

St Mungo's Autumn Budget 2024 and Spending Review Representation

1. Recommendations

- 1. Extend funding to tackle the Rough Sleeping emergency** – The Government should commit to extending and uplifting Rough Sleeping Initiative (RSI) funding for at least the duration of the Spending Review period to avoid annual bidding rounds and guarantee that any move away from this model is accompanied with a reasonable transition period to sustainable future funding, enabling long-term work to end homelessness to be the most impactful.
- 2. Maintain Local Housing Allowance Rates to support housing affordability** – The Government should commit to keeping the Local Housing Allowance (LHA) in line with at least the 30th percentile of local rents, as recommended by the Work and Pensions Select Committee. LHA rates should be adjusted at least annually to keep pace with the real cost of renting.
- 3. Increase the Benefit Cap to help people into housing** – To ensure that the maintaining of Local Housing Allowance (LHA) rates are effective, the Government should increase benefit cap to allow people to claim their full LHA entitlement to help them into secure housing.
- 4. Remove employment disincentives to help people in supported housing into work** – To ensure people in supported housing do not become worse off when they work more, the Government should ensure there is parity in the taper rates between Housing Benefit and Universal Credit housing elements, with both at a taper rate of 55%, as well as increasing the Housing Benefit disregard.

2. Background – About St Mungo's

St Mungo's is a leading homelessness charity with national influence. We work in partnership with local authorities, health colleagues and communities, to end homelessness and rebuild lives.

Our purpose is to end homelessness and rebuild lives. In the midst of some of the highest levels of homelessness and rough sleeping on record, we are needed more than ever.

Last year we supported 23,827 people who were homeless, or at risk of it. Of these, 9,040 were people supported by one of our 13 outreach services.

We ran 147 services in total, in London and across the South of England. Our work means we were able to provide somewhere safe to stay to 2,313 people every night

We believe that policies and interventions can be put in place to end all forms of homelessness for good.

3. Executive Summary

We welcome the Government's commitment to "*put Britain back on track to ending Homelessness*" and that it will "*develop a new cross-government strategy*" to do this".¹ The causes and consequences of homelessness are complex, and it is vital that all government departments work together to end homelessness.

With this being the first Budget and Spending Review of the new Government, we ask that these commitments are maintained, and that this is reflected by the Treasury adopting the measures we are recommending to achieve your commitment to end homelessness.

The previous Government committed to ending Rough Sleeping by 2024. Though we welcomed this commitment, it has sadly not been achieved – in fact, rough sleeping and homelessness have increased to record levels in recent years.

This Budget and Spending Review could be a pivotal moment and vital opportunity for the Government to lay the foundations of the cross-governmental approach to ending homelessness.

This Budget and Spending Review sits against a backdrop of a dramatic increase in homelessness and rough sleeping over the last few years, with the highest number of households homeless in temporary accommodation ever recorded in the last quarter (117,450 households including 74,530 households with children)² and a 27% rise in the number of people sleeping rough in the last year alone³.

This submission puts forward key actions the Government should take to reduce homelessness at the Autumn Budget and Spending Review 2024, using our experience as a frontline homelessness services provider and drawing on the cross-sector Kerslake Commission 2023 report authored by St Mungo's in its role as secretariat.⁴

The reality is that we are still facing a homelessness emergency with figures at unprecedented highs. Every number represents someone who is personally experiencing this crisis, which is a truly damning reflection on our society with huge economic repercussions for the public purse. Instead of rolling back funding, extending and uplifting it will enable investment in the long-term strategy to end homelessness and reduce future financial pressures.

The number of people estimated to be sleeping rough on a single night in England in autumn 2023 was nearly 4,000⁵, and in the last quarter, over 86,000 households were homeless or at risk of homelessness⁶. At the same time, it has been estimated that local authorities across the country could face a £4 billion funding gap over the next two years⁷.

With homelessness and the demand for services rising, whilst local authorities and charities face unprecedented financial pressure, we are facing a perfect storm.

1 [Change: Labour Manifesto 2024](#), The Labour Party, Page 80

2 [MHCLG Statutory Homelessness in England Figures \(Jan-Mar 2024\)](#) – Published 8 August 2024

3 [Rough Sleeping Snapshot in England: Autumn 2023](#) – Published 29 February 2024

4 [The Kerslake Commission 2023](#)

5 [Rough Sleeping Snapshot in England: Autumn 2023](#) – Published 29 February 2024

6 [MHCLG Statutory Homelessness in England Figures \(Jan-Mar 2024\)](#) – Published 8 August 2024

7 [Financial distress in local authorities \(parliament.uk\), Levelling Up, Housing and Communities Committee, January 2024](#)

The Rough Sleeping Initiative (RSI), is a vital ring-fenced fund for local authorities and charities to support people in need and deliver services. However, despite demand and costs increasing, the Rough Sleeping Initiative is due to end at the end of March 2025, which would create a cliff-edge for thousands of people in need. Our top priority for the Government's first Budget and Spending Review is to extend this fund, representing a necessary response to the continuing rough sleeping emergency.

The Private Rented Sector (PRS) continues to be an area which requires increased investment and attention from the Government in order to get back on track to ending homelessness, with the PRS being the most common type of accommodation for households at risk of homelessness in the last quarter (45.5% of prevention duty applications)⁸. We therefore welcome the Government's commitment to the Renters' Rights Bill⁹. Though we were pleased that the long-awaited unfreezing of Local Housing Allowance rates to cover the bottom 30th percentile of local rents from April earlier this year, this needs to be more than a one off. After years of rates being frozen, reverting to a freeze will risk backsliding on any progress. Rates need to be fixed to cover the bottom 30th percentile of local rents for the long-term to provide more certainty to renters and help tackle homelessness, following years of frozen rates where the gap between rates and rents widened.

