

COMPREHENSIVE SPENDING REVIEW: BRIEFING AND RESPONSE OCTOBER 2010

1. SUMMARY

The comprehensive spending review has outlined substantial cuts to departmental budgets and expenditure on welfare and tax credits. Some key changes will be:

1. **7.1% decrease in council funding annually, leading to a cumulative 28.4% cut** by 2014/15, but other abilities outlined for local authorities to raise money.
2. **End to ring-fencing of all local authority grants**, with a few exceptions such as a new public health grant.
3. **Supporting People (SP)** faces a 12% cut over four years (with 2.7% in 2011-12)
4. The **Homelessness Grant** remains relatively unchanged at around £400m over the Spending Review period 2011-2015.
5. A new, smaller **Places of Change** scheme has been announced with £37.5m additional investment starting in April 2012.
6. **Increasing the age threshold for the Shared Room Rate in Housing Benefit from 25 to 35**, with likely impacts on homelessness and some accommodation providers.
7. A potential increase in **social housing rents to 80% of market rents for new tenancies, alongside substantial 74% cut in affordable housing budget.**
8. **£2 billion funding for social care.**
9. A **£100 million transition fund for voluntary sector agencies** most hit by the cuts.

The Spending Review includes deep cuts in many areas of public spending. Those most relevant to homelessness include local government, housing investment, public sector job losses and welfare cuts. These changes are very likely to increase the flow into homelessness.

At the same time maintaining homelessness services has been given some priority by Ministers and the Treasury within the Spending Review, particularly in the sustained level of homelessness grant (which mainly goes to local authorities for homelessness prevention), lower than average cuts in SP and new capital funding for Places of Change investment in homelessness services. These are clear signals at a national level that the cost effectiveness of these services is recognised, particularly given the 51% cuts facing Communities and Local Government overall.

The big challenge now is at the local level where local authorities face very tough choices in managing 7.1% cuts in their grant every year. Homeless Link are alarmed that some authorities have been planning major cuts to voluntary sector services that support homeless people. It is imperative that they reconsider this approach and take account of the clear evidence that failing to prevent homelessness incurs far more major costs (about £26,000 annually for every single homeless adult)¹.

A key principle of the Spending Review was to 'ensure that expenditure is focused on protecting the quality of the key frontline services...that provide support to the worst off in society'. Many of these statutory and non-statutory services help homeless people, and those at risk of homelessness, some of the worst off in society.

This is a time for local government leadership to prioritise support for homeless people and projects that will prevent homelessness or help people move out of homelessness quickly. At a time of likely increased flow into homelessness, only a focused approach can prevent high social and individual costs developing.

It is absolutely vital for voluntary organisations, their clients and other affected individuals, communities, allies and wider civil society to advocate strongly with local political leaders and to hold them to account for their decisions. Getting this wrong would cause massive social and economic costs to the wider community. Getting it right is key to mitigating the impact of the austerity budget on their communities and their most vulnerable citizens.

Further sources of support for people or organisations affected by these changes are available from our website: www.homeless.org.uk, with a specific page on the changes (www.homeless.org.uk/spending-review-response) which will be updated over time.

2. INTRODUCTION

What is the Comprehensive Spending Review?

The Comprehensive Spending Review (CSR) is the process whereby funding is allocated across all government departments. Led by the Treasury, the CSR sets spending budgets for each department, which then decide how best to manage and allocate this spending within their areas of responsibility. The CSR also looks at non-departmental spending that cannot be firmly predicted or controlled, such as social security or tax credits.²

What does this Comprehensive Spending Review cover?

The Chancellor's June 2010 Emergency Budget set out the total spending level from 2011/12 to 2014/15 inclusive. The key aim was to reduce the significant public deficit over this parliament's lifetime. As a result, this CSR process has been characterised by government departments bidding for funding from a substantially reduced central pot (often termed the 'spending envelope'), and will be a guide to the cuts faced by each department.

What doesn't this Comprehensive Spending Review cover?

The CSR does not go into great detail on how each government department will spend their allocated funding. Each department now has to produce a business plan over the next month, which will provide more detailed information. This briefing summarises and draws initial implications from the CSR.

