

Consultation Response

Homelessness Prevention Grant 2023/24 onwards: technical consultation - consultation response by London Councils

London Councils represents London's 32 borough councils and the City of London. It is a cross party organisation that works on behalf of all its member authorities regardless of political persuasion.

Introduction

1. London Councils welcomes the opportunity to respond to the Government's consultation on the Homelessness Prevention Grant (HPG) 2023-24. London boroughs share the Government's commitment to preventing homelessness before it occurs wherever possible. We want to work together with the Government to deliver reductions in statutory homelessness, mirroring the good progress towards ending rough sleeping, but this cannot happen without the necessary resources to do so.
2. London Councils agrees that the current funding landscape for homelessness is far too complicated and supports the Government's objective to simplify it. We also share the desire to ensure that homelessness funding is fairly allocated on the basis of an accurate picture of current need. However, it is our view that the proposals outlined in the consultation fail to achieve this aim and are being implemented too quickly without full consideration of the whole funding landscape, at a time of great economic uncertainty.
3. We are extremely concerned that, despite London boroughs consistently incurring 75% of the national expenditure on temporary accommodation (TA), with 60% of all households in TA, the proposals result in cuts to London's overall funding share (as high as 33% before transitional protection under option 2) during a period of significant economic uncertainty due to rising inflation, when Londoners are being hit hard by the cost-of-living crisis. We strongly urge the Government to pause its plans for reforming the grant and undertake a more fundamental review of homelessness funding in the round for the next Spending Review.
4. This response firstly sets out London Councils' general comments about homelessness funding, the pressures facing London, and our key concerns with the consultation proposals, before providing detailed responses to the specific questions posed within it.
5. In summary, our key concerns are regarding the:
 - overall sufficiency of homelessness funding;
 - use of the Area Cost Adjustment as a proxy for housing costs and the absence of any measures to accurately reflect housing affordability;
 - risk of funding volatility that could threaten the viability of a key statutory service during a period of great economic uncertainty;
 - use of general population as a measure of need;
 - failure to address the wider homelessness funding system;
 - continued complexity within the grant; and the
 - lack of transparency in illustrating how the proposed allocations have been calculated.

