factors apply to both overall local government expenditure and expenditure on particular issues such as homelessness. There are also, however, important local factors to consider as well, which affect how much non-ringfenced money is spent on non-statutory services and the types of services that are funded. These include:

- **Local political priorities and decisions:** If an issue has a high profile or is otherwise seen as a priority in an area, action on it is more likely to be funded and there will be more oversight of the effectiveness of that funding. This may be at the level of a local authority, a Combined Authority, or other governance structures such as Health and Wellbeing Boards. Additionally, while most policy areas affecting homelessness are set nationally, local decisions around issues such as Council Tax Support, use of Discretionary Housing Payments, or non-statutory provision of support can also affect likelihood of homelessness; and
- **Local existing provision and relationships:** Local areas have differing levels of existing provision of different types of services. If there is 'ready to use' provision of a type of service or support, and if the provider already has a relationship with the local authority, it is more likely to be funded.

This way of thinking about local authority expenditure on homelessness demonstrates that it is a combination of decisions taken nationally and decisions taken locally that affect how much is spent on homelessness-related services, and the types of services that are funded. This was also clear in our conversations with local authorities that had taken different decisions after the removal of the ring-fence from the Supporting People grant, which then affected the level of funding still available.

## Principles and recommendations for funding local authorities

In thinking about how we can ensure that local authorities are able to tackle homelessness, we have developed a set of principles that central government should use when determining the future of local authority funding. While we recognise that many of the drivers of homelessness are outside of local authority control, our view is that these principles, if met, would enable local authorities to best address the factors contributing to homelessness that are within their control.

It is important to be clear that these principles, and their supporting recommendations, are intended to work as a package to be the most effective.

### *Principle 1: It should be sufficient to meet both immediate need and undertake preventative activity*

Homelessness activity broadly falls into two categories: crisis management where someone is already homeless or at immediate risk of homelessness, and preventative 'upstream' activity that supports people at increased risk of homelessness to find and keep a tenancy. Both are important – but if there is not sufficient funding for both crisis management and preventative activity, crisis management will rightly take priority, as the consequence of not doing this is more immediately severe.

Local authorities we spoke to welcomed the replacement of the Temporary Accommodation Management Fee (TAMF) with the Flexible Homelessness Support Grant (FHSG) as it could be used for preventative activity as well as temporary accommodation. However, in practice some local authorities were still spending most or all of this on necessary temporary accommodation, leaving little or nothing

remaining for more preventative activity. In practice this could either be addressed by increasing the funding available through the FHSG, or by increasing local authorities' overall funding (which would increase the overall money available to local authorities that could be put towards homelessness-related activities).

While this report has not set out to estimate the 'correct' amount local government needs to undertake both crisis management and preventative activity, analysis by other organisations gives a sense of the scale of what is needed. The Local Government Association estimates that based on current trends in demand for homelessness services and assumptions about local government revenue, there could be a shortfall per year of £400m by 2024/25. However as this is based on demand for homelessness services, the amount of funding required to *prevent* homelessness in the first place, as well as reduce it where it occurs, is likely to be considerably higher. Modelling by PwC on behalf of Crisis, meanwhile, found that the cost of interventions Crisis identified as being needed to end homelessness would be £9,938m between 2018 and 2027. While these costs are not spread equally across the ten-year period and are dependent on the levels of homelessness and support needs of the individual, on average over the period the annual spend would be similar to the £998m less than was spent on Supporting People in 2017/18 than 2008/9. This suggests that, over the medium term, the level of investment needed to effectively reduce homelessness is consistent with what governments have been willing to spend in the relatively recent past.

Ultimately the amount of money needed will depend on government's objectives in relation to homelessness, including how wide the definition of homelessness is. Government should also, therefore, provide greater clarity on its ambitions to reduce homelessness and the types of homelessness this includes, as well as its measures of success and expected short and medium term trajectories to achieving these. A target to halve rough sleeping by 2022 and end it by 2027 is valuable, but providing interim targets would aid accountability and highlight at an early stage issues that may risk the primary targets being met.

**Recommendation 1: Government should provide greater clarity on its targets to reduce homelessness, and the expected trajectory to those targets.**

**Recommendation 2: Based on those targets, Government should ensure that local authorities are sufficiently funded to achieve them.**

### *Principle 2: It should provide local authorities with certainty*

The current model of providing new funding through short-term initiatives causes significant problems to providers and local authorities. Additionally, even in local authorities where significant Supporting People budgets had been retained, some local authorities told us they had to win the fight internally year on year to retain it, which also affected certainty.