3. IMPLICATIONS OF THE COMPREHENSIVE SPENDING REVIEW

We briefly examine the allocations to several government departments most relevant to homelessness and homelessness agencies. More information on the CSR's spending

allocations to other departments is available in the CSR document, available here: www.homeless.org.uk/spending-review-response. Details on the full ramifications of the spending cuts will emerge in the coming weeks and months, and will be added to this page.

(a) Department for Communities and Local Government

What does this department do?

Communities and Local Government (CLG) sets policy on “supporting local government; communities and neighbourhoods; regeneration; housing; planning, building and the environment.”³ CLG provides the Area Based Grant to local authorities (a substantial source of non-ring fenced income), which include the Homelessness Grant and Supporting People fund.

What are the implications of the Comprehensive Spending Review for this department?

The CLG’s resource budget will be reduced by 33% in real terms by 2014-15, through reducing the size of the department and its Arms Length Bodies. This will be achieved through the closure of the Government Office network, reducing the number of Arms Length Bodies by 17 and reducing the size of the department. As a result of this settlement, programmes including the Working Neighbourhoods Fund, Growth Area Funding and the Thames Gateway programme will end. However, alongside these changes, the department is devolving over £1.6 billion to local government. This means the department’s overall budget will be reduced by 51% in real terms by 2014-15.

Key changes are:

- capital funding for social housing is to be cut by £4bn.
- Supporting People grant cuts at 12% over four years.
- Central government funding to councils will be reduced by around 28% over the next four years.
- capital funding totalling £37.5m has been secured to launch a second round of the Places of Change hostels improvement programme, with this additional investment starting in April 2012.
- Local Authorities will be devolved greater freedoms and responsibilities. Ringfencing will end for many local grants from 2011-12, with a few exceptions, including a public health grant.
- rents for new social housing tenants will be offered at rates of around 80% local market rents. Rents for existing tenants will not be changed.
- The National Affordable Housing Programme aims to deliver 150,000 homes over four years, reportedly by cutting red tape and introducing the new homes bonus incentive scheme.
- Homelessness Grant will be paid as part of the Area Based Grant, and as such is not ring-fenced. Funding over the next four years will exceed £400 million, averaging £108m annually.
- more than £200m has been secured to continue the Mortgage Rescue Scheme to support vulnerable homeowners and prevent homelessness as a result of repossession.
- social care funding will be increased by £2bn. £1bn will specifically be for joint working with local councils. Personal budgets will be expanded for adults with long-term care needs.

What might be the implications on homelessness and homelessness agencies?

- SP services transform the lives of vulnerable people and their cost effectiveness has been widely acknowledged. Although SP is facing a significant cut, it is far less than many feared, and is significantly lower when compared to the overall cut to the CLG budget. This represents an indication of the CLG's recognition of the valuable role played by the homelessness sector and housing-related support services in supporting the most vulnerable and the wider benefits this work brings.
- However, providers of SP funded services have already delivered year on year efficiency savings against a backdrop of real terms reduction in their funding. They are now likely to face increased financial pressure, placing some services at risk. Cutting back on services, staff losses and the closure of some projects will place homeless people at risk. We will encourage local areas to ensure sufficient spending is allocated from across the SP categories to address the needs of single homeless people.
- The Places of Change Programme was a catalyst for widescale cultural change and service improvement. The continuation of the Places of Change funding reflects the successful outcomes this programme had in improving the quality of services for homeless people across England and the recognition of this work at a national level. The new investment will enable more services to be transformed and support homeless people with effective interventions to help them move on in their communities. Homeless Link very much welcomes this commitment.
- Reduction in the National Affordable Housing Programme will reduce the development of new housing stock and remodeling of existing stock. A rate of 150,000 over four years is well below the rate for new homes which was estimated to meet the projected population increases. The shortage of affordable housing is a major barrier to tackling homelessness. Without this investment, there is likely to be less accommodation for vulnerable people, potentially tying up move-on options for homeless people looking to move from temporary accommodation, and drive up waiting lists and overcrowding.
- The proposed changes to social housing rents could mean that rents triple as a result of the cuts, according to the National Housing Federation. This could result in tenants either being heavily reliant on benefits to cover the extra costs or facing debts and putting them at risk of arrears and evictions.
- Local Authorities will have increased freedom to determine local spending. There is a danger that local authorities, given the large reductions to their budgets overall in the new CSR, and pressures to meet their statutory duties, will be less able to invest in housing related support and homelessness services. However, ministers have given a clear indication that local authorities should do all they can to protect voluntary and community sector services for the most vulnerable and take all steps they can to improve efficiency in overheads as an alternative to cuts in these services.

