



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Communities and Local Government

Homelessness

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National Audit Office

Department for Communities and Local Government

Homelessness

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

8 September 2017

English law defines somebody as homeless if they have no accommodation, or when the accommodation they have is not reasonable for them to continue to occupy.

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Key facts

60%

increase in households in temporary accommodation since March 2011

77,240

households in temporary accommodation at March 2017

£1.15bn

local authority spending on homelessness services during 2015-16

88,410

homeless households that applied for homelessness assistance during 2016-17

105,240

households threatened with homelessness and helped to remain in their own home by local authorities during 2016-17 (increase of 63% since 2009-10)

4,134

rough sleepers counted and estimated on a single night in autumn 2016 (increase of 134% since autumn 2010)

Threefold

approximate increase in the number of households recorded as homeless following the end of an assured shorthold tenancy since 2010-11

21,950

households placed in temporary accommodation outside the local authority that recorded them as homeless at March 2017 (increase of 248% since March 2011)

Note

- 1 A household is the person that applied for assistance and the people with whom they reside or might reasonably be expected to reside.

Summary

1 English law defines somebody as homeless if they have no accommodation, or it is not reasonable for them to continue to occupy the accommodation they have. The Department for Communities and Local Government (the Department) is responsible for setting national policy on homelessness, and leads on implementing it across government. The Department's objectives for homelessness are: to prevent at-risk people from becoming homeless in the first place; to rapidly intervene with people who are already homeless; and to help people who are long-term homeless to recover from their homelessness and move into stable accommodation.

2 The Department also distributes homelessness funding to local authorities, which have a statutory duty to provide advice and assistance to all households that are homeless or are threatened with homelessness. Local authorities are also responsible for providing temporary accommodation to homeless households that are entitled to it in law. These households are typically referred to as being statutory homeless.

3 Homelessness in England in each of its various forms has increased in recent years. The number of rough sleepers stood at more than 4,000 in the autumn of 2016, having increased from fewer than 1,800 in the autumn of 2010. The number of homeless households in temporary accommodation has also increased, rising from fewer than 49,000 in March 2011 to around 77,000 in March 2017. The use of temporary accommodation is concentrated in London, and 70% of households in temporary accommodation are placed there by London boroughs.

4 In response to increasing homelessness pressures, demand for local authorities' prevention activities has also increased in recent years. The number of prevention cases increased from just under 141,000 in 2009-10 to just under 200,000 in 2016-17. Local authority assistance to prevent homelessness includes support to enable families at risk of homelessness to stay in their own homes, or to secure alternative accommodation.

5 In October 2016, the Department supported the introduction of legislation which will increase the homelessness duties of local authorities. The Homelessness Reduction Act 2017 will give local authorities greater responsibility for preventing homelessness. The Act secured royal assent in April 2017, and is likely to come into force with effect from April 2018.

Scope of this report

6 This report examines whether the Department is achieving value for money in its administration of homelessness policy. To demonstrate value for money, the Department should show that it has understood the causes and costs of homelessness, that it is using this understanding to drive the effective use of its resources, and is leading government efforts to tackle homelessness effectively.

- Part One of this report sets out the causes and costs of homelessness;
- Part Two sets out the response of local government to homelessness; and
- Part Three sets out the Department's leadership in reducing homelessness.

7 Homelessness policy is devolved and there are different legal definitions and government responses in Wales, Scotland, and Northern Ireland. This report examines homelessness in England only.

Key findings

The causes and costs of homelessness

8 There are long-standing reasons why homelessness tends to be highest in certain areas. There are many reasons why a person could become homeless, and it is possible for anybody to become homeless. The risk is greatest, however, for households in areas of high economic activity on the margins of being able to pay market rents for their homes. A substantial amount of variation in levels of homelessness between different local authorities is associated both with the broad character of different areas and with the proportion of households in an area receiving housing benefit to help pay their rent. To a lesser extent, variation in levels of homelessness between local authorities is also associated with changes in the affordability of private rented accommodation, particularly for households with the lowest incomes (paragraphs 1.9 to 1.13).

9 The ending of private sector tenancies has overtaken all other causes to become the biggest single driver of statutory homelessness in England. The proportion of households accepted as homeless by local authorities due to the end of an assured shorthold tenancy increased from 11% during 2009-10 to 32% during 2016-17. The proportion in London increased during the same period from 10% to 39%. Across England, the ending of private sector tenancies accounts for 74% of the growth in households who qualify for temporary accommodation since 2009-10. Before this increase, homelessness was driven by other causes. These included more personal factors, such as relationship breakdown and parents no longer being willing or able to house children in their own homes. The end of an assured shorthold tenancy is the defining characteristic of the increase in homelessness that has occurred since 2010 (paragraphs 1.14 to 1.16).

10 The affordability of tenancies is likely to have contributed to the increase in homelessness. Since 2010, the cost of private rented accommodation has increased three times faster than earnings across England. In London, the increase was eight times, with private rents rising by 24% and average earnings increasing by 3%. Homelessness tends to be higher in places where private rents have increased most since 2012-13 (paragraphs 1.12, 1.13, and 1.17 to 1.19).

11 Changes to Local Housing Allowance are likely to have contributed to the affordability of tenancies for those on benefits, and are an element of the increase in homelessness. Since 2011, the Department for Work & Pensions has introduced a series of welfare reforms, including capping and freezing Local Housing Allowance. These reforms have been designed to reduce overall welfare spending and to provide incentives for benefit recipients to take up employment. They have reduced the amount of household income that it is possible to derive from benefits where the Local Housing Allowance applies. At the same time, rents in the private rented sector in much of the country — London in particular — have increased faster than wage growth. All of these factors appear to have contributed to private rented properties becoming less affordable, which in turn is likely to be contributing to homelessness caused by the ending of an assured shorthold tenancy (paragraphs 1.20 and 1.21).

12 Overall public spending on homelessness has increased in recent years. In 2015-16 local authorities spent more than £1.1 billion on homelessness. More than three-quarters of this — £845 million — was spent on temporary accommodation. Three-quarters of this spending — £638 million — was funded by housing benefit, of which £585 million was recovered from the Department for Work & Pensions. Spending on temporary accommodation has increased by 39% in real terms since 2010-11. There is also a wider cost stemming from the impact of homelessness on public services such as healthcare. The Department does not have a robust estimate of this wider cost (paragraphs 1.27 to 1.29).

13 The government has not fully assessed the impact of its welfare reforms on homelessness. In our 2012 report *Managing the impact of Housing Benefit reform*, we found that the Department for Work & Pensions' assessment of the impact of its housing benefit reforms did not reflect their potential full scale, including an increase in homelessness.¹ Subsequent research commissioned by the Department for Work & Pensions in 2012 on the impact of housing benefit reforms on homelessness did not establish how many of these households would have been homeless if the reforms had not been introduced. The Department for Work & Pensions has not carried out any more recent analysis, despite the introduction of a series of further welfare reforms since late 2012 (paragraphs 1.22 and 1.23).

¹ Comptroller and Auditor General, *Managing the impact of Housing Benefit reform*, Session 2012-13, HC 681, National Audit Office, November 2012.

14 The government has also not evaluated how local authorities are using the funding it has introduced to mitigate the potential impact of its welfare reforms.

The Department for Work & Pensions increased the Discretionary Housing Payment (DHP) funding available to local authorities in Great Britain from £20 million in 2010-11 to £165 million in 2014-15. The increase was to provide some transitional support to households affected by welfare reforms. In 2015, the Department for Work & Pensions made a further £800 million available for this purpose. While the Department for Work & Pensions has commissioned research on how local authorities are using DHP, it has not evaluated the effectiveness of the different uses of this funding (paragraph 1.26).

The response of local government

15 The ability of local authorities to respond to increased homelessness is constrained by the limited options they have to house homeless families.

As we set out in our assessment of the housing market in *Housing in England: overview*, there has been a significant reduction in social housing over the past few decades.² Each local authority we interviewed for this study reported a fall in the amount of social housing stock that they could access to house homeless families. Those local authorities that we interviewed that used the private sector to house homeless families reported that fewer private landlords were willing to work with them. In some of the areas that we spoke to there is an extremely limited supply of private landlords willing to house homeless families (paragraphs 2.3 and 2.8).

16 Local authorities have increased their spending on homelessness while simultaneously reducing spending on preventing it.

While spending by local authorities on homelessness services such as temporary accommodation has steadily increased since 2010, spending on overall housing services has fallen by 21% in real terms over the same period. This includes a 59% real terms decrease in Supporting People funding, which is designed to help vulnerable people live independently and remain in their home (paragraphs 2.4 and 2.5).

17 There is significant variation in the type and cost of temporary accommodation that different local authorities use, reflecting their local housing markets.

There were 77,240 households in temporary accommodation in March 2017, an increase of 60% since March 2011. These households included 120,540 children, an increase of 73%. Nightly paid, self-contained temporary accommodation now makes up 25% of temporary accommodation, up from 8% in March 2011. The local authorities that we interviewed reported that nightly paid accommodation was often previously leased to the local authority from a private landlord on a long-term basis, but was increasingly being offered as nightly paid because it was more remunerative for the landlord. Several local authorities are innovating to respond to rising demand for homelessness services and limited housing options. Examples of innovation include converting a residential care home, and using portable units on brownfield land (paragraphs 2.6 and 2.7).

² Comptroller and Auditor General, *Housing in England: overview*, Session 2016-17, HC 917, National Audit Office, January 2017.

18 Nearly a third of homeless households have been placed in temporary accommodation outside the local authority where they first registered as homeless. One way in which local authorities have attempted to control the cost of homelessness services is by moving families to temporary accommodation in more affordable areas. In March 2017, 21,950 households were in temporary accommodation outside of the local authority that placed them there. The proportion of homeless households in temporary accommodation outside their local authority increased from 13% in March 2011 to 28% in March 2017. Almost 90% of these households are from London boroughs. Some local authorities are offering incentive payments of several thousand pounds to get landlords to offer a tenancy to households that are in receipt of housing benefit and are threatened with homelessness. The Department has not measured the impact of these incentive payments on the affordability of local housing markets (paragraphs 2.11 and 2.12).

The role of the Department

19 The Department's approach to working with local authorities in tackling homelessness is 'light touch'. The Department is distributing homelessness funding of £754 million between April 2016 and March 2020 through a combination of the local government financial settlements, new burdens funding, and a grant to replace the temporary accommodation management fee previously paid by the Department for Work & Pensions. In addition, it has developed a £50 million Homelessness Prevention Programme to encourage innovative approaches by local authorities to homelessness prevention. However, its overall approach to working with local authorities is light touch. This contrasts with the more interventionist approach that it has taken during previous periods of high homelessness. For example, although the Department requires each local authority to have a homelessness strategy, it considers the strategies' content and progress to be a local matter and the Department has taken the decision not to monitor these (paragraphs 3.4 to 3.6).

20 The Department does not have a published cross-government strategy to prevent and tackle homelessness. As we have set out above, the Department has overarching objectives for preventing people from becoming homeless, intervening with those who are homeless, and helping those who are homeless to move into stable accommodation. It has agreed outcomes for specific programmes with local authorities. It also works with other departments with an interest in homelessness: including the Department of Health, Ministry of Justice, Department for Work & Pensions, and the Home Office. The Department believes that it is taking a strategic approach to homelessness reduction. However, it has not published an overarching strategy setting out the overall reduction in homelessness that it wants to achieve through its spending and activities, or the contribution to this that it plans to deliver through its different programmes and the work of other departments. Without such a strategy, it is not possible to assess whether the Department is using its overall homelessness resources effectively (paragraphs 3.3 and 3.8).

21 The Department plans to improve the data the government holds on

homelessness, and acknowledges the scale of this challenge. The Department is changing the method that local authorities use to report data from counting the number of households to collecting individual records. This change, if successful, will enable the Department to obtain more information about different individuals' and households' progress through the homelessness system. It may enable the Department to match these data with data held by other government departments. This data matching may help the Department to develop its understanding of the wider costs of homelessness. The Department has not yet clarified whether the additional cost to local authorities of collecting data in this way will be met from existing funding (paragraphs 3.9 to 3.11).

22 The Department has supported new legislation that will increase the responsibilities of local authorities in preventing homelessness.

The Homelessness Reduction Act 2017 aims to give local authorities more responsibility for preventing homelessness. The Department expects that these responsibilities will lead to an increase in prevention cases and a fall in the number of households that qualify for temporary accommodation. The Department estimates that enacting this legislation will cost local authorities an extra £61 million for the first two years after it comes into force. This estimate includes many assumptions that will need to be revisited as new data become available (paragraphs 3.18 and 3.19).