The cost of housing is the greatest financial pressure facing people on the brink of homelessness and is likely to rise even further. Unless Local Housing Allowance rates are fixed permanently, the gap between Local Housing Allowance rates and the real cost of rent will continue to grow in years to come, leaving more households unable to afford to keep a roof over their heads. To ensure that policies within the welfare system is aligned and can work at their best, the benefit cap must also be raised to ensure that people can claim their full Local Housing Allowance entitlement.

Without this intervention, there will be increasing demand for local authority homelessness assistance and use of temporary and emergency accommodation which are already at record levels. This will lead to both poorer socio-economic outcomes for households affected and higher levels of inefficient public spending. This will inevitably lead to increasing numbers of households facing homelessness at a time when local authorities and service providers are facing a challenging financial context. This is highlighted by recent statistics which show that Councils in England spent a record £1bn on temporary accommodation for homeless families in the past year. This is more than 50% higher than the year before, driven by record numbers of families living in short-term housing, including over 150,000 children. Of this, Councils spent £417m accommodating families in hostels and bed and breakfasts, a 63% increase on the year before.¹⁰

Employment should also be a key consideration within this Budget and Spending Review – making work pay for those in supported housing should also be a priority. We were encouraged by the Government's commitment to "*reviewing Universal Credit so that it makes work pay and tackles poverty*"¹¹ and hope this can include removing the work disincentives issue for people in supported housing which we have previously raised. Employment is a key lever for a person's recovery from homelessness and so minimising any systemic barriers to work should be a priority.

⁸ [MHCLG Statutory Homelessness in England Figures \(Jan-Mar 2024\)](#) – Published 8 August 2024

⁹ [The King's Speech 2024 - GOV.UK \(www.gov.uk\)](#)

¹⁰ [Local authority revenue expenditure and financing England: 2023 to 2024 – first release - GOV.UK \(www.gov.uk\)](#)

¹¹ [Change: Labour Manifesto 2024](#), The Labour Party, Page 78

A significant proportion of people recovering from homelessness will spend time in supported housing where they will claim Housing Benefit to cover their housing costs, alongside Universal Credit to cover their living costs. Current Housing Benefit rules discourage work and are often a barrier to people seeking employment. Whereas people in the Private Rented Sector (PRS) will become steadily better off the more they work, people in supported housing see their benefits taken away more quickly and can become worse off when working more hours. Consequently, people living in supported accommodation are almost always better off significantly limiting their working hours, which itself can delay people gaining the confidence and independence to move on to lower levels of support.

To ensure people in supported housing do not become worse off when they work more, the Government should ensure there is parity in the taper rates between Housing Benefit and Universal Credit housing elements, with both at a taper rate of 55%, as well as increase the Housing Benefit disregard. We all want work to pay. This is an issue which has broad support from a number of organisations from across the supported housing sector and would be a small investment for a much larger gain.¹²

4. Extending Funding to Tackle the Rough Sleeping Emergency

Historically, where we have seen the biggest progress on tackling rough sleeping is when there has been a concerted effort by the Government with additional funding and cross-sector working on the issue. For instance, the ‘Everyone In’ initiative during the pandemic helped drive progress and saved at least 226 lives, prevented 21,092 infections, and avoided 1,164 hospital and 338 Intensive Care Unit admissions.¹³ Government data has shown that 37,000 individuals were brought inside during the emergency response and as of November 2020, rough sleeping had been reduced by 37% in one year.

By directing that local authorities should help ‘everyone’ at risk of rough sleeping, this effectively derogated rules on priority need, local connection and No Recourse to Public Funds, improving knowledge, engagement and outcomes among groups that had previously fallen through the gaps of support. The clue to the success of Everyone In lay in its title – that it was for everyone.

Existing and additional funding allocated to rough sleeping made the directive to bring ‘everyone in’ feasible, and the investment in long-term accommodation supported sustainable recovery. This built on what the Government had already put in place through programmes such as the Rough Sleeping Initiative.

However, since this progress was made during the pandemic, the latest figures show that progress on tackling rough sleeping has regressed; the previous Government took their eye off the ball and failed to meet its target to end rough sleeping by 2024.

This Autumn Budget and Spending Review sits against a backdrop of a continuing dramatic increase in homelessness and rough sleeping over the last few years, with the highest number of homeless households in temporary accommodation ever recorded, and a 27% rise in the number of people sleeping rough in the last year alone¹⁴.

¹² [Untapped Resource: Homeless young people’s employment experiences and aspirations](#), Centrepoin, 2024

¹³ [Kerslake Commission interim report, 2021 executive summary](#)

¹⁴ [Rough Sleeping Snapshot in England: Autumn 2023](#) – Published 29 February 2024

With a perfect storm of multiple factors over recent years including the freeze in Local Housing Allowance, the affordable housing crisis and the cost of living crisis, homelessness and rough sleeping is on the rise. Local authorities who commission many homelessness services have reported unprecedented financial pressures which are being felt particularly acutely in homelessness services. London Councils estimates boroughs will collectively overspend on their homelessness budgets this year by £150m¹⁵ as well as collectively facing a £400 million funding gap in 2024/25. This is roughly what boroughs spend on homelessness in a single year.¹⁶ The Levelling Up, Housing and Communities Committee's report from earlier this year sets out that Local Authorities across the country find themselves in an increasingly difficult financial position with an estimated £4 billion hole in council funding arrangements for 2024-25.¹⁷

One of the most significant financial pressures on many Local Authorities is around homelessness services and housing provision, with the Institute for Fiscal Studies (IFS) highlighting that inflationary cost pressures affecting local authorities' services are outpacing economy-wide inflation, with spending during April-September 2023 on homelessness and related services up by 26% compared with the same period in 2022.¹⁸

Ring-fenced funding for emergency specialist support is integral in tackling this homelessness emergency and is a lifeline for local authorities and organisations on the front line. Rough Sleeping Initiative funding is also vital to lay the foundations for any long-term cross-departmental strategy to ending homelessness – a strategy we know the Government is working on¹⁹. The Rough Sleeping Initiative²⁰, is a prime example of a ring-fenced programme to tackle rough sleeping, which its funding allocations from 2022-2025 for over 250 local authorities as of 22nd January 2024 total £547,660,469²¹.

