

LSE London's submission to the technical consultation on the Homelessness Prevention Grant 2023/24 onwards

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LSE London welcomes the opportunity to respond to the Government's consultation 'Homelessness Prevention Grant 2023/24 onwards: technical consultation'. We share the view expressed in the consultation document that 'the intersection between the various [funding] streams has resulted in a complex funding landscape' and the Government's aim that 'looking beyond 2025, we want to simplify the funding landscape'.

LSE London has carried out extensive research on homelessness and housing for London Councils, the Kerslake Commission and other relevant organisations as well as a major project for the then MHCLG on the costs of temporary accommodation completed in 2021.

However, unlike a local authority we are not concerned directly with funding allocations or data collection. Our response focuses mainly on the intention expressed in the consultation document 'to make sure that funding is distributed fairly to local authorities and is driven by a current picture of need' and more particularly the acknowledgement that 'housing pressures are particularly acute in certain areas and that we need to make sure that local authorities are funded for TA costs where these are outside their control'.

In this context, we focus on London where, we believe the boroughs face particular problems over which they have very limited control.

The impact on London of the proposed changes

Importantly London accounts in the latest data for 18% of initial assessments and 17.5% of acceptances - very little above the national average. The reason why London accounts for 60% of those in TA is not that many more people come forward but reflects the reality that it is much harder to find appropriate secure accommodation in London as compared to most of the rest of the country.

With respect to prevention – London is average in terms of successful prevention accounting for around 17% of all successful preventions in the latest quarter. BUT it has very limited capacity to rehouse those unable to remain in their existing homes in social housing - with fewer than 25% going into social rented housing as compared to 50% plus in the rest of the country.

Underlying both of these issues are the very much higher relative housing costs observed in London as compared to other parts of the country. Within the consultation the emphasis instead is on wage costs which form a much lower proportion of total TA costs in London than they do across the rest of the country.

While it is clear that the proposed formulae aim to incentivise the use of the PRS, in practice many London boroughs have to use much more expensive types of provision as well as pay much higher additional costs to private landlords, eg through incentive payments, than elsewhere in the country.

A particularly important and growing problem in London is that the vast majority of PRS tenancies available have rents above the LHA, making them largely unaffordable to those on benefits especially as many family households will also be affected by the Benefit Cap. If on the other hand the household is accommodated in Temporary Accommodation paid for by the

local authority, they receive full benefit although the local authority is only compensated by the 2011 rate. The first is associated with increased homelessness, while the second means the local authority pays more out of its own resources.

We believe the proposed funding formulae have a number of flaws which impact on the resulting outcomes for local authorities in a perverse way, however these points will no doubt be better expressed by those dealing with funding allocations on a day-to-day level.

We are principally concerned that the dominant determining factor in influencing differentials in housing expenditure is the variations in relative housing costs. What is used in determining the two options are the relative costs of a two bed PRS letting in that borough – whether or not households are accommodated in that borough or in the privately rented sector. Furthermore, they are only included in one component within the formula. There are many reasons why simply using an average for one element in provision cannot properly reflect the reality of what is available. It seems perverse not to include relative costs in a more nuanced way.

Another important distinction between London and the rest of the country is that boroughs often place households in accommodation outside the borough and indeed in some cases outside London. This disadvantages recipient boroughs who have to compete with exporting boroughs, resulting in higher costs for the recipient borough but often savings for the exporting borough. There are also tensions here with respect to what is best for the households being accommodated.

The failure of the proposed funding formulae to ‘reflect current TA pressures’ as intended is further revealed in the considerable, often perverse, variations in outcomes for the London boroughs as expressed in the two options. Many boroughs face significant decreases under both options, others find their budgets increased but for reasons that are unclear. More generally, within London, the funding changes appear (with exceptions) to hit outer boroughs as compared to inner London boroughs and probably poorer rather than richer boroughs.

In particular, local authorities that have to accept homeless households from other boroughs appear to lose out as compared to those who are simply exporting their problems to other boroughs. It is difficult to rationalise these differences without considerable additional information.

Looking forward, boroughs across London are reporting that supply within the PRS is falling and rent increases are reducing affordability. Homelessness is expected to rise as the cost of living/inflation starts to bite, yet the amount available for Discretionary Housing Payments has been cut. Reducing government grant to London through reallocation will simply involve higher and higher costs to many local authorities as they meet their statutory duties.

Data Issues

There are many concerns about the data which will be addressed by those who know the data better than we do. However, we would like to make a number of points which seem of particular relevance.

There remain significant issues with H-CLIC (the data set now collected by local authorities on homeless individuals from application to outcome). It has not produced either the range or quality of data that were expected. It has also involved a great deal of bureaucracy and cost

without producing more accurate and valuable outputs. It will, we believe, never be able to produce longitudinal data which was intended to be a major benefit.

One particular issue for London is that many boroughs had in place long standing prevention processes which involved much earlier work, cost and often resolution prior to the 56 days formal prevention period. These costs and successes are simply not taken into account in the current H-CLIC data collection framework. This should be addressed directly.

Another important issue is that under the present formula London-wide wages are included reflecting the fact that employment is cross borough. In the proposed formulae it is borough specific. This may be one reason why some inner London boroughs appear to benefit from the new formulae. But it certainly does not reflect the nature of the London labour market.

Finally, there are clear issues around the availability of up-to-date data which are recognised in the consultation paper. As it stands the assessment simply does not reflect the post covid situation and that will continue to be a major issue even if it is possible to update some of the data to 2021/2022.

It would be far more appropriate to re-examine the formulae in time for the new formulae in 2025. The results could well be very different.

Our Core Concerns

While we recognise that this is a technical consultation so some of our comments may seem too general, we are extremely concerned that the document includes very little clarification of what the fundamental objectives of the current review are and almost nothing about how what is proposed actually achieves these objectives. All we can say is that the document looks exactly as it is defined - a technical document - but without the more fundamental assessment of what exactly are the objectives and trade-offs. This is surely the wrong place to start.

Finally, homelessness is expected to rise significantly over the next few months and indeed is already beginning to do so. Local authorities are already paying heavily out of their general funds to ensure that they meet their statutory duties. They cannot afford to bear this ever-growing residual burden. The current pot is already inadequate. The pot will need to be increased not just reallocated in what often looks like rather perverse ways which cannot readily be explained.

We would support maintaining the current formula for 2023/24 and in the light of rapidly changing circumstances consider reviewing the assumptions used and adjusting the formula prior to further consultation.