



National Audit Office



REPORT

The effectiveness of government in tackling homelessness

The Department for Levelling Up,
Housing & Communities

SESSION 2024-25
HC 119

Key facts

£2.44bn

spent by local authorities in 2022-23 on homelessness services

60%

proportion of local authorities' 2022-23 total gross expenditure on housing services (excluding that relating to their own housing) that was used to deal with homelessness, up from 25% in 2010-11

15

cross-government boards that have a remit relevant to homelessness

23%

proportion of households owed a homelessness prevention or relief duty by their local authority in Quarter 3, 2023-24 whose reason for needing support was the ending of an assured shorthold tenancy in the private rented sector

112,660

number of households in some form of temporary accommodation in Quarter 3, 2023-24

42%

increase, between Quarter 3, 2018-19 and Quarter 3, 2023-24, in the number of households in temporary accommodation outside their own local authority area, from 23,450 to 33,350

2,960

number of households with children, in Quarter 3, 2023-24, who had been living in bed and breakfast accommodation for longer than the statutory six-week maximum period

65,000

shortfall in the number of new homes built in 2022-23, against the then government's ambition, announced in 2017, to build 300,000 each year by the mid-2020s

1.6 million

number of households expected to benefit from the restoration of Local Housing Allowance (which sets the maximum level of help with housing costs for households in the private rented sector) to the 30th percentile of local market rents from April 2024

Summary

1 The Department for Levelling Up, Housing & Communities (DLUHC) has policy responsibility for tackling homelessness and leads on implementing homelessness policies across government.¹ Part 7 of the Housing Act 1996 defines someone as 'homeless' if there is no accommodation available for them to occupy, or if it is not reasonable for them to continue occupying the accommodation they have.

2 DLUHC also distributes homelessness funding to local authorities, who have statutory duties to assist people who are homeless or threatened with homelessness. In 2022-23, local authorities spent £2.44 billion on delivering homelessness services. Prior to 2018, their key duty was to provide temporary accommodation to homeless households considered to be in priority need and therefore entitled to it in law. However, the Homelessness Reduction Act 2017 (HRA 2017), which came into force in April 2018, extended local authorities' statutory duties, which now cover the following.

- **Prevention duty:** Taking reasonable steps to prevent homelessness, for example by negotiating with a landlord or family member, providing mediation, helping to reduce rent arrears, or securing alternative accommodation.
- **Relief duty:** Taking reasonable steps to relieve homelessness, for example by helping an applicant to secure housing in the private rented sector, placing them into supported housing, or helping them bid for social housing.
- **Main duty:** Providing temporary accommodation, which can be shared or self-contained, and for many households entails living in a single room. It includes: private rented sector accommodation; local authority or housing association properties; bed and breakfast (B&B) accommodation; hostels; and refuges.

¹ On 9 July 2024, DLUHC was renamed the Ministry of Housing, Communities & Local Government (MHCLG). However, we refer to DLUHC throughout this report, as that was the name in use at the time of our fieldwork.

3 Not having a secure home significantly affects individuals' quality of life and imposes strain on public services, both in the short and long term. While cause and effect are difficult to disentangle, homelessness is associated with a range of vulnerabilities. For example, the health of people experiencing homelessness is significantly worse than that of the general population, and a much greater proportion of the prison population reports being homeless before custody than the wider population reports ever having been homeless. Homelessness can have a particularly detrimental effect on children, in terms of increased stress and anxiety, which can result in behavioural issues. Children who are homeless or living in poor housing may miss school, arrive at school hungry, or be tired during the school day due to inadequate sleep.

The scope of our work

4 Our last report on homelessness in 2017 – around six months before HRA 2017 came into force – found that, despite rising levels of homelessness, the then Department for Communities and Local Government did not have a published strategy, took a light-touch approach to working with local authorities, and was only beginning to put in place the measures that would allow it to maximise the effectiveness of resources deployed.²

5 We are returning to this topic now that the HRA 2017 changes have had time to take effect. We assess value for money in terms of whether DLUHC is working with government departments and local authorities in a way that maximises government's ability to tackle homelessness. Specifically, we look to establish whether DLUHC: has a good understanding of the nature of homelessness; is delivering appropriate system leadership; and supports local authorities well. This report follows on from our 2017 report – particularly on strategy, quality of data, and engagement with local authorities. Its structure is as follows.

- Part One sets out the main trends and patterns in homelessness.
- Part Two examines how well DLUHC is executing its policy responsibility for tackling homelessness and leading on implementing it across government.
- Part Three assesses whether DLUHC is supporting local authorities to deliver their statutory duties efficiently and effectively.