Conclusion on value for money

23 Homelessness in all its forms has significantly increased in recent years, and at present costs the public sector in excess of £1 billion a year. It appears likely that the decrease in affordability of properties in the private rented sector, of which welfare reforms such as the capping of Local Housing Allowance are an element, have driven this increase in homelessness. Despite this, the government has not evaluated the impact of its welfare reforms on homelessness, or the impact of the mitigations that it has put in place.

24 Although it is the government department with responsibility for tackling homelessness, during its increase in recent years the Department took a light touch approach to working with local authorities. It is difficult to understand why the Department persisted with this approach in the face of such a visibly growing problem. It is only now beginning to put in place the measures that will allow it to maximise the effectiveness of the resources it directs at homelessness. There remain gaps in its approach and it has not, for example, sought to evaluate the majority of funding provided to prevent and tackle homelessness. The Department's recent performance in reducing homelessness therefore cannot be considered value for money.

Recommendations

- a** The Department should develop and publish a strategy that sets out how it will achieve its objectives relating to homelessness. This should set out the reduction in homelessness it is aiming to achieve and the contribution it expects from different programmes across government.
- b** The Department should work with local authorities to establish how they are making use of measures to tackle homelessness, in order to gain a full understanding of effectiveness and share best practice.
- c** The Department should work with local authorities to ensure that they are making the most effective use of temporary accommodation. This work should include enabling local authorities to increase their use of the innovative short-term solutions that they are taking.
- d** The government, led by the Department and the Department for Work & Pensions, should develop a much better understanding of the interactions between local housing markets and welfare reform in order to evaluate fully the causes of homelessness.

Part One

The causes and costs of homelessness

1.1 This part of the report examines the causes and costs of homelessness, how these have changed since 2010, and the reasons for this change. This also assesses how much the Department for Communities and Local Government (the Department) knows about homelessness.

Legal definitions and local authorities' responsibilities

1.2 Under the Housing Act 1996, somebody is defined as homeless when they have no accommodation, or it is not reasonable for them to continue to occupy the accommodation they have. This legislation states that this lack of availability can be due to reasons including a lack of a legal right to occupy accommodation, and because existing accommodation is unsafe to occupy because of the risk of domestic violence. Throughout this report when we refer to homelessness and homeless people we do so in line with its statutory definition.

1.3 The Housing Act 1996 places a duty on local authorities to provide free advice and information about homelessness and its prevention to any person in their district. This legislation also places a number of duties on local authorities to provide assistance to homeless people, which can include providing temporary and settled accommodation. For a homeless household to qualify for temporary accommodation, their local authority must be satisfied that their household's migration status does not make them ineligible for support, that they meet one of the criteria that would classify them as 'in priority need', and that their homelessness is not intentional.³ Three out of four households that are classified as 'in priority need' meet the criteria because they contain dependent children or a pregnant household member.

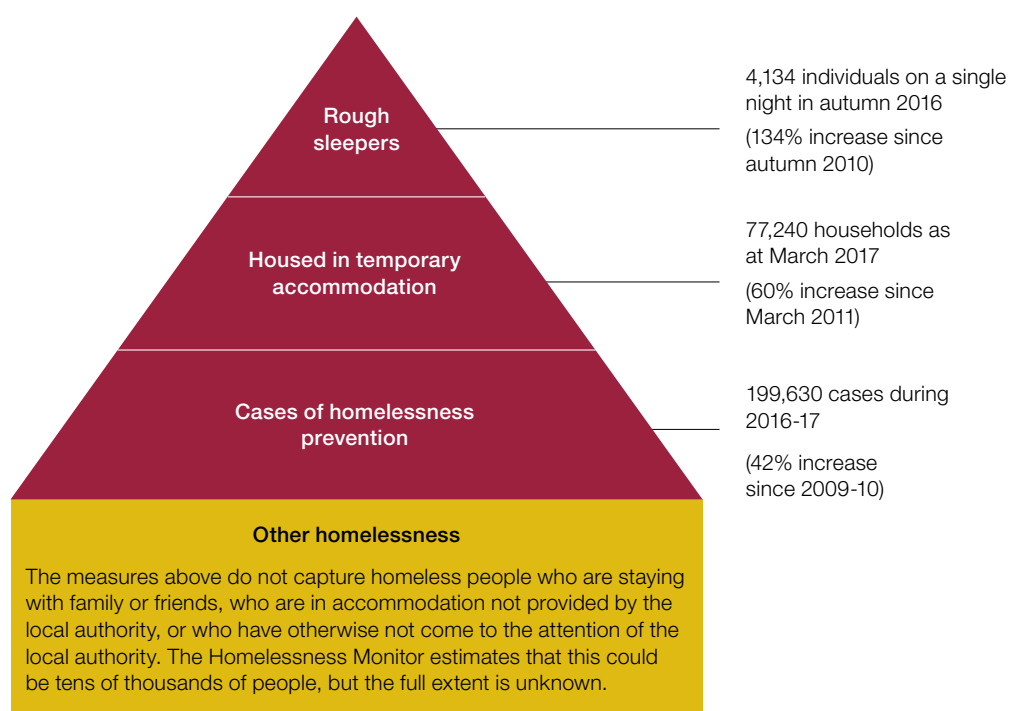
1.4 The Homelessness Act 2002 introduced the power for local authorities to take reasonable steps to prevent homelessness for households that do not meet any of the criteria that would classify them as 'in priority need' and where their homelessness would be unintentional. Since then, local authorities with relatively high numbers of applications for assistance have in many cases used this power to provide 'housing options' services. With this approach, local authorities assess a household's housing needs and attempt to prevent homelessness before it happens. This change in approach contributed to the reduction in the number of households in temporary accommodation from a peak of 101,300 in September 2004 to 48,240 in March 2011.

³ A household that qualifies for temporary accommodation is typically referred to as 'statutory homeless'.

How homelessness is measured

1.5 To produce a national picture of trends in homelessness in England, the Department measures the number of rough sleepers, the number of households placed in temporary accommodation by local authorities, and the number of cases of homelessness prevention dealt with by local authorities. Each quarter, the Department collects information from local authorities on the number of households that have applied for homelessness assistance, and the number of households that they have worked with to prevent them from becoming homeless. Local authorities also give the Department annual estimates of rough sleepers in their areas. Most of the homelessness measured is not in public spaces (**Figure 1**).

Figure 1
Most homelessness is not in public spaces



Notes

- 1 Measures of rough sleepers and households housed in temporary accommodation are both made at a point in time, whereas cases of homelessness prevention are measured across a year.
- 2 The method for counting rough sleepers was changed in 2010. Data before then are not directly comparable.
- 3 The Homelessness Monitor is an annual report published by Crisis.

Source: National Audit Office analysis using homelessness statistics published by the Department and by Crisis

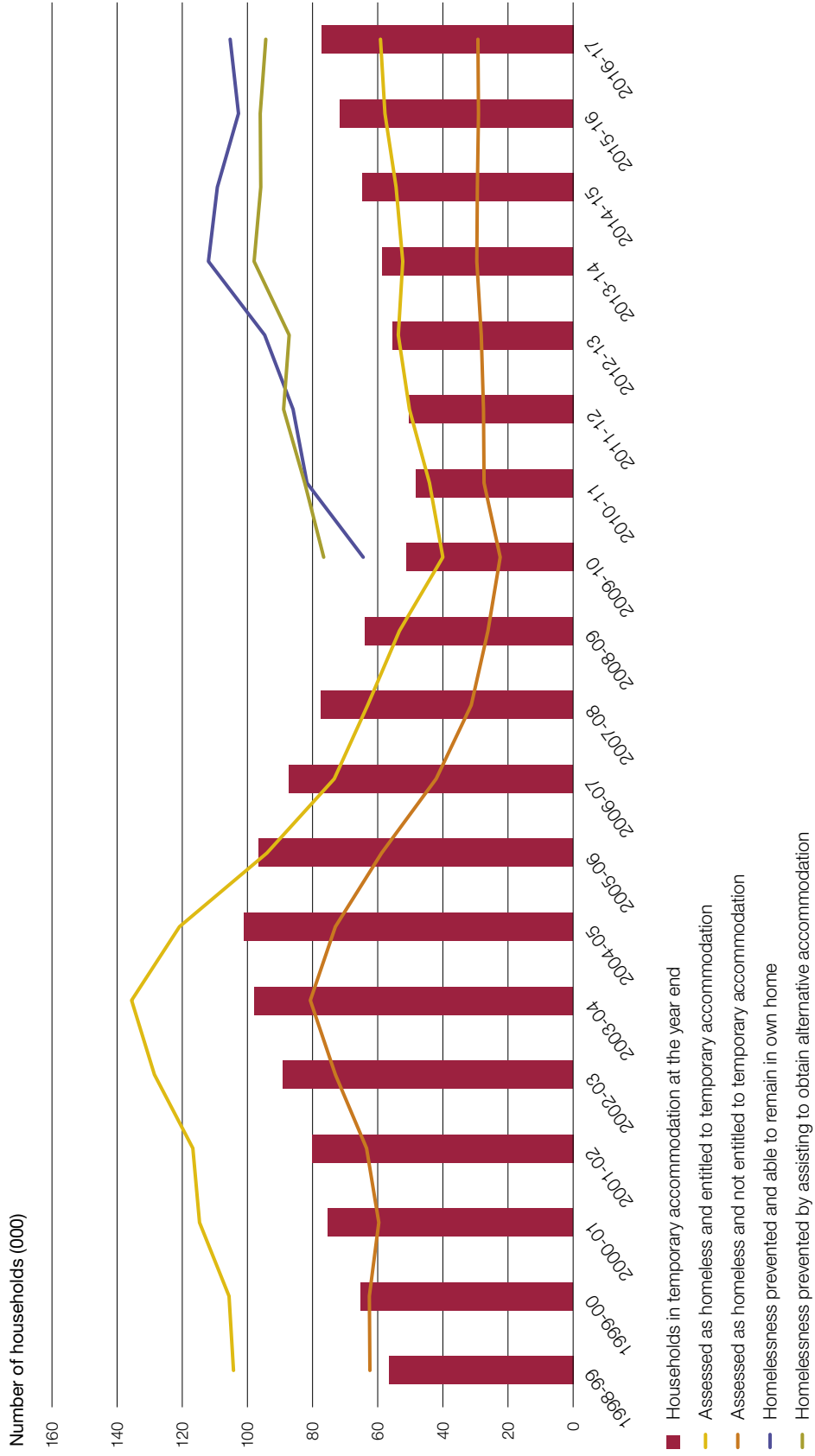
1.6 The Department's measures of homelessness do not capture its full extent. For example, the Department's statistics do not include homeless people who are temporarily staying with friends or family. These people are commonly referred to as the 'hidden homeless'. The UK Statistics Authority has consistently expressed concern that the Department's presentation of its measures of homelessness lack clarity about which people are being measured. In December 2015, the UK Statistics Authority assessed the Department's homelessness statistics for compliance with its Code of Practice. It found that the Department's statistics on households that qualified for temporary accommodation were potentially misleading, because they were presented without the broader context of increasing local authority activities to prevent homelessness. In June 2016, the Department began to publish its statistics on homelessness prevention every three months, at the same time as its statistics on households that qualified for temporary accommodation. In February 2017, the UK Statistics Authority published correspondence stating that the Department had issued press statements that referred to homelessness without being clear that it was referring only to households that qualified for temporary accommodation.

Trends in homelessness

1.7 Homelessness by all its measures has increased since 2010-11 (**Figure 2**). The characteristics of this increase are that:

- the number of homeless people in the annual autumn snapshot of rough sleeping was 4,134 in 2016, an increase of 134% on 2010;
- the number of households that approached their local authority as homeless and were assessed as entitled to temporary accommodation was 59,090 in 2016-17, an increase of 48% on 2009-10;
- the number of households that approached their local authority as homeless and were assessed as not entitled to temporary accommodation was 29,320 in 2016-17, an increase of 31% on 2009-10;
- the number of households in temporary accommodation at the end of the financial year was 77,240 in March 2017, an increase of 60% on March 2011;
- the number of children in temporary accommodation at the end of the financial year was 120,540 in March 2017, an increase of 73% on March 2011;
- the number of households where the local authority took positive action to prevent homelessness, enabling them to remain in their home, was 105,240 in 2016-17, an increase of 63% on 2009-10; and
- the number of households where the local authority took positive action to prevent homelessness by helping them to obtain alternative accommodation was 94,390 in 2016-17, an increase of 23% on 2009-10.

