



## **Crisis response to the Public Accounts Committee's Homeless Households Inquiry**

*November 2017*

Crisis, the national charity for homeless people, is pleased to respond to the Public Accounts Committee's Inquiry into the National Audit Office (NAO) report on homelessness. Our innovative education, employment, housing and well-being services address individual needs and help homeless people to transform their lives. We measure our success and can demonstrate tangible results and value for money. We are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience.

### **1. NAO call for evidence on homelessness**

1.1. Crisis submitted a response to the NAO's call for evidence on homelessness in November 2016. That submission provides extensive evidence on the following topics:

- The strengths and limitations of existing homelessness data.
- The costs and benefits of homelessness prevention and resolution.
- The public cost of homelessness.
- The support offered by the Department for Communities and Local Government (DCLG) and central government to local housing services.
- The impact of welfare reform on homelessness.
- The impact of government policies regarding the provision of new social and affordable housing and the disposal of existing social and affordable housing.
- Local housing services' approach to reducing homelessness.

1.2. We have attached this submission for reference, and have focused primarily on the additional evidence that has been published since then in this response.

### **2. Summary**

2.1. **Significant costs to future governments if policies remain the same:** independent research commissioned by Crisis finds that homelessness will increase significantly over the next 25 years if current policy remains the same meaning that by 2041 we could expect there to be over 392,000 homeless households in the UK.<sup>1</sup>

2.2. **Homelessness prevention and rapid response is more cost effective.** Prevention of homelessness would result in significant savings in public expenditure. Treasury should adequately invest in welfare so as not to undermine the Government's homelessness prevention agenda. Research commissioned by Crisis estimated that public spending would fall by £370 million if 40,000 people were prevented from experiencing one year of homelessness<sup>2</sup>. On areas of significant government

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<sup>1</sup> Bramley, Glen (2017) Homelessness projections: Core homelessness in Great Britain. London: Crisis.

<sup>2</sup> Pleace, N and Culhane, D. (2016) Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England. London: Crisis

spending such as welfare and housing, the Department for Work and Pensions (DWP) and DCLG should have a more integrated and targeted response to homelessness prevention:

- Interim findings from the DWP/ DCLG homelessness prevention pilot in Newcastle, an early adopter area for Universal Credit and one of the successful Homelessness Prevention Trailblazer local authority areas, show that public agencies (Jobcentre Plus and Housing Options) can be more efficient at preventing homelessness by greater integration of services to improve the functionality of the new benefits system; Universal Credit. Specifically this includes more strategic partnership working at a local level, an alignment of departmental policies, and better data sharing between both agencies.
- Improve functionality of Universal Credit by investing in the infrastructure of Universal Support Framework and funding for Help to Rent provision across England.
- In addition, it is important to distinguish policy drivers that relate to welfare reforms, from the ongoing Treasury led cuts to the welfare budget that manifest themselves in policies such as the freeze on Local Housing Allowance (LHA), the seven-day waiting period, the withdrawal of the housing related element of Universal Credit for 18-21 year olds, and the lowered threshold benefit cap, all of which compound problems for having a robust welfare system that can effectively prevent homelessness.

**2.3. There is a significant shortage of affordable homes that are accessible for people who are homeless or living on a low income.** Single homeless people face significant barriers to accessing both social and private rented sector housing. Social lettings to single homeless people in England fell from 19,000 a year in 2007-8 to 13,000 in 2015-16.

**2.4. Housing First is the most cost effective and sustainable way to end homelessness for people with high and complex needs.** Findings from a feasibility study that considered the potential for introducing Housing First in the Liverpool City Region found that it is significantly more cost effective at achieving successful outcomes for homeless people with high and complex needs than the current system and has the potential to save up to £5 million if implemented at scale in the Liverpool City Region<sup>3</sup>.

### **3. Significant costs to future governments if policies remain the same**

**3.1.** In 2015-16 local authorities spent more than £1.1 billion on homelessness, with more than three quarters of this being spent on temporary accommodation. This does not include the wider costs stemming from the impact of homelessness on public services, such as healthcare<sup>4</sup>. Independent research commissioned by Crisis estimates that at any one time in 2016 160,000 households in Great Britain were homeless (including 143,000 in England). This includes rough sleepers, 'sofa-surfers',

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<sup>3</sup> Blood, Imogen, Ian Copeman, Mark Goldup, Nicholas Pleace, Joanne Bretherton & Shelly Dulson (2017) Housing First Feasibility Study for the Liverpool City Region: Final Report. London: Crisis.