However, this funding is due to end at the end of March 2025 which means that thousands of vulnerable people in need of the vital services funded by this programme will face a cliff edge if this funding ceases. This will also put local authorities and sector organisations in a volatile financial position as demand continues to rise. Thousands of the people that St Mungo's support rely on services funded by the Rough Sleeping Initiative. If it is not extended and uplifted, about a third of the projects that St Mungo's deliver with local authorities may have to close. In addition to this, against a backdrop of increasing numbers of rough sleepers, this would amount to a major step backwards and could undermine any progress in tackling rough sleeping for years to come.

Though a move to a more prevention-focussed funding model makes sense for the long-term, given the emergency and increased demand we are currently facing, Rough Sleeping Initiative funding must be extended. Any shift from the current model needs to come with a reasonable transition period and lead-in time to help organisations and services to manage the financial risk and ensure our service expertise is maintained in helping the Government end homelessness. Without a transition period, and with only months until RSI funding is due to end, there would be a significant impact on clients, staff and the financial resilience of the homelessness sector.

¹⁵ [Plea for Autumn Statement support as £600m shortfall looms, London Councils](#)

¹⁶ ["Now is the time to urgently work with councils" - London Councils responds to LUHC Committee report on financial distress in local authorities | London Councils](#)

¹⁷ [Financial distress in local authorities \(parliament.uk\), Levelling Up, Housing and Communities Committee, January 2024](#)

¹⁸ [The 2024-25 local government finance settlement: the real pain is still to come | Institute for Fiscal Studies \(ifs.org.uk\)](#)

¹⁹ [Angela Rayner to lead Labour taskforce to tackle homelessness \(bigissue.com\)](#)

²⁰ [Rough Sleeping Initiative 2022-2025 Funding Allocations, DLUHC, 3 September 2022.](#)

²¹ [Rough Sleeping Initiative: 2022 to 2025 updated funding allocations - GOV.UK \(www.gov.uk\)](#)

The short-term nature in which the previous government administered the initiative created uncertainty and made sensible decision-making challenging. The sector needs certainty to make sensible long-term decisions which will enable us to end homelessness. We want to work in partnership with the Government to develop sustainable funding models which deliver results. The National Audit Office's recent report also recognises that "*central government funding arrangements for local authorities' homelessness services remain complex, fragmented and sometimes uncertain.*"²² Extending Rough Sleeping Initiative funding will help to resolve some of this uncertainty whilst implementing a transition period into any new funding model should help alleviate the fragmented nature of funding.

We therefore strongly believe it is vital that the Rough Sleeping Initiative funding is uplifted and extended for at least the duration of the Spending Review period to avoid annual bidding rounds and guarantee that any move away from this model is accompanied with a reasonable transition period to sustainable future funding, enabling long-term work to end homelessness to be the most impactful.

We are not alone in our view that Rough Sleeping Initiative Funding should be extended. Earlier this year St Mungo's ran an open letter campaign which was sent to party leaders. It was supported by more than 50,000 members of the public who were firmly behind funding being extended. We understand that public perception is a key consideration for any government when setting a Budget and the large number of people who support this cause only bolsters the case for change.²³

Recommendation

- **Extend funding to tackle the Rough Sleeping emergency** – The Government should commit to extending and uplifting Rough Sleeping Initiative funding for at least the duration of the Spending Review period to avoid annual bidding rounds and guarantee that any move away from this model is accompanied with a reasonable transition period to sustainable future funding, enabling long-term work to end homelessness to be the most impactful.

5. Maintain Local Housing Allowance Rates and increase the Benefit Cap to help people into housing

Private Rented Sector Unaffordability

The unaffordability of the Private Rented Sector continues to be a huge driver of homelessness. Though we welcome moves to build more homes, which should help alleviate this issue in the long-term, there are solutions which can help in the shorter term. The most obvious measure is to fix LHA rates to cover the bottom 30th percentile of local rents and increasing the benefit cap.

Private rental market data from the Office for National Statistics (ONS) shows private rental prices paid by tenants in the UK increased by 6.2% in the 12 months to January 2024 and the annual rate has remained unchanged since November 2023. This represents the largest annual percentage change since the UK data series began in January 2016.²⁴ When we submitted our

²² [The effectiveness of government in tackling homelessness \(nao.org.uk\)](https://nao.org.uk/publications/the-effectiveness-of-government-in-tackling-homelessness), National Audit Office, 3 July 2024, p11

²³ [St Mungo's open letter supported by 50,261 signatories | St Mungo's \(mungos.org\)](https://stmungos.org/open-letter)

²⁴ [Office for National Statistics, Private rental market summary statistics in England \(January 2024\)](https://www.ons.gov.uk/housing/articles/private-rental-market-summary-statistics-in-england-january-2024).

representation to the Spring Budget in January this year, the figures were the same, highlighting the continued challenges faced in the private rented sector.

This affordability crisis is leading to increasing levels of homelessness. The Ministry of Housing, Communities and Local Government (MHCLG)'s latest quarterly Statutory Homelessness in England stats,²⁵ show that end of a private Assured Shorthold Tenancy (AST) was the most common reason for households being at risk of homelessness, which accounted for 14,750 or 37.9% of households, an increase of 1.6% from the same quarter last year.

There was also a large increase in households at risk of homelessness due to rent arrears caused by an increase in rent. A breakdown of households owed a prevention duty due to the end of an AST shows the biggest increase was due to rent arrears from increase in rent, which increased by a 27.6% from the same quarter last year.

