

Let's End Homelessness Together

Policy briefing:

A funding system
that works



HomelessLink

A funding system that works

“It’s the morally right thing to do but financially it also makes sense. Funding at the moment is a drop in the ocean compared to what homelessness is costing the country.”

- Homeless Link member

With careful strategy, investment and oversight, a country without homelessness is possible. Funding can enable the system to promote health and recovery, and ensure people are consistently supported to move on from homelessness for good.

But there is work required to get to this stage. The homelessness sector has faced crisis for years, and getting to this point requires a fundamental shift in how its funding is allocated, evaluated and monitored. Without this, the way the system is delivered will continue to undermine efforts to end homelessness and let down the people it is intended to support.

Step 1: Regain strategic control over spending

The homelessness system spans a huge range of services, working across homelessness prevention, relief and holistic support. These services are often the last line of defence for some of the country’s most vulnerable residents. But the current system is at once hugely expensive and insufficient. Severe austerity cuts to support funding have gutted service capacity and forced providers to rely on Enhanced Housing Benefit to remain viable. The previous government admitted having lost control of Enhanced Housing Benefit spending, meaning there is no figure of the true amount spent on relieving homelessness at current.¹

Shortfalls in support funding mean that providers are ‘dancing on pinheads’ to deliver support activity under exempt Housing Benefit regulations. Providers recover an unknown amount of money from the Housing Benefit bill to cover their core costs with little strategic oversight.

Loopholes in this regulation have also allowed unscrupulous providers to step into the market, with a “licence to print money” directly from the Housing Benefit bill through inflated rents and poor, or no, support for tenants.²

It is evident that the previous government lost control of spending on homelessness. Headline spending figures do not include any funds recovered through Housing Benefit. The new government must urgently regain control through a systematic review of all homelessness-related spending – from direct spend on hostels, temporary and emergency accommodation, to the unknown amount paid out to exempt

¹ Levelling Up, Housing and Communities Committee (2022). *Exempt Accommodation Report*. 19th Oct 2022 HC 21.

² Levelling Up, Housing and Communities Committee (2022). *Exempt Accommodation Report*. 19th Oct 2022 HC 21.

accommodation providers, and the costs incurred by health, justice, the Home Office and other departments in supporting people with problems rooted in homelessness.

Current spending on homelessness is demonstrably ineffective, and we believe the system can be significantly improved by spending existing money more efficiently. After building a picture of existing spending, funding should be consolidated into a single budget designed to deliver a strategic, proactive system that works to prevent and end homelessness for good.

Step 2: Redesigning the funding system: the essential principles to funding that works

Prevention – the golden thread

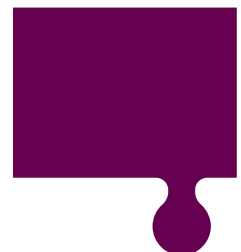
The first priority of any homelessness system should be to prevent homelessness whenever possible, and the funding system is no exception. Prevention is always the cheapest and least traumatising response to housing insecurity and risk of homelessness,³ and everyone should be supported to remain in their home unless it is unsafe for them to do so.

While prevention has seen increased focus in local authority housing responses, it is yet to be truly embedded in the homelessness system in England and is often the first area to be cut in response to increased crisis demands.⁴ Homelessness prevention is a shared responsibility, requiring a commitment to treat the causes of homelessness wherever they appear across government, and the funding commitments should echo this cross-departmental approach. Without it, the homelessness system is only ever able to respond to crisis, with an increasing flow of people turning to services because of needs that should have been met elsewhere.

Funding reforms must hold homelessness prevention at its core at every stage. Prevention saves money, minimising the risk of homelessness, preventing the worsening of support needs and driving down demand for support over time.

Ringfenced

Ending homelessness is a sound investment. At current, the cost of homelessness is enormous – both the financial cost to local government, the NHS, DWP, police and prisons, and the human cost to those whose lives are placed at risk because of a shortage of coordinated accommodation and support.

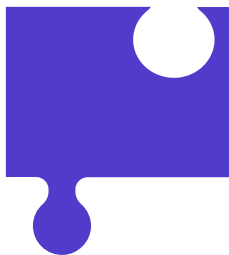


³ Pleace, N. & Culhane, D.P. (2016) *Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England*. London: Crisis.

⁴ Homeless Link (2024). *Homeless Link submission to the Spring Statement 2024*.

