



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Communities and Local Government

Homelessness

Key facts

60%

increase in households in temporary accommodation since March 2011

77,240

households in temporary accommodation at March 2017

£1.15bn

local authority spending on homelessness services during 2015-16

88,410	homeless households that applied for homelessness assistance during 2016-17
105,240	households threatened with homelessness and helped to remain in their own home by local authorities during 2016-17 (increase of 63% since 2009-10)
4,134	rough sleepers counted and estimated on a single night in autumn 2016 (increase of 134% since autumn 2010)
Threefold	approximate increase in the number of households recorded as homeless following the end of an assured shorthold tenancy since 2010-11
21,950	households placed in temporary accommodation outside the local authority that recorded them as homeless at March 2017 (increase of 248% since March 2011)

Note

- 1 A household is the person that applied for assistance and the people with whom they reside or might reasonably be expected to reside.

Summary

1 English law defines somebody as homeless if they have no accommodation, or it is not reasonable for them to continue to occupy the accommodation they have. The Department for Communities and Local Government (the Department) is responsible for setting national policy on homelessness, and leads on implementing it across government. The Department's objectives for homelessness are: to prevent at-risk people from becoming homeless in the first place; to rapidly intervene with people who are already homeless; and to help people who are long-term homeless to recover from their homelessness and move into stable accommodation.

2 The Department also distributes homelessness funding to local authorities, which have a statutory duty to provide advice and assistance to all households that are homeless or are threatened with homelessness. Local authorities are also responsible for providing temporary accommodation to homeless households that are entitled to it in law. These households are typically referred to as being statutory homeless.

3 Homelessness in England in each of its various forms has increased in recent years. The number of rough sleepers stood at more than 4,000 in the autumn of 2016, having increased from fewer than 1,800 in the autumn of 2010. The number of homeless households in temporary accommodation has also increased, rising from fewer than 49,000 in March 2011 to around 77,000 in March 2017. The use of temporary accommodation is concentrated in London, and 70% of households in temporary accommodation are placed there by London boroughs.

4 In response to increasing homelessness pressures, demand for local authorities' prevention activities has also increased in recent years. The number of prevention cases increased from just under 141,000 in 2009-10 to just under 200,000 in 2016-17. Local authority assistance to prevent homelessness includes support to enable families at risk of homelessness to stay in their own homes, or to secure alternative accommodation.

5 In October 2016, the Department supported the introduction of legislation which will increase the homelessness duties of local authorities. The Homelessness Reduction Act 2017 will give local authorities greater responsibility for preventing homelessness. The Act secured royal assent in April 2017, and is likely to come into force with effect from April 2018.

Scope of this report

6 This report examines whether the Department is achieving value for money in its administration of homelessness policy. To demonstrate value for money, the Department should show that it has understood the causes and costs of homelessness, that it is using this understanding to drive the effective use of its resources, and is leading government efforts to tackle homelessness effectively.

- Part One of this report sets out the causes and costs of homelessness;
- Part Two sets out the response of local government to homelessness; and
- Part Three sets out the Department's leadership in reducing homelessness.

7 Homelessness policy is devolved and there are different legal definitions and government responses in Wales, Scotland, and Northern Ireland. This report examines homelessness in England only.

Key findings

The causes and costs of homelessness

8 **There are long-standing reasons why homelessness tends to be highest in certain areas.** There are many reasons why a person could become homeless, and it is possible for anybody to become homeless. The risk is greatest, however, for households in areas of high economic activity on the margins of being able to pay market rents for their homes. A substantial amount of variation in levels of homelessness between different local authorities is associated both with the broad character of different areas and with the proportion of households in an area receiving housing benefit to help pay their rent. To a lesser extent, variation in levels of homelessness between local authorities is also associated with changes in the affordability of private rented accommodation, particularly for households with the lowest incomes (paragraphs 1.9 to 1.13).

9 **The ending of private sector tenancies has overtaken all other causes to become the biggest single driver of statutory homelessness in England.** The proportion of households accepted as homeless by local authorities due to the end of an assured shorthold tenancy increased from 11% during 2009-10 to 32% during 2016-17. The proportion in London increased during the same period from 10% to 39%. Across England, the ending of private sector tenancies accounts for 74% of the growth in households who qualify for temporary accommodation since 2009-10. Before this increase, homelessness was driven by other causes. These included more personal factors, such as relationship breakdown and parents no longer being willing or able to house children in their own homes. The end of an assured shorthold tenancy is the defining characteristic of the increase in homelessness that has occurred since 2010 (paragraphs 1.14 to 1.16).

10 The affordability of tenancies is likely to have contributed to the increase in homelessness. Since 2010, the cost of private rented accommodation has increased three times faster than earnings across England. In London, the increase was eight times, with private rents rising by 24% and average earnings increasing by 3%. Homelessness tends to be higher in places where private rents have increased most since 2012-13 (paragraphs 1.12, 1.13, and 1.17 to 1.19).

