



# **Homeless Link submission to Autumn Statement 2022**

November 2022

### 1. Introduction

- 1.1. Homeless Link is the national membership organisation charity for frontline homelessness services. Representing over 900 organisations, we work to improve services through research, guidance and learning, and campaign for policy change that will ensure everyone has a place to call home and the support they need to keep it.
- 1.2. At a time where support for those experiencing poverty is more vital than ever, we welcome the Autumn Statement as an opportunity for the Chancellor to safeguard the homelessness sector from collapse and are pleased to provide a submission in support of this. The Government must act now if it is to meet its commitment to end rough sleeping by the end of next Parliament.<sup>1</sup>
- 1.3. As rising inflation drives up costs across the country, a combination of long-term funding deficits, staff shortages and increased demand for support has pushed the already stretched sector into crisis. Services nationally are concerned that, without an inflationary funding uplift, they will be forced to scale back the support they offer. One in four are worried they may close their doors altogether.<sup>2</sup> At the same time, homelessness and rough sleeping rates are on the rise.
- 1.4. Without urgent Government action to keep doors open across the sector, people experiencing homelessness may not have safe, trusted providers to turn to as services are forced to close.
- 1.5. We have been here before. Housing was subject to some of the most severe cuts between 2008 and 2017,<sup>34</sup> and during this same period rough sleeping in England rose by 168%.<sup>5</sup>
- 1.6. The commitment of the Conservative party to end ‘the blight of rough sleeping by the end of next Parliament’ has led to a huge strategic drive and financial resources committed to ending homelessness. This has primarily been delivered through the Rough Sleeping Initiative (RSI), a dedicated fund for services to support people off the streets and into their own homes. Efforts across the last five years have succeeded in bringing rough sleeping numbers down, although the spending shortfall across the sector was still estimated as around £1bn per year prior to the pandemic.
- 1.7. The progress towards ending rough sleeping was accelerated during COVID-19 and the Everyone In programme, which saw safe accommodation made available to anyone who needed it, made possible by an overall £223.5 million boost in funding. By Autumn 2020, rough sleeping numbers were down by 43% from 2018, a testament to the success of recent interventions.

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<sup>1</sup> Conservative Party. (2019). *Get Brexit Done, Unleash Britain’s Potential: The Conservative and Unionist Party Manifesto 2019*.

<sup>2</sup> Based on polling carried out with Homeless Link members in July 2022.

<sup>3</sup> Zaranko, B. (2022). *Spending Review 2021: plans, promises and predicaments*. Institute for Fiscal Studies.

<sup>4</sup> Oakley, M. and Bovill Rose, C. (2020). *Local Authority spending on homelessness: 2020 Update*.

<sup>5</sup> Ministry for Housing, Communities and Local Government. (2018). *Rough sleeping statistics, Autumn 2017, England (Revised)*. 16<sup>th</sup> February 2018.

- 1.8. More recently the Governments £2billion commitment to funding efforts to tackle and end rough sleeping over the next three years alongside the revised Rough Sleeping Strategy have been welcomed.
- 1.9. However the cost of living crisis puts this progress at risk. Indicators<sup>6 7</sup> show that homelessness and rough sleeping figures are rising. Economists forecast further increases as the crisis continues.<sup>8</sup> Unless Government resource homelessness services now there is a risk that they will not be there to meet the rise in demand. The result will be more people experiencing homelessness and fewer places to turn for support.
- 1.10. **To deliver on our shared goal of preventing and ending rough sleeping by the end of this parliament, we ask Government to:**
  - Provide funds to enable Local Authorities to uplift commissioned contracts for homelessness accommodation and support services in line with inflation
  - Provide targeted utility support for homelessness accommodation providers beyond March 2023 recognising the residential function of their business
  - Increase HMRC mileage rates in line with increased fuel costs
  - Exempt support housing from any introduced rent cap on social housing providers
  - Uplift benefits in line with inflation and unfreeze the Local Housing Allowance so that it covers the lowest 30<sup>th</sup> percentile of rents

## **2. Local authority contract values have fallen behind inflation and require uplifting urgently to prevent mass closures.**

