

# Funding the homelessness system

## Homeless Link policy briefing, May 2025

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The homelessness system is broken. Across England, failures to prevent homelessness mean record numbers of people are living in temporary accommodation, sleeping on our streets or reliant on services like those delivered by Homeless Link members for accommodation and support.

The Government's commitment to housebuilding is a crucial piece of this puzzle, but it is not enough. Many people experience homelessness because of wider unmet support need including mental and physical health needs, adverse childhood experiences, or fleeing domestic abuse. Housing alone will not end their homelessness, instead holistic, person-centred support is essential.

This support is primarily delivered through third sector 'single homelessness' services, who pick up support for those who don't qualify for local authority-funded temporary accommodation including many of those on our streets. There are many issues with the cost and quality of TA, which is primarily used to house families. However, addressing these often pulls yet more resources inwards and away from non-statutory services.

This has seen support pathways narrow as single homelessness services buckle beneath financial pressure. The funding mechanisms that should support the sector are not fit for purpose. Instead, the system is stuck in crisis mode, only able to do damage limitation rather than fix the root causes of homelessness. Sadly, it is the people in need of support who bear the consequences of this.

**We know it does not need to be this way.** By redesigning the funding model, Government can invest in a system that works. This briefing outlines how to achieve this: first re-gaining control over homelessness spending, then carefully re-investing. By doing so, the country can move away from cycles of crisis, with proactive services that prevent people facing homelessness in the first place.

## Why we need change

The current system is expensive to run, complex to work within, and comes at an enormous human cost as providers are unable to offer effective support. **Continuing in this way is not an option.** In our full report, **Breaking the Cycle**, we outline the key issues with how the current system is funded:

- **Uncontrolled and expensive:** The previous Government admitted to having lost control of spending with no transparency or oversight over how money is spent. This makes value for money impossible to assess and has allowed profit-driven bad actors to step into the market.
- **Crisis-driven:** The number of people experiencing homelessness is rising rapidly. As money gets pulled into crisis, prevention becomes impossible as providers are unable to work strategically and too little is invested to support people to keep their homes.
- **Patchwork:** Funding for the sector is disparate, delivered through different pots on different timescales. Services must divert their energies from frontline delivery to manage this complex patchwork of funds, all while topping up core costs through public giving.
- **Siloed:** Homelessness is often caused by government policy across departments, such as inappropriate hospital discharge or unplanned prison release, but, funding is still largely delivered by MHCLG. The lack of cross-departmental investment leaves little incentive for other departments to ensure their policies align with the goal of ending homelessness.
- **Unsustainable:** As contracts remain largely static, inflationary cost increases mean that for many, income has fallen well below expenditure. This has already forced services to close and

many more are in highly precarious positions. Services closing means more pressure on statutory services and forces people to remain on the street without access to support.

### How did we get here?

Homelessness funding is a complex ecosystem that is verging on collapse. Despite positive changes from the new Government in merging some funds into the singular Rough Sleeping Prevention and Recovery Grant, funding streams remain disparate and difficult to navigate.

Today, the system is remarkably similar to the one inherited by New Labour in 1997. Then, as now, support was primarily funded through Housing Benefit, with strict limitations on what activities could be funded. Rough sleeping rates were high, and the homelessness system faced criticism for a lack of strategic oversight and crisis-driven, rather than preventative, response.

#### *1997-2009: New Labour and Supporting People*

The Government responded through a system of wide-scale reforms including the introduction of Supporting People, a £1.8m ringfenced grant used to fund housing-related support services for vulnerable people to live independently. This consolidated existing funding streams beneath a single budget. In 2009, Government weighed the net financial benefits of the programme at £3.41bn per annum against an investment of £1.61bn.

#### *2009-2017: Austerity-era cuts*

Despite the success of the Supporting People programme, the funding ringfence was removed in 2009. By 2012, Inside Housing found that 53% of councils had begun to decommission services previously funded by Supporting People, with homelessness services hit hardest. While a number of small, restricted grants were introduced during this time, they paled in comparison to previous funding. By 2017, funding for single homelessness services had dropped by more than 50%.

#### *2017-2024: Ending Rough Sleeping for Good?*

By 2017, the number of people sleeping rough across England hit 4,751, up 169% since 2010 and still the highest number on record. This was met with new funding streams focused on rough sleeping. Most notably, the Everyone In pandemic response showed how investment and political will could create meaningful reductions to the rate of rough sleeping.

However, despite significant investment, the complexity and incomplete nature of funding meant these funds didn't go far enough. The largest pot, the Rough Sleeping Initiative (RSI), was issued annually until 2021. This meant providers often did not know about contract renewals until months into the new financial year, and were forced to take financial risks on behalf of government, covering costs in arrears based on anticipated funding, with disruptions to support and job security.