(b) Department for Work and Pensions

What does this department do?

The Department for Work and Pensions (DWP) is responsible for welfare and pension policy.⁴ A significant proportion of homeless individuals are in receipt of benefits, including Housing Benefit, Employment Support Allowance and Job Seekers' Allowance.

What are the implications of the Comprehensive Spending Review for this department?

The departmental budget will rise to £7.6bn by 2014-15 representing 2.3% increase overall. However, the changes and cuts to benefits below will slow the estimated increase in the benefit bill, which is separate to the DWP's operating budget.

What might be the implications on homelessness and homelessness agencies?

The planned cuts to welfare benefits represent an extra £7bn from the means-tested part of the welfare budget. These cuts come on top of the £11bn of cuts already announced in the emergency budget, including cuts to Housing Benefit. The earlier cuts also included a switch from the Retail Price Index to the Consumer Price Index for the annual indexation of virtually all benefits and pensions, meaning these will rise at a slower rate and 'real' income from benefits will be reduced. There are three key areas of interest for the homelessness sector and their clients.

Shared room rate applied to everyone under 35 years of age

- The measure most likely to impact on the homeless population is the application of the shared room rate (SRR – also known as the single room rate or rent) to single people aged under 35 years old living in the private rented sector who receive Local Housing Allowance, while it previously applied to under 25 year olds. The SRR restricts the maximum Housing Benefit claimants can receive to the rate for a single room in a shared house, rather than a self-contained one-bedroom property. Initially, this measure was intended to encourage younger people to stay at home with parents for longer. This change will apply to new claimants from April 2012 and to existing customers on the next review after April 2012.
- The private rented sector is the main option for younger people. In 2010 56% of household reference persons (HRPs)⁵ aged between 16 and 24 were private renters. From 1993 to 2008, the proportion of household reference persons aged 25 to 29 who were private renters rose from 19% to 38% while the proportion that were owner-occupiers fell from 60% to 38%.
- A significant proportion of people who have experienced homelessness, often with the related issues of previous neglect or abuse, drug and alcohol misuse, emotional and mental health issues and difficulty forming relationships, will find it even more challenging to share accommodation with others. This change is likely to lead to more breakdowns of tenancies, evictions and returns to the streets or to more expensive hostel accommodation.
- Availability of accommodation is a significant problem for people on the SRR. The experience of Homeless Link members is that it is particularly difficult in rural and regional England to find single rooms to rent as there is substantially lower availability of shared housing or bedsit type accommodation. In the context of homelessness services, 25 – 35 year olds who now have their move-on options greatly reduced may be unable to find and move to appropriate accommodation.

Reducing spending on Council Tax Benefits by 10%

This measure is projected to save £490 million a year. This will be implemented from 2013-14, when the Government will be passing responsibility for managing Council Tax Benefits onto

local authorities. There is reference to protecting the most vulnerable from this cut but the impact is likely to be felt by the same people who will be experiencing cuts in housing benefit. This may increase the pressure on these individuals and the likely incidence of increased homelessness.

12-month time limit for employment and support allowance before benefit cut

This measure places a time limit on contributory Employment and Support Allowance (ESA) for those in the Work Related Activity Group (WRAG) to one year, commencing in April 2012. This will not impact on those people who are on income related ESA which are likely to be the majority in the homeless population. Those who will take the main brunt of this change are people with a disability who have a working partner, as their ESA will cease after one year.