- 2.1. The current crisis has arisen at a time of existing financial vulnerability across the sector. Contracts commissioned through local authorities are won via competitive tendering processes which can favour lower budgets over quality or cost effectiveness.<sup>9</sup> This approach has seen staff wages and service scope cut to fine margins to match contract values.
- 2.2. Despite investment in recent years through the Rough Sleeper Initiative (RSI) and dedicated pandemic funding, over three quarters of services reported that in the face of increased demand and competition for funding their budgets have

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<sup>6</sup> Ministry of Housing, Communities and Local Government. (2022). *Statutory homelessness live tables*. Available at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>7</sup> Greater London Authority (2022). *Rough Sleeping in London (CHAIN reports): 2022/23 Quarter 1 Reports*. Available at: <https://data.london.gov.uk/dataset/chain-reports>

<sup>8</sup> O'Connor, S. (2022). *Why I couldn't have been more wrong about big city rents*. The Financial Times. 23<sup>rd</sup> August 2022.

<sup>9</sup> Blood, I. Pleace, N. Alden, S. and Dulson, S. (2020). *A Traumatized System: Research into the commissioning of homelessness services in the last 10 years*. Riverside.

remained the same or decreased in the previous year.<sup>10</sup> Before the current crisis services were already functioning in a culture of budget restrictions. The result is providers moving into the current crisis with 'no more fat to trim'.

- 2.3. Inflation has driven core spending for homelessness providers up with no more room to cut costs. Energy prices have more than doubled, building material and maintenance costs are up by 25%<sup>11</sup> and the National Living Wage has risen by 10%.
- 2.4. Many services are running deficit budgets and relying on reserves for the first time just to meet essential costs. In most cases, local authority commissioners cannot help. Additional income streams are restricted, grant funding is more competitive and charitable giving has shrunk.<sup>12</sup>
- 2.5. 92% of our members told us that rising costs would impact their ability to maintain service and support standards. One in four said the crisis put their service at risk of closing altogether.
- 2.6. Many costs have risen above market inflation. The 25% rise in construction costs has translated to 40% increases in the cost of repairs and building maintenance for some. Rooms are left vacant awaiting essential repairs and building safety risks compromise due to the cost of fire safety work. Vacant rooms reduce rental income for providers and restrict the beds available to support people.
- 2.7. Residential accommodation providers often pay business rates for large-scale energy consumption. One provider told us their energy costs have risen by £2.3 million this year without additional funding. Service charge arrears have risen as residents struggle with their personal finances, meaning passing the cost onto the customer is not a viable solution.
- 2.8. Workforce pressures also impact budgets. The 10% increase to National Living Wage is being delivered without any associated funding uplift. Staff are increasingly requesting inflationary salary increases. Without increases, providers are concerned about staff retention. Symptomatic of low-cost commissioning cultures, frontline workers in the homelessness sector are often paid uncompetitive salaries at or near minimum wage. This results in high turnover and associated recruitment costs, sometimes into the millions.
- 2.9. Budget deficits also mean increased risk of redundancies to supplementary staff, resulting in fewer resources for fundraising or business development and decreases organisational resilience long-term.
- 2.10. The sector requires more funding to meet basic costs. Some services have already closed due to costs, meaning reduced capacity across the sector. Providers are increasingly returning unsustainable contracts to the local authority.

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<sup>10</sup> Homeless Link. (2022). *Support for Single Homeless People in England: Annual Review 2021*. Homeless Link.

<sup>11</sup> Simian. (2022). *How is the cost of living crisis impacting the construction industry?* 20<sup>th</sup> September 2022. Available at: <https://simian-risk.com/all-news/how-is-the-cost-of-living-crisis-impacting-the-construction-industry/>

<sup>12</sup> Charities Aid Foundation. (2022). *UK Giving Report*.