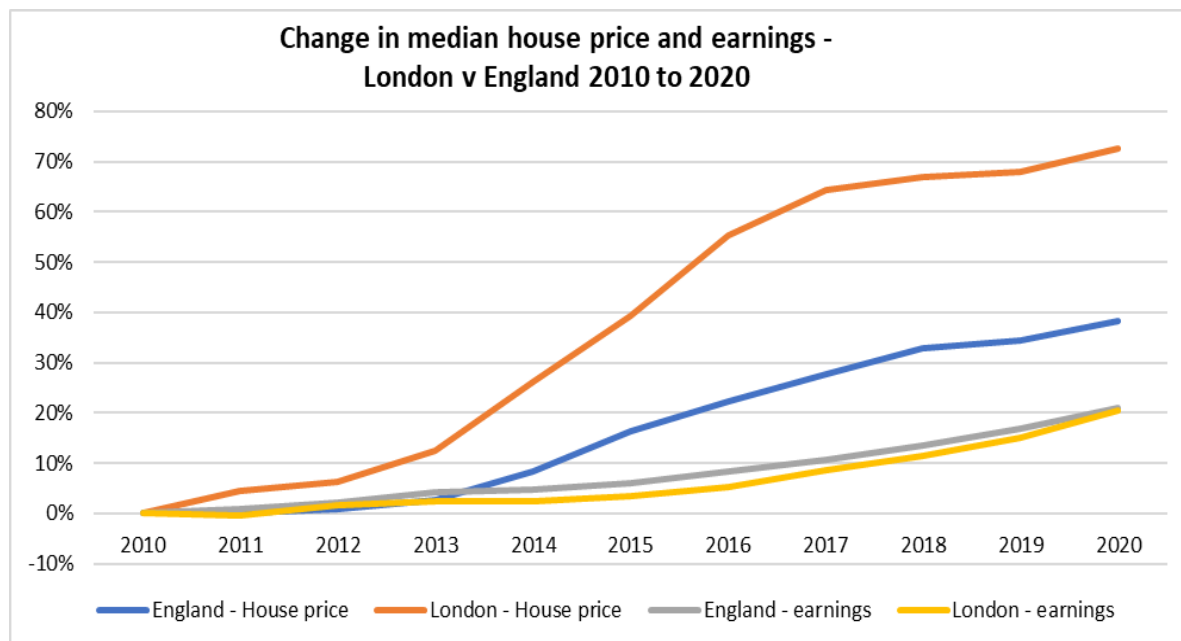
General comments

Funding sufficiency

6. Homelessness demand and expenditure have increased disproportionately since 2010, with net spending on homelessness almost trebling from £160m in 2010 to just under £440m in 2020-21 in London, which accounts for almost 50% of the national total (and 60% of gross spending). This rise has been during a period in which London boroughs' overall Core Spending Power (CSP) has been cut by more than a fifth in real terms. The upward trend on homelessness expenditure, while greater in London, is replicated across England and shows there is a national homelessness crisis.
7. The reintroduction of specific homelessness funding – via the Temporary Accommodation Management Fee (TAMF) and then successor grants – has therefore been welcome; however, given the scale of the overall funding reductions and the loss of specific homelessness funding within overall core funding (Settlement Funding Assessment), this has led to huge financial pressures within London boroughs.
8. While the overall increase to CSP in the 2022-23 Local Government Finance settlement was welcome, we flagged at the time that nearly all of the uplift will go towards addressing the impact of Covid-19 on rising service demand and income losses and, in particular, rising inflation. Changes to GDP inflation have effectively reduced the uplift in funding by £100m across London, and more specifically it means there was an effective cut to the Homelessness Prevention Grant of around 3%. With CPI forecast to reach 13%, and the pay award likely to far exceed the 2% London boroughs have budgeted for, we estimate inflation may lead to additional budget pressures of at least £400m in 2022-23 alone.
9. Within this context, we believe the overall level of funding within the HPG must increase significantly in the next two years to reflect the wider economic reality. Were the grant to continue at flat cash (£310m nationally), this would represent a cut of 17% in real terms by 2024-25 compared with 2021-22, based on the latest forecast for the GDP deflator: in reality, with inflation rising so fast, the cut would be even larger. **We strongly urge the Government to revisit the HPG settlement and provide, at the very least, increases in the grant in line with CPI inflation over the next 2 years.**

London's affordability crisis

10. While there is a national homelessness crisis, there is no doubt that it is most severe in London. The number of homeless households living in TA is at near-record levels, with 56,460 households living in TA in March 2022, accounting for **60% England's total TA numbers** (95,060 households). Because of the severe lack of affordable accommodation for boroughs to relieve their homelessness duties, homeless households in London have an average stay in TA five times longer than elsewhere in the country.
11. Analysis by Shelter shows that, in London, 56% of households in TA are actually *in work*, demonstrating that the central problem is one of housing affordability not vulnerability or support needs. This is where London is very different from the rest of the country – its large differential between wages and property prices not only drives demand for TA, it also means there is far greater pressure (and higher costs) on the supply side to alleviate it. The chart below shows how this has worsened since 2010, with property prices far outstripping wage growth leaving the ratio of median house price to wages at 13:1 by 2020, compared with just 8:1 for England overall.



Source: ONS, House price to residence-based earnings ratio¹

12. Given London's lack of availability of social and council housing, and record waiting lists for accommodation, the Private Rented Sector (PRS) is the only realistic route out of TA for the vast majority of homeless households. Yet this solution to homelessness is now being blocked by the lack of affordable PRS properties for thousands of families and individuals in London. This affordability crisis is driven by wider changes to the PRS, including a sharp reduction in the supply of accommodation while rents are climbing to higher than pre-pandemic levels, but for low-income households the impact has been compounded by limits on the level of Local Housing Allowance (LHA).