St Mungo's also recently contributed to research commissioned by Commonweal Housing which further highlighted the impact of the Private Rented Sector on increasing levels of homelessness. This emphasised that not only are people falling into homelessness from the Private Rented Sector but that the Private Rented Sector's unaffordability and instability is making it harder for people to recover from homelessness and find move-on accommodation²⁶

Greater numbers of households receiving benefits are being hit by rent increases, meaning more people are experiencing a large discrepancy between the amount of housing benefit support available through Local Housing Allowance and the actual cost of rent. In the 12 months to January 2024, private rental prices in the UK increased by 6.2%.²⁷ As a result, many households are building up arrears and debt, running down limited savings, or covering the shortfall by using their Universal Credit personal allowance, meaning they have very little financial resilience to a sudden expense which can act as the catalyst to homelessness. This is shown in the far higher poverty rates in the private rented sector compared to owner-occupied housing tenure, with the poverty rate in the private rented sector at 34%.²⁸

It is unlikely that rental prices will fall any time soon, and it is more likely they will continue to rise as they have done in recent years.²⁹ This is in part attributed to high borrowing costs for landlords, continued pressure on the affordable Private Rented Sector market due to a lack of new social housing and the challenging environment for private renters looking to move into home ownership.³⁰ Fixing Local Housing Allowance rates and adjusting the benefit cap will help prevent the gap between Local Housing Allowance rates and the real cost of rent from continuing to grow, stopping more households unable to afford to keep a roof over their heads.

The Cost of Living

The unaffordability of the Private Rented Sector has been exacerbated in recent years by the Cost of Living Crisis. In its 2022 Progress Report, the Kerslake Commission warned of the potential impact the rising cost of living could have on levels of homelessness and rough sleeping as households feel the pressure of rising energy bills and high levels of inflation.³¹ Despite continued government interventions over the last few years through the Household

25 [MHCLG Statutory Homelessness in England Figures \(Jan-Mar 2024\)](#) – Published 8 August 2024

26 [No-Access-No-Way-Out-WEB-FINAL.pdf \(commonwealhousing.org.uk\)](#)

27 [Index of Private Housing Rental Prices, UK - Office for National Statistics \(ons.gov.uk\)](#)

28 [Institute for Fiscal Studies, Housing quality and affordability for lower-income households \(June 2023\)](#).

29 [Index of Private Housing Rental Prices, UK - Office for National Statistics \(ons.gov.uk\)](#)

30 [Zoopla, Why are there so few homes to rent? \(January 2023\)](#).

[FT Adviser, Rents to rise by almost 13% this year \(January 2023\)](#).

31 [Kerslake Commission on Homelessness and Rough Sleeping, Progress report \(September 2022\)](#).

Support Fund, Energy Price Guarantee, Cost of Living Payments and uprating of benefits, lower income households continue to feel the pressure of the cost of living, leaving more people at risk of homelessness. This has been seen through the increasing levels of homelessness reported in MHCLG's quarterly statutory homelessness statistics.

This can in part be attributed to a lack of designated support for housing costs as Local Housing Allowance rates were frozen for such a long period, Discretionary Housing Payments budgets have been cut and the benefit cap inhibits progress.³² Data on Discretionary Housing Payments for 2023/24 shows local authorities spent 112% of their combined allocations, indicating the need for support with housing costs is higher than what is currently available.³³ As a result, the support which has been made available to households is undermined by rapidly rising housing costs that can account for up to 35% of a median income.³⁴

In addition to this, the large gap which currently exists between rates of Local Housing Allowance entitlements which have been reduced by the benefit cap and the actual cost of rents, means that people are having to use their income support to subsidise their housing costs and face negative budgets where expenditure is much larger than income.³⁵ The Trussell Trust's 'Impossible Decisions' campaign has previously highlighted that low-income households are having to make impossible choices between paying rent, bills or food due to the insufficiency of both housing and personal elements of the benefits system.³⁶ Consequently, the lack of support available for low-income households with their housing costs means that cost of living support measures introduced by the previous Government have not been as effective as they could be and are having limited impact in preventing people from falling into homelessness.

One of the consequences of the rising cost of living, including high rents, is an increasing number of people are experiencing homelessness and rough sleeping for the first time. London CHAIN data shows that in the 2023/24 financial year, 7,974 people in London were recorded as sleeping rough for the first time, a 25% increase on the figure from the previous financial year.³⁷

With the cost of living increasing, a broader range of people are experiencing the risk factors of homelessness such as decreasing financial resilience and insecure housing arrangements. This was reported by the Kerslake Commission³⁸. As a result, homelessness service providers are increasingly supporting people new to rough sleeping who have no or minimal support needs and in some cases are maintaining employment through an experience of homelessness. There is a risk, however, that as people go through the traumatic experience of homelessness, more complex support needs can begin to develop which make it far more challenging for people to move on from homelessness and return to independent accommodation.

In addition to increased numbers of new rough sleepers, the cost of living is impacting those who are returning to rough sleeping having previously moved into independent accommodation, with those placed in the Private Rented Sector at particular risk. Annual CHAIN data shows an increase in returning rough sleepers.³⁹ Decreasing levels of financial

³² [Inside Housing, Government cuts discretionary housing payment fund by £40m \(March 2022\).](#)

³³ [Department for Work and Pensions, Use of Discretionary Housing Payments \(July 2024\).](#)

³⁴ [Office for National Statistics, Private rental affordability, England, Wales and Northern Ireland: 2022 \(October 2023\).](#)

³⁵ [Crisis, Experiences of homelessness during a cost of living crisis.](#)

³⁶ [Trussell Trust, Impossible Decisions \(June 2022\).](#)

³⁷ [CHAIN Statistics 2023/24 – Annual](#) – Released 27 June 2024.