Figure 2
Measures of homelessness
All measures of homelessness have increased since 2010-11



Notes

- 1 Data on prevention are not available before 2009-10.
- 2 Households in temporary accommodation are measured in March in each year. All other measures are totals for the period.
- 3 The prevention measures introduced in the Homelessness Act 2002 contributed to a reduction in the number of households assessed under the Housing Act 1996 and to the decrease in measures of homelessness in the late 2000s.

Source: National Audit Office analysis of the Department's P1E data

Regional variation in homelessness trends

1.8 While each measure of homelessness has increased across England since 2010, this has not been uniform across the whole country. Four out of five local authorities have experienced substantial increases in the number of households applying for homelessness assistance and qualifying for temporary accommodation. In other local authority areas, however, this number has either remained stable or fallen. Local authorities in London, the South East, and the East of England are more likely to have experienced increases in homelessness than other parts of the country.

The causes of homelessness

1.9 We analysed levels of homelessness since 2004-05 to understand its causes. These will differ for individual households, who can become homeless for many different reasons. We found that, while it is possible for anybody to become homeless, the risk is highest for households who live in centres of economic activity and who are on the margins of being able to pay market rents for their homes. Throughout the period of our analysis, the risk of homelessness was highest in London and urban centres of employment and education. Until 2010-11, the risk of homelessness was lowest outside of urban centres in the South East and East of England.

1.10 We also analysed variation in the rates of homelessness between local authorities to understand how local economies and housing markets interact to produce the different levels of homelessness that we observed in different parts of the country. Looking at the period since 2012-13, we found that a substantial minority of this variation in homelessness was associated with three factors:

- the proportion of households in the area that receive housing benefit to help pay their rent (whether in the social or private rented sector);
- the broad character of different areas; and
- the affordability of private accommodation.

Each of these combine to explain the variation.

1.11 The proportion of households that receive housing benefit to help pay their rent (whether in the social or private rented sector) explained approximately 32% of the variation in homelessness between local authorities. Homelessness related to this tends to be:

- higher in areas with more spending on housing benefit;
- higher in areas with more lone parents who receive housing benefit;
- higher in areas with a higher proportion of housing benefit claimants in private rented housing and who are working; and
- lower in areas with a higher proportion of private tenants who receive housing benefit.

1.12 The broad character of areas explained approximately 25% of the variation. Homelessness related to this tends to be:

- higher in London;
- higher in the larger cities across England with a leading role in the regional or national economy; and
- higher in areas with more people from the EU who are registered to work.

1.13 Changes in the affordability of private rented accommodation explained approximately 21% of the variation. Homelessness related to this tends to be:

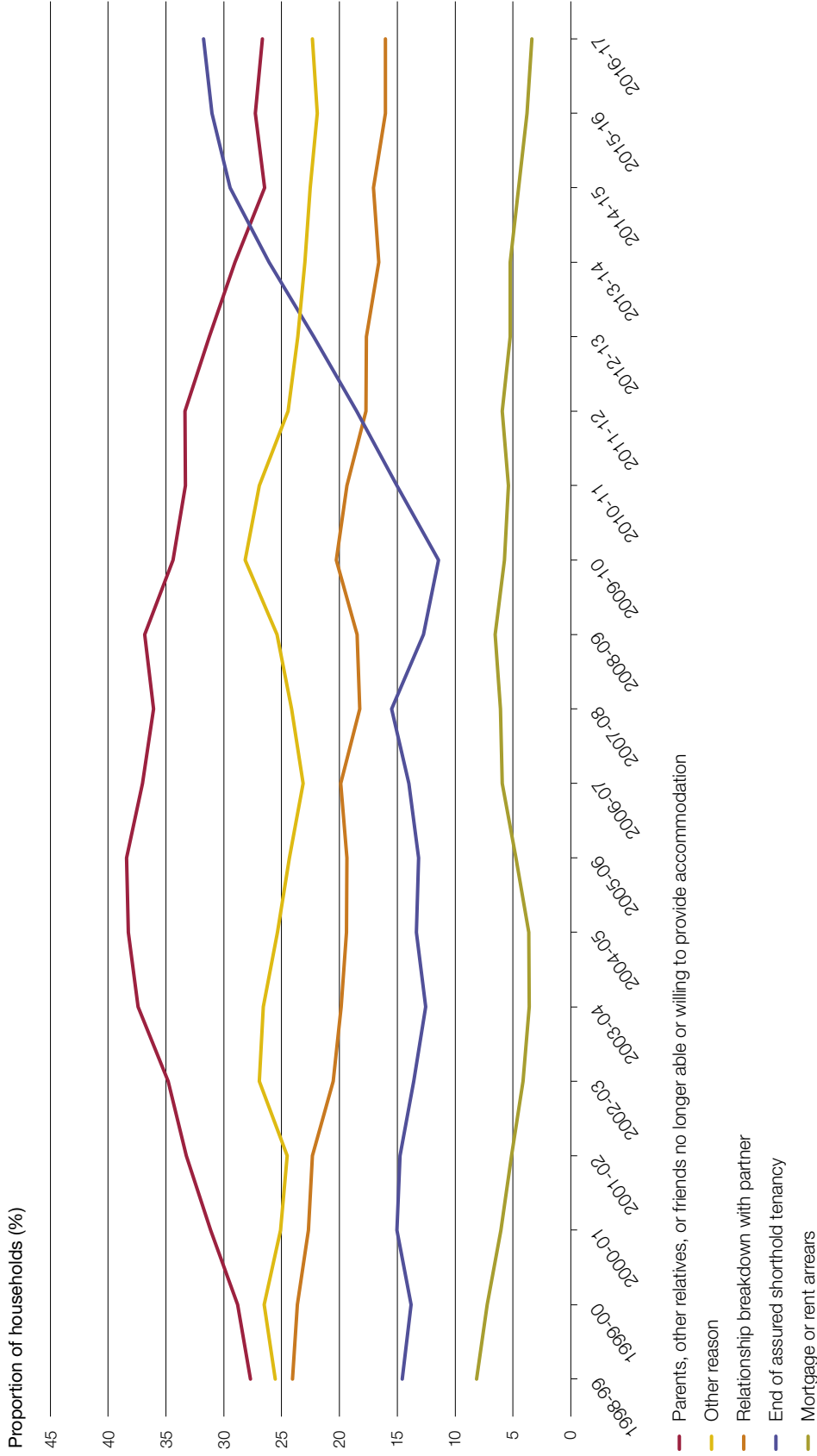
- higher in areas where private rents are less affordable for households with lower earnings or who are receiving housing benefit;
- higher in areas with larger increases in private rents;
- higher in areas where more homes are bought and sold; and
- lower in areas where the price of the bottom quartile of homes is less affordable.

1.14 The Department collects information on the reported reason for the loss of the last settled home for all households who qualify for temporary accommodation. In the past, many of these households would have been living in the home of another household and told to leave, or their homelessness would be due to a relationship breakdown. However, since 2010, there has been a substantial and unprecedented rise in the proportion of households who qualified for temporary accommodation after the end of an assured shorthold tenancy (AST)⁴ (**Figure 3** overleaf).

1.15 Before 2011-12, the proportion of households who qualified for temporary accommodation and reported that the cause of their homelessness was the end of an AST was between 11% and 15%. It has subsequently increased to 32% of all households. This increase is particularly significant in London, where the proportion ranged between 9% and 15% before 2011-12 and now stands at 39%. Across England, the ending of private sector tenancies accounts for 74% of the growth in households who qualify for temporary accommodation since 2009-10. In 2016-17, it amounts to 18,750 households, which is almost a threefold increase on the 6,630 households in 2010-11. The equivalent numbers in London are 6,990 households in 2016-17 and 1,190 in 2010-11: almost a sixfold increase. The end of an AST is the main characteristic of the increase in homelessness that has occurred since 2010.

4 An assured shorthold tenancy is a fixed-term contract with a landlord with a two month notice period.

Figure 3
Reason for loss of last settled home
In 2016-17, one third of households who qualified for temporary accommodation did so after the end of an assured shorthold tenancy



Notes

- 1 "Other reason" includes harassment, threats or intimidation; loss of rented or tied accommodation; required to leave asylum support accommodation provided by the Home Office; left an institution or local authority care; or left HM Forces.
- 2 The data measure the households who applied for homelessness assistance and qualified for temporary accommodation.

Source: National Audit Office analysis of the Department's P1E data

1.16 We observed the characteristic of the end of an AST during our case study visits. We interviewed front-line staff in eight local authorities, each selected at random based on whether they had a relatively high number of households in temporary accommodation. We asked open questions about what was causing the increase in homelessness in their area. In all cases front-line staff said that the key reason why people were presenting as homeless was the end of tenancies in the private rented sector. They said that this was due to increases in rents in the private sector, and a decline in people's ability to pay these rents. This decline in ability to pay was said to be partly due to welfare reforms.

The affordability of housing

1.17 Since 2010, rents in the private sector in London have increased by 24%, which is eight times the increase in median earnings over the same period (**Figure 4** overleaf). Across England rents in the private sector have increased three times as much as median earnings. The exceptions are the north, where median earnings increased more than private rents, and the East Midlands.

1.18 Fewer than 5% of households who applied for homelessness assistance and qualified for temporary accommodation in 2016-17 said that the reason for the loss of their last settled home was mortgage or rent arrears. Only 360 households across England were recorded as homeless following repossession. This number has been falling since 1998-99, when 5,850 households were recorded. Homelessness from mortgage arrears continued to decrease during the last housing market downturn. We have therefore focused our analysis on local housing markets for tenants as opposed to owner occupiers.

1.19 The data suggests that the affordability of housing in London has contributed to the increase in the number of households who applied for homelessness assistance and qualified for temporary accommodation following the end of an assured shorthold tenancy (the sixfold increase in paragraph 1.15). However, outside of London the number has more than doubled, from 5,450 households to 11,270. The affordability of housing in London is therefore not the only factor that is contributing to the increase in homelessness.

The contribution of welfare reform

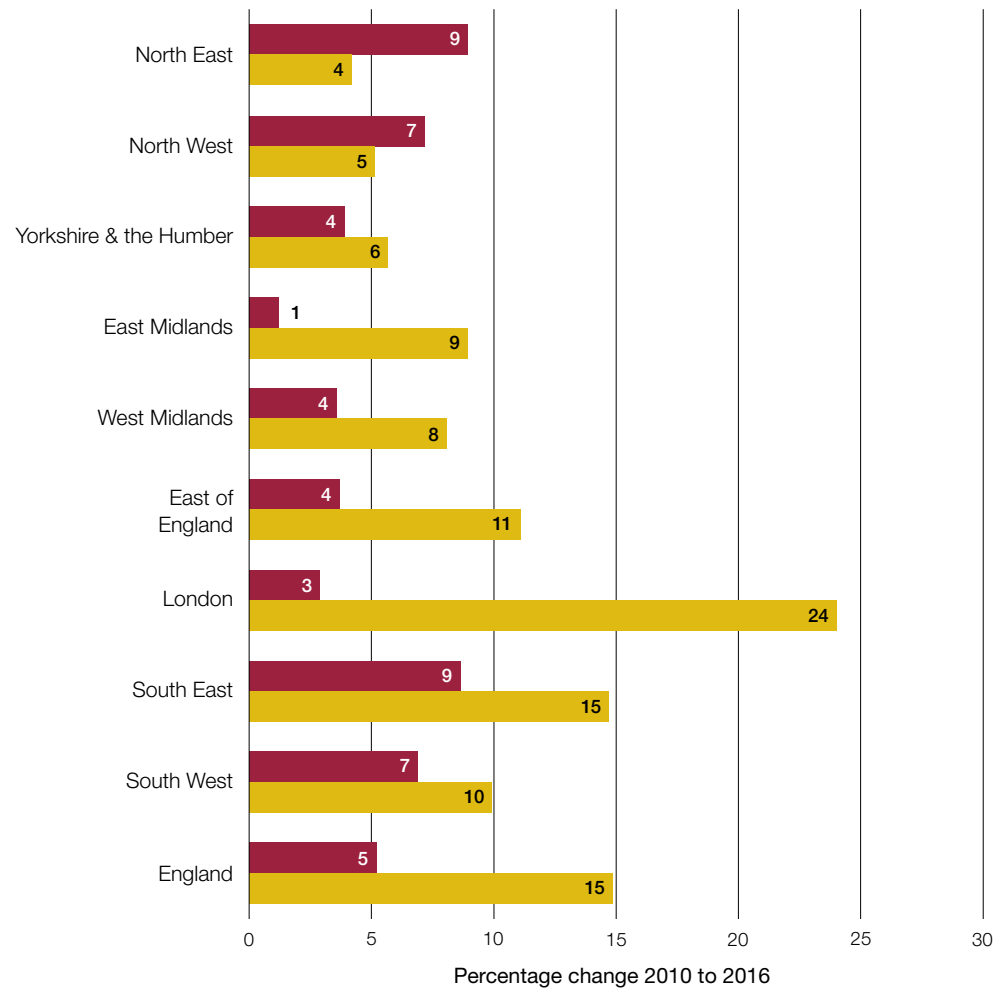
1.20 The affordability of housing is determined not only by its cost, but also by a household's ability to pay. The Department for Work & Pensions pays housing benefit to households on a low income to help them access rental properties. Approximately one in four tenants in the private rented sector currently receives housing benefit. We previously reported that government spending on housing benefit in England was £20.9 billion in 2015-16.⁵ Of this, an estimated £7.4 billion was paid to claimants living in the private rented sector. The amount of housing benefit a household receives depends on its income from other sources, and is set by the Department for Work & Pensions using Local Housing Allowance.