- 2.11. Providers flagged the risk of creating support vacuums that could be exploited by rogue providers, similar to the problems seen in the exempt accommodation sector. Then-Chancellor Kwasi Kwarteng had ruled out inflationary uplifts to public sector services in October 2022. If sustained, this would function as a real-term cut to homelessness sector budgets. This would mean closure for a large proportion of services.
- 2.12. Homeless Link shares the Governments' commitment to end Rough Sleeping by 2024 and are supportive and encouraged by the efforts that have been made since 2018 including the recent announcement three year funding settlement but we are concerned that this risks being undermined by the impact the cost of living crisis is having on both service costs and the numbers of people needing support to prevent and end their homelessness.
- 2.13. Homelessness services nationally are concerned that, without an inflationary funding uplift, they will be forced to scale back the support they offer or even close their doors all together.
- 2.14. **In order to prevent this we call on Government to:**
  - Provide funding to enable inflationary uplifts to local authority commissioned contracts for homelessness services and accommodation projects including those commissioned under newly released Rough Sleeping Initiative 2022 – 2025 funds.

### **3. Homelessness charities require targeted utility support beyond March to enable their work to continue.**

- 3.1. The Energy Price Relief Scheme delivers variable reductions on business and non-domestic energy use and has been welcomed as a significant funding intervention. However, anxieties regarding the impending sunset of this programme are high, with few reassurance as to what support, if any, would replace it.
- 3.2. Providers who deliver residential services have higher than average patterns of energy consumption than businesses with a large proportion going on residential use. One large-scale supported accommodation provider told us their energy costs are projected to rise from £1.5million to £7.7million once subsidies are lifted. This equates to a 413% rise in spending without any additional funding, a cost they are unable to absorb.
- 3.3. Many have energy costs on fixed tariffs and are yet to renegotiate these. Providers are anxious that classification as business users will mean any support on renewed contracts will not reflect the largely residential nature of their consumption or their role in supporting vulnerable adults. A small number of providers who have renegotiated have qualified as residential users, but this appears to be discretionary. Providers are unable to forecast beyond March due to the uncertainty surrounding future energy support.
- 3.4. One of our member services, a large provider in the north of England, told us in detail about the challenges they were facing. Their budgets were agreed when

inflation was lower and many services have not seen their contract values increase in years. Many of their services are now running deficit budgets driven by core delivery costs and high spends on recruitment as staff leave for better paid jobs elsewhere. Despite negotiations with commissioners around contract uplifts, they have had little success. Staff have gone through budgets 'with a fine tooth comb' to identify potential savings, but costs are already as low as possible with 'no more fat to trim'.

- 3.5. The current crisis has challenged the strategic direction of the organisation, who have worked hard to develop trauma-informed practice and encourage independent living for as many service users as possible. 'This crisis is telling us this might not morally be the right thing anymore – people can't afford it'. Instead, residents are staying in hostels for longer, previous residents are asking to return and higher volumes of people are newly in need of help as the cost of running a household spirals.
- 3.6. They were clear in their requirements – more money. 'We don't normally ask for more – but there's no other solution'. Without this, the organisation fears it will not be able to meet the need for support at a standard they are comfortable with. 'We're often providing services against less ethical suppliers who will open unsafe accommodation. If trusted providers are pushed out of the market, this leaves a vacuum for unsafe providers to step in'.
- 3.7. Passing costs on to residents is unlikely to make a meaningful difference, with service charges already going unpaid as residents struggle with their own budgets. For accommodation providers, the only viable option is more funding. The alternative is bleak; some of our members reported local providers already choosing to shut over the winter as staying closed proves to be the only financially viable approach for them. This means fewer beds for those experiencing homelessness and more people forced to sleep rough through the winter months. Without financial support, more providers are likely to make similar decisions if they are to avoid closing entirely.
- 3.8. Already feeling significant financial strain, members expressed concern about long-term sustainability as support measures come to an end. The current Energy Price Relief Scheme was announced for a six-month period and no assurances have been made as yet to outline what support may be available after this.
- 3.9. Car travel is an essential aspect of frontline work as staff conduct outreach visits and support people to attend appointments. Petrol costs have risen steeply with record highs of 191.43p in July 2022<sup>13</sup> and a current average of 165.96p. Despite this, the HMRC Mileage Allowance Payment (MAP) rate of 45p per mile has not risen. Motoring costs have risen by 18% in the last year alone and by 39% overall since MAP rates were set in 2011.<sup>14</sup>
- 3.10. Increased mileage costs are therefore passed to workers, many of whom are already on low wages and vulnerable to market pressures. 58% of members