(c) Ministry of Justice

What does this department do?

The Ministry of Justice (MOJ) has responsibility for the justice system, “including the courts, prisons, probation services and attendance centres.”⁶ Well-evidenced links between offending and homelessness, including support issues for prison leavers, mean that this department’s work is key to supporting people who are homeless and preventing homelessness.

What are the implications of the Comprehensive Spending Review for this department?

The MOJ will make cuts of 23% in real terms by 2014-15, through reforming sentencing, using innovative approaches to reduce reoffending and resolving more disputes out of court. Key elements include:

- plans for a Green Paper which will look at alternatives to short term prison sentences, and paying private and voluntary providers by results for delivering reductions in reoffending.
- proposals to invest in mental health liaison services at police stations and courts to intervene at an early stage, diverting mentally ill offenders away from the justice system and into treatment.
- reduction of MOJ back-office and administration costs by 33%, mainly from rationalising office costs and integrating some of its services.
- making capital savings of 50% over the four year period. Although capital funding for maintaining existing prisons is safeguarded, plans for a new 1,500 capacity prison will be deferred until after 2014/15.
- reforming legal aid to reduce current costs (a consultation is expected). The CSR states that “tough choices” will be needed about which cases should receive public funding, focusing support “on those who need it most”.

What might be the implications on homelessness and homelessness agencies?

- The proposed reductions to the MOJ services – who manage the National Offender Management Service (NOMS) – may lead to less funding for services supporting ex-offenders, who are often homeless or at risk of homelessness.
- Direct cuts to the probation services and staff losses will increase caseloads of an already stretched service. 53% of homelessness services have reported to Homeless Link that a

large majority of their prison leaving clients have links with probation. Effective links between these two sectors and the individual is vital, and these cuts may impact on the probation service's ability to provide high quality, joined up support which is required to reduce re-offending.

- The desire to cut back on prison spending will mean the MOJ may increasingly look for non-custodial alternatives for the rehabilitation of offenders. There has been specific reference to diverting 'short-sentenced' prisoners into community based programmes, and further working with the voluntary and community sector to provide these on a 'payment by outcomes' basis. This may open up new opportunities for the homelessness sector, as well as fresh challenges in how our sector can best operate in this new environment.
- Reductions to the MOJ's budget is also likely to mean a reduction of services within prison which are needed to help ex-offenders prepare for resettlement – such as employment and training, advice, and other rehabilitation services. This may mean more prison leavers leave custody without adequate preparation, meaning more are at risk of homelessness on release.

(d) Home Office

What does this department do?

The Home Office (HO) is the lead government department for immigration and passports, drugs policy, crime, counter-terrorism and police.⁷ Its work has particular relevance for homeless people who may be subject to enforcement, including migrant rough sleepers.

What are the implications of the Comprehensive Spending Review for this department?

The total spend of the Home Office will be cut by 23% in real terms from £9.3bn in 2010/11 to £7.8bn in 2014/15.

What might be the implications on homelessness and homelessness agencies?

- Police funding will reduce by 20% in real terms by 2014-15. Police and Crime Commissioners will become directly elected meaning that police forces will become more accountable to the communities they serve. This will theoretically give local communities more say on what their priorities are in relation to tackling crime and anti-social behaviour. It will be important for homelessness agencies to get involved in this debate and to ensure there is recognition of the specific issues that are important to homeless people in relation to local policing strategy.
- The UK Border Agency (UKBA) is expected to save around £500 million, by reducing the costs of support functions, estates and IT. It remains to be seen whether this will have an impact on services from the UKBA for the migrant rough sleeper population.

(e) Department for Business, Innovation and Skills

What does this department do?

The Department for Business, Innovation and Skills (BIS) works to develop productivity and competitiveness in the UK economy. Along with covering business and trade, BIS also has an

overview of skills and higher education, of particular relevance to homeless people either in, or trying, to obtain work.⁸

What are the implications of the Comprehensive Spending Review for this department?