⁵ Comptroller and Auditor General, *Housing in England: overview*, Session 2016-17, HC 917, National Audit Office, January 2017.

Figure 4

Affordability for private renters since 2010

Rents in the private sector in London have increased by 24%, which is eight times the increase in median earnings over the same period



■ Median full time weekly earnings
 ■ Index of private rental prices

Notes

- 1 Changes in private rents calculated from April 2010.
- 2 Earnings data for 2016 are provisional.
- 3 Changes from 2010 to 2011 in median gross weekly pay of full-time employees are based on standard occupational classification (SOC) 2000. Changes from 2011 onwards are based on SOC 2010.

Source: Office for National Statistics, Annual Survey of Hours and Earnings (released October 2016) and Index of Private Housing Rental Prices (released May 2017)

1.21 Since 2010, the Department for Work & Pensions has made a series of changes to Local Housing Allowance in support of its policy objective of welfare reform (Figure 5 overleaf). Welfare reform is intended to reduce overall public spending on the benefit system and to provide incentives to work so that households in employment will be better off than households not in employment. The Department for Work & Pensions measures the success of these reforms by the employment rate published by the Office for National Statistics.⁶ This was 75.1% in the period April 2017 to June 2017, the highest since comparable records began in 1971. The Department for Work & Pensions' changes to Local Housing Allowance have included reducing benchmark rates from the 50th percentile of market rates to the 30th in 2011, and freezing increases for four years from 2016 onwards.

The Department for Work & Pensions' measurement of the impact of welfare reform

1.22 In November 2012, we examined how the Department for Work & Pensions had managed the impact of its reforms to housing benefit.⁷ We found that the Department for Work & Pensions' impact assessments did not reflect the full scale of potential wider impacts, including an increase in homelessness. After our report was published, the Department for Work & Pensions commissioned research to assess the impact of its changes to housing benefit on claimants and landlords. It published a final report in July 2014.⁸ Its methods included a tenant survey in late 2011 and late 2012. This survey identified that one in eight tenants who had moved had been homeless at some point between the survey dates. This would have been equivalent to 24,000 households nationally.

1.23 The Department for Work & Pensions considers it challenging to conduct research to establish the impact of changes to Local Housing Allowance on homelessness. This challenge is due to the range of other factors which can have an effect and would need to be taken into account. The Department for Work & Pensions' research was unable to overcome these challenges, and was therefore unable to conclude on the impact that changes to Local Housing Allowance have had on homelessness. This was because it did not establish how many of these households would have been homeless if the reforms had not been introduced. It also did not consider all of the Local Housing Allowance changes introduced to date, as some came into effect following its publication (see Figure 5). The Department for Work & Pensions has not evaluated the impact that recent changes to Local Housing Allowance have had on homelessness.

6 The proportion of people aged from 16 to 64 who are in work.

7 Comptroller and Auditor General, *Managing the impact of Housing Benefit reform*, Session 2012-13, HC 681, National Audit Office, November 2012.

8 Department for Work & Pensions and Government Social Research, *The Impact of Recent Reforms to Local Housing Allowance: Summary of key findings*, Research Report 874, July 2014.

Figure 5

The Department for Work & Pensions has made a series of changes to Local Housing Allowance

Change	Description	From	Considered in 2014 research
Local Housing Allowance benchmark	Rates to be set at 30th percentile of local rents rather than 50th percentile.	April 2011	Yes
Local Housing Allowance cap	National cap on Local Housing Allowance rates for each size of dwelling.	April 2011	Yes
Local Housing Allowance consumer price index	Annual uprating of rates by the consumer price index or the 30th percentile of local market rents if this is lower.	April 2013	Yes
Local Housing Allowance 1%	Annual uprating of rates by 1% or the 30th percentile of local market rents if this is lower.	April 2014	No
Local Housing Allowance freeze	Annual uprating of rates to cease for four years. Reduction to the 30th percentile of local market rents if this is lower than the rate in place.	April 2016	No

Note

- 1 These changes are not necessarily exhaustive and represent our assessment of the major changes.
- 2 The 2014 research refers to the report cited in footnote eight.

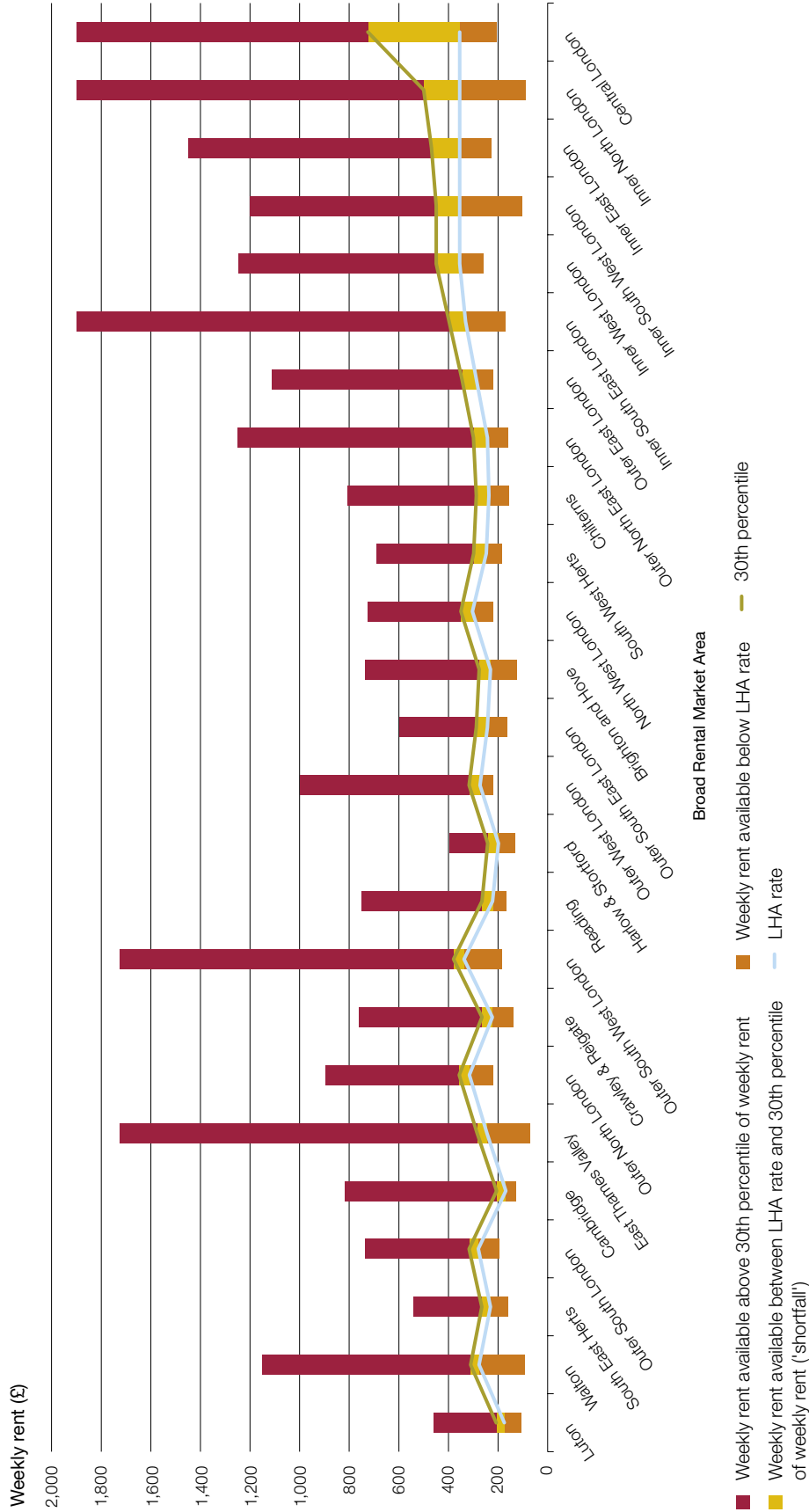
Source: National Audit Office analysis of the Department for Work & Pensions' announcements

1.24 We have used Valuation Office Agency data to illustrate the gap between the 30th percentile, which would have been the Local Housing Allowance rate when the benchmark was introduced, and the Local Housing Allowance rate today.⁹ The cost of property at the 30th percentile has increased faster than the Local Housing Allowance rate. We have shown the resulting gap – commonly referred to as a ‘shortfall’ – between the 30th percentile and the Local Housing Allowance rate for three bedroom homes (**Figure 6**). A shortfall of £371 a week would only apply to a household in central London that received the three bedroom rate of Local Housing Allowance and that chose to rent a three bedroom home at the 30th percentile. Two-thirds of households where Local Housing Allowance applies had a shortfall of some size. The Department for Work & Pensions holds data that show that, of households with a shortfall, the average shortfall between the Local Housing Allowance received and rent paid is £50 a week in London and £26 a week in the rest of England. The households receiving housing benefit that are affected by a shortfall will need to either find additional income to bridge the shortfall or move to a more affordable home.

⁹ The 30th percentile means that in a local housing market, this is the price below which a household could access three out of ten properties in that area.

Figure 6
Weekly shortfall on a three bedroom house

There is a shortfall of £371 a week in Central London between the Local Housing Allowance rate and the 30th percentile of weekly rent



Notes

- 1 A household occupying a three bedroom house would not receive the three bedroom Local Housing Allowance rate unless their circumstances meant they were entitled to it.
- 2 Homes with a weekly rent available below the Local Housing Allowance rate can be paid for in full by housing benefit. Homes with a weekly rent available above this rate can be partially paid for by housing benefit with the rest paid from other household income.
- 3 The 30th percentile means that in a Broad Rental Market Area, this is the price below which a household could access three out of ten properties in that area.
- 4 The figure includes the 25 Broad Rental Market Areas with the greatest weekly shortfall.

Source: National Audit Office analysis of Valuation Office Agency data

1.25 The Department for Work & Pensions expects that some households will mitigate problems caused by the shortfall by moving to a more affordable home. It collected data on the movement of around 254,000 Local Housing Allowance claimants between two different local authorities in England from March 2010 to November 2014. The movement in the north of England, where shortfalls are lower, saw broadly the same number of people move into the region as move out. By contrast, there was a substantial movement outwards from inner London boroughs, as Local Housing Allowance claimants moved from inner London to local authorities in the South East and East of England (**Figure 7**). In inner London, 24% of the 35,400 claimants who moved did so to areas where market rents were at least 20% lower. Outside of inner London, only 3% of claimants who moved did so to areas where market rents were at least 20% lower.

1.26 The Department for Work & Pensions recognises that an increased movement of people due to its welfare reform measures could increase the risk of a period of homelessness. In an effort to mitigate this, the Department for Work & Pensions has increased the funding it provides to local authorities across Great Britain through Discretionary Housing Payments (DHP). This funding is intended to support households to make the transition to a more affordable home. The Department for Work & Pensions has increased DHP from £20 million in 2010-11 to £165 million in 2014-15 (of which £141 million was in England). In 2015, it committed a further £800 million to DHP for the following five years. The Department for Work & Pensions publishes official statistics on local authorities' use of DHP, and has also commissioned research into the main factors that affect this use.¹⁰ The research found that the availability of suitable housing and rent prices were the main factors selected by local authorities. The Department for Work & Pensions has not, however, evaluated how effectively local authorities are using DHP in tackling homelessness.