<sup>4</sup> National Audit Office (2017) Homelessness. <https://www.nao.org.uk/wp-content/uploads/2017/09/Homelessness.pdf>

people staying in hostels, shelters and refuges and households placed in unsuitable temporary accommodation. These numbers are projected to increase significantly over the next 25 years if current policy remains the same meaning that by 2041 we could expect there to be over 392,000 homeless households in Great Britain<sup>5</sup>. This clearly shows the significant cost – both to individual lives and to the public purse – of doing nothing to reduce and prevent homelessness.

- 3.2. In addition to projecting expected future levels of homelessness, the research considers existing drivers of homelessness and uses this to model the impact that different policy changes would have on projected levels of core homelessness across Britain. The first scenario envisages the cessation of further welfare cuts planned for the period 2016-21, and of any similar welfare cuts going forward. The results indicate that this would lead to a substantial reduction in core homelessness, down 6.5% in 2021, 21% by 2026-31 and 33% by 2036 compared to the baseline forecast.
- 3.3. The second scenario is one of a major increase in general new housing supply (around 60%), including social/affordable housebuilding, skewed towards the south of England. This would lead to a progressive reduction in core homelessness of over 9% in 2026, 15% in 2031 and 19% by 2036. Reductions in rough sleeping and people living in unsuitable temporary accommodation would be particularly significant.
- 3.4. The third scenario envisages a significant increase in the amount of homelessness prevention work carried out by local authorities, and models a scenario where all local authorities match the practices of those with the most extensive homelessness prevention activity. This would have a large impact in reducing core homelessness by 22% in 2021 and approaching 27% by 2026 onwards. This gives some indication of the reductions in homelessness that we should expect to see following the implementation of the Homelessness Reduction Act.
- 3.5. The final scenario is one of regional convergence in economic growth performance. This assumes that the government can implement policies that rebalance the economy across the regions, securing higher economic growth in previously lagging regions without greatly reducing the growth in London and the South of England. This would lead to a substantial reduction in homelessness overall, building up gradually from 7% in 2026 to 25% by 2036.

#### **4. Homelessness prevention and rapid response**

- 4.1. A statutory prevention duty has the potential to drive a culture shift within homelessness services towards offering more meaningful, personalised support, focussed on working with households to identify the best solutions to prevent or resolve their homelessness. The Homelessness Reduction Act should be a driver for a broader agenda to prevent homelessness as part of wider cross-government strategy on homelessness. In order for the legislation to be successfully implemented it must be accompanied by a strong cross-government strategy on preventing and tackling homelessness to ensure that central government departments are not designing policy which leads to homelessness. There is currently a Ministerial Working Group on Preventing and Tackling Homelessness, which is led by DCLG. However, it is very difficult for one department alone to embed systematic change right across government. We believe that Number 10 should lead cross-government working on homelessness prevention as they have

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<sup>5</sup> Bramley, Glen (2017) Homelessness projections: Core homelessness in Great Britain. London: Crisis.

the authority to set objectives that individual departments must meet within a specified timeframe. This would fulfil the Government's manifesto commitment to set up a new homelessness reduction taskforce to focus on prevention and affordable housing. It is also essential that the Treasury have a coherent approach to investing in prevention across all relevant departments. The success of the Rough Sleepers Unit in significantly reducing the number of rough sleepers in the late 1990s clearly demonstrates the importance of having strong leadership in government to ensure necessary action is taken by all departments<sup>6</sup>. Embedding robust housing and homelessness strategies across government departments would mark a significant step forward in helping prevent and end homelessness.

- 4.2. The Homelessness Reduction Act's focus on prevention and relief will help to ensure that homelessness is tackled at an earlier point for all households and resources are used much more effectively. Alongside the human cost of homelessness; damaging health, wellbeing and life chances, the costs to the public purse could be saved by directing investment into enhanced preventative services for ending homelessness.
- 4.3. The potential role prevention services can play in reducing the financial costs of homelessness has recently been explored further through independent research commissioned by Crisis<sup>7</sup>. The research asked 86 people who had been homeless for at least 90 days about the services they had used and any forms of support that would have prevented their current homelessness. Using a tested American methodology, it found, on average, that preventing homelessness for one year would result in a reduction in public expenditure of £9,266 per person. Based on this public spending would fall by £370 million, if 40,000 people were prevented from experiencing one year of homelessness.
- 4.4. In addition to upfront costs for local authorities, the research also considered the financial implications for temporary accommodation, health and the criminal justice system. Falls in spending can be estimated as likely to occur because existing data indicate rates of use of NHS services, drug and alcohol services and mental health services are higher among homeless people than the housed population. Early indications in Wales, where changes to the homelessness legislation introduced new duties on local authorities to carry out prevention work with all eligible households, suggest they have achieved a 16% drop in spending on temporary accommodation by local authorities per quarter. However, although there was a gradual downtrend in temporary accommodation placements in the period 2012-2015, this was reversed in 2015-2016 where placements rose by 7%<sup>8</sup>. Over a six month period the changes also resulted in 14 fewer convictions, up to a 23% reduction on A&E spending and a 25% reduction in hospital admissions. This provides some indication of the possible long term savings that will occur because of the changes introduced by the Homelessness Reduction Act in England.
- 4.5. Although the potential for long term savings is significant it is also essential that local authorities have enough funding to implement the service transformation that is required for the Act to be fully effective. DCLG need to have a real time