#### *The system now*

The previous government advertised their headline spend on homelessness and rough sleeping as £2.4 billion funding commitments over three years, laid out in the 'Ending Rough Sleeping for Good' strategy, followed by multiple subsequent 'top ups'. However the precise figure currently being spent on relieving homelessness is not available. Making up the bulk of homelessness supported housing, 'exempt' accommodation services are funded through Enhanced Housing Benefit. While there is no accurate breakdown of current spending on exempt accommodation, estimates place this at around £1.9 billion of additional funding based on 2016 spending levels.

### Where are we now?

Homeless Link Policy Briefing: Funding the Homelessness System. Contact Head of Policy and Research Sophie Boobis for more information: [Sophie.boobis@homelesslink.org.uk](mailto:Sophie.boobis@homelesslink.org.uk)

Recent National Audit Office (NAO) analysis found homelessness funding to be ‘fragmented and generally short-term, inhibiting homelessness prevention work’ and that DLUHC (now MHCLG) could not ‘demonstrate that it is delivering optimal value for money’ in tackling homelessness.

As it stands, homelessness funding lacks strategic oversight. Siloed funds delivered on different commissioning time frames make it impossible to tackle the causes of homelessness holistically. Rather than enable good practice, funding makes innovation and partnership challenging to deliver. Year-on-year uncertainty makes strategic planning almost impossible. As a result, the system is stuck in crisis mode, only able to do damage limitation rather than fix the root causes of homelessness.

### **Enhanced Housing Benefit and the exempt accommodation crisis**

While the NAO reported £2.44bn in Government spending on homelessness, this is exclusive of the unknown figure also spent on EHB for supported ‘exempt’ accommodation. This means the total figure is significantly higher than thought. EHB is primarily used to fund high-quality support services, but uncapped rents and lack of oversight created a lucrative loophole. Unscrupulous providers stepped into the sector to deliver poor-quality ‘supported’ accommodation at excessive profits. The newly introduced Supported Housing (Regulatory Oversight) Act will bring in welcome standards and oversight to tackle these bad actors but it does not address the disconnect between acknowledging the cost of EHB alongside wider homelessness spend.

Nor does it recognise that much of what is being provided through supported accommodation is not covered via EHB and in many cases is being subsidised by an increasingly pressured charitable sector. Supported housing is crucial to preventing and ending homelessness and yet it’s funding and delivery is fragmented from wider homelessness budgets and strategies leading to a sector at risk of collapse.

### **The impact on the ground**

Frontline homelessness services deliver every day in a traumatised system so deeply impacted by cuts and shortfalls that it is unable to meet its designed purpose. As many as 19% of our members have already reduced or closed services. 47% at further risk of doing so because of financial viability, and an increasing number have faced outright funding cuts from their local authority.

Many organisations whose funding previously focused on support now primarily receive housing-focused funding to maintain the bricks and mortar of a property. This shift in focus had gutted providers’ ability to deliver effective support and left numerous providers to describe their own services to us as ‘inadequate’.

The inability of services to move beyond crisis means a revolving door of clients who return ‘year after year’, remaining in homelessness because of unresolved support needs. At the same time, shortfalls in cross-departmental prevention such as welfare support and appropriate healthcare continue to push an ever-increasing number of people into homelessness for the first time. Whilst leading to increased pressure on a wide range of emergency services.

This is an unsustainable norm: services are full, staff are burning out as caseloads stay well beyond recommended capacity, and rates of new and repeat homelessness are rising rapidly. All the while, frozen budgets mean whole-sector collapse is a distinct possibility.

It is vital that the Government listen to the sector and collaborate to develop a new funding model to sit alongside the upcoming homelessness strategy. Strategy and funding decisions should be closely integrated, ensuring there is adequate and appropriate resource to deliver on Government’s goals.

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### What next?

The previous Government lost control of spending on homelessness. The first step in delivering a new funding system must be a systemic review of all homelessness-related spending: from direct spend on accommodation to the unknown amount paid out in Enhanced Housing Benefit, and the costs incurred by health, justice, the Home Office and other departments to support people with problems rooted in homelessness.

Once Government know how much they are spending on homelessness, the next step is to redistribute existing money more efficiently through a wholesale reform of the funding system. Funding should be consolidated into a single budget designed to deliver a strategic, proactive system that works to prevent and end homelessness for good. While a pound-by-pound breakdown of how to spend is impossible without a systematic review, we believe the new system should be built around eight key principles to ensure the system can work for everyone.

## The Essential Principles of Homelessness Funding

### Prevention first

#### Long term

Funding is delivered alongside a long-term plan to end homelessness, on a 5-10 year cycle and matched to inflation.

#### Joined-up

The whole system is funded to deliver consistent, high-quality support from their first contact with services until their last.

#### Personalised

Commissioners fund a menu of options so that flexible support is available to everyone for as long as they need it.



#### Ringfenced

Homelessness funding is ringfenced, and safeguarded from cuts to save elsewhere.

#### Cross-departmental

Ending homelessness is a whole-Government mission, with investment and collaboration across departments.

#### Comprehensive

Homelessness funding reflects the true cost of service delivery, covering the costs essential to delivering effective support.

#### Trauma informed

All commissioned services hold trauma-informed care as a minimum standard and are sufficiently funded to deliver this.