The cost of homelessness

1.27 In 2015-16, local authorities spent £1,148 million on homelessness services. The single largest component of this spending was on temporary accommodation, which increased by 39% in real terms between 2010-11 and 2015-16, from £606 million to £845 million. Three-quarters of the spending in 2015-16 – £638 million – was funded by housing benefit, of which £585 million was recovered from the Department for Work & Pensions. Over the same period spending on other components of homelessness services – mainly prevention, support, and administration – fell by 9% in real terms from £334 million to £303 million. The overall increase in spending on homelessness services has an impact on spending on other elements of housing services. We examine local authority spending on homelessness in Part Two.

¹⁰ Department for Work & Pensions and Government Social Research, *Findings from the Local Authority Insight Survey*, Research Report 921, May 2016.

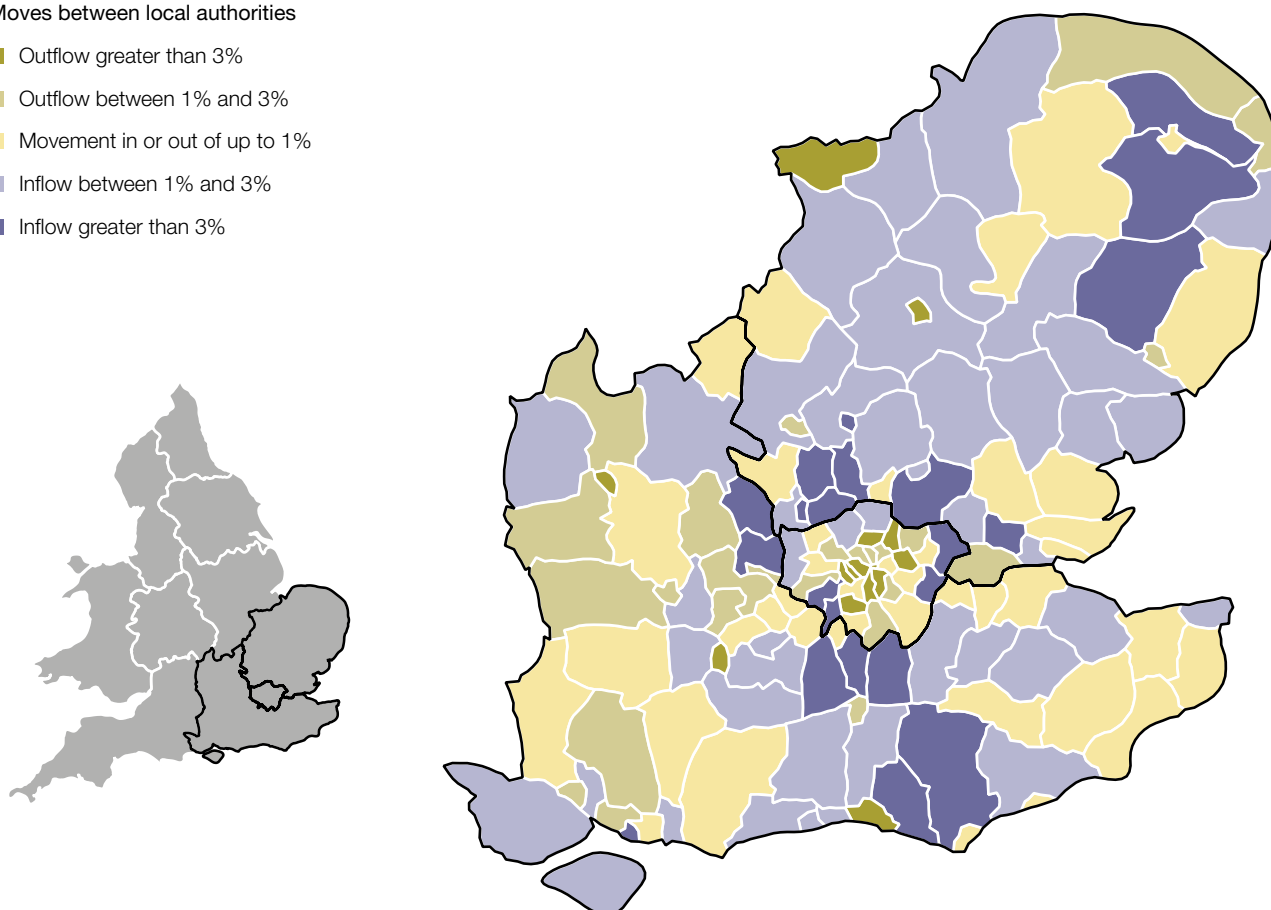
Figure 7

Movement of Local Housing Allowance claimants

More Local Housing Allowance claimants have moved out of central London than have moved in

Moves between local authorities

- Outflow greater than 3%
- Outflow between 1% and 3%
- Movement in or out of up to 1%
- Inflow between 1% and 3%
- Inflow greater than 3%

**Notes**

- 1 This movement occurred between March 2010 and November 2014, as set out in paragraph 1.25.
- 2 The movements in or out of each local authority are expressed as a percentage of the average caseload of Local Housing Allowance claimants within that local authority.
- 3 Movement in or out of less than 1% can be due to a similar number of claimants moving into that local authority as are moving out, or that a substantial amount of the total movement is within the same local authority.

Source: National Audit Office analysis of the Department for Work & Pensions' data

1.28 Local authorities fund the cost of homelessness from a number of different sources. The cost of temporary accommodation is largely funded by housing benefit paid directly to local authorities, with local authorities making up the shortfall. This shortfall was £207 million in 2015-16. Other sources of funding include the local government financial settlement from the Department, and DHP from the Department for Work & Pensions. The Department does not know how much of each source of funding is used for each component of homelessness services. Without this information, it cannot fully understand the impact that reducing one source of funding will have on the others. The local government financial settlement is decreasing over the coming years, as is housing benefit. Although these reductions might lead to efficiencies in local authorities, the Department does not have the information it needs to predict where a cut in funding will limit a local authority's ability to meet its duties. The Department expects local authorities to manage this risk. It has removed many of the restrictions on funding sources with the aim of enabling local areas to reallocate their budgets in order to meet their local priorities.

1.29 In addition, there is a further unquantified cost of homelessness to wider public services. This includes the additional burden on public services of homeless people who experience poorer health outcomes, or require more public sector intervention than the average person. It includes admissions to hospital and outpatient services, policing, and costs to the justice system. Because the Department does not have a robust estimate of these costs, and therefore does not currently know the full cost of homelessness, it is unable to fully quantify the benefit of a reduction in homelessness.

Part Two

The response of local government

2.1 This part examines how local authorities have responded to the recent increase in homelessness. We examine:

- local housing markets;
- local authority spending on homelessness;
- the use of different types of temporary accommodation;
- local authority spending on temporary accommodation; and
- placement out of area.

Local housing markets

2.2 As set out in Part One of this report, local authorities have a duty to provide suitable temporary accommodation to households that are entitled to it in law. They also currently have the power to intervene to prevent homelessness for households that are threatened with it.

2.3 Local authorities that we interviewed during our fieldwork reported that they found it difficult to provide temporary accommodation to homeless households because of both lack of supply and rising demand.¹¹ Reasons for the lack of supply that we identified in the 11 local authorities we interviewed include:

- **the reduction of social housing stock** – in the 11 local authorities, there were just over 169,000 local authority social housing units at March 2016, down from just over 177,000 at March 2010; and
- **a lack of new affordable housing** – in the 11 local authorities, 11,090 additional affordable dwellings were completed in the three years ending March 2016, down from 17,820 in the three years ending March 2010.¹²

The types of rising demand that we identified include the movement of households into the area from less affordable areas (see Figure 7 on page 25).

¹¹ The full list of interviewees can be found in Appendix Two.

¹² Affordable housing is the sum of social rent, affordable rent, intermediate rent, shared ownership, and affordable home ownership. Full definitions are available in the Department's affordable housing supply statistical releases at: www.gov.uk/government/collections/affordable-housing-supply

Local authority spending on homelessness

2.4 Local authority spending on homelessness services increased in real terms from £940 million in 2010-11 to £1,148 million in 2015-16. During the same period, annual local authority spending on housing services, of which homelessness services are a part, fell from £3.73 billion to £2.94 billion. Homelessness services now make up 39% of housing services spending, up from 25% in 2010-11 (**Figure 8**). A third of spending on housing services goes on temporary accommodation (£845 million in 2015-16).

2.5 Local authorities are prioritising funding for temporary accommodation, because they have a legal obligation to meet this need. This can mean that the funding provided for commissioned non-statutory homelessness services is reduced. The £998 million reduction in spending on other housing services has largely been taken from the Supporting People programme. Spending on this has fallen by 59% in real terms since 2010-11 (from £1.44 billion to £588 million). The Supporting People programme is designed to help vulnerable people live independently and remain in their own homes, and is therefore one of the components of housing services that has the potential to prevent homelessness. Homeless Link monitors the accommodation offered by its members.¹³ It has found that, across the accommodation projects in England, there were 35,727 bed spaces for single homeless people in 2016. This has reduced from 43,655 spaces in 2010. In 2016, 88% of accommodation projects received some funding from local authority housing related support (previously known as the Supporting People programme) and 56% of projects identified it as their main source of funding.¹⁴

The use of different types of temporary accommodation

2.6 Spending on nightly paid accommodation increased fourfold between 2010-11 and 2015-16 (**Figure 9** on page 30). Nightly paid accommodation is different from bed and breakfast accommodation because the household has sole use of kitchen and bathroom facilities. A quarter of families in temporary accommodation were in nightly paid accommodation at the end of 2016-17. As the use of this type of temporary accommodation has increased, there has been a fall in the use of accommodation held on a lease from the private sector (**Figure 10** on page 31).

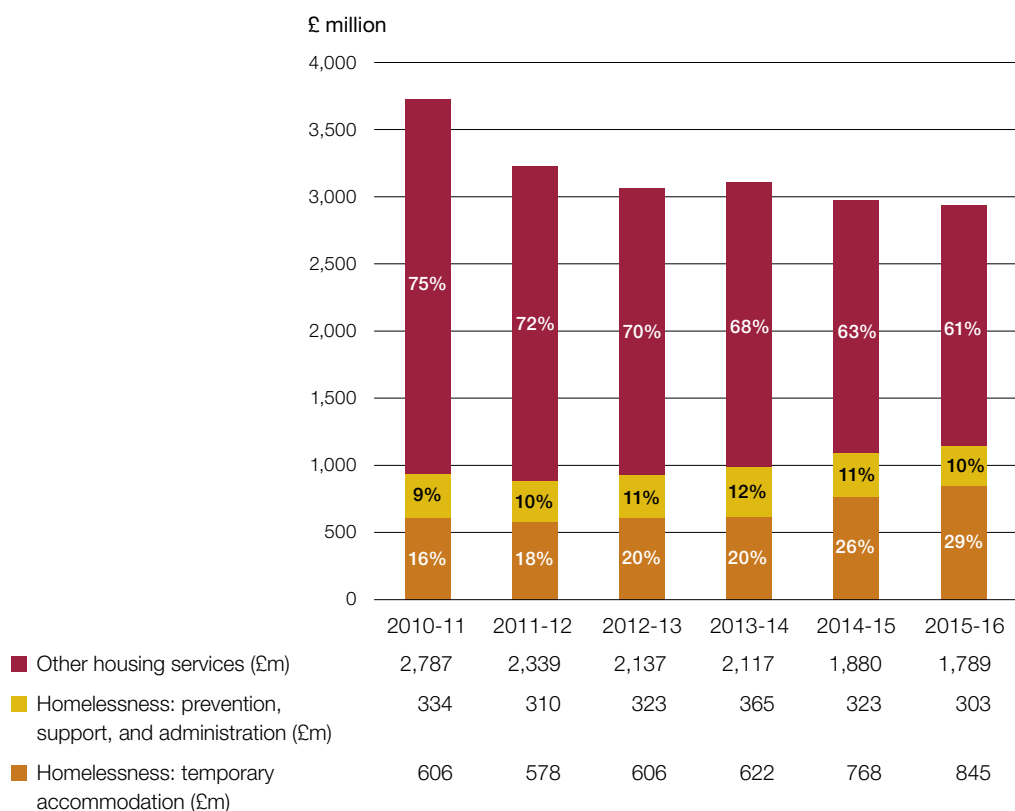
¹³ The national membership body for front-line homelessness agencies and the wider housing with health, care and support sector.