³⁸ [2023 Report | Turning the Tide – The Kerslake Commission \(commissiononroughsleeping.org\)](#)

³⁹ [CHAIN Statistics 2023/24 – Annual](#) – Released 27 June 2024.

resilience caused by the rising cost of essentials is increasing the risk of people returning to rough sleeping, which in turn risks worsening outcomes for support needs such as mental health or substance use.

Whilst the macro-economic outlook has improved slowly in recent months, this has not eased the strain felt by households, especially those on low incomes. Further, whilst inflation has fallen, the price of many essentials is remaining higher than the rate at which household incomes have increased⁴⁰. As a result, the ongoing cost of living crisis presents a significant risk in increasing levels of homelessness and rough sleeping. Fixing LHA rates and increasing the benefit cap can help this.

Fixing Local Housing Allowance (LHA) rates

In April 2024, after mounting pressure and evidence and significant campaigning by St Mungo's and other organisations through the Cover the Cost Coalition, Local Housing Allowance rates were finally unfrozen to cover the bottom 30th percentile of local rates⁴¹. Prior to this, Local Housing Allowance rates had remained frozen at levels set in 2019 for private renters on welfare benefits. With rents soaring and Local Housing Allowance frozen for almost four years, the rent gap and shortfall in benefits has been widening for tenants and landlords.

During the LHA freeze, a survey by the National Residential Landlords Association (NRLA) found that of landlords renting to tenants on Universal Credit, only 28% were letting properties at the Local Housing Allowance rate.⁴² Analysis from the Institute for Fiscal Studies found that by the first quarter of 2023, just 5% of properties in the private rented sector were affordable at Local Housing Allowance rates.⁴³ The issue is particularly acute in densely populated urban areas, for example a report for London Councils found only 2% of private rental properties in the capital were affordable at Local Housing Allowance rates.⁴⁴

The decreased proportion of properties available at affordable levels means that the demand for these properties is far higher than supply. A recent survey by the NRLA identified that 59% of landlords who currently let a property at Local Housing Allowance rate said they would not rent again at the Local Housing Allowance rate when the current occupant moved out, and 25% said they would sell the property altogether.⁴⁵ This creates a competitive and fast-moving market which can distinctly disadvantage those with experience of homelessness. Fixing Local Housing Allowance rates to cover the bottom 30th percentile of rates would help this in the long-term.⁴⁶

With the current uplift which was granted in April 2024 only set to last a year, we will be reverting to this dangerous position if Local Housing Allowance rates aren't permanently fixed to cover the bottom 30th percentile of local rents. Ensuring that Local Housing Allowance rates are fixed to cover the bottom 30% of rents now would be an investment, rather than incurring greater costs down the line when circumstances will make this uplift will unavoidable. The previous Government did not increase any other benefits at last year's autumn statement but knew that increasing Local Housing Allowance was unavoidable.

⁴⁰ [Will prices ever go down in the UK? - Big Issue](#)

⁴¹ [St Mungo's response to the Autumn Statement | St Mungo's \(mungos.org\)](#)

⁴² [National Residential Landlords Association, In focus: 2022 Qtr. 1 \(September 2022\).](#)

⁴³ [Institute for Fiscal Studies, Housing quality and affordability for lower-income households \(June 2023\).](#)

⁴⁴ [London Councils, Supply of Private Rented Sector Accommodation in London \(July 2023\).](#)

⁴⁵ [National Residential Landlords Association, In focus: 2022 Qtr. 1 \(September 2022\).](#)

⁴⁶ [Budget must fix broken housing benefit system | NRLA](#)

The Levelling Up, Housing and Communities Committee's report on Local Authority funding arrangements from earlier this year also endorses this, with the following recommendation "We recommend that the Government reconsider its position on re-freezing local housing allowance rates from 2025–26 onwards. Instead, the Government must maintain LHA rates at least at the 30th percentile of local market rents each year to ensure that those children and adults receiving benefits have sufficient access to rental properties and to prevent further escalation of pressure on local authorities' homelessness services. (Paragraph 138)".⁴⁷

London Councils have also previously estimated that the impact of continuing to uprate Local Housing Allowance to the 30th percentile of local market rents would be to prevent an additional 16,500 to 22,000 London households from becoming homeless over a six-year period, and would lead to savings of between £80 million and £107 million per year for London's local authorities.⁴⁸

However, to ensure that the increase in Local Housing Allowance rates is truly effective and is aligned with other government policies, the Benefit Cap should be increased to allow individuals to claim their full Local Housing Allowance entitlement. This is to combat the issue where some people in areas where rents are particularly high such as London, are unable to claim their full Local Housing Allowance entitlement due to the benefit cap. This is a case of government policies being misaligned, leading to individuals using their other benefits which should be used for living costs, being spent on rent. This is increasing poverty and inhibiting social mobility.

Fixing Local Housing Allowance rates to cover the bottom 30th percentile of local rents will be an investment and protect people from falling into homelessness. Pairing this with a benefit cap increase to match, would help policies align to become more effective and impactful.

By fixing Local Housing Allowance rates to the 30th percentile and adjusting the benefit cap, the Government would be making an important investment and intervention to prevent households from falling into homelessness, whilst also relieving the huge amount of pressure currently placed on local authorities. Whilst fixing the rates to this level would be a significant financial investment, it has clearly already been recognised by the previous Government that it is a necessary and inevitable move which provides value for money as they committed to it for one year. Fixing rates to this level will help address the damage the freeze in Local Housing Allowance rates has caused - which can in part be seen through increased levels of homelessness in recent years – and restore some certainty for renters.

