**Fair Funding 2.0 consultation.**

## Response from Homeless Link

Below is Homeless Link’s submission to the 2025 Fair Funding Review, which we submitted on 14th August 2025. The Fair Funding Review is a large-scale review of funding arrangements with the objective of delivering reform to the complex landscape of local authority funding.

The consultation is broad-ranging and covers allocation policy, funding consolidation, demand for services and local variations. Overall, the consultation contained 34 questions, but only a few were directly relevant to Homeless Link and our members.

We have therefore focused on answering questions that pertain to commissioning practices and the grant landscape, using evidence collected over numerous years.

Fair Funding 2.0 shone a spotlight on many areas of challenge that we have highlighted for years through campaigns like Breaking the Cycle and Keep Our Doors Open, and our work on the Supported Accommodation (Regulatory Oversight) Act. We are therefore pleased to see Government paying attention to many of our key areas of concern, and look forward to seeing the next stages of the review.

**For further information on this submission or Homeless Link’s policy work, please contact** **Sophie.Boobis@homelesslink.org.uk**

## Question 3. Do you agree with the government’s plans to simplify the grant landscape?

We agree with the Government’s proposal and believe it offers an opportunity to strengthen the network of support for people experiencing homelessness. This response discusses improvements to the proposals that we believe would maximise this positive impact.

Homeless Link is the national membership organisation charity for frontline homelessness services. Representing over 700 organisations ranging from Housing Associations, supported accommodation providers and hostels to day centres, night shelters and outreach, we work to improve services and campaign for policy change that will ensure everyone has a place to call home and the support they need to keep it.

### Funding for homelessness support

A significant proportion of our membership deliver services which are commissioned by local authorities and who will therefore be impacted by the proposals within this consultation. A further number of our members have historically received funding from local authorities but have had to seek income elsewhere in recent years because of council cuts, decommissioning, or challenges caused by grant sustainability and management.

In the years since the Supporting People ringfence was lifted, the funding landscape for the homelessness sector has changed substantially. Before 2010, accommodation services were previously overwhelmingly funded through support contracts from the local authority. Since then, the number of services funded primarily through local authority contracts has dropped by 47%. In their place, providers have come to rely on income through Housing Benefit. Between 2008-2024, there has been a 25x increase in the number of organisations who cite Housing Benefit as their primary source of funding.1

Housing Benefit is now the most common primary source of income for accommodation providers in the sector (47%) followed by local authority commissioned contracts (46%). This means that Government summaries of homelessness spending, which are based solely on commissioned contracts, are vastly under representative of the actual cost of the homelessness system.2

In our full report, Breaking the Cycle (2024)3, we have outlined what has led the homelessness funding system to this crisis point and how the Government can reform and redesign a system that works.  We have been calling on the Government to improve their oversight of the sector by conducting a systemic review of all homelessness-related spending, from direct spend on accommodation to the 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.

We have advised that once the Government know how much they are spending on homelessness, they must look to redistribute existing money more efficiently through a wholesale reform of the funding system. Our asks include consolidation of spending into a single budget designed to deliver a strategic, proactive system that works to prevent and end homelessness for good.

### Fairer funding and homelessness services

The proposals put forward in this consultation are a step in the right direction.

We are very supportive of Government’s proposals to end the inefficiencies of competitive bidding for pots of funding, and recognise that, for our members, this has driven down quality by encouraging a ‘race to the bottom’ approach as services secure funding by promising more for less. This has ultimately seen a decline in the value for money achieved by services, as declining support standards have meant services are less able to effectively support people to break the cycle of homelessness for good.

We welcome the move to simplify the grant landscape and consolidate all homelessness and rough sleeping revenue grants (except for temporary accommodation) under the Homelessness and Rough Sleeping Grant, and the move toward a three-year settlement for local authorities. This will go some way toward addressing the fragmentation and short-termism that has created significant problems in the current system.

The Government should further ensure that the multi-year nature of local authority settlements is passed on to partner organisations by updating commissioning guidance to local authorities, ending the practice of one- or two-year commissioning cycles and guaranteeing some certainty for commissioned partners.

### Funding support that works

The homelessness sector is at a crisis point with shortfalls in funding and exceptionally high demand putting services at risk of collapse. This is worsened by the current funding system, which undermines the sector’s ability to deliver high-quality support. Like many other essential services, the sector has endured years of cuts and budget shortfalls. This has left providers unable to plan strategically for the future, hopping from crisis to crisis as service quality drops. Sadly, it is the people in need of support who bear the consequences of insufficient funding.