¹⁴ Homeless Link, *Support for single homeless people in England: Annual Review 2016*, available at: www.homeless.org.uk

Figure 8

Local authority spending on housing services, 2010-11 to 2015-16

Local authority spending on homelessness services has increased while overall spending on housing services has decreased

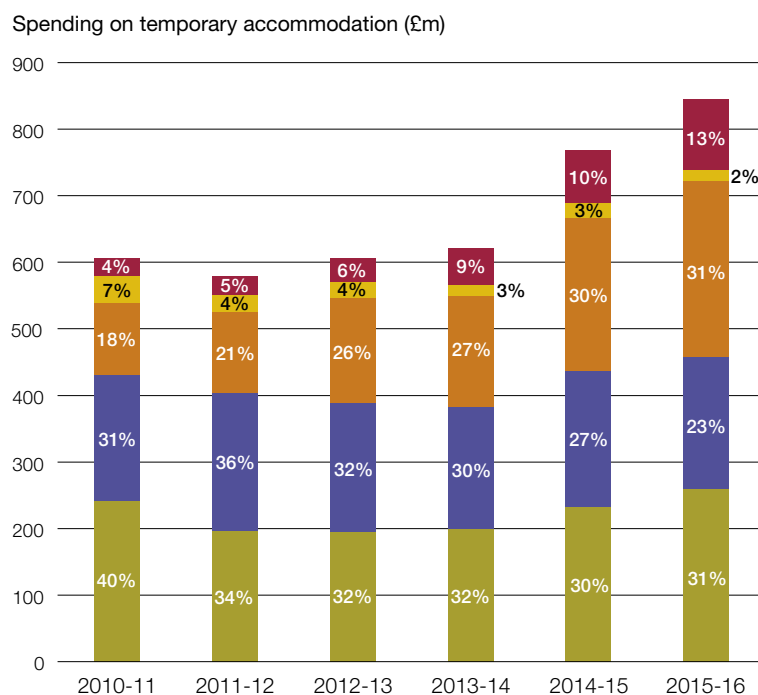
**Notes**

- 1 Nominal spending has been converted into real terms using GDP deflators published by HM Treasury in April 2017.
- 2 Local authority spending is the total expenditure across all types of local authority in England. It includes some spending on homelessness services by the Greater London Authority and county councils.
- 3 Figures may not sum to 100% due to rounding.

Source: National Audit Office analysis of the Department's local authority revenue expenditure and financing data

Figure 9 Spending on temporary accommodation

Spending on nightly paid accommodation has increased substantially since 2010-11



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
■ Nightly paid, self contained accommodation (£m)	26	27	35	55	78	106
■ Local authority or housing association stock (£m)	41	24	24	17	23	15
■ Bed and breakfast accommodation (£m)	107	123	157	167	229	266
■ Other accommodation (including directly with a private sector landlord and hostels) (£m)	190	206	195	184	204	198
■ Leased from the private sector (£m)	242	197	194	199	233	260

Notes

- 1 Spending data for 2016-17 due for publication in November 2017.
- 2 Figures may not sum to 100% due to rounding.

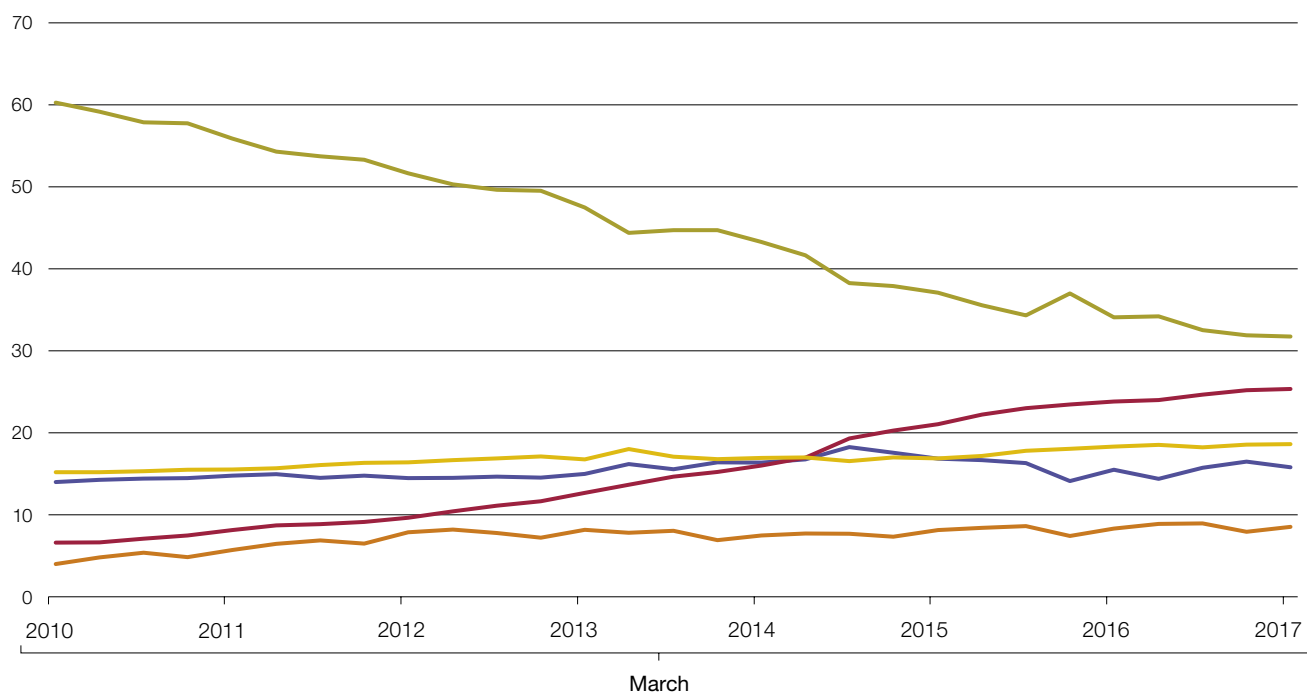
Source: National Audit Office analysis of the Department's local authority revenue expenditure and financing data

Figure 10

Type of temporary accommodation

The use of leased temporary accommodation is falling and the use of nightly paid accommodation is rising

Proportion of households (%)



- Leased from the private sector
- Local authority or housing association stock
- Other accommodation (including directly with a private sector landlord and hostels)
- Nightly paid, self contained accommodation
- Bed and breakfast accommodation

Note

1 Data shows the households in each type of temporary accommodation as a proportion of all households in temporary accommodation at that point in time.

Source: National Audit Office analysis of the Department's P1E data

2.7 As of March 2016, 8% of households in temporary accommodation were in bed and breakfast, but spending on this during 2015-16 accounted for 31% of local authorities' total spending on temporary accommodation. In contrast, as of March 2016, 18% of households in temporary accommodation were in local authority or housing association accommodation, but spending on this during 2015-16 only accounted for 2% of the total spending on temporary accommodation.

Local authority spending on temporary accommodation

2.8 The local authorities that we interviewed for our study informed us that the move from leased accommodation to nightly paid accommodation was the result of pressures on the local housing market. They reported that those providing accommodation are less willing to lease it to local authorities because they can achieve a better return if the same accommodation is let nightly. Some reported that the reduction in accommodation providers had led to an extremely limited supply of private landlords willing to house homeless families. Local authorities have to meet the demand for temporary accommodation and the lack of supply of housing limits their ability to negotiate a cheaper nightly rate. In London, local authorities have agreed a collective price for nightly paid temporary accommodation in an effort to control their spending on it.

2.9 The Department for Communities and Local Government (the Department) requires local authorities to submit data on the number of households in each type of temporary accommodation at a point in time, and not the total number of weeks each type of temporary accommodation has been used. The Department therefore does not know the unit cost of each type of temporary accommodation in each area.

2.10 The local authorities that we interviewed were looking to innovate in an effort to control the cost of temporary accommodation. Examples included:

- Lewisham is using an off site construction method to provide self-contained temporary accommodation on brownfield land. Lewisham considers this method to be ground breaking and will provide cost-effective and high-quality accommodation. The construction method is intended to allow for speedy delivery and to enable the building to be moved once permanent development plans for the land are in place;
- Bristol is making use of its vacant housing stock that requires renovation before it is available for a social tenancy; and
- Birmingham has converted a former residential care home into accommodation for families.

Placement out of area

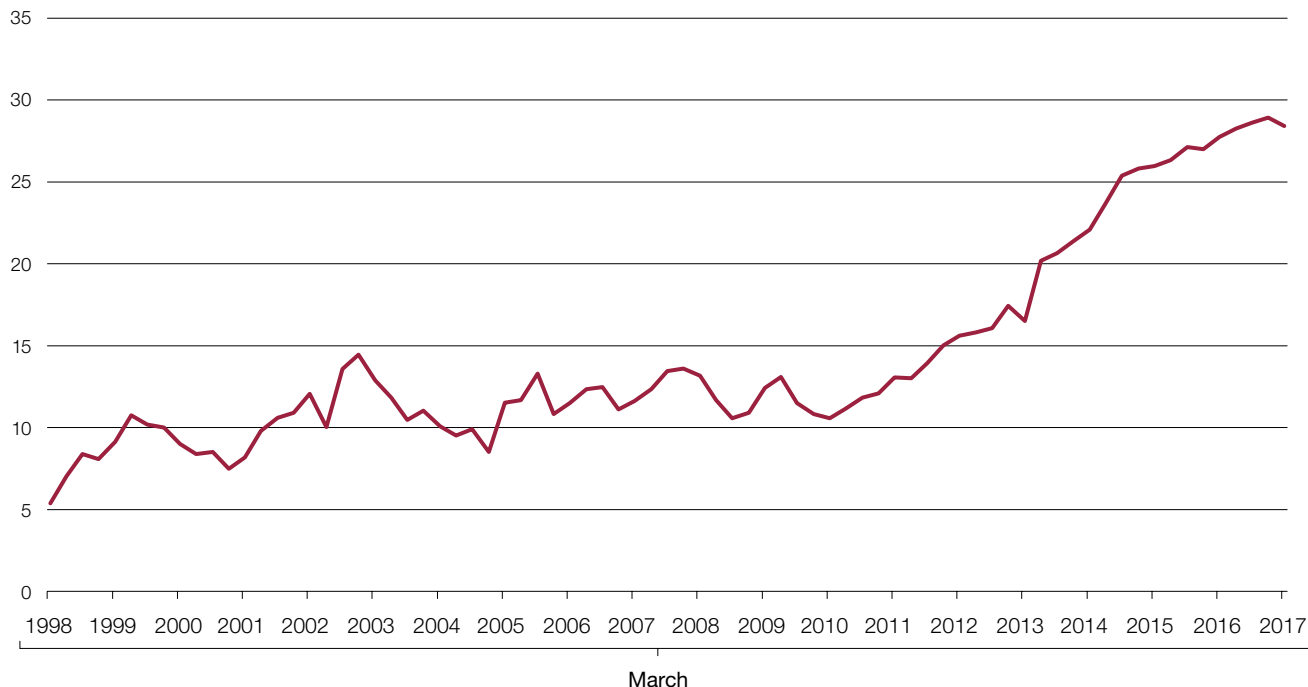
2.11 Local authorities are not obliged to place households in temporary accommodation that is within the same local authority as their last settled home, provided that the temporary accommodation is suitable. The assessment of suitability must establish that it was not reasonably practicable to make the placement in the same area. It must also take into account the impact a change in location would have on a household, including the possible disruption to people's jobs and children's schooling. The Department has set down rules for placements out of area that local authorities must follow. In March 2017, 21,950 households had been placed in accommodation outside the border of the local authority that placed them there. The proportion of temporary accommodation placements that are outside the local authority's area has increased since 2010. Before this, the use of accommodation outside of the area was broadly stable. It then increased from 11% in March 2010 to 28% in March 2017 (**Figure 11**).

Figure 11

Temporary accommodation placements out of area

Almost a third of households in temporary accommodation are placed out of area

Proportion of households (%)



Note

1 A placement out of area may be in a neighbouring local authority or may be in a new local housing market. The data do not enable this distinction to be made.

Source: National Audit Office analysis of the Department's P1E data

2.12 Nine in ten households that are in an out of area temporary accommodation placement have been placed there by a London borough. Local authorities on the outskirts of London that we interviewed for this study (Bexley, Luton, and Medway) reported that inner London boroughs are buying property in these areas to use as temporary accommodation, or are offering local private landlords incentive payments of up to £4,000 to accommodate their households. Local authorities that we interviewed in central London (Westminster and Tower Hamlets) confirmed that they make these incentive payments. This is often because the up-front costs of payments to prevent homelessness are less than the cost of placing these households in temporary accommodation. Local authorities in central London are therefore able to reduce their spending on temporary accommodation, but these placements further reduce supply for the local authorities that receive these households, who can in turn seek to place their own homeless households out of borough.