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<sup>6</sup> Ilott, Oliver, Joe Randall, Alex Bleasdale and Emma Norris (2016) Making policy stick. Institute for Government/JRF: London.

<sup>7</sup> Pleace, N and Culhane, D. (2016) Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England. London: Crisis

<sup>8</sup> Fitzpatrick, Suzanne, Hal Pawson, Glen Bramley, Steve Wilcox, Beth Watts and Jenny Wood (2017) The homelessness monitor: Wales 2017. London: Crisis.

monitoring system in place to keep track of expenditure and ensure that a shortage of funding doesn't undermine the aspirations of the new duties. We will closely monitor whether the initial funding brings about the culture changes in homelessness that are needed.

- 4.6. The DWP/ DCLG pilot in Newcastle is helping to identify what local authorities and local Jobcentres can do jointly to prepare for the implementation of the Homelessness Reduction Act and respond to the operational challenges of transitioning to Universal Credit. Interim findings have demonstrated the benefits of an integrated service delivery model between the two agencies, based predominately on strong partnership working but also highlighting a number of practical changes to policies around data sharing, the claimant commitment and conditionality policy that could further increase successful prevention activity. As a result of this new approach, a significant number of residents have had their homelessness prevented, either through help to sustain their current tenancy and manage their Universal Credit claim, or support to move quickly into accommodation if currently homeless. The benefits of this approach will be explored further over the remaining duration of the pilot and findings on both policy and practice that relate to the incoming Duty to Refer (Homelessness Reduction Act) will be presented for further consideration to the cross ministerial working group on homelessness.
- 4.7. Universal Credit is a much needed way of simplifying our complicated benefits system, but we can't ignore the significant complications it's roll-out is having. Far too many people are experiencing delays in their payments, meaning they cannot pay their rents. It is also making it more difficult for tenants to access properties in the private rented sector. New research from the National Landlords Association found that only 2 in 10 landlords would rent to tenants on Universal Credit<sup>9</sup>. We need to make sure, whether the system is rolled out or delayed, that the most vulnerable tenants are properly supported. The Government must provide funding for Help to Rent projects, which provide an intensive package of support for both landlords and tenants, in the forthcoming budget. These schemes will be vital in helping to mitigate some of the negative impacts of Universal Credit.
- 4.8. Preventing homelessness for as many people as possible is critical to ending homelessness altogether and there remains a need for prevention activity beyond that which is required by the Homelessness Reduction Act. As the Newcastle pilot demonstrates, homelessness prevention works best when different government departments and local public agencies work in partnership towards a shared understanding of homelessness prevention objectives. A stronger cross government strategy on prevention is essential if we are to ensure that different departmental policies are aligned and focused on preventing homelessness at the earliest possible stage. This should also require departments to ensure that their policies do not cause homelessness. In theory, the ministerial working group on homelessness should play this role but the NAO's findings indicate that departments need to develop a better understanding of the relationship between their policies and the causes of homelessness, particularly in relation to the interactions between local

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<sup>9</sup> Findings from the NLA Quarterly Landlord Panel Q2 2017, <https://www.landlords.org.uk/news-campaigns/news/two-in-ten-landlords-willing-house-universal-credit-tenants>

housing markets and welfare reform. Departments across government should be required to report regularly to the new prevention taskforce on this.

