

National Audit Office report on Homelessness highlights government failure

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

A report by the National Audit Office, despite its diplomatic language, highlights the responsibility of the government for an increase in homelessness. The statistics are stark.

- Since March 2011 there has been a 60% increase in the number of households living in temporary accommodation; up to 77,240 in March 2017.
- An increase of 73% in the numbers of children in temporary accommodation to 120,540.
- An 134% increase in rough sleepers since 2010.
- Spending on temporary accommodation has increased by 39% in real terms since 2010/11.

But for the efforts of local authorities to prevent homelessness the situation would be even worse. The number of cases where local authorities “took positive action to prevent homelessness” increased by 63% from 2009/10 to 2016/17; up to 105,240. They have also helped 93,390 households to obtain alternative accommodation, an increase of 23% over 2009/10.

The NAO estimates that three quarters of the rise in the numbers of households in temporary accommodation is the result of an unprecedented increase in the proportion of households who qualified for temporary accommodation because an Assured Shorthold Tenancy (AST) in the private rented sector was ended by a landlord. They now make up 32% of homelessness cases. The report states:

“The end of an ASTs is the defining characteristic of the increase of homelessness that has occurred since 2010.”

A “section 21 notice of possession”¹ is the usual means to remove a tenant. It is a legal eviction notice which a landlord must issue to regain possession at the end of a tenancy (usually with two months notice). The advantage to the landlord is that they can charge a higher rent to a new tenant.

Given the shortage of council housing and the swift growth of the private rented sector rents have risen sharply. The NAO reports that the cost of private rented accommodation has increased *three times faster than earnings* across England. The impact of this increase has been exacerbated by welfare reforms which cut Local Housing Allowance (LHA) from the 50th to 30th percentile, meaning that the LHA was tied to the price of rent in the cheapest 30% of the sector. The government imposed four year LHA freeze will inevitably increase the gap between it and rent.

The NAO found that *two thirds* of households in receipt of LHA *had a shortfall* between it

¹ Section 21 of the 1988 Housing Act.

and their rent. The average shortfall in London was £50 a week and £26 a week in the rest of England. This not only has an economic impact on tenants in the sector but imposes a financial burden on councils. The shortfall between LHA and rent which Councils had to cover in order to carry out their statutory homelessness duty was £207 million in 2015/16. The NAO says

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

The impact of austerity

As a result of the austerity programme since 2010 councils have cut spending on housing services by 21% in real terms (taking account of inflation) up to 2016/17. Annual spending on housing services fell from £3.73 billion to £2.94 billion. Even worse there has been a real terms cut in spending for Supporting People funding of 59%. This is money specifically designed to help vulnerable people live independently and remain in their home.

Homelessness organisations provide emergency accommodation for rough sleepers and homeless people. According to the sector body, Homeless Link, the number of bed spaces provided by them in England fell from 43,655 in 2010 to 35,727 in 2016. These organisations have relied on Supporting People money and hence have been adversely affected by the massive cut in that funding.

One particularly unsavoury feature of landlords taking advantage of the shortage of accommodation is the increase in the charging of local authorities on a nightly basis. The cost of this type of accommodation has increased from £26 million in 2010/11 to £106 million in 2015/16.

Homelessness Reduction Act

The government has introduced an Homelessness Reduction Act, which “will increase the burden on local authorities”. It is funding local authorities with an extra £61 million over 2 years, to take account of the extra responsibilities, after which “it expects the savings to local authorities to be greater than the costs”. As a result of the Act it estimates that there will be a 7% increase in applications for homelessness assistance, a 15% fall in households that qualify for temporary accommodation, a 36% increase in cases of homelessness prevention or relief. The NAO says that it is too early to say if the department's estimates are reasonable. The government has said it would review these estimates and “it might” make “further limited funding” available though only in “high pressure areas”.

The projected fall in numbers in temporary accommodation is unlikely given the fact that private rents are continuing to outpace earnings, the LHA is frozen, and the number of council homes available for homelessness placements continue to fall.

The NAO bemoans the fact that the government “has not evaluated the impact of its welfare reforms on homelessness, nor the impact of the mitigations it has put in place.” Although the DCLG has responsibility for tackling homelessness it “took a light touch approach to working with local authorities” despite its increase. The NAO says

“It is difficult to understand why the Department persisted with this approach in the face of such a visibly growing programme.”

The Department has not even sought to evaluate the majority of funding provided to prevent homelessness. “The Department's recent performance in reducing homelessness therefore cannot be deemed to be value for money.” This is something of an understatement since the Department has demonstrably failed to decrease homelessness.

It should be noted that councils only have a duty to those who are 'statutorily homeless'. Single people or couples without children, unless they are disabled or in some way vulnerable, are not deemed to be statutorily homeless. As the NAO says the DCLG's measures of homelessness “do not capture its full extent”. For example their statistics do not include homeless people who are temporarily staying with family or friends, or 'sofa surfing'. The UK Statistics Authority has consistently expressed concern that the Department's presentation of its measure of homelessness “lack clarity about which people are being measured”.

In December 2015 the UK Statistics Authority assessed the Department's homelessness statistics for compliance with its Code of Practice. It found that the Department's statistics on households that qualified for temporary accommodation were “potentially misleading” because they were published without the broader context of increasing local authority activities to prevent homelessness. Then in February 2017 the UK Statistics Authority published correspondence which referred to homelessness “without being clear that it was referring only to households that qualified for temporary accommodation”.

Council house building

Whatever efforts local authorities carry out in trying to prevent homelessness the fundamental problem is that they have insufficient properties at their disposal to house homeless people. Whilst they can exercise their legal duty to the statutorily homeless by placing them in private rented accommodation this is becoming increasingly unaffordable both for the tenant and the council and more landlords are refusing to accept tenants on LHA.

The number of council homes available continues to decline as a result of the “enhanced Right to Buy” which increased discounts and reduced the qualifying period from five to three years. This led to a fourfold increase in the number of RTB sales from less than 3,000 a year to more than 12,000². They are not being replaced. Total numbers of council homes in England since the coalition government was elected in 2010 have fallen from 1.786 million to 1.612 million, a loss of 174,000.

The housing crisis cannot be resolved without a return to a large scale council house building programme. Such a programme would take pressure off both the private rented sector and the housing market for ownership. There is so to speak a surfeit of people forced into the housing market. If more council housing was available then a decline in the numbers forced to rent privately or seek a mortgage would be likely to produce a decline in prices, making home ownership more affordable for those who want it.

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² From 2012/13 to 2016/17 54,581 council homes have been sold in England under RTB. Over the same period 7,370 new homes have been built. In the four years 2012/13 to 2015/16 there were more homes demolished by councils than were built: 13,000. Figures are from the DCLG Live Tables on housing.