6 This report focuses on statutory homelessness duties in England, and does not comment in detail on the causes, treatment and routes out of rough sleeping. Homelessness policy is devolved, and there are different legal definitions and government responses in Northern Ireland, Scotland and Wales.

² Comptroller and Auditor General, *Homelessness*, Session 2017–2019, HC 308, National Audit Office, September 2017.

Key findings

Trends and patterns in homelessness

7 There are many inter-related factors associated with homelessness in recent years. Welfare reforms, including periodically capping and freezing the Local Housing Allowance (LHA), have reduced the amount of income in real terms that households can receive from benefits, while rents have increased faster than wages and LHA rates in much of the country. New housing supply in England is falling below the then government's ambition, announced in 2017, of building 300,000 new homes each year by the mid-2020s. In particular, a lack of housing for social rent (that is, at a cost well below typical market prices) is a driver of homelessness, since households are instead pushed into the private rented sector which is typically more expensive and provides a less secure tenancy. The ending of a private rented sector assured shorthold tenancy is one of the biggest drivers of homelessness, accounting for around 23% of households owed a prevention or relief duty in Quarter 3, 2023-24 (paragraphs 1.10 to 1.12).

8 A shortage of available housing, and the relatively high cost of the housing that is available, make it expensive for local authorities to house people in temporary accommodation, and harder for people to find a home. A lack of housing for social rent limits the routes out of homelessness for households who find themselves in temporary accommodation, as local authorities often cannot find them private rented sector properties in the local area that are affordable. In October 2023, the Committee of Public Accounts also warned that competition between the Home Office and local authorities was "driving up prices and exacerbating the homelessness challenges that local authorities already face". The Home Office is responsible for providing accommodation for asylum seekers who are destitute, while it processes their claims. In December 2023, around 100,000 asylum seekers were being housed in hotels, houses or flats within local authority areas (paragraphs 1.12, 1.15 and 1.16).

9 Homelessness has increased in recent years and is now at the highest level since comparable data collection began in the early 2000s. The extent of 'hidden' homelessness – such as people who stay with family or friends, or have otherwise not come to the attention of the local authority – is unknown. But, focusing on the period since 2018-19, soon after the implementation of HRA 2017, some headline figures are as follows.

- The number of households who applied to their local authority for help, and to whom the local authority owed a prevention or relief duty, rose from 64,080 in Quarter 3, 2018-19 to 78,980 in Quarter 3, 2023-24, an increase of 23%.
- Some 22% of those to whom local authorities owed a homelessness prevention or relief duty in Quarter 3, 2023-24 were in full-time or part-time work, down from 27% in Quarter 3, 2018-19.
- The number of households in temporary accommodation rose from 83,540 in Quarter 3, 2018-19 to 112,660 in Quarter 3, 2023-24, an increase of 35%.
- The number of children in temporary accommodation rose from 124,330 in Quarter 3, 2018-19 to 145,800 in Quarter 3, 2023-24, an increase of 17%.
- The number of households in temporary accommodation in a different local authority area from where they applied rose from 23,450 in Quarter 3, 2018-19 to 33,350 in Quarter 3, 2023-24, an increase of 42% (paragraphs 1.3, 1.5, 1.17 and 1.19 to 1.21, and Figures 2 and 4).

10 Local authority spending on homelessness services has more than doubled since 2010-11, and is putting a strain on some authorities' overall finances.

Spending on homelessness services increased in real terms from £1.14 billion in 2010-11 to £2.44 billion in 2022-23, an increase of 113%. It now makes up 60% of total gross expenditure on housing services, up from 25% in 2010-11.³ In 2022-23, local authorities spent over £1.6 billion on temporary accommodation. The District Councils' Network has warned that, for some of its members, spending on temporary accommodation represents up to half of their total net budget. Some local authorities told us that meeting their duty to provide temporary accommodation could result in them issuing a Section 114 notice, meaning they believe they will exceed their resources in a financial year (paragraphs 1.24, 1.25 and 3.13, and Figure 5).

³ Housing services spending excludes the Housing Revenue Account, which is a ring-fenced account intended to record expenditure and income on running a council's own housing and closely related services or facilities.

DLUHC's work to tackle homelessness

11 DLUHC has significantly improved its understanding of the nature and causes of homelessness, although some gaps remain that make it harder to direct resources effectively.