This has a number of impacts. Firstly, it makes the future of that provision uncertain, which affects the types of services local authorities commission - as well as risking loss of valuable services and expertise, and disruption for staff in the sector and, more importantly, to service users. The need to repeatedly bid in to pots also adds transaction costs, as local authorities have to spend resource to put together a bid for this funding. Finally, there is a risk that if insufficient time is given to prepare bids, local authorities may in practice be forced to simply extend existing contracts rather than be able to take a wider look at what is needed and shape their commissioning accordingly.

There is a role for short-term funding to support pilots or to trial new approaches. But it should be additional to ongoing ‘business as usual’ activity, not as a way to plug vital gaps in support; the best way to do this is to ensure that business as usual activity is adequately funded.

**Recommendation 3: Additional funding should be delivered through the primary sources of local government funding, rather than individual pots.**

**Recommendation 4: Time-limited funding should be reserved for genuine pilots and new initiatives.**

**Recommendation 5: Where time-limited funding is used, there should be adequate time between the announcement of the funding and the bid deadline for local authorities to consider and make bids, and the timescale for the use of that funding should take into account the ‘start-up’ time for provision.**

### *Principle 3: It should incentivise activity that genuinely and sustainably reduces homelessness*

Without robust oversight, there is clearly a risk that funding intended to be used for homelessness-related activity is subsumed into other priorities, most notably adult social care given the cost pressures on that area. There are many local authorities for whom homelessness is already a priority, but this is not universal, particularly given wider pressures on budgets.

In this report we have not undertaken an extensive exercise in the merits and demerits of different ways to achieve this. What is more important is that *a* way is chosen; providing funding and certainty are necessary conditions, but without accompanying incentives to genuinely and sustainably reduce homelessness, there is a risk that the money is not spent on reducing or preventing homelessness, or where it is, that it is poorly spent and examples of good practice are not learnt from. Nonetheless, while we have not recommended a particular mechanism for this oversight, we have set out the main ways this could be achieved.

One way is to return to significant ring-fenced provision of homelessness-related activities. This could involve a re-establishment of something similar to the Supporting People funding programme, expanding the existing ring-fenced Flexible Homelessness Support Grant, or ring-fencing the existing but not ring-fenced Homelessness Prevention Grant. A ring-fence would provide certainty to local authority teams and providers that the funding is secure, as well as require it to be spent on particular types of activities which are known to help achieve outcomes the Government is looking for. While this removes some local discretion, it enables local authorities to strategically plan activity funded in this way dependent on local need.

An alternative would be to place further statutory duties on local authorities and increase the duties they owe to people who are homeless or at risk of homelessness. This would ‘pull’ additional funding to activities that help to meet those duties. Those duties would need careful consideration and development, particularly given the very recent introduction of the Homelessness Reduction Act and this report’s finding that in some cases the Act has diverted resources from interventions further upstream.

Finally, government could set local targets for reducing homelessness (including rough sleeping and less visible forms of homelessness). This would provide a similar ‘pull’ for funding to activities that helped to meet these targets, and would also direct local political attention to the issue if it was known that results would be published.



Regardless of the mechanism, there also needs to be a way to assess the impact of this funding. Reliably measuring homelessness for these purposes is not straightforward, and any monitoring activity needs to be carefully developed to avoid the risk of it being ‘gamed’ (for example, if a measure is based on the number of households being owed a statutory prevention or relief duty, there is a risk that some local authorities discourage people from presenting to artificially reduce their numbers). A starting point could be to use existing data on households in temporary accommodation and people sleeping rough, which as well as already being collected relate to quite different forms of homelessness.

**Recommendation 6: Alongside increasing the available funding and the certainty of funding intended for homelessness-related activities, government should ensure that a mechanism is in place to direct that funding to activities that genuinely and sustainably reduce homelessness.**

## An urgent need for improved data collection

During the course of this project, we have also been aware of the limitations of the Revenue Outturn data. The key issues we have identified are:

- Allocation of expenditure to different categories is not consistent between local authorities, or within a given local authority over time;
- Revenue Outturn data does not distinguish between spending on different groups of homeless people. While we have approximated this in our analysis, understanding these trends in more detail would help policymakers to take better decisions; and
- Spending on homelessness by bodies other than local authorities is not captured.