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<sup>13</sup> RAC. (2022). *Petrol and diesel prices in the UK*. Available at: <https://www.rac.co.uk/drive/advice/fuel-watch/>

<sup>14</sup> Office for National Statistics. (2022). *Consumer Price Inflation Tables to July 2022*.

report that fuel costs are impacting the ability of staff to carry out work-related travel. A survey of Welsh frontline staff showed 89% of workers felt work-related fuel costs put strain on their personal finances.<sup>15</sup> Staff across the sector are visiting clients less often and turning down additional work to avoid these extra costs.

- 3.11. Any impact on personal finances will drive frontline staff away from the sector. Low-paid workers are themselves vulnerable to cost of living pressures, and staff are approaching employers with requests for additional expenses including transport into work and winter clothing. Workers have already left the sector citing financial difficulties sustaining their job. Employers anticipate significant workforce shortages if financial pressures on staff is not relieved.
- 3.12. One member in the east of England report seeing a noticeable increase in the number of people sleeping rough and predict that 'this is just the start of a tsunami of homelessness'. At the same time they reported significant financial pressure on their services. 'Our local authorities don't have the resources to uplift our contracts anywhere near in line with inflation, meaning we are having to use our reserves to increase team member wages and meet other costs such as energy bills'. The charity report that public donations have also dropped significantly and that additional funding was essential for their work to be sustained. 'Without an inflationary uplift we will need to make difficult decisions around what we can offer in the near future, at a time when demand is rising quickly'.
- 3.13. The ability to undertake outreach work, service user visits and other integral work related travel is critical to the infrastructure of homelessness support services locally. If providers and frontline workers are no longer able to support this function efforts to prevent and end rough sleeping will be undermined.
- 3.14. **In order to mitigate the impact of rising energy and fuel costs on providers of homelessness accommodation we call on government to:**
  - Provide targeted utility support for homelessness accommodation providers including hostels and supported accommodation beyond March 2023 recognising the residential function of their business
  - OR for Government to reclassify accommodation projects as residential in order for housing providers to access equivalent household support including the residential fuel cap
  - Increase HMRC mileage rates in line with fuel cost increases

#### **4. Supported accommodation recovers its costs from Housing Benefit and should not be subject to proposed rent caps in social housing.**

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<sup>15</sup> Lynn Montes, G. Powell, M. and Dalton, K. (2022). *Struggles from the Frontline: The impact of the cost of living crisis on frontline homelessness and housing support workers in Wales*. Cymorth Cymru.



- 4.1. Government rent cap proposals are designed to insulate social housing tenants from high rates of inflation in housing costs. Current regulation means social housing rents can rise at CPI+1%, meaning social housing rents rising by 11% in 2023. Caps have been recommended at 3%, 5% or 7%.
- 4.2. The impact of caps on supported accommodation would be devastating. Income from housing benefit is the primary income source funding the support costs of supported accommodation providers. Homelessness organisations often act as managing agents for social providers, or provide the support contract element of supported housing, meaning any negative outcomes for the social housing sector directly impact homelessness provision. Social housing providers being unable to sustain supported accommodation will mean a reduction in bed spaces available for those experiencing homelessness.
- 4.3. Most tenants in supported accommodation projects have rental costs covered by housing benefit, meaning the reduced costs would not come at the benefit of tenants. Instead they would simply reduce the housing benefit bill, but require that these savings are translated into alternative costs elsewhere. Any level of rent capping in supported accommodation would severely limit the operations of support providers,<sup>16</sup> jeopardising their business model with the risk that providers would become financially unviable.
- 4.4. **In order to protect supported housing tenants we call on government to:**
  - Exempt supported housing from any rent cap introduced to social housing providers.