Overall the department is expected to make 25% savings by 2014/15. The most relevant departmental changes include:

- New Adult Apprenticeships will receive increased funding of £250 million a year. Higher education will undergo major reform to shift a greater proportion of funding from the taxpayer to the individuals who benefit, with extra support promised for those from the poorest backgrounds.
- the government will continue to support basic skills provision in order to ensure individuals are given the chance to gain basic numeracy and literacy skills.
- spending on Adult Community Learning will be protected and reformed.
- Train to Gain will be abolished.

What might be the implications on homelessness and homelessness agencies?

- Engaging with adult learning and skills training is an invaluable part of the process of recovery from homelessness and (re)gaining the ability to live independently.
- The CSR also state that Adult Community Learning (ACL) will be 'reformed' but have not provided detail. This is welcome as ACL often provides the means for homeless clients to engage in education and training.
- The government will be reducing access to Level 2 and 3 qualifications by removing the legal entitlement to free tuition. Free tuition will not be available to those over 25 years for a full Level 2 qualification (this was previously not age dependent). For a Level 3 qualification a person aged 24 or over will be asked to pay fees, with student loans being available to them. Given that a Level 3 qualification is an A-level equivalent these may be seen as the basic qualifications needed to enter the lower skilled levels of the labour market. We believe this change will further restrict access to education for homeless and vulnerable people by disincentivising engagement through fear of costs and debt. It may also reduce availability of these services and opportunities for the homelessness sector to make these available for clients.

(f) Department of Health

What does this department do?

The Department of Health (DH) works to improve the health and wellbeing of people in England.⁹ The overall budget for 2010/11 was £106.4bn; this will rise to £109.8bn by 2014/15 representing a cumulative growth of 1.3%.

What are the implications of the Comprehensive Spending Review for this department?

The NHS will see a real-terms increase in funding every year. However £20bn in efficiency and productivity savings is sought by 2014. To put the £10bn rise for the NHS in context, it is the equivalent of a 0.1% annual rise once inflation is taken into account. The health service is considered by many commentators to need an extra 3% annually to respond to changes such

as the ageing population, price of new drugs and obesity rates. Despite this allocation being generous compared to other budgets, it has been described as the worst settlement for the NHS since 1980.

What might be the implications on homelessness and homelessness agencies?

- The DH's responsibility for the NHS, as well as the overall strategic framework on social care, makes any cuts highly relevant to people who are homeless, given that these individuals make greater use of health services than the general population. The poorer health of homeless people results in costs to the health service of four times the comparative rate of the general population, costing £85m annually.¹⁰
- One welcome aspects of the announcement is the extra £2bn for social care which includes £1bn to support joint working between the NHS and social care - specifically to break down the long-standing barriers between health and social care. These artificial barriers have been recognised for a long time as obstructive to the holistic care of homeless people with complex health and social care needs so addressing this issue may be effective in achieving improved care for this population. The Audit Commission's review of joint financing across health and care found that formal joint expenditure has traditionally accounted for a relatively small amount (3.4 per cent in 2007/08) of total health and social care spend¹¹
- As the framework for social care and for public health has not yet been published it is not yet clear how the needs of homeless people will be recognised within this renewed emphasis on joint working. However it will be important that homelessness agencies work with their local GP commissioners and local authorities to make them aware of the specific needs of their homeless populations, for both health and social care, as well as linking to the new ring-fenced funding to local authorities for public health work.
- Expanding access to psychological therapies has been announced as part of the CSR. The current Improving Access to Psychological Therapies (IAPT) programme is aimed at working age adults and has been less successful at supporting those with more complex problems. Access to talking therapies is identified in Homeless Link's Health Needs Audit¹² as the second biggest gap in health services identified by homeless people. New guidance from the National Mental Health Development Unit and the CLG also identifies the importance of psychological therapies for this group. Homeless Link would like to see the expansion of this programme reaching out to people who are homeless who have complex mental health needs.

4. MORE INFORMATION

We will be developing and disseminating analysis on the CSR's implications for homelessness agencies over the coming weeks. For more information for the CSR, please contact Drew Lindon (Head of Policy Analysis) on drew.lindon@homelesslink.org.uk, or 0207 840 4421 / 07956 396072.