## 5. Affordable housing

- 5.1. Crisis has recently carried out a piece of analysis (soon to be available) to better understand housing affordability for single homeless people. We have identified that there are approximately 26,000 single homeless people whose main cause of homelessness is a lack of access to general needs housing<sup>10</sup>. The analysis piece examines what proportion of the housing market (including both the social and private rented sectors) across the UK is accessible to those 26,000 single homeless people based on their incomes, through both benefits and employment.
- 5.2. The initial findings from the research has revealed a varied and sobering picture for households progressing out of homelessness. For example, in terms of access to the private rented sector in England, a single homeless person working full time and receiving the minimum wage in the current benefits system, is more likely to be able to find affordable housing in a low-pressure housing market, where affordability has been defined as having enough residual income (i.e. after housing costs) to be living at the official poverty line (60% of the median household). However, in high demand markets such as in London, this person would have to live below the poverty line to access housing, and would also find the range of the market available to them to be significantly less. This is also true for households solely in receipt of benefits or with fluctuating incomes, such as from zero hour contracts, who struggle to access affordable housing across markets. While Universal Credit promises to increase the proportion of the market that is affordable, and affordability of the social sector is often much better than the private rented sector, there are barriers to access with both in terms of how Universal Credit is working practically for homeless people and policies that act as a barrier to accessing the social sector for homeless people<sup>11</sup>.
- 5.3. Crisis is concerned that the Government's proposed changes to the Homelessness Code of Guidance for local authorities shifts the responsibility for determining whether a household's accommodation is affordable from central government to local authorities. The existing Code of Guidance recommends that local authorities 'regard accommodation as not being affordable if the applicant would be left with a residual income which would be less than the [applicable] level of income support or income-based jobseekers allowance'. The draft Code of Guidance, which DCLG are currently consulting on, removes the reference to the applicable level of benefit and places the responsibility on the local authority to determine whether the applicant can afford their housing costs without being deprived of essentials. This appears to be an active admission that if a household is not actually destitute then they can be allowed to live in extreme poverty below the level of income support without their accommodation being considered unsuitable. It also shifts the responsibility for deciding what residual income a household needs to be able to live without forfeiting essentials from a figure defined by government (the level of income support), to a figure determined by the local authority. Supporting households to

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<sup>10</sup> Rowe, S & Wagstaff, T (2017) Moving On: Improving access for single homeless people in England. London: Crisis.

<sup>11</sup> Rowe, Sarah (2017) Moving on: Improving access to housing for single homeless people in England. Crisis: London.

move into properties they can barely afford is unsustainable and increases the risk that they will become homeless again in future.

5.4. As the research referenced above shows, accommodation in the private rented sector is increasingly unaffordable for households in receipt of benefits or on a low income in parts of the country. Changes to Local Housing Allowance have contributed to the affordability of tenancies for those on benefits, as the cost of a property at the 30<sup>th</sup> percentile of the market has increased faster than the Local Housing Allowance and there is now a significant shortfall in high demand areas. The NAO concluded that this is likely to have contributed to the increase in homelessness, and noted that homelessness tends to be higher in places where private rents have increased most since 2012-13<sup>12</sup>. Shifting the outfall of cuts to the welfare budget - reduced affordability of accommodation and increased homelessness - to local authorities, whilst at the same time investing in local authority run prevention programmes is effectively government giving with one hand, and taking with the other. The soon to be established prevention taskforce could address such expenditure problems, bringing together Treasury, DWP and DCLG for a more strategic approach to investment in housing policy and prevention.

## **6. Housing First: a housing led approach to homelessness**

6.1. In addition to homelessness prevention, it is essential that the right services are in place to immediately support people who do become homeless, including services for people with high and complex needs. We propose a 'housing-led' model in which everyone experiencing or threatened with homelessness is resettled as quickly as possible into their own tenancies, with support provided where needed. Housing First is a central feature of this housing led system.

6.2. Housing First is a specific model of support for a specific group of homeless people (those with high and complex needs) and international evidence demonstrates that it is most effective when it is part of a wider integrated strategy to end homelessness that includes preventative services, lower intensity support services for homeless people with less complex needs, services for specific groups (such as young people, women and former offenders) and various measures to maximise access to affordable and sustainable housing. In Finland the use of Housing First as an approach to long term and recurrent homelessness at the core of a sustained strategy, which includes a strong emphasis on prevention and an array of lower intensity services, has reduced homelessness to the point where it has effectively ended. Experiences of homelessness are rare and where they do occur they are short term<sup>13</sup>.