11 Changes to Local Housing Allowance are likely to have contributed to the affordability of tenancies for those on benefits, and are an element of the increase in homelessness. Since 2011, the Department for Work & Pensions has introduced a series of welfare reforms, including capping and freezing Local Housing Allowance. These reforms have been designed to reduce overall welfare spending and to provide incentives for benefit recipients to take up employment. They have reduced the amount of household income that it is possible to derive from benefits where the Local Housing Allowance applies. At the same time, rents in the private rented sector in much of the country – London in particular – have increased faster than wage growth. All of these factors appear to have contributed to private rented properties becoming less affordable, which in turn is likely to be contributing to homelessness caused by the ending of an assured shorthold tenancy (paragraphs 1.20 and 1.21).

12 Overall public spending on homelessness has increased in recent years. In 2015-16 local authorities spent more than £1.1 billion on homelessness. More than three-quarters of this – £845 million – was spent on temporary accommodation. Three-quarters of this spending – £638 million – was funded by housing benefit, of which £585 million was recovered from the Department for Work & Pensions. Spending on temporary accommodation has increased by 39% in real terms since 2010-11. There is also a wider cost stemming from the impact of homelessness on public services such as healthcare. The Department does not have a robust estimate of this wider cost (paragraphs 1.27 to 1.29).

13 The government has not fully assessed the impact of its welfare reforms on homelessness. In our 2012 report *Managing the impact of Housing Benefit reform*, we found that the Department for Work & Pensions' assessment of the impact of its housing benefit reforms did not reflect their potential full scale, including an increase in homelessness.¹ Subsequent research commissioned by the Department for Work & Pensions in 2012 on the impact of housing benefit reforms on homelessness did not establish how many of these households would have been homeless if the reforms had not been introduced. The Department for Work & Pensions has not carried out any more recent analysis, despite the introduction of a series of further welfare reforms since late 2012 (paragraphs 1.22 and 1.23).

¹ Comptroller and Auditor General, *Managing the impact of Housing Benefit reform*, Session 2012-13, HC 681, National Audit Office, November 2012.

14 The government has also not evaluated how local authorities are using the funding it has introduced to mitigate the potential impact of its welfare reforms.

The Department for Work & Pensions increased the Discretionary Housing Payment (DHP) funding available to local authorities in Great Britain from £20 million in 2010-11 to £165 million in 2014-15. The increase was to provide some transitional support to households affected by welfare reforms. In 2015, the Department for Work & Pensions made a further £800 million available for this purpose. While the Department for Work & Pensions has commissioned research on how local authorities are using DHP, it has not evaluated the effectiveness of the different uses of this funding (paragraph 1.26).

The response of local government

15 The ability of local authorities to respond to increased homelessness is constrained by the limited options they have to house homeless families.

As we set out in our assessment of the housing market in *Housing in England: overview*, there has been a significant reduction in social housing over the past few decades.² Each local authority we interviewed for this study reported a fall in the amount of social housing stock that they could access to house homeless families. Those local authorities that we interviewed that used the private sector to house homeless families reported that fewer private landlords were willing to work with them. In some of the areas that we spoke to there is an extremely limited supply of private landlords willing to house homeless families (paragraphs 2.3 and 2.8).

16 Local authorities have increased their spending on homelessness while simultaneously reducing spending on preventing it.

While spending by local authorities on homelessness services such as temporary accommodation has steadily increased since 2010, spending on overall housing services has fallen by 21% in real terms over the same period. This includes a 59% real terms decrease in Supporting People funding, which is designed to help vulnerable people live independently and remain in their home (paragraphs 2.4 and 2.5).

17 There is significant variation in the type and cost of temporary accommodation that different local authorities use, reflecting their local housing markets.

There were 77,240 households in temporary accommodation in March 2017, an increase of 60% since March 2011. These households included 120,540 children, an increase of 73%. Nightly paid, self-contained temporary accommodation now makes up 25% of temporary accommodation, up from 8% in March 2011. The local authorities that we interviewed reported that nightly paid accommodation was often previously leased to the local authority from a private landlord on a long-term basis, but was increasingly being offered as nightly paid because it was more remunerative for the landlord. Several local authorities are innovating to respond to rising demand for homelessness services and limited housing options. Examples of innovation include converting a residential care home, and using portable units on brownfield land (paragraphs 2.6 and 2.7).

² Comptroller and Auditor General, *Housing in England: overview*, Session 2016-17, HC 917, National Audit Office, January 2017.