To see our ongoing analysis of the CSR please see the Spending Review Response page on our website (www.homeless.org.uk/spending-review-response). To keep up to date on all our policy work, please see Our Influencing Work page, updated frequently (www.homeless.org.uk/influencing). Our website also includes details of the range of policy, project and research work undertaken by the Policy team.

Drew Lindon
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Homeless Link

5. APPENDIX

In July 2010, Homeless Link submitted its views to the Comprehensive Spending Review.¹³ Our key asks of government were to:

1. Maintain investment in Supporting People at current levels.
2. Continue to use an element of the National Affordable Housing Programme to develop new supported housing stock and remodel existing stock.
3. Continue capital and revenue investment to change services into Places for Change to enable services for homeless and vulnerable people to deliver improved outcomes and better value for money, as evidenced by the earlier programme.
4. Maintain the level of the Homeless Grant to ensure continuing capacity to prevent and tackle homelessness in the face of intense upward pressures.
5. Continue to drive towards the goal of ending rough sleeping by the end of 2012 and to retain and develop services to ensure the goal is achieved.
6. Recognise adults facing multiple needs and exclusions as a key issue. Make a clear statement on the importance of cooperation between local services in achieving coordinated, cost effective delivery for this group and support this, where appropriate, with cross-departmental coordination and cross-government funds.
7. Flag individuals receiving housing-related support as vulnerable and requiring attention and support within welfare reform and the Work Programme so that they do not risk losing their accommodation as a result of changes and ill considered application of conditionality. No further measures to reduce the amount of Housing Benefit available to vulnerable people should be put in place until full consideration has been given to any potential unintended consequences on vulnerable people and their access to housing.
8. Take steps to protect providers of supported accommodation from loss of income if they accommodate vulnerable and chaotic residents who are most at risk of benefit reductions or suspension.
9. Ensure housing, health and social care work together more effectively to maximize the value of public investment, meeting the needs of older and vulnerable people, and jointly investing in prevention/early intervention and support.
10. Maintain public health funding in real terms during the period 2011-2015 and take into account the local vulnerable and homeless population in supported accommodation in the allocation for public health.

Homeless Link is the national umbrella organisation for frontline homelessness charities in England. Currently we have more than 470 member organisations. Our members include hostels, day centres, outreach and resettlement agencies, housing advice centres, youth projects, health projects, welfare rights groups, regional homelessness networks, refuges, drug and alcohol services and faith-run voluntary services. As the collaborative hub for information and debate on homelessness, we seek to improve services for homeless people and advocate for policy change. Through this work, we aim to end homelessness in England.

¹ New Economics Foundation (nef) *Work it out: barriers to work for homeless people* (2008). This research commissioned by BAOH estimated an annual cost of £26,000 for each homeless person

² More information is available here: http://www.hm-treasury.gov.uk/spend_spendingreview_introduction.htm

³ See <http://www.communities.gov.uk/corporate/about/>

⁴ See <http://www.dwp.gov.uk/about-dwp/>

⁵ See <http://www.statistics.gov.uk/lib2000/Section243.html> for a definition.

⁶ See <http://www.justice.gov.uk/about.htm>

⁷ See <http://www.homeoffice.gov.uk/>

⁸ See <http://www.bis.gov.uk/about/what-we-do>

⁹ See <http://www.dh.gov.uk/en/Aboutus/index.htm>

¹⁰ Healthcare for Single Homeless People (March 2010) Office of the Chief Analyst, Department of Health

www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/@dh/@en/@ps/documents/digitalasset/dh_114369.pdf

¹¹ Audit Commission *Means to an end, Joint financing across health and social care*, October 2009 www.audit-commission.gov.uk/localgov/nationalstudies/pages/91029meanstoanend_copy.asp.

¹² See www.homeless.org.uk/health-needs-audit

¹³ Our submission is available here:

www.homeless.org.uk/sites/default/files/SR_HomelessLinkSubmission_Aug2010_1.pdf. Homeless Link also submitted separate evidence with Sitra and the National Housing Federation.