6.3. Crisis commissioned a study to test the feasibility of implementing Housing First at scale within the Liverpool City Region<sup>14</sup>. The study ran from February to June 2017

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<sup>12</sup> National Audit Office (2017) Homelessness. <https://www.nao.org.uk/wp-content/uploads/2017/09/Homelessness.pdf>

<sup>13</sup> For further details, see: Pleace, N.; Knutagård, M.; Culhane, D.P. and Granfelt, R. (2016) 'The Strategic Response to Homelessness in Finland: Exploring Innovation and Coordination within a National Plan to Reduce and Prevent Homelessness' in Nichols, N. Doberstein, C. (eds) *Exploring Effective Systems Responses to Homelessness* Toronto: Canadian Observatory on Homelessness.

<sup>14</sup> Blood, Imogen, Ian Copeman, Mark Goldup, Nicholas Pleace, Joanne Bretherton & Shelly Dulson (2017) *Housing First Feasibility Study for the Liverpool City Region: Final Report*. London: Crisis.

and included extensive qualitative research with professionals from across the region and other parts of the UK and people with lived experience of homelessness, analysis of data from homelessness services currently operating in the region, a review of relevant local and national policies and research evidence and analysis of the potential costs and savings or efficiencies from the model.

- 6.4. Most areas in the UK, including the Liverpool City Region, currently operate a 'staircase' hostel model. This essentially involves 'progressing' homeless people through a series of separate residential services – emergency shelters, short and longer term supported housing – towards independent living. The feasibility study conducted in Liverpool found that this model often doesn't work well for homeless people with complex needs. This is because of the challenges of living in an environment where addiction or other complex issues might be prevalent and complying with the rules and conditions of the hostel, the lack of stability and security within short stay hostel placements and the limited mental health, substance misuse and psychological support. Thus, people with complex needs are at high risk of frequent evictions from hostels, getting 'stuck' within the hostel system, or rejecting services altogether. There is also evidence of high unmet need in the current system. The Liverpool City Region feasibility study found that nearly one in three of those with the highest complex needs were not receiving or accepting an accommodation placement at all.
- 6.5. Housing First offers an alternative to the current system, which has been shown to have clear benefits for people experiencing homelessness<sup>15</sup>. Housing First uses ordinary housing, such as private or social rented flats and is designed to house formerly homeless people with high needs in their own, settled homes as quickly as possible and to provide the unconditional support they will need to sustain an exit from homelessness in their own home.
- 6.6. Evidence from both small projects in the UK and schemes in other countries shows that Housing First sustainably ends homelessness and can lead to positive improvements in health, wellbeing and social integration. The evaluation of Housing First pilots in England completed in 2015 found that, among 60 users of Housing First services there was a 15% drop in the number of clients reporting bad or very bad physical health and an 18% drop in the number of clients reporting bad or very bad mental health.<sup>16</sup> The Threshold Housing First project in Greater Manchester is an example of the successful outcomes that can be achieved through this model. The project works with women with a history of offending and in the first two years 90% of tenancies have been sustained and there has been no recorded reoffending.
- 6.7. Housing First has been shown to be more cost effective than the current model of homelessness provision in England. Analysis undertaken as part of the Liverpool City Region Feasibility Study found that Housing First is between three and five times more cost effective than current services in delivering sustained tenancies for homeless people with high and complex needs. The study modelled various

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<sup>15</sup>See Busch-Geertsema, V. (2013) Housing First Europe: Final Report <http://housingfirstguide.eu/website/wp-content/uploads/2016/03/FinalReportHousingFirstEurope.pdf>; Goering, P. et al (2014) National at Home/Chez Soi Final Report Mental Health Commission of Canada; Benjaminsen, L (2013) Policy Review Update: Results from the Housing First based Danish Homelessness Strategy European Journal of Homelessness 7.2, pp. 109-131

<sup>16</sup> Bretherton, J. and N. Pleace (2015) Housing First in England: An evaluation of nine services. York: Homeless Link/Changing Lives.



scenarios to consider the potential cash savings for local authorities in the Liverpool City Region, depending on the level of service transformation. A conservative scenario, in which Housing First operates alongside reduced but still significant provision of supported housing is estimated to have cost savings of £3.29 million, and a more ambitious scenario, in which most 24/7 supported housing is replaced by Housing First, is estimated to have cost savings of £5 million.

6.8. The Liverpool City Region feasibility study and evidence from the evaluation of Housing First pilots in England and large scale schemes internationally clearly demonstrates the potential the model has to provide long term, effective support for homeless people with high and complex needs who are often not well supported in the current system, while also achieving substantial cost savings and playing a significant part in reducing and ending homelessness in England.

**For further information, please contact:**

Ruth Jacob, Senior Policy Officer

Tel: 020 7426 3893

Email: [ruth.jacob@crisis.org.uk](mailto:ruth.jacob@crisis.org.uk)