Soon after the implementation of HRA 2017, DLUHC introduced a new Homelessness Case Level Information Collection, which captures detailed information on households. This allows DLUHC to understand homelessness levels and patterns in much more granular detail than before. DLUHC publishes headline data on the characteristics of households presenting as homeless. However, DLUHC could get more from the data by breaking it down at case level in different ways. For example, it does not currently, but could, show multiple applications from a household in the same local authority and applications across local authority boundaries. In addition, DLUHC does not routinely collect data on the quality of temporary accommodation, but can make an assessment on suitability based on how many families are placed in B&Bs beyond the six-week limit. At the time of the COVID-19 pandemic, DLUHC developed a model to illustrate a range of homelessness scenarios which, it explained, it uses to inform future fiscal events and spending reviews. It has since updated the model to account for high levels of inflation, energy price rises, possible future unemployment rates, and projected real-terms wage growth (paragraphs 2.2, 2.4, 2.7 and 2.10, and Figure 6).

12 DLUHC still does not have a strategy or published target for statutory homelessness, which makes it more difficult to coordinate the government's response.

In September 2022, DLUHC published a rough sleeping strategy setting out the steps required to meet the 2019 Conservative Party manifesto commitment to end rough sleeping (which is a part of the wider homelessness issue) by the end of the last Parliament. Each of the UK administrations except England has an overarching homelessness strategy or action plan. In internal advice, DLUHC officials presented potential options to reduce homelessness. These options included having a public target for reducing homelessness, increasing affordable housing supply in the long-term, and making potential changes to welfare arrangements in the short-term. In setting out the options, DLUHC officials proposed that any long-term plan should be considered alongside associated funding for local authorities for temporary accommodation and homelessness services. However, any such decisions would rest with ministers, and require input from other government departments, including HM Treasury, to come to a collective agreement (paragraphs 2.11 to 2.14).

13 DLUHC has limited power to influence other government departments' decisions on cross-cutting matters that can affect homelessness services, particularly where departments have competing priorities.

DLUHC has clear internal governance arrangements to ensure it considers the interactions between homelessness and related matters. It participates in 15 cross-government boards, across nine policy areas, whose remit is relevant to homelessness. However, other government policies can have practical impacts on local authorities' housing and homelessness services. For example, one local authority explained how it was outbid by the Home Office on a building for temporary accommodation, and believed these situations could constrain many local authorities' negotiating positions, especially where they have previously agreed maximum prices with neighbouring authorities.⁴ Other examples included a local authority no longer having access to case-level data, as responsibility for delivering the housing element of Universal Credit has moved from local authorities to the Department for Work & Pensions (DWP); and another having to significantly limit the number of new social housing units built because of government rules on water demand (paragraphs 2.15 to 2.18).

14 The availability of housing, and particularly affordable housing, is a key factor in homelessness, but the supply of housing is falling behind targets.

One of DLUHC's priority outcomes is to "regenerate and level up communities to improve places and ensure everyone has a high quality, secure and affordable home". DLUHC plans to achieve this outcome through its affordable housing programmes and supporting the creation of new homes. However, economic changes, including inflation, a tight labour market and materials shortages, continue to pose a major risk to successful delivery. In 2022-23, around 235,000 net additional dwellings were built – a shortfall of 65,000 against the then government's ambition, announced in 2017, of building 300,000 new homes each year by the mid-2020s. Homes England, which is sponsored by DLUHC, fell below its central targets in 2022-23 in terms of starts, completions, unlocked housing capacity and households supported into home ownership. It largely attributed the shortfalls in starts and completions to its affordable housing programmes. In June 2024, Homes England released data on the number of starts and completions it achieved in 2023-24. When compared with 2022-23, the overall number of starts fell by 4%, while the number of completions fell by 3%. Within these overall figures, the number of affordable housing starts fell by 0.5%, but the number of completions rose by 3% (paragraphs 1.11, 2.19 and 2.20).

⁴ We reported on the Home Office's management of asylum accommodation in March 2024. Comptroller and Auditor General, *Investigation into asylum accommodation*, Session 2023-24, HC 635, National Audit Office, March 2024.

DLUHC's support for local authorities

15 Central government funding arrangements for local authorities' homelessness services remain complex, fragmented and sometimes uncertain.