13. Research by Savills, based on analysis of Rightmove listings, has found that:

- London rents have increased by an average of 15.8% over the year to June 2022. In all London boroughs average rents are now higher than their pre-pandemic levels.
- Part of the reason for rents increasing during 2021 and early 2022 has been the significant fall in supply. The number of properties listed to rent across London in the first quarter of 2022 was 35% lower than the pre-COVID quarterly average.
- This has had a double impact on the number of properties affordable at LHA rates. The fall in supply combined with increasing rents mean both the overall size of the pot is decreasing as is the proportion of that pot which is affordable.
- In the one year to Q1 2022 only 8.8% (18,072 out of 206,067) of all properties listed for rent were affordable on LHA. This is a reduction from 12.9% in the year to Q1 2021.
- The picture is even more stark for households impacted by the overall Benefit Cap. For a capped single parent household with 2 children over 4, only 0.8% properties were affordable in the two years to the first quarter of 2022.

14. In addition, London boroughs have far higher levels of migration and a larger short-term resident population than other areas. Over the last year in particular, the pressures on TA have increased as a result of the Afghan Resettlement Scheme and latterly, the Homes for Ukraine scheme. This is driving further pressures on

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<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian>

an already saturated market, which is further restricting the availability of housing. These demand and supply factors combine to severely restrict borough's ability to prevent and relieve homelessness.

15. Given that affordability is such a key driver of homelessness, it is very disappointing that nowhere in the current formula or the proposed reforms is this accurately reflected. **We are very concerned that the Area Cost Adjustment (ACA) – which is overwhelmingly driven by wage differentials - is seen by Government as an appropriate measure to reflect the differences in the housing market. This is simply incorrect, and we oppose the use of the current ACA within the formula.**

Economic uncertainty

16. The growing housing affordability crisis comes at a time when the financial pressures on low-income Londoners have never been greater and are expected to get significantly worse due to the intensifying cost of living crisis, which will restrict low-income households' ability to meet their housing costs.
17. London's already severe homelessness pressures have been compounded by the rapid increase in the cost of essential goods in recent months. 79% of Londoners surveyed said their cost of living had increased in the last 6 months and as a result it is becoming increasingly difficult for them to meet their basic living costs, with more than half of Londoners now reporting they are struggling financially. With London households resident in the PRS spending almost 40% of their income on rent, compared to 23% in the rest of England, any increase in financial pressure on low-income households will undermine their ability to pay their rent and place them at risk of homelessness.
18. Partly as a result, London boroughs are forecasting a 4% rise in the number of households in Temporary Accommodation (TA) in 2022-23 (with the overall number set to exceed 60,000) – far higher than the 1% rise on average for the last three years.
19. In this context, we are very concerned about the proposals in the consultation that will redistribute funding away from London and cause significant volatility during a time of heightened economic and financial uncertainty.
20. **We would, therefore, question whether now is the right time to deliver these reforms, and urge the government to pause them until the current period of economic uncertainty is over.**

Population as a measure of need

21. We note the proposals within option 2 to use population, weighted for the ACA, as a proxy for need to replace the previous TAMF modelling. This is wholly unacceptable in our view. London accounts for 16% of the overall population of England, but 60% of the overall share of households in TA.
22. **The general population is in no way a suitable proxy for homelessness demand and the Government has failed to explain the rationale behind this proposal. We strongly urge the Government not to use this measure.**

The wider homelessness funding system

23. London Councils agrees that the current funding landscape for homelessness is too complicated and supports the Government's objective to simplify it. The consultation acknowledges that homelessness is funded from at least four different sources, and that the interrelation between them is complex. It is, therefore, disappointing that the consultation only takes a narrow view of one of those funding streams (the HPG), rather than taking a holistic review of the whole system.