Homelessness services are currently funded through a complex network of ever changing funding sources, many of which are vulnerable to cuts and reactive to market pressures. Budgets for homelessness support have diminished significantly across the last fourteen years, following the removal of the Supporting People ringfence.⁵ In the years since 2010, bed spaces for people experiencing homelessness have dropped by 38%⁶ while rates of rough sleeping have risen by 120%.⁷ Many supported housing services now rely primarily on Enhanced Housing Benefit income to survive through exempt accommodation. Providers told us of ‘dancing on pinheads’ to fit support under strict Housing Benefit criteria, limiting service improvements and innovation. At the same time, unscrupulous providers have used loopholes in these regulations to deliver poor-quality exempt supported accommodation, with extremely damaging outcomes.⁸ All this has created a fragmented system of homelessness funding, leaving the Government with no knowledge of what is truly spent on relieving homelessness.⁹

To remedy this, the disparate funding that goes into the homelessness sector should be unified under one ringfenced budget that considers the homelessness system as a whole. Funding should be rebalanced towards the provision of high-quality support, with commissioning decisions based on service quality as much as cost.



Long term

There is no quick fix to ending homelessness. Government, local authorities and homelessness service providers must work together to deliver a long-term, strategic approach if we are to make a country without homelessness a reality.

The current system of short-term funding cycles prevents this. Contracts are often granted on a one- to three-year basis, without enough certainty to plan strategically for the future.¹⁰ This is further compounded by funds operating on different funding cycles and timescales, meaning constant shifting budgets for providers. This funding approach directly contravenes the principles of effective support. It prevents collaboration as services compete for the same funding pots year in, year out. It drives high turnover, pushing skilled workers out of the sector in pursuit of permanent

⁵ Thunder, J. and Bovill Rose, C. (2019). *Local Authority Spending on Homelessness: Understanding recent trends and their impact*. WPI Economics, St Mungo's and Homeless Link.

⁶ Homeless Link, *Support for single homeless people in England, Annual Review 2022, 2023*.

⁷ DLUHC (2024). *Rough sleeping snapshot in England: Autumn 2023*.

⁸ Levelling Up, Housing and Communities Committee (2022). *Exempt Accommodation Report*. 19th Oct 2022 HC 21.

⁹ Davies, G (2022). *Letter from the Comptroller and Auditor General to the Chair of the LUHC Select Committee*. GF 1370 22, 27th July 2022. Available at:

<https://committees.parliament.uk/publications/28518/documents/172215/default/>

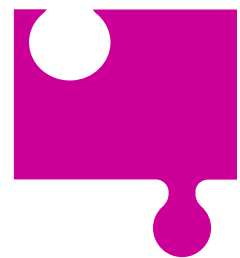
¹⁰ ¹⁰ Blood, I. *et al.* (2019). *'A Traumatized System': Research into the commissioning of homelessness services in the last 10 years*. Riverside, University of York and Imogen Blood & Associates.

contracts elsewhere. At its worst, it can drive repeat homelessness as people settled in accommodation find their homes placed up for tender, or successful services are lost due to contract changes.

Long-term funding is essential to achieve a country free from homelessness. This should span at least five to ten years and be matched with a long-term national homelessness strategy addressing the root causes of homelessness. Initial financial settlements should act as a minimum, with flexibility built in to respond to market changes, inflation, and variations in patterns of homelessness which may change the shape of service delivery.

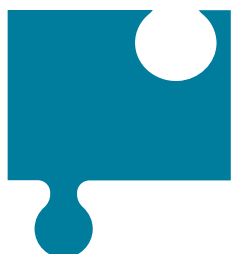
Cross-departmental

Homelessness is not a single-department issue. Its drivers – including health, welfare, the justice system, and migration – are spread across government departments. It is in everyone's interest to collaborate and invest in preventing and ending homelessness.



At current, however, responsibility for homelessness-related costs falls almost entirely to MHCLG. Funding is channelled through housing-related support even where the causes of homelessness sit across other support areas, and other government departments can play an active role in trapping someone in homelessness. This means MHCLG are left holding undue financial risk for shortfalls across other departments. Ultimately, this forces siloed working, letting other departments off the hook for their role in preventing and ending homelessness.

To achieve a whole-government commitment to ending homelessness, the funding system requires whole-government investment. This means not just shared accountability and strategy, but shared financial responsibility across MHCLG, DHSC, DWP, Home Office, Justice and Education. Collaborative funding should drive collaborative working, with each hand of government working together to address the root causes of homelessness and relieve it swiftly wherever it occurs.



Joined-up

All parts of the homelessness ecosystem are working towards a common goal of ending homelessness. People often navigate their way through a range of services during their journey through homelessness. The funding system should support these services to work collaboratively and consistently, so that everyone has receives high-quality support from the first contact with services until the day they exit homelessness for good.

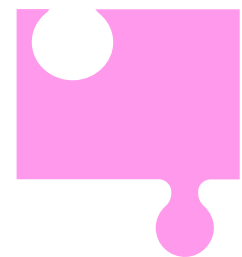
Unfortunately we know that the current system is often far from consistent. Service funding for accommodation is often based on bed spaces rather than the people who

occupy them, and services are often working in competition with one another. Outreach, day centres, emergency accommodation or other independently funded providers can face siloes on which other services they can work with as they are perceived to be outside of the mainstream system. This can mean huge variety in the quality or nature of the support offered to a person depending on who provides their support and accommodation. It also means that those moving into their own homes are often met with a steep drop-off in support. This too often destabilises progress, preventing people from settling in a new tenancy and making their house a home.

To prevent gaps in support and promote collaboration, the funding system should embed a whole-systems approach. Funding for support should follow the person being supported, ensuring consistency and care at every stage of their journey. This means collaborative commissioning across local areas to ensure that every service works together, from the first contact in a day centre to the moment someone is settled and secure in their own home.

Comprehensive

It is homelessness services that turn government ambitions on ending homelessness into reality. They deliver essential support to some of the country's most vulnerable adults, and often do so on government contracts. Their services, when funded properly, relieve pressure on the NHS, justice system, local authorities and social care.



Current funding fails to recognise the essential role homelessness services play in supporting those with multiple complex needs. Some providers, like day centres and some night shelters, are excluded from government funding systems entirely, reliant on trusts, foundations or fundraising income to survive. Commissioned services often manage a complex patchwork of funding that rarely meets the cost of core service delivery.¹¹ Race-to-the-bottom commissioning practices have seen contracts awarded on price over quality, with providers pressed to deliver more for less or risk losing funding altogether. This false-economy approach has seen service quality decrease, outcomes worsen, and services scrambling to make up shortfalls elsewhere.¹² The unstable funding environment has seen some choose to move away from commissioning altogether. Most worryingly, an increasing number of demonstrably successful services have closed their doors as static contracts have fallen well behind the cost of service delivery.¹³

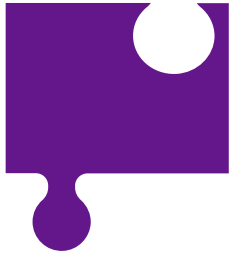
Any approach to funding must consider a comprehensive view of the homelessness system recognising and valuing the diversity of services needed to tackle

¹¹ Blood, I. *et al.* (2019). *'A Traumatized System': Research into the commissioning of homelessness services in the last 10 years.* Riverside, University of York and Imogen Blood & Associates.

¹² Homeless Link (2024). *Homeless Link submission to the Spring Statement 2024.*

¹³ Homeless Link (2022). *Keep Our Doors Open: The homelessness sector and the rising cost of living.*

homelessness. Commissioning should be based on the true cost of delivering high-quality, effective services. Commissioners should be adequately resourced to pay providers for the services they deliver, covering all core staffing and building management costs. Settlements should be reviewed annually, adjusted in line with inflation and responsive to changing patterns of homelessness.



Personalised

People who experience homelessness are incredibly diverse, and no two journeys through homelessness are the same. Evidence has repeatedly shown that effective support embraces diversity, meeting a person where they are and fitting around their needs.

Funding approaches mean the current system is rarely able to deliver on this standard of care. Budgets are usually linked to specific populations or forms of homelessness, meaning providers may face restrictions on who they can support. Competitive and time-consuming tendering processes have pushed many smaller, specialist providers out of the market as they struggle to compete with larger, general-needs providers. This has seen an increase in one-size-fits-all provisions, where everyone is funnelled through the same services and offered the same level of support. Such provisions can be dangerous and traumatising, disproportionately impacting those with multiple and complex needs, and those who already face heightened levels of discrimination, including women, young people, LGBTQ+ people and people of colour.

For homelessness support to be effective and economical, the system must be funded to deliver personalised support to everyone who needs it. This means embracing a diverse ecosystem of services: outreach, specialist supported accommodation, in-tenancy floating support and Housing First, to name a few. Ringfenced funding should cover all forms of homelessness and commissioners should embrace specialism, funding a menu of options so that everyone has equitable access to support.

Trauma informed

People experiencing homelessness have disproportionate experiences of trauma. Trauma-informed care can prove lifechanging for those engaged with services, supporting them to move past cycles of re-traumatisation and make sustainable progress towards ending homelessness. Becoming trauma-informed requires the whole system to continually reflect and develop to minimise the risk of re-traumatising those who access support.¹⁴



But homelessness is a trauma in itself, and people are too often traumatised by the systems designed to support them. Insecure, insufficient and short-term funding cycles across the homelessness sector can make embedding trauma-informed care

¹⁴ Homeless Link (2024). *Being Trauma-Informed – a practice development framework*.

almost impossible. Providers are often themselves delivering in crisis, unable to effectively plan for the future under the threat of funding cliff-edges. Restricted funding inflates caseloads and drives down the time staff can dedicate to each person they work with, creating challenges when trying to deliver and maintain person-centred and trauma-informed care. Services that are able to deliver trauma-informed care often rely on significant fundraising income to achieve this, with most providers simply unable to meet this standard within the budgets they receive from government.

All services funded through government should hold trauma-informed care as a minimum standard. This means funding that enables the conditions of trauma-informed care, including sufficient staff time to maintain low caseloads, to engage in reflective practice and to deliver safe and strategically planned services consistently.