Part Three

The leadership of the Department

3.1 This part of the report examines the effectiveness of the Department for Communities and Local Government (the Department) in its role as owner of government policy for homelessness. We examine its:

- engagement with local authorities;
- engagement with other government departments;
- improvement of data;
- monitoring of outcomes; and
- introduction of new legislation (the Homelessness Reduction Act 2017).

The Department's strategic objectives for tackling homelessness

3.2 The Department told us that its objectives for homelessness are:

- preventing at-risk people from becoming homeless in the first place;
- rapidly intervening with people who are already homeless; and
- helping people who are long-term homeless to recover and move into stable accommodation.

3.3 Although the Department has set out the overarching objectives of its homelessness activities, it does not have a published strategy that sets out how it will achieve them. For example, it has not set out the overall reduction in homelessness that it wants to achieve through its spending and activities, or the contribution to this that it plans to deliver through its different programmes and the work of other departments. The Department does not consider this necessary because it believes that its programme of measures to prevent and tackle homelessness presents a coherent and strategic approach.

The Department's engagement with local authorities

3.4 The Department's distribution of funding to local authorities so that they can carry out their duties under homelessness legislation is in accordance with its principles of localism. Through the local government finance settlement, the Department is providing local authorities with £316 million over the four years ending March 2020. It has also replaced the temporary accommodation management fee previously paid by the Department for Work & Pensions with a flexible homelessness support grant of £377 million over the two years ending March 2019. This change is designed to give local authorities more choice over how the money is used to reduce homelessness. The funding from these two streams is £265 million in 2017-18 and forms part of the funding provided to meet the growing annual cost of homelessness services (£1.15 billion in 2015-16). In addition, the Department provides funding to a number of third sector organisations that are working to reduce homelessness. To this purpose it spent £4.1 million in 2016-17 and at April 2017 had set aside a further £11 million for the next three years.

3.5 The Department is pursuing a more 'light touch' approach to engaging with local authorities than when homelessness increased in the late 1990s and early 2000s. Previously, each local authority would have had a contact point within the Department who supplied advice and guidance on tackling homelessness. Local authorities would in turn have been contacted by the Department if their measures of homelessness increased substantially. Local authorities report that, instead of this, they now use representative bodies to access the guidance and support that the Department previously provided.

3.6 Under the terms of the Homelessness Act 2002, local authorities have a duty to formulate and publish a homelessness strategy. This strategy is to be prepared on the basis of a review that each local authority may carry out from time to time. When this requirement was introduced the Department intervened with local authorities which had not prepared strategies or whose contents did not comply with requirements. After this initial intervention the Department did not monitor this requirement and therefore does not know which local authorities currently have compliant strategies in place. The Department told us that it is currently undertaking desk research into which local authorities have strategies in place. It intends to use this information to challenge and support local authorities to improve their services.

3.7 In June 2017, the Department started the process of recruiting specialist homelessness advisers to work with local authorities. This new Homelessness Advice and Support Team is intended to help local authorities to move toward a focus on homelessness prevention, and to help the Department understand what is happening in local areas. The Department told us that its roles will include supporting the implementation of the Homelessness Reduction Act 2017, supporting development of local homelessness strategies, and sharing effective practice in preventing homelessness.

Engagement with other government departments

3.8 The Department has recognised the need for a cross-government approach to prevent homelessness. It chairs the Ministerial Working Group on Preventing and Tackling Homelessness for this purpose. This ministerial group has been scheduled to meet quarterly since May 2015, and is supported by a working group of officials. The Department was only able to provide evidence that the working group of officials met three times in this period to the end of March 2017. It was able to provide evidence on what topics were discussed, but not what actions were agreed or what would change as a result. Other departments that attend the group report that cross-government working remains nascent. The Department has recently established a cross-government group to support its plans for data improvement, and it contributes to other cross-government groups on topics related to homelessness (such as health and substance abuse).

Plans for data improvement

3.9 As we set out in Part One of this report, there are limitations to the data that the Department holds on homelessness. At present, the Department requests data on the number of households from local authorities. The data allow the Department to examine trends across time and between areas, but do not enable it to monitor the movement of individual households through homelessness and into settled accommodation. It is therefore not possible to track outcomes for individual households.

3.10 To address these limitations, the Department is introducing a new system for collecting data. It will collect more detailed data on people who approach their local authority for assistance, as well as on the outcome of this approach. The Department intends to learn more about the causes of homelessness and the impact of local authority responses to it. Eventually, the Department aims to match the data on individual approaches to records on these individuals held in administrative datasets by other government departments. This could in turn provide a greater understanding of the wider costs of homelessness to the public sector.

3.11 Local authorities piloting this new system report unresolved concerns about the cost and sources of funding for changing their own reporting systems. For example, Medway expects to have to negotiate system changes with its IT suppliers and then retrain its staff to collect new information in a different format. The Department has acknowledged that there will be an up-front cost to local authorities. It told us that these system changes will support local authorities in their duties following the implementation of the Homelessness Reduction Act 2017.

Monitoring outcomes

3.12 The Department has allocated £50 million of funding to local authorities on a competitive basis through its Homelessness Prevention Programme. It announced the successful recipients in December 2016 and had paid out £3.7 million by the end of March 2017. The Department has chosen to provide this funding without any restriction on how it is used, in line with its principle of localism.

3.13 The Homelessness Prevention Programme consists of 28 homelessness prevention trailblazer areas aimed at innovation in preventing homelessness, 48 rough sleeping grant projects aimed at early intervention in rough sleeping, and eight social impact bond areas aimed at targeted support for people with complex needs. The Department has commissioned an evaluation of the homelessness prevention trailblazer areas, which will report in January 2018. The Department has not yet commissioned an evaluation of the rough sleeping grant or of the social impact bonds. It has, however, completed an evaluation of the London homelessness social impact bond that ended in October 2015. It found that this intervention significantly reduced rough sleeping over a two-year period.

3.14 The Department requires the homelessness prevention trailblazers to report on their progress quarterly and the rough sleeping grant areas to report on progress every six months. The Department uses the submitted information on outcomes and risks to monitor progress and where intervention might be necessary, or to decide whether further funding should be withheld. The Department accepts that there is an inherent risk that some of the projects will not achieve their aims, because the funding was awarded to support innovation and to try new approaches, although it intends to reduce this risk through the progress monitoring process.

3.15 The Department is not currently monitoring the social impact bond areas because these projects have not yet started. It provides funding for these projects after the areas have supplied evidence of outcomes, as opposed to the homelessness prevention trailblazers and rough sleeping grant, which are provided in advance.

The Homelessness Reduction Act 2017

3.16 The Homelessness Reduction Act 2017 was introduced as a Private Members' Bill, and was supported by the Department in October 2016. The Act will make a series of amendments to the Housing Act 1996 (**Figure 12** on pages 40 and 41 as a simplified picture for illustrative purposes). It will place a series of new statutory duties on local authorities that are intended to increase the prevention and relief of homelessness. The Department expects this prevention-based approach will lead to a reduction in the cost of homelessness.

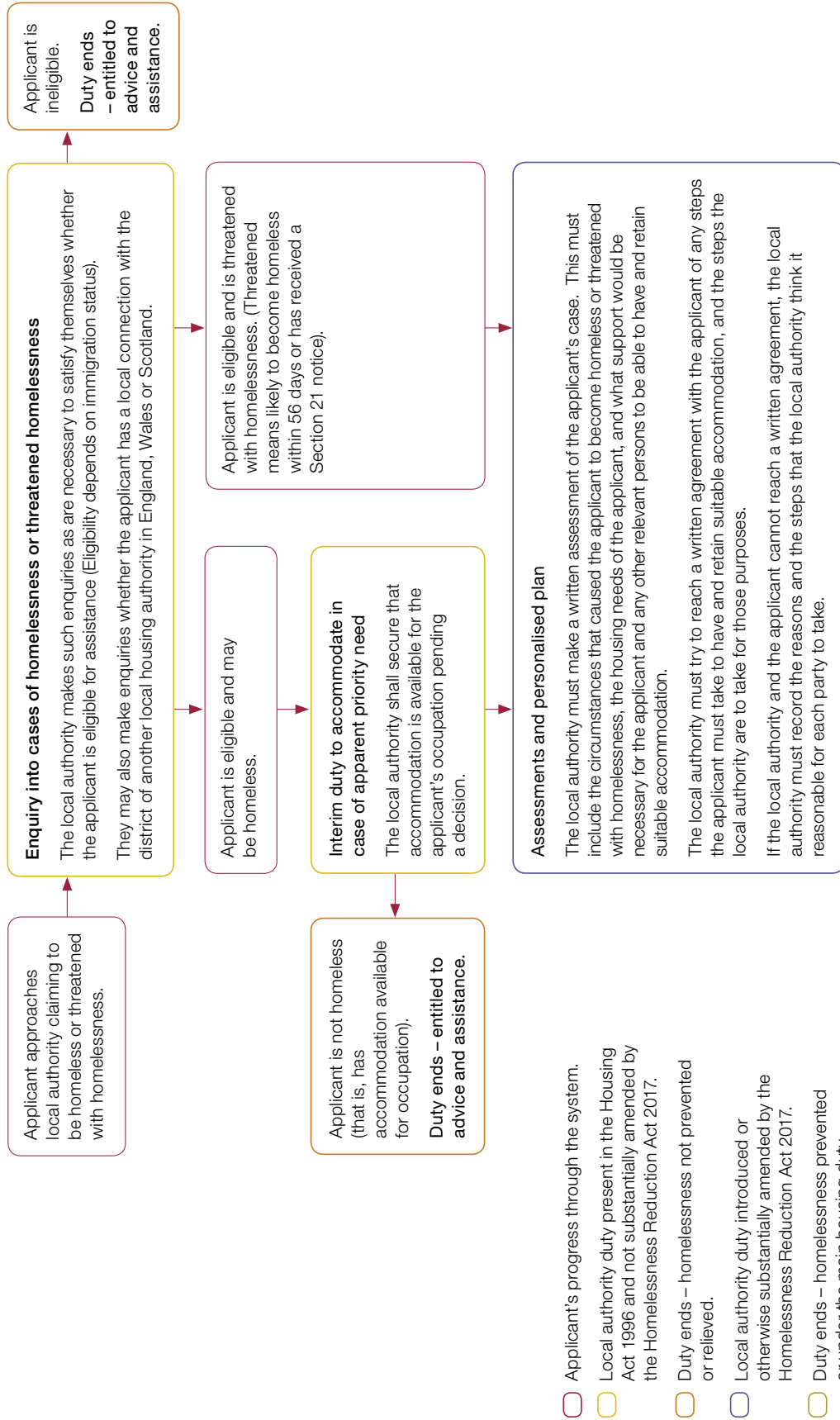
3.17 The Department accepts that the new duties will increase the burden on local authorities. It has estimated that the new duties will lead to:

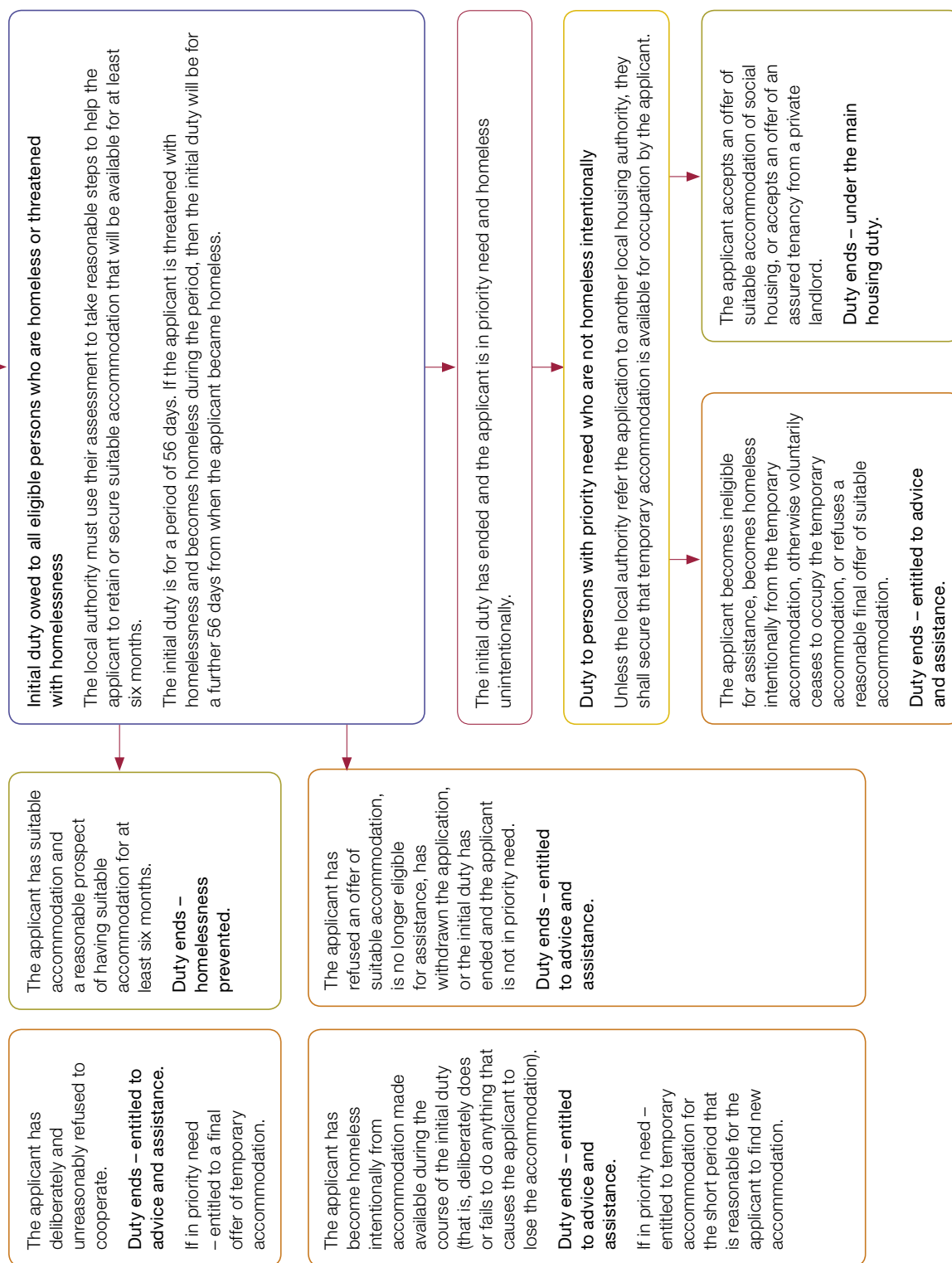
- a 7% increase in applications for homelessness assistance;
- a 15% fall in households that qualify for temporary accommodation; and
- a 36% increase in cases of homelessness prevention or relief.

The Department is reallocating funding of £61 million over two years to meet this burden, after which it expects the savings to local authorities to be greater than the costs. This is because the Department has estimated that households that qualify for temporary accommodation cost eight times as much as cases of homelessness prevention or relief. After two years, the Department estimates that the saving from the decrease in households that qualify for temporary accommodation will be greater than the cost of the increase in cases of homelessness prevention or relief.

3.18 The Department's assessment of the funding need contains a large number of estimates about the impact of the new duties. The Department has attempted to validate these estimates by examining their impact in Wales (where similar legislation was introduced in 2014) and by consulting with 19 local authorities on its methodology and assumptions. It is too early to say if the Department's estimate of the number of cases is reasonable. It is also not yet clear how the Department will allocate the £61 million between local authorities, and whether it will provide additional funding where the impact is greater than expected. If the Department's estimates are incorrect it is reasonable to assume that some local authorities' costs will be higher than the funding and they will need to make up the shortfall. The Department told us that it is committed to reviewing its estimates and that it might make limited further funding available in high-pressure areas.

Figure 12 Local authorities have new duties to homeless people and those threatened with homelessness



**Notes**

- 1 The figure sets out the duties on local authorities in Part VII of the Housing Act 1996 as amended by the Homelessness Reduction Act 2017.
- 2 The figure has been simplified and is intended for illustrative purposes. It should not be used in place of the legislation or statutory guidance.
- 3 A Section 21 notice refers to the ending of an assured shorthold tenancy as set out in section 21 of the Housing Act 1988.

Appendix One

Our audit approach

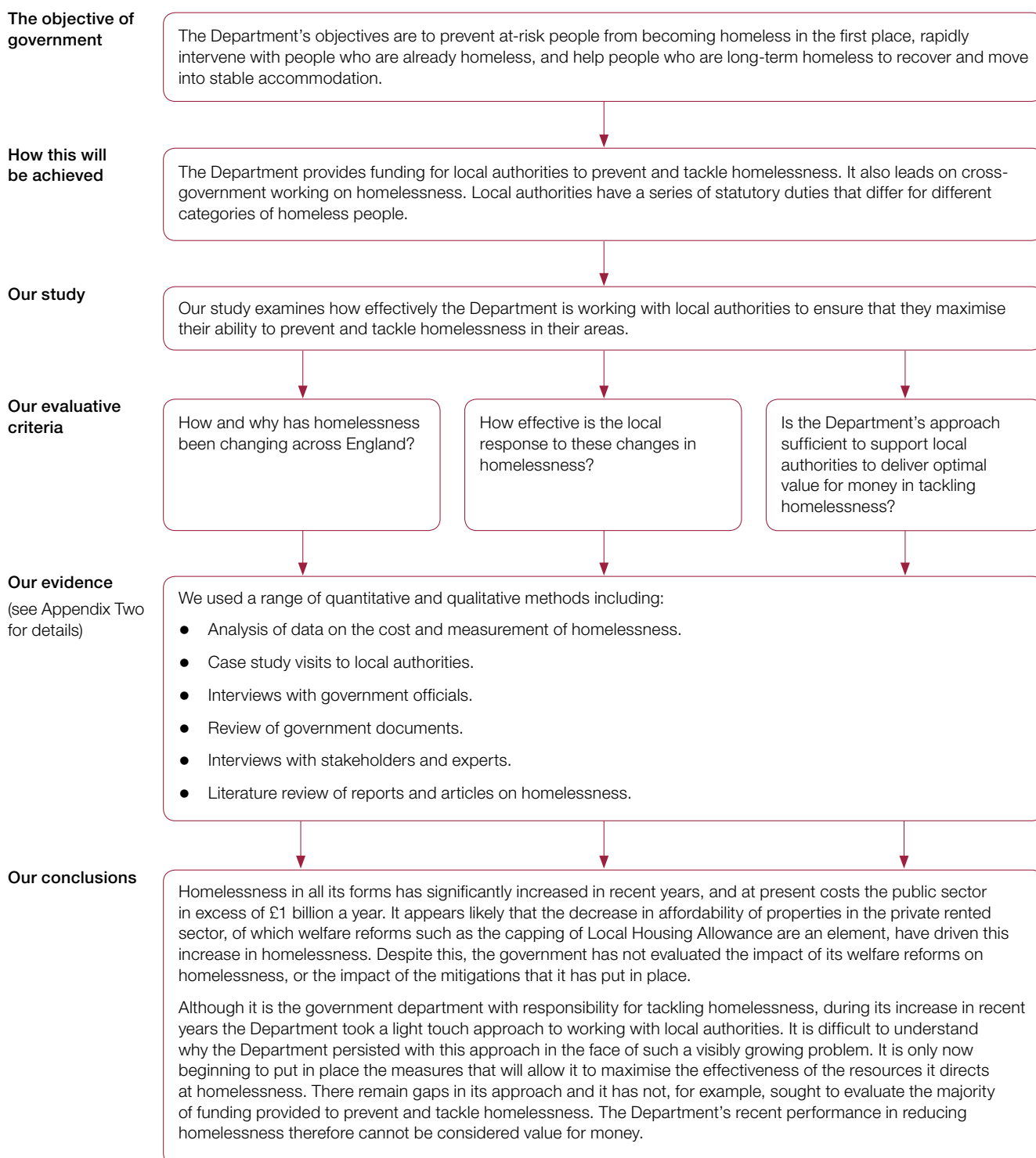
1 This study examined how effectively the Department for Communities and Local Government (the Department) is working with local authorities to ensure that they maximise their ability to prevent and tackle homelessness in their areas. We reviewed:

- the causes and costs of homelessness;
- the response of local government to homelessness; and
- the Department's leadership in reducing homelessness.

2 Our audit approach is summarised (**Figure 13**). Our evidence is described in Appendix Two.

Figure 13

Our audit approach



Appendix Two

Our evidence base

1 We based our report on fieldwork we carried out between February and April 2017. We used a range of quantitative and qualitative methods.

Analysis of data on the cost and measurement of homelessness

2 We collected and analysed publicly available and government held data on the cost and measures of homelessness. The primary sources of this information were:

- local authority returns to the Department on their homelessness activities (submitted via the P1E form) between March 2009 and March 2017 (quarterly returns) and between 2004-05 and 2016-17 (annual returns);
- published data on the level of rough sleeping as counted or estimated by local authorities annually; and
- published data on the cost of housing services and homelessness services as collected annually by the Department from individual local authorities as part of statistics on revenue expenditure and financing (submitted via the RO4 form).

3 We also collated publicly available data on measures of household characteristics, receipt of welfare benefits, measures of deprivation, and local housing market activity.

4 We used these data to conduct the following analyses based on the number of households accepted as homeless per 1,000 households in each local authority:

- panel data regression to quantify characteristics associated with inter area variation between 2004-05 and 2008-09;
- panel data regression to quantify characteristics associated with inter area variation between 2012-13 and 2015-16; and
- funnel plot comparison of quarterly changes in acceptances between June 2009 and December 2016.

Case study visits to local authorities

5 We randomly selected eight local authorities from a sampling method that weighted selection toward local authorities that either had a relatively high number of households in temporary accommodation compared with other local authorities, or had seen a relatively large increase in the number of households in temporary accommodation compared with previous years. The sample selection was further weighted to minimise the probability that each of the eight local authorities would be randomly drawn from the same local housing market.

6 We sampled Bexley, Birmingham, Bristol, Luton, Manchester, Medway, Tower Hamlets, and Westminster. In each local authority we conducted a semi-structured interview with a senior decision-maker with responsibility for local homelessness policy. We also conducted a semi-structured interview with homelessness officers in seven out of eight authorities, and conducted a semi-structured interview with homeless people in six out of eight authorities.

7 We conducted semi-structured interviews with a senior decision-maker with responsibility for local homelessness policy in three further local authorities: Croydon, Lewisham, and Swale.

8 In each of these semi-structured interviews we asked open questions and focused on:

- local experiences of the trends in homelessness and its underlying causes;
- local measures to respond to homelessness; and
- local engagement with the Department and other government departments in respect of homelessness.

9 We examined documentary evidence provided by the local authorities, their published homelessness strategies, and their bid documents for the Homelessness Prevention Programme.

Interviews with government officials

10 We conducted semi-structured interviews with officials at the Department, focusing on understanding:

- the Department's objectives for homelessness and how it is monitoring outcomes against them;
- the Department's approach to cross-government working to support its homelessness objectives and what impact this has had; and
- the Department's plans for collecting data in support of the new legislation and the focus on preventing homelessness.

11 We also conducted semi-structured interviews with officials in other government departments and their agencies, to understand their interest in homelessness and their perspective on cross-government working. These were:

- the Department for Work & Pensions;
- the Department of Health;
- the Ministry of Justice; and
- the Home Office.

Review of government documents

12 We examined documents related to the allocation of homelessness funding, the monitoring of objectives, the actions from cross-government working, and the evaluation of funding.

13 We reviewed written narratives provided by the Department and other government departments to clarify policy objectives or in response to audit enquiries.

Interviews with stakeholders and experts

14 We gathered a range of perspectives on homelessness and the wider context through a series of semi-structured interviews. We spoke to representatives of:

- Centrepoin;
- Crisis;
- Homeless Link;
- the Joseph Rowntree Foundation;
- the Local Government Association;
- London Councils;
- the National Housing Federation;
- the Scottish Government;
- Shelter;
- St Mungo's;
- the Wales Audit Office; and
- the Welsh Assembly Government.

15 We also carried out semi-structured interviews with experts (Professor Suzanne Fitzpatrick, and Dr Peter Mackie).

Literature review of reports and articles on homelessness

16 We carried out a literature review of published material that was likely to be relevant to homelessness. We used this review to develop our understanding of the wider context.

17 The literature review was conducted by internet search and desk-based research, supplemented by information provided or recommended by stakeholders and experts interviewed.

18 We focused on secondary evidence and prioritised evidence that was regularly cited by other reports and articles in our review.

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