The cost of this measure will also help stem the growing cost of providing temporary accommodation for homeless families, which cost local authorities England a record £1bn in the past year. This is more than 50% higher than the year before, driven by record numbers of families living in short-term housing, including over 150,000 children. Of this, Councils spent £417m accommodating families in hostels and bed and breakfasts, a 63% increase on the year before.⁴⁹ Without enough properties affordable to people at risk of or recovering from homelessness,⁵⁰ people are increasingly turning to local authorities, fuelling these large increases in the use of temporary and emergency accommodation.⁵¹

⁴⁷ [Financial distress in local authorities \(parliament.uk\)](#), Levelling Up, Housing and Communities Committee, January 2024

⁴⁸ [Raise housing support to prevent 60,000 London renters becoming homeless, say boroughs | London Councils - Localgov Drupal](#)

⁴⁹ [Local authority revenue expenditure and financing England: 2023 to 2024 – first release - GOV.UK \(www.gov.uk\)](#)

⁵⁰ [Crisis, Falling short: Housing benefit and the rising cost of renting in England](#).

⁵¹ [Shelter, Temporary accommodation: the new social housing? \(February 2022\)](#).

The current housing affordability crisis is such that high levels of public spending on subsidising housing costs are inevitable, however that money would be better spent on prevention interventions which support people to stay in their homes. There is growing evidence of the negative impacts which temporary accommodation can have on the health and socio-economic outcomes of residents, including children and families.⁵² Investing in fixing Local Housing Allowance rates to prevent increased use of temporary accommodation is a key part of preventing future decades of social inequalities that risk giving rise to further crises of homelessness and rough sleeping in years to come.

Recommendations

- **Maintain Local Housing Allowance Rates to support housing affordability** – The Government should commit to keeping the local housing allowance (LHA) in line with at least the 30th percentile of local rents, as recommended by the Work and Pensions Select Committee. LHA rates should be adjusted at least annually to keep pace with the real cost of renting.
- **Increase the Benefit Cap to help people into housing** – To ensure that the maintaining of Local Housing Allowance (LHA) rates are effective, the Government should increase benefit cap to allow people to claim their full LHA entitlement to help them into secure housing.

6. Supporting Entry into Employment

We were encouraged by the Government’s commitment to “*reviewing Universal Credit so that it makes work pay and tackles poverty*”⁵³ Gaining employment has wide-ranging positive impacts and for people in supported housing or recovering from homelessness. Employment can be a life-changing pathway in their recovery. However, people in supported housing face a specific barrier and disincentive to work due to the way the welfare system is configured. The misalignment in the taper rates of Universal Credit and Housing Benefit create a barrier to work for people in supported housing as the more hours they work, there will be a cliff-edge in their earnings – meaning they would be financially worse-off in work. This is despite a clear desire from the majority of people in supported housing wanting to work.

The previous Government’s Rough Sleeping Strategy also recognises that stable employment improves both the long and short-term accommodation prospects for people with experience of homelessness and can also improve wellbeing and motivation.⁵⁴

In the 2022 Rough Sleeping Strategy, the previous Government highlighted the DWP Personalised Employment Support, which provides £39 million of funding over the next three years to support people with complex needs around drug and alcohol use into employment through the IPS model. We’re pleased that the Government recognised the success and viability of this support model through this funding. St Mungo’s has similarly seen the positive results of the IPS model in our Employment Support provision and the benefit of integrating this approach within housing and homelessness services.¹

⁵² [APPG for Households in Temporary Accommodation, Call for evidence findings, \(January 2023\).](#)

⁵³ [Change: Labour Manifesto 2024](#), The Labour Party, Page 78

⁵⁴ [DLUHC, Ending Rough Sleeping For Good \(September 2022\)](#)

Among people with experience of homelessness, there remains a discrepancy between the ambition of those who want to work, and those who achieve this. In 2021, 3% of our clients told us they were in employment, but many more say that they are interested in working.²

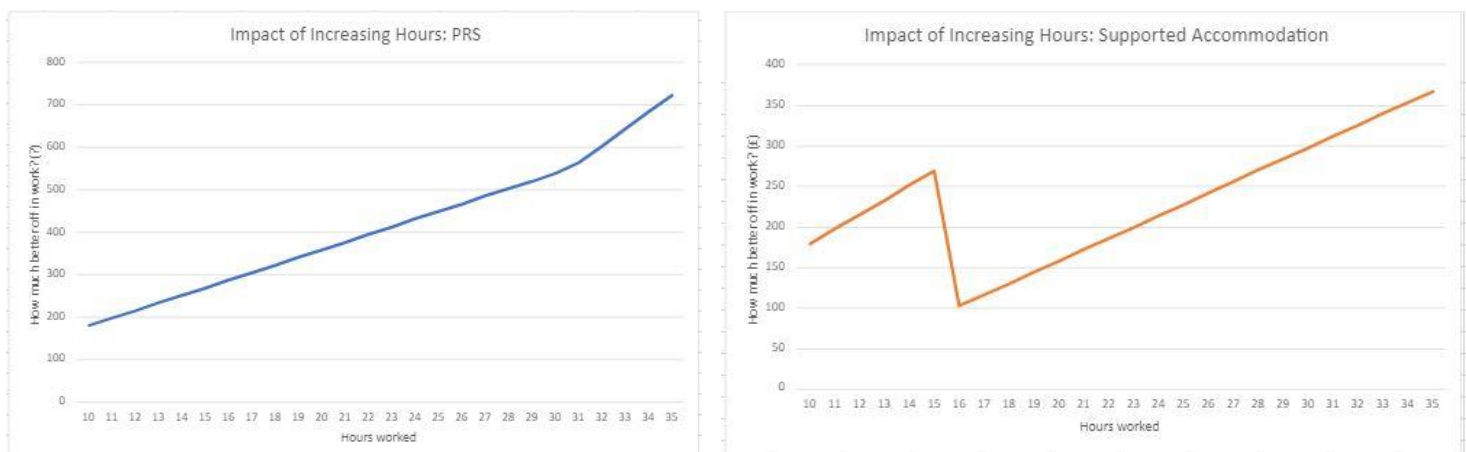
A large proportion of people recovering from homelessness will spend time in supported accommodation. People living in Supported Accommodation will claim Housing Benefit to cover their housing costs, alongside Universal Credit to cover their living costs.