Local authorities mainly fund their statutory homelessness duties through a combination of the Homelessness Prevention Grant, Housing Benefit Temporary Accommodation Subsidy reimbursed by DWP, and the Local Government Finance Settlement. Smaller, additional pots of funding, which may be delivered by other departments, are often for specific purposes with conditions attached, and some are short-term. Local authorities told us that the short-term nature of funding makes it difficult to plan services strategically, optimise their use of temporary accommodation, and spend the allocated funding in the given timeframe. The Temporary Accommodation Subsidy for local authorities is based on Housing Benefit rules and the LHA rate from January 2011, and has not kept up with rising costs. This gap in funding, commonly known as 'Temporary Accommodation Subsidy loss', is generating significant and increasing financial pressures. In 2022-23, local authorities in England experienced a subsidy loss of £204.5 million, compared with £41.4 million in 2012-13 (both expressed in 2022-23 prices). In practice, a significant portion of the Homelessness Prevention Grant is used to fund the provision of temporary accommodation, particularly in areas of poor affordability, rather than being spent on prevention work (paragraphs 3.7 to 3.9, 3.12 and 3.13, and Figure 8).

16 DLUHC is working with local authorities to address concerns about the quality and suitability of some temporary accommodation, but results so far have been limited.

Statutory guidance states that temporary accommodation must be suitable for the needs of the household. However, an increasing number of households are being placed in unsuitable accommodation due to a lack of housing options, which means local authorities are having to rely on poorer quality accommodation such as B&Bs and hotels. The guidance states that local authorities should use B&Bs for households with children only as a last resort, and even then, for a maximum of six weeks. However, in Quarter 3, 2023-24 around 2,960 households with children had been resident in a B&B for more than six weeks. The temporary accommodation regulatory framework is complex and there are some gaps, because regulations are based on the type of tenure (such as private rented accommodation, social rented properties or B&Bs) and temporary accommodation is not a specific type of tenure in itself. While the previously proposed Renters Reform Bill included a clause for the Decent Homes Standard to apply to all temporary accommodation, the Bill was not passed during the last Parliament (paragraphs 3.16 to 3.23, and Figure 9).

17 DLUHC has enhanced its arrangements for providing advice and support, but local authorities have mixed views on it. In response to the introduction of HRA 2017, DLUHC established a Homelessness Advice and Support Team (HAST) and allocates every local authority an adviser. HAST aims to communicate regularly with all local authorities, but particularly targets those with extensive use of B&Bs. Local authorities we spoke to generally recognise the professionalism and experience of HAST advisers and are positive about DLUHC engaging with them in a more proactive and structured way. However, they told us there are not enough HAST resources, and some local authorities would like more support on funding applications. Some would like HAST to take a more supportive role in offering potential solutions, informing them of innovative practice from elsewhere, and facilitating greater interaction between local authorities (paragraphs 3.24 to 3.27).

Conclusion on value for money

18 Homelessness is a highly complex issue affected by a wide range of social and economic factors, and by government policy in areas such as housing, welfare and asylum. Statutory homelessness has increased significantly in recent years, meaning that more people are finding themselves either with no stable place to live or in temporary accommodation provided by their local authority. Providing temporary accommodation alone cost local authorities over £1.6 billion in 2022-23, but it varies in quality and there are gaps in regulation, while some of it – such as B&Bs being used for households with children – is unsuitable. Dealing with homelessness is creating unsustainable financial pressure for some local authorities.

19 The situation has worsened since we last examined the issue in 2017. Despite the introduction of HRA 2017, homelessness numbers are at a record level and expected to increase. While DLUHC has developed much better homelessness data and stronger links with local authorities, the government still has no strategy or public targets for reducing statutory homelessness, and DLUHC is falling behind on key programmes to improve housing supply. Funding remains fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing. Until these factors are addressed across government, DLUHC will not be able to demonstrate that it is delivering optimal value for money from its efforts to tackle homelessness.

Recommendations

20 We recommend that DLUHC should lead on:

- a** adopting a genuinely cross-departmental approach to tackling homelessness, which might involve establishing a dedicated joint unit to oversee the implementation of the approach; and
- b** producing a long-term strategy, and associated public targets, with regard to statutory homelessness.

21 We recommend that DLUHC should:

- c** explore how it can provide local authorities with greater predictability of funding for homelessness, within a spending review period;
- d** consider how it can support local authorities to focus more on homelessness prevention;
- e** consider how the quality of B&B accommodation could be improved;
- f** establish a way for local authorities to more easily understand innovative practice and potential solutions in homelessness services from other authorities; and
- g** consider how it might enhance its analysis function to improve its understanding of, and publish data on, repeat homelessness and out-of-area temporary accommodation placements.

22 As part of the next spending review, and to support a cross-cutting approach to tackling homelessness, we recommend that HM Treasury should:

- h** review and seek to simplify cross-departmental funding for homelessness; and
- i** consider ways to incentivise government departments to support homelessness prevention, to deliver better outcomes and improved value for money.