

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. 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.

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. IMPLICATIONS OF THE COMPREHENSIVE SPENDING REVIEW

(a) Department for Communities and Local Government

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. 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 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 starting in April 2012.
- Local Authorities will be devolved greater freedoms and responsibilities. Ringfencing will end for most 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.
- Homelessness Grant will be paid as part of the Area Based Grant, so is not ring-fenced. Funding over the next four years will exceed £400 million, averaging £108m annually.
- the age threshold for the shared room rate (also known as the single room rent or rate) will be increased from 25 to 35 to 'reflect the housing aspirations' of people of the same age who are working.
- 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.
- However, providers of SP funded services are now likely to face increased financial pressure, placing some services and 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 will enable more services to be transformed and support homeless people with effective interventions to help them move on in their communities.
- 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.

(b) Department for Work and Pensions

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) 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. 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.

Reducing spending on Council Tax Benefits by 10%

This measure 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 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:

- proposals to invest in mental health liaison services at police stations and courts to intervene at an early stage.
- reduction of MOJ back-office and administration costs by 33%.
- making capital savings of 50% over the four year period. Capital funding for maintaining existing prisons is safeguarded.
- reforming legal aid to reduce current costs (a consultation is expected).

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.
- The desire to cut back on prison spending will mean the MOJ may increasingly look for non-custodial alternatives for the rehabilitation of offenders. 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.

(d) Home Office

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, meaning this may have implications for homelessness agencies' partnership work with local police forces.
- 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 of Business, Innovation and Skills

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?

- 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. We believe this change will further restrict access to education for homeless and vulnerable people by disincentivising engagement through fear of costs and debt.

(f) Department of Health

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.

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.
- 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.
- 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 local GP commissioners and local authorities to ensure these needs are recognised.

3. MORE INFORMATION

We will be developing and disseminating analysis on the CSR's implications 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.

Drew Lindon
Head of Policy Analysis
Homeless Link

Homeless Link is the national umbrella organisation for frontline homelessness charities in England.