However, current Housing Benefit rules discourage work and are often a barrier to people seeking employment. Unlike people in the Private Rented Sector who will become steadily better off the more they work, people in supported and temporary accommodation see their benefits taken away more quickly and can become worse off when working more hours. This is due to a higher taper rate for Housing Benefit claimants who are working (HB 65% vs UC 55%), and the fact that under this system there are two benefits which are tapered, rather than one.

Under Universal Credit, support is withdrawn via a single taper whereas under Housing Benefit, people experience a 'double tapering' which means both their Housing Benefit and Universal Credit Income Support is tapered, leading them to lose more of their benefit. The rate at which Universal Credit and Housing Benefit is withdrawn for people in work means claimants quickly become liable to pay the high rents and service charges associated with supported accommodation out of their wages. This is often unaffordable as well as unsustainable and can risk a return to homelessness if people build up significant arrears.

Consequently, people living in supported accommodation are almost always better off significantly limiting their working hours, to avoid impacting their Housing Benefit and putting their accommodation at risk.

The below graphs illustrate the Impact on income when working hours increase: PRS vs Supported Accommodation.



New evidence on Interest in working and barriers to employment

St Mungo's conducts an organisation-wide 'Client Feedback Survey' every 2 years, which is designed to better understand client perceptions and support needs. This contributes to an evidence-base to inform improvements to service delivery and achieving equitable outcomes for all demographics of clients in their recovery from homelessness. Following a consultation period with the Department for Work and Pensions, specific employment-related questions were included in the most recent survey, the results of which are broken down in the appendix.

The headline finding from our recent Client Feedback Survey in relation to employment was that 27% of our clients stated *'I'm concerned that working whilst living in homelessness accommodation will cause problems with my benefits'*, the most common barrier to employment overall only behind mental and physical health. This is despite a clear willingness to work, with almost two thirds of our clients in supported housing stating they are interested in working.

This issue of taper rates is recognised by service providers, local government and policymakers across the country, as can be seen in the current work being undertaken with West Midlands Combined Authority (WMCA). As part of the Trailblazer Devolution Deal, DWP have agreed to work with WMCA Homelessness Taskforce to develop a regional pilot 'rent simplification' scheme for young workers in commissioned supported accommodation. The scheme is intended to support young people to gain and maintain employment whilst living in supported housing.

Through a combination of measures to improve the Housing Benefit rules, the Government can open up greater opportunities for people recovering from homelessness to gain employment and prevent the accrual of arrears which could lead to a return to the streets.

We suggest creating parity in the taper rates between Housing Benefit and Universal Credit housing elements, with both at a taper rate of 55% and increasing the Housing Benefit disregard to ensure people are not worse off in work. To solely adjust the Housing Benefit taper rate would lead to a shallower and shorter decrease in income at the point the Housing Benefit taper kicks in. Therefore, there would remain the issue that people in supported housing would be worse off in work, since both their Housing Benefit and Universal Credit is being tapered.

Taken together, these two measures will remove barriers to employment that are currently experienced by people recovering from homelessness in supported housing. This will create a clear progression whereby as people work more hours, they see their income increase and can build financial resilience to move on into independent accommodation.

Recommendation

- **Remove employment disincentives to help people in supported housing into work -**
To ensure people in supported housing do not become worse off when they work more, the Government should ensure there is parity in the taper rates between Housing Benefit and Universal Credit housing elements, with both at a taper rate of 55%, as well as increasing the Housing Benefit disregard.

7. Conclusion and Recommendations

In summary, with homelessness and rough sleeping continuing to rise, it is vital that the Government's first Budget and Spending Review is used to announce measures which tackle the homelessness emergency and work towards achieving its commitment to reduce homelessness. The recommendations outlined in this submission are an investment and will have a long-term positive impact on reducing homelessness.

We sincerely hope the following recommendations are adopted within the 2024 Autumn Budget and Spending Review.

1. **Extend funding to tackle the Rough Sleeping emergency** – The Government should commit to extending and uplifting Rough Sleeping Initiative funding for at least the duration of the Spending Review period to avoid annual bidding rounds and guarantee that any move away from this model is accompanied with a reasonable transition period to sustainable future funding, enabling long-term work to end homelessness to be the most impactful.
2. **Maintain Local Housing Allowance Rates to support housing affordability** – The Government should commit to keeping the Local Housing Allowance (LHA) in line with at least the 30th percentile of local rents, as recommended by the Work and Pensions Select Committee. LHA rates should be adjusted at least annually to keep pace with the real cost of renting.
3. **Increase the Benefit Cap to help people into housing** – To ensure that the maintaining of Local Housing Allowance rates are effective, the Government should increase benefit cap to allow people to claim their full LHA entitlement to help them into secure housing.
4. **Remove employment disincentives to help people in supported housing into work** – To ensure people in supported housing do not become worse off when they work more, the Government should ensure there is parity in the taper rates between Housing Benefit and Universal Credit housing elements, with both at a taper rate of 55%, as well as increasing the Housing Benefit disregard.

Appendix – St Mungo’s Client Feedback Survey 2023-24 Employment Data Analysis

Interest in Work

Client Feedback Survey 23/24 Q.11) “Are you interested in working?”