Making this data more consistent would have several benefits: it would improve understanding of the total costs to the state of homelessness, differences in local and regional levels of expenditure, and on the extent to which services for family and single homelessness (which have very different profiles of need) are funded.

This would provide policymakers with a better understanding of the current total costs to the state of homelessness, as well as providing a baseline against which the financial benefits of preventative activity can be assessed. These benefits are not only felt by local authorities, but more widely - for example, in reduced criminal activity, and reduced use of emergency medical services.<sup>28</sup>

**Recommendation 7: Government should take steps to improve the consistency of local authority revenue expenditure data to enable data to be broken down more consistently by activity and by how it is spent on different groups of homeless people.**

**Recommendation 8: Government should collect and publish costs of homelessness to other public bodies, particularly organisations in the justice and health systems.**



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## Conclusion

There is no doubt that local authorities have faced significant funding cuts in recent years across their services. At the same time, homelessness as an issue has risen up the agenda – most obviously due to the huge increase in the number of people sleeping rough, but also the increasing numbers of households needing other forms of housing support.

But local authorities have been severely hampered in their ability to prevent these increases and to reduce the prevalence of homelessness by the funding pressures in the recent years – and how these have interacted with the removal of the ring-fence from Supporting People funding. This report sets out not only the scale of the reductions in local authority spending, but what they have meant in practice for local authorities looking to commission, and service providers looking to deliver vital services that reduce the human – and financial – cost of homelessness.

There is now an opportunity with the upcoming spending review to put this right. If government accepts and meets the three principles identified in this report, local authorities and providers of homelessness services will be empowered to both effectively and sustainably reduce homelessness today, and prevent it from recurring tomorrow.

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## Annex: Approach to local authority data

The analysis of English local government spending on homelessness-related activities in this report is based on Revenue Outturn data published by MHCLG. This data records spend by activity type, rather than the individuals or households that the spending is directed towards. We reviewed relevant Revenue Outturn guidance notes and spoke to local authority staff to identify the expenditure lines that are most clearly associated with homelessness.

Because the data relates to activity, it does not allow us to how much is spent on different types of households. However, we can combine this data with other data sources to estimate the split of spending between single households and those with children. Statistics from MHCLG allow us to calculate the proportion of households in different types of temporary accommodation that have or do not have children in each financial year,<sup>5</sup> and we apply these same proportions to the expenditure. For homelessness administration, support, and prevention we take a similar approach with local authority homelessness acceptances.<sup>6</sup>

We recognise that this approach produces estimates rather than precise figures – most notably because we have assumed that providing, for example, temporary accommodation for a family costs the same as for a single household. There are also some items of spending that we have not been able to split by ‘single’ or ‘family’. These are not included in either primarily single or primarily family homelessness category, but are included when we reference total spending on homelessness-related activities.

Our overall approach is summarised below.

**Table 3: Categorisation of local authority expenditure lines**

Group	Contains...	
Primarily single / non-family homelessness	Supporting People Temporary accommodation & homelessness administration spend by number of non-family households in each type of temporary accommodation, or accepted as homeless	Total LA spending on homelessness
Primarily family homelessness	Temporary accommodation & homelessness administration spend by number of family households in each type of temporary accommodation, or accepted as homeless	
Other homelessness	Rent allowances / rebates Other welfare	

<sup>5</sup> Live tables on homelessness: temporary accommodation tables. Available here:

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>6</sup> Acceptances and decisions lives tables. Table 780: Households accepted by local authorities as owed a main homelessness duty by household type. Available here: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

This approach uses a wider definition of homelessness than a focus solely on statutory provision (for example the approach taken by the National Audit Office), meaning our findings may not be comparable.

Revenue Outturn data is provided in current, or 'in-year' prices. This means that comparisons between years risk being misleading as inflation (or deflation) will account for some of the differences rather than 'real' differences in spend. We have therefore applied HM Treasury deflators so that our analysis is based on 2017/18 prices for all years.<sup>7</sup>

All the local authority data in this report is 'total expenditure' – i.e. it does not adjust for sales, fees, or charges that a local authority might allocate under particular expenditure lines. We have taken this approach because our concern is with the total supply of homelessness-related activity, rather than the net impact on a local authority's accounts.

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