## **5. As the cost of running a household rises, welfare benefits should be uplifted in line with inflation to prevent sharp rises in homelessness.**

- 5.1. The cost of living crisis has created roadblocks for traditional models of homelessness support which seek to move individuals into their own tenancies. Many who access homelessness services are in receipt of welfare benefits. As household costs rise, individuals who would previously have moved to independent tenancies are no longer able to cover costs under existing welfare provisions.
- 5.2. Modelling by Changing Lives estimates that single households in receipt of benefits face deficits of anywhere between £36-£200 per month after essential housing and utility costs are paid.<sup>17</sup> Referrals into social housing are increasingly being declined as tenants fail standard financial eligibility tests. This means individuals with nowhere to go, unable to move from supported housing. Some providers have been approached by former tenants seeking to move backwards, no longer able to afford costs. One provider reported their move on rate has dropped for the first time, down by 11%.

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<sup>16</sup> National Housing Federation. (2022). *Government consultation on 2023 rent increases*. 6<sup>th</sup> Sept 2022. Available at: <https://www.housing.org.uk/globalassets/files/resource-files/nhf-member-briefing---consultation-on-2023-rent-increases-final.pdf>

<sup>17</sup> Changing Lives. (2022). *Priced Out: The impact of the rising cost of living on people with multiple unmet needs*.



- 5.3. As services silt up beds are blocked for new residents, leaving the system at risk of stagnation as fewer beds become available for those newly experiencing homelessness.
- 5.4. Demand for services is also rising. Statutory homelessness data<sup>18</sup> shows sharp increases and CHAIN data shows rough sleeping in London has already risen by 24%.<sup>19</sup> Four in five members are already seeing an increase in demand and local authorities anticipate a new raft of need as homeowners struggle to meet mortgage costs.
- 5.5. Increases in homelessness, and particularly rough sleeping, are likely to mean significant financial and human cost for years to come as support needs increase. The cheapest option is to prevent homelessness wherever possible and an inflationary rise in welfare benefits is vital to prevent people on low incomes from losing their homes.
- 5.6. The quickest homelessness prevention measure Government can take is to unfreeze Local Housing Allowance rates to cover the true cost of rents.
- 5.7. Recent analysis by Crisis and Zoopla shows that fewer than one in twelve private properties listed last year were affordable within housing benefit levels with rapidly increasing average shortfalls between Housing Benefit and the cheapest rents including an average £950 a year shortfall for a one-bedroom home, an increase of £300 from five months earlier and an average £1,500 shortfall for a two-bedroom home, an increase of nearly £400 from five months earlier.<sup>20</sup>
- 5.8. As social housing spaces remain limited, the private rental sector plays an important role in preventing homelessness and delivering accommodation for those exiting homelessness. Local Housing Allowance should cover the cheapest third of the rental market to ensure those in receipt of benefits are able to access accommodation quickly and can maintain that accommodation without incurring debts.
- 5.9. With rising rent arrears and increasing numbers of people in households in temporary accommodation, a lack of affordability within the PRS risks both pushing people into homelessness and then trapping them in the insecure accommodation at high cost to local government. Increasing access to affordable housing is key to any strategy to ending rough sleeping.
- 5.10. **In order to deliver this we call on Government to:**
  - Uplift welfare benefits in line with inflation
  - Unfreeze the Local Housing Allowance rate so that it continues to cover at least the 30th percentile of local rents

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<sup>18</sup> Ministry of Housing, Communities and Local Government. (2022). *Statutory homelessness live tables*. Available at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>19</sup> Greater London Authority (2022). *Rough Sleeping in London (CHAIN reports): 2022/23 Quarter 1 Reports*. Available at: <https://data.london.gov.uk/dataset/chain-reports>

<sup>20</sup> Crisis and Zoopla. (2022). *Falling short: Housing benefit and the rising cost of renting in England*.

## Homeless Link

- Commit to a ten-year investment plan to realise the 90,000 social rent homes that England needs.

## What We Do

Homeless Link is the national membership charity for frontline homelessness services. We work to improve services through research, guidance and learning, and campaign for policy change that will ensure everyone has a place to call home and the support they need to keep it.

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