Fig.1 - St Mungo’s Supported Accommodation* Clients Interest in Working

Clients in Supported Accommodation	
Are you interested in working?	%
Yes - in the next 6 months	16
Yes - in the next 6-12 months	11
Yes - at some point in the future (in a year or more)	36
No	32
I am already working	5
N	437

(*The client survey is broken down into several service categories, including ‘residential’ services – this is synonymous to the government definition of ‘supported accommodation’ with clients residing in semi-independent self-contained units, or communal hostels, with access to onsite support. Clients residing in care homes and/or over the age of 70 have been excluded from this sample to more accurately reflect clients with direct employment support as part of their recovery – supported accommodation will be used as the term for this sample throughout this document)

- **Over two-thirds (68%) of clients in supported accommodation are already in or interested in working**

These latest results indicate **the majority of clients (63%) are interested in working**, even if at some point in the future. This interest is contrasted with **only 5% of clients already in some form of employment**. Clients residing in supported accommodation will have been assessed

to have medium to high support needs requiring longer term support – with stays of up to 2 years reflecting the individual’s needs. Despite this **16% of clients expressed they were interested in working** within the next 6 months, the most immediate timeframe. The 68% figure of clients interested in or already working remains unchanged when looking at clients across all service category types within the survey (with care homes removed).

Fig. 2 - St Mungo’s Clients Interest in Working Across Age Brackets – All services*

Clients in ALL SERVICES		
Are you interested in working?		
Age Bracket	Yes/already working (%)	N (per age bracket)
18-25	97	34
26-35	81	133
36-50	69	263
51-60	51	130
61-70	20	51
70+	11	19
N	630	

(*Category types for ‘all services’ included within the survey are: Residential, Floating Support, Temporary ‘Emergency’ Accommodation, Outreach)

- **The majority of clients across all services, up to the age of 60, are interested in or already working**

The table above contains the age range of clients that St Mungo’s supports across all services, without a supported accommodation filter applied. It again illustrates that the majority of clients within each age group are interested in or already working; with the exception of those in categories of age 61 and over who are approaching retirement age.

As we can see, the younger the age group the higher percentage of clients interested or already in work, highlighting how early interventions could have greater impact when clients are more willing and able to engage in support.

Barriers to work

Client Feedback Survey 23/24 Q.12) “What barriers put you off from going into work, if any? Please select up to 4 and rank them from most to least important, putting a 1 next to the most important and a 4 next to the least important.”

Fig.3 - St Mungo’s Supported Accommodation Clients with any barriers to work

Clients in Supported Accommodation	%
Yes (any barrier selected)	93
No (‘I do not have any barriers’)	7
N	423

- **93% of clients in supported accommodation face at least one barrier to going into work**

Fig.4 - St Mungo's Supported Accommodation Clients barriers to work

Clients in Supported Accommodation	
Barrier selected from 1-4	%
I'm concerned that working whilst living in homelessness accommodation will cause problems with my benefits	27
I have other concerns about managing my money when moving into work	16
I'm unsure about my eligibility to work (such as immigration status or offending history)	6
My physical health	35
My mental health	41
My substance use	22
I've got low confidence in my skills	23
Other	9
I do not have any barriers	7
N	423

- **Working whilst living in homeless accommodation causing problems with benefits was cited as the 3rd most common barrier to employment, only behind Physical and Mental health concerns**

Supported accommodation clients may be at different stages of recovery depending on their journey and unique set of support needs. One or more of Physical, mental, and substance use barriers are to be expected in homelessness accommodation, with existing policy initiatives in place as a support provider to improve specialist and integrated 'health' support accessible to clients.

Employment support related barriers (grouped here as benefits issues, money management, eligibility and skills related concerns when moving into work) are demonstrated here as a significant concern for clients. **27% of clients stated 'I'm concerned that working whilst living in homelessness accommodation will cause problems with my benefits'**, the 3rd most common barrier to employment overall only behind 41% of clients citing mental health and 35% citing physical health.

Fig.5 - St Mungo's Supported Accommodation Clients barriers to work groupings

Clients in Supported Accommodation	%
Clients facing one or more employment support related barrier	63
Clients facing one or more health support related barrier	78
I do not have any barriers	7
N	423

- **63% of clients face one or more employment support related barrier to work**

Fig.6 - St Mungo's Supported Accommodation Clients Number 1 ranked barrier to work

Clients in Supported Accommodation	
Number 1 ranked barrier	%
I'm concerned that working whilst living in homelessness accommodation will cause problems with my benefits	23
I have other concerns about managing my money when moving into work	3
I'm unsure about my eligibility to work (such as immigration status or offending history)	3
My physical health	22
My mental health	28
My substance use	9
I've got low confidence in my skills	5
Other	7
sum	100
N	393

- **28% of clients stated that Mental Health was their Number 1 ranked barrier to going into work**
- **23% of clients stated that working whilst living in homelessness accommodation causing problems with benefits was their Number 1 ranked barrier to work – the second highest number 1 ranked barrier over even physical health and substance use**

Fig.7 - St Mungo's Supported Accommodation Clients grouping of Number 1 ranked barrier to work

Clients in Supported Accommodation	%
Client with Employment support related barrier ranked number 1	34
Clients with Health support related barrier ranked number 1	59
'Other' barrier ranked number 1	7
sum	100
N	393

- **Over one-third (34%) of clients in supported accommodation have an employment support related barrier as their Number 1 ranked barrier to going into work**

Other barriers

From the open text box where we asked clients who selected 'other' to specify, the most common themes oriented around; needing further training and language support, help sourcing a suitable job, general confidence issues about maintaining a job, multiple support needs, and facing the stigmatisation of people who have experienced homelessness. Examples of which can be seen below:

- *"Language, but I'm attending college to improve my English. I also have knee injury which can be a barrier"*

- *“Struggling to find work due to Christmas period due to short contracts. Have been working until recently. Options are limited.”*
- *“Trying to ease back into work and start with training. Focused on mental well-being also.”*
- *“No equal opportunity because of the stigmatisation of my life. Economics of low paid work. Distress of past and future life is 'paralyzing’”*