18 Nearly a third of homeless households have been placed in temporary accommodation outside the local authority where they first registered as homeless. One way in which local authorities have attempted to control the cost of homelessness services is by moving families to temporary accommodation in more affordable areas. In March 2017, 21,950 households were in temporary accommodation outside of the local authority that placed them there. The proportion of homeless households in temporary accommodation outside their local authority increased from 13% in March 2011 to 28% in March 2017. Almost 90% of these households are from London boroughs. Some local authorities are offering incentive payments of several thousand pounds to get landlords to offer a tenancy to households that are in receipt of housing benefit and are threatened with homelessness. The Department has not measured the impact of these incentive payments on the affordability of local housing markets (paragraphs 2.11 and 2.12).

The role of the Department

19 The Department's approach to working with local authorities in tackling homelessness is 'light touch'. The Department is distributing homelessness funding of £754 million between April 2016 and March 2020 through a combination of the local government financial settlements, new burdens funding, and a grant to replace the temporary accommodation management fee previously paid by the Department for Work & Pensions. In addition, it has developed a £50 million Homelessness Prevention Programme to encourage innovative approaches by local authorities to homelessness prevention. However, its overall approach to working with local authorities is light touch. This contrasts with the more interventionist approach that it has taken during previous periods of high homelessness. For example, although the Department requires each local authority to have a homelessness strategy, it considers the strategies' content and progress to be a local matter and the Department has taken the decision not to monitor these (paragraphs 3.4 to 3.6).

20 The Department does not have a published cross-government strategy to prevent and tackle homelessness. As we have set out above, the Department has overarching objectives for preventing people from becoming homeless, intervening with those who are homeless, and helping those who are homeless to move into stable accommodation. It has agreed outcomes for specific programmes with local authorities. It also works with other departments with an interest in homelessness: including the Department of Health, Ministry of Justice, Department for Work & Pensions, and the Home Office. The Department believes that it is taking a strategic approach to homelessness reduction. However, it has not published an overarching strategy setting out the overall reduction in homelessness that it wants to achieve through its spending and activities, or the contribution to this that it plans to deliver through its different programmes and the work of other departments. Without such a strategy, it is not possible to assess whether the Department is using its overall homelessness resources effectively (paragraphs 3.3 and 3.8).

21 The Department plans to improve the data the government holds on homelessness, and acknowledges the scale of this challenge.

The Department is changing the method that local authorities use to report data from counting the number of households to collecting individual records. This change, if successful, will enable the Department to obtain more information about different individuals' and households' progress through the homelessness system. It may enable the Department to match these data with data held by other government departments. This data matching may help the Department to develop its understanding of the wider costs of homelessness. The Department has not yet clarified whether the additional cost to local authorities of collecting data in this way will be met from existing funding (paragraphs 3.9 to 3.11).

22 The Department has supported new legislation that will increase the responsibilities of local authorities in preventing homelessness.

The Homelessness Reduction Act 2017 aims to give local authorities more responsibility for preventing homelessness. The Department expects that these responsibilities will lead to an increase in prevention cases and a fall in the number of households that qualify for temporary accommodation. The Department estimates that enacting this legislation will cost local authorities an extra £61 million for the first two years after it comes into force. This estimate includes many assumptions that will need to be revisited as new data become available (paragraphs 3.18 and 3.19).

Conclusion on value for money

23 Homelessness in all its forms has significantly increased in recent years, and at present costs the public sector in excess of £1 billion a year. It appears likely that the decrease in affordability of properties in the private rented sector, of which welfare reforms such as the capping of Local Housing Allowance are an element, have driven this increase in homelessness. Despite this, the government has not evaluated the impact of its welfare reforms on homelessness, or the impact of the mitigations that it has put in place.

24 Although it is the government department with responsibility for tackling homelessness, during its increase in recent years the Department took a light touch approach to working with local authorities. It is difficult to understand why the Department persisted with this approach in the face of such a visibly growing problem. It is only now beginning to put in place the measures that will allow it to maximise the effectiveness of the resources it directs at homelessness. There remain gaps in its approach and it has not, for example, sought to evaluate the majority of funding provided to prevent and tackle homelessness. The Department's recent performance in reducing homelessness therefore cannot be considered value for money.

Recommendations

- a** The Department should develop and publish a strategy that sets out how it will achieve its objectives relating to homelessness. This should set out the reduction in homelessness it is aiming to achieve and the contribution it expects from different programmes across government.
- b** The Department should work with local authorities to establish how they are making use of measures to tackle homelessness, in order to gain a full understanding of effectiveness and share best practice.
- c** The Department should work with local authorities to ensure that they are making the most effective use of temporary accommodation. This work should include enabling local authorities to increase their use of the innovative short-term solutions that they are taking.
- d** The government, led by the Department and the Department for Work & Pensions, should develop a much better understanding of the interactions between local housing markets and welfare reform in order to evaluate fully the causes of homelessness.