These problems are so endemic that simply consolidating existing grants and further embedding the status quo will not deliver the shift to a sustainable, effective and prevention-focused approach that we need. We urge the Government to show more ambition and set out its plans for full reform of the system in the forthcoming Homelessness Strategy, as called for in our Breaking the Cycle report.

This should include funding that is truly reflective of current spending on homelessness. For instance, Enhanced Housing Benefit spending for homelessness services should be captured within the overall homelessness spend, and Government should seek to develop an improved, support-focused revenue funding system rather than the current overreliance on Housing Benefit.

Further to this, we know other government departments deliver support related to homelessness and would see direct benefits from effective homelessness prevention. Despite this, measures to prevent and end homelessness are almost exclusively funded and delivered through MHCLG, with no incentive for other departments to work collaboratively or strategically.

To reduce siloed working and encourage the holistic support we know is most effective in ending homelessness, these departments - including DHSC, Home Office and MoJ – should deliver strategic and financial support to the upcoming Homelessness Strategy, with cross-departmental financial agreements supported by Treasury. A holistic approach to funding could allow for greater understanding of how services interact and are relevant to people’s whole lives, rather than siloed parts of their lives (such as homelessness, support needs and social care needs).

### Protecting existing funds for single homelessness

The depth of the challenges faced by the homelessness system at current cannot be fixed overnight, and moving to a new, support-focused funding model will take time. While we hope to support Government to deliver wholesale reform to homelessness funding structures, measures must be taken to ensure that this does not come at the expense of current services who are operating under significant financial and operational pressure.

Many of the people supported by our members sit outside of the duty to accommodate, even in the face of exceptionally high unmet needs. We have already seen services for these individuals cut as local authorities seek to cover gaps in funding elsewhere, such as the recent decision in East Sussex to cut floating homelessness support by 88%.4 It is immoral that people at risk of homelessness should having accommodation or support withdrawn because of shortfalls in governmental spending elsewhere.

Guidance would be required to ensure that the funding was used to deliver the range and diversity of specialist services required to tackle homelessness, including protecting and scaling up the provision of Housing First. Building on the ambitions that this Government has set out around shifting towards prevention, local authorities would need to be sufficiently incentivised and directed to maintain and increase funding on preventative and support services, not just crisis response.

Local authorities that receive an uplift in their homelessness funding based on the new calculation of need must be instructed to sustain and improve existing services, in addition to commissioning new ones. This must include providing uplifts to contracts provided by the VCS, many of which are currently being delivered at a loss to providers as a result of competitive bidding, local authority cost-cutting drives, and cost increases from increased National Insurance contributions alongside other inflationary pressures.

Homeless Link’s latest research shows that 48% of accommodation providers and 46% of day centres now report that they risk service closures as a result of increased financial pressures, and 38% of accommodation providers stated they have already reduced their provision. 5 The Government must help stabilise the sector in this time of crisis so that it able to play a role in preventing and ending homelessness in the future when funding reform has been delivered.

Despite the Government’s move toward devolution and empowerment of local authorities, we believe that there must be some direction as to how homelessness funding should be spent and what should be funded. Leaving this to the discretion of local authorities presents critical risks at a time when they face unprecedented financial pressures and funding is increasingly drawn in to core services. Local authorities must be issued appropriate commissioning guidance for current funding, delivered alongside safeguards to protect high-quality services.

Even with temporary accommodation taken out of the scope of the consolidated grant, the Government must ensure that the funding is not subsumed by other core local authority services like Housing Options. It will also be important to ensure that funding for single homelessness support is protected and not deprioritised in favour of family homelessness.

### Outcomes-based accountability and homelessness

The Government must ensure that its shift towards outcomes-based accountability for local authorities is reflective of the complexities of work to reduce homelessness.

Homelessness services often support people with high levels of unmet health and social care needs who have not been adequately supported by statutory services.

Effective support for this cohort requires trust and flexibility, and success can be non-linear or require longer timeframes. Government should be cautious not to incentivise superficial, short-term outcome measures over longer term interventions, nor penalise homelessness services for failing to achieve outcomes that can only be delivered through health and social care services. Doing so incentivises ‘sticking plaster’ support that provides false economy over long-term support which may require more time but lead to more meaningful and lasting outcomes.

### Clarity around temporary accommodation

We understand the rationale for removing TA funding from this grant and allocating it separately via its own formula due to the specific challenges and level of demand that some areas face. This appears sensible, but the Government has not provided sufficient clarity about what this would mean for the existing amount of funding allocated for homelessness. At the Comprehensive Spending Review in June 2025, the Government announced that they are ‘protecting’ homelessness spending, meaning no cuts to the existing £1bn p/a homelessness budget. If the Government are to separate out TA, will this be removed from that £1bn figure, will any of it come from newly announced resources such as the £950m for temporary accommodation and remediation costs, or will it be additional funds?

We are concerned that it will be difficult to accurately calculate what is currently spent on TA, because of all the different ways it is funded, including local authorities’ revenue support grants. It would be of great concern if the £1bn amount for the Homelessness and Rough Sleeping Grant reduced substantially due to the removal of TA from its scope, and any calculations and decisions around this must be fully transparent. There is also the risk that councils that end up with less funding for TA than they had previously, facing continuing demand and unable to use money from the ringfenced homelessness grant to fund it, may feel compelled to cut other services in order to be able to fund their TA costs. This could have severe knock-on effects across a range of services that people rely on – including supported housing.

### Supported housing

We are extremely concerned that the Government’s proposals do nothing to address the issue of funding for supported accommodation, and recommend that the plans are revised to ensure adequate, protected funding for the support element of supported accommodation is available. The government’s Supported Housing Review showed that now only 38% of all supported housing is commissioned and funded by local authorities or statutory bodies to cover some, or all, of the costs of providing care, support or supervision.6 At the same time, there is significant unmet demand for supported housing.7

Supported housing is already in a perilous financial condition. Funding to commission supported housing has significantly reduced since 2010 – [75% was cut between 2010-11 and 2019-20](https://www.nao.org.uk/wp-content/uploads/2023/05/investigation-into-supported-housing.pdf) from £1.3bn to £320m. A 2024 NHF survey showed [one in three providers had closed supported schemes in the last year and 60% expected to close schemes in future due to viability](https://www.bbc.co.uk/news/articles/ce99616dq4no). Homeless Link’s research found that 48% of homelessness accommodation providers are at risk of having to close services and 38% have already reduced capacity and support.8

In addition to these existing pressures, the Government are currently consulting on significant new regulations that will impact the supported accommodation sector significantly, requiring many providers to upgrade buildings or infrastructure, invest in additional staff and training, pay licensing fees and in some instances, potentially increase the amount of support they provide.

So far, the Government has not outlined any plans to resource the sector to be able to do this. Investment in supported housing was notably absent in the Comprehensive Spending Review. Without funding to meet the new requirements, and without a wider solution to how supported accommodation is funded in general, the Government would unwittingly preside over an extreme reduction in supply, which would lead to pressures across a range of services, including worsening homelessness and rough sleeping.

The Government must provide funding for the sector to meet the costs associated with new regulations, but beyond this, it must also reintroduce sufficient, ringfenced funding for the support element of supported housing. It is the reduction in Supporting People funding and a shift to the reliance on Enhanced Housing Benefit in the sector that has created the conditions which has enabled rogue providers to exploit the system in some areas. If the Government wants to see an end to this, it must fund support. Regarding the regulations, it must ensure that some of the new burdens funding for local authorities is passed on to providers.

Funding for the support element of supported accommodation services for people at risk of or experiencing homelessness should feature as part of the Homelessness and Rough Sleeping Grant – but not to the detriment of other homelessness services that need to be funded from that pot. This would require a further uplift of the grant. With a proper review of homelessness spend, money from departments like DWP, Home Office, MoJ, and Health, who all variously rely on supported accommodation and homelessness services to alleviate their own pressures, could contribute to boosting the grant.

## Question 4. Do you agree with the formulae for individual services the government proposes to include?

We agree with the rationale for separating out TA with its own formula, and we support efforts to ensure that funding for homelessness prevention is protected and not redirected to spiralling TA costs.

In terms of the formula itself, we are concerned about the proposal to use ‘mean rents in the PRS’ to capture TA costs. We know that average PRS rents often bear little relation to the inflated amount charged for TA, and would be concerned about the implications if this resulted in local authorities being awarded significantly less than was required to meet their TA costs.

We are also mindful of possible knock-on effects of the new funding formula for TA which could have unintended consequences and possible implications for the wider homelessness sector. Under the new formula, while some areas may see their allocations increase, others could see a decrease. This comes at a time where landlords providing TA are becoming subject to new standards and regulations which may make the business of providing TA less appealing and could result in landlords leaving the market. There could be a situation where local authorities are less able to fund TA, as well as it being harder to find any TA to place people in. As previously mentioned, this could risk cuts to other services. It could also result in local authorities incentivised to gatekeep when deciding who they owe a statutory homelessness duty to, which would inevitably result in the non-statutory homelessness sector – already at near breaking point – attempting to pick up the pieces.

## Question 6 Do you agree with the government’s approach to calculating the control total shares for the relative needs formulae?

No. We do not agree with weighting Relative Needs Formulae using historical service expenditure. Relative Needs Formulae must require assessment of current and future need for services, not based on historical spend. The calculation must not only rely on historical service expenditure because there will be services – such as many homelessness services, including supported housing – that are needed but have been defunded in the past because of central government funding cuts.

As an example, funding to commission supported housing has significantly reduced since 2010 – [75% was cut between 2010-11 and 2019-20](https://www.nao.org.uk/wp-content/uploads/2023/05/investigation-into-supported-housing.pdf), taking spending from £1.3bn to £320m. But the government’s [Supported Housing Review](https://www.gov.uk/government/publications/supported-housing-review-2023) said that to address unmet demand, at least 180,700 additional supported homes are needed in England by 2040 (this was a lower estimate, the upper estimate was 412,800). Simply to maintain current levels of provision, 129,100 new homes are needed in England by 2040. Basing allocations on past spend would not deliver this.

Councils will need enough funding to commission the right support to meet all people’s needs and meeting these costs should be considered in the updated relative needs formulae. Calculating need for homelessness support can be informed by current homelessness levels, supported housing occupancy, child and adult social care records, population health information, migration levels, Joint Strategic Needs Assessments (JSNAs), rates of mental ill health, income profiles, and other local statistics tracking unmet care and housing needs.

We are aware that there will be a requirement on local authorities to draw up a Supported Housing Strategy as part of their duties under the Supported Housing (Regulatory Oversight) Act. The demand assessed in these strategies should link up with Relative Needs Formulae so that enough funding is allocated in order to meet the needs assessed.

## Question 22. Do you agree or disagree that we should move local authorities to their updated allocations over the multi-year Settlement?

###  Please provide any additional information, including the impact this measure could have on local authorities’ financial sustainability and service provision.

Yes, we agree with this approach and the intention to provide some stability during the transition toward the new formulae and updated allocations. This stability should extend to services providing contracts for local authorities, as well as the local authorities themselves. Given the financial challenges local authorities currently face, a sudden change in their allocation could result in valued services’ contracts being cancelled or significantly reduced, which voluntary sector homelessness service providers cannot afford. The Government should take steps to prevent this from happening, as well as issuing guidance in favour of longer-term contracts for commissioned services.

The transition needs to take in to account changing or emerging needs, so the move to updated allocations should be flexible in case allocation needs increase.

## Question 23 .Do you agree or disagree that we should use a funding floor to protect as many local authorities’ income as possible, at flat cash in each year of the Settlement?

###  Please provide any additional information, including on: - The level of protection or income baseline, considerate of the trade-off with allocating funding according to the updated assessment of need and resources; and - The possible impacts on local authorities’ financial sustainability and service provision.

Yes, for the same reasons as outlined in response to question 22. We support the intention to provide some stability during the transition toward the new formulae and updated allocations. This stability should extend to services providing contracts for local authorities, as well as the local authorities themselves. Given the financial challenges local authorities face, a sudden change in their allocation could result in valued services’ contracts being cancelled or significantly reduced, which voluntary sector homelessness service providers cannot afford. The Government should take steps to prevent this from happening, as well as issuing guidance in favour of longer-term contracts for commissioned services.

The transition needs to take in to account changing or emerging needs, so the move to updated allocations should be flexible in case allocation needs increase.

## Question 28 Do you agree with the proposed above approach to determining allocations for areas which reorganise into a single unitary authority along existing geographic boundaries?

Yes. We look forward to a simplified funding landscape for homelessness services where they are accountable to a single local authority for each service, which has a good understanding of its local need.

Homelessness services have faced particular challenge in two-tier local authorities where funding priorities are often misaligned between district and county levels. While county councils are not statutorily obliged to fund homelessness support services, more than half in England do through their commitment to reduce health inequalities.

There have been a number of prominent cases in recent years where county councils have made cut or decommissioned homelessness service funding to fill gaps in funding elsewhere. Rather than save costs overall, these cuts drive costs elsewhere at the expense of people experiencing homelessness. Costs become the responsibility of district councils as residents are forced into expensive temporary accommodation, hospital beds, or onto the street.

We are pleased to see the consultation call for ‘particular consideration to the impacts on crucial services such as social care, children's services, SEND and homelessness’ and call for Government to ensure the transition is as smooth as possible for providers of homelessness services. The problems with two-tier local authorities further reenforce the importance of calculating need and funding allocations based on assessment of unmet need locally. Calculations based on historic funding risk reinforcing the worst side effects of two-tier funding systems.

## Question 29 Do you agree that, where areas are reorganising into multiple new unitary authorities, they should agree a proposal for the division of existing funding locally, based on any guidance set out by central government?

###  Please provide any supporting information, including any further information areas would find helpful in guidance.

Yes. We look forward to a simplified funding landscape for homelessness services where they are accountable to a single local authority for each service, which has a good understanding of its local need.

The Government’s guidance should take into account the potential risks of political or ideological influence when agreeing the division of existing funding locally. Some parts of local government are not well-informed about certain services, such as supported housing or Housing First, or may be actively hostile due to the perception of the people being supported. Guidance should be explicit in ensuring there is no question of pulling funding for key services such as those to prevent and end homelessness.

## Question 30. Do you agree that the government should work to reduce unnecessary or disproportionate burden created by statutory duties? If you agree, what specific areas of statutory duties impose significant burden without significant value for residents?

###  Please provide any examples of changes you would like to see to statutory duties, being as specific as possible.

We agree that government should seek to reduce burdens where they do not provide value to residents, however we would disagree if this meant removal of statutory duties designed to protect the most vulnerable, such as people experiencing homelessness.

Rather, we believe that the Government should better equip local authorities to be able to meet their statutory duties, and provide resources to other services that take the pressure off statutory services.

Establishing clear legal duties for local authorities to support the most vulnerable and prevent people from falling through gaps is essential for preventing harm and discrimination. For instance, this was the intention behind the introduction of the Homelessness Reduction Act 2017, which placed duties on housing authorities to intervene earlier to prevent homelessness and to take reasonable steps to relieve homelessness for all eligible applicants – not just those with priority need. Any watering down of such provisions would exacerbate an already acute homelessness crisis.

Despite the positive intentions of such statutory legislation, in practice many local authorities are struggling to meaningfully meet their obligations, regardless of them being legally binding. For instance, the Homelessness Reduction Act has opened up support and assistance for significantly more people facing homelessness, but is not always able to prevent homelessness as effectively as hoped due to the ongoing suitable lack of housing options, and local authorities not having enough staff or funding for their services, resulting in very mixed effectiveness of tools such as Personalised Housing Plans and assessments.9

This demonstrates the fact that statutory duties alone cannot be affected without adequate funding, resource and enabling measures to meet those duties. Rather than watering down local authorities’ legal obligations we would ask the Government to focus on ensuring that they are sufficiently resourced to meet them. This also means funding and enabling non-statutory services that alleviate the pressures on statutory services, such as supported accommodation.

The Government has outlined that data collection could be an area that it looks at in order to find ways to reduce statutory burdens on local authorities. We would strongly argue against this in relation to the collection of data about levels of homelessness, which is vital for understanding the drivers of homelessness and the effectiveness of interventions aiming to prevent and end homelessness. If anything, data collection on homelessness requires further investment and development in order to improve research methods and ensure they are more inclusive – for instance, more accurately capturing the experiences of women.

We agree that funding complexity is an area that should be tackled to reduce needless burdens on local authorities, and support the Government’s move toward this via the consolidation of grants and allocation based on needs rather than competitive bidding. We believe however that some guidance and directive around where funds should be spent and non-negotiable service provision should remain in place.