24. For example, the consultation notes that the Government aspires to a greater proportion of the HPG being spent on prevention instead of TA costs. However, this objective cannot be met without considering the funding regime for TA, where the LHA rates for TA have been frozen and remain based on 90% of January 2011 rates, meaning the amount of Housing Benefit subsidy local authorities can receive for TA is far below the actual cost of TA.
25. At the same time, Discretionary Housing Payment (DHP) funding saw a 28% reduction in funding in 2022/23, despite the increasing homelessness pressures, and the budgets for 2023/24 and 2024/25 have not been announced, even though they were set in the Spending Review. As far as we are aware, the Department for Work and Pensions has yet to conduct any review of the allocation methodology for future DHP funding. As DHPs are a vital homelessness prevention tool an effective cross-Government approach to homelessness prevention necessitates their consideration as part of a wider review of homelessness funding.
26. In our view, this more fundamental review is required in order to both simplify the system and create a fairer system where funding reflects demand. We know that some councils rely on general funding far more than others to fund homelessness pressures, and that London boroughs as a whole rely more on DHPs, for example. Reforming one part of the system in isolation doesn't make sense and is a further reason to pause the reforms.
27. Many of the issues raised in this consultation response, about finding suitable proxy measures for homelessness pressures and the cost of prevention and relief, could be resolved if the welfare system was reformed to ensure that the actual cost of TA provision was met by Housing Benefit. This would free up HPG funding to focus solely on prevention and enable the design of a simpler allocation methodology that didn't need to account for the cost of TA.

Complexity and transparency

28. We believe the proposals in the consultation fail to reduce complexity in any meaningful way, only proposing to replace the methodology for two parts of the formula with one. The overall formula remains – in our view – overly complex with little reasoning behind why there are so many different variables. One small example of this is the proposed use of two different Area Cost Adjustments within the formula: one using the [ACA used within the Covid RNF](#), and another using the updated version of this (the [2021 ACA](#) used in the calculation of the 2022/23 Local Council Tax Support (LCTS) admin subsidy grant).
29. Given the complexity in the formula, it is concerning that the modelling which sits behind the proposals has not been published in the way that the Government has done for other funding streams ([the UKSPF for example](#)), as this level of transparency enables proper scrutiny of the proposals.
30. Complexity and a lack of transparency can lead to the accusation that the grant being unfairly distributed. The HPG is symptomatic of the wider finance system which remains incredibly complex and opaque.
31. Finally, given the significant changes proposed in the formula, and our reservations particularly regarding the ACA and use of population as a measure of need, it is disappointing that these proposals have not been designed over a longer period of time in collaboration and dialogue with the sector. We understand that some initial workshops were held with housing colleagues, but this is an important and complex funding stream and should have been more widely discussed with a mixture of housing and finance colleagues from the sector across the country.
32. These are further reasons why we believe more time is required to deliver the reforms with wider consultation with the sector about how homelessness pressures are met. As such, **we urge the Government to pause the implementation of a new allocations methodology in order to work with local authorities to develop a robust formula that accurately captures ongoing homelessness pressures and costs.**

Responses to specific questions

Q1. Do you agree with our proposal to combine the HRG and HRA uplift elements of the formula, using HRA uplift formula for £110m of the grant? (Yes – No – Indifferent - Not sure)

33. No. While we agree with the need to simplify the overall allocation methodology and move to a single formula for this portion of the funding, we do not believe the HRA uplift formula reflects an accurate picture of homelessness pressures. We reiterate our view that the Government should pause the implementation of a new allocations methodology in order to develop formula that better reflects homelessness costs.
34. The bulk of the HRA uplift formula is based on three elements considered to be proxy measures of relative homelessness pressures, but in our view none of these measures accurately reflect the real homelessness pressures faced by authorities, which are better captured by the HRG formula.
35. The first measure included in the formula is the sum of Housing Benefit claimants and Universal Credit claimants with a housing entitlement in the area, but receipt of benefits does not automatically place people at risk of homelessness and is, therefore, not an accurate measure of housing need. It is only when these households' benefit entitlement is not sufficient to meet their housing costs that they could be at risk of homelessness, particularly those resident in the Private Rented Sector. And when examining the cohort of benefit claimants whose entitlement is not sufficient to cover their housing costs it is important to consider not just the overall number, but the size of the shortfall, as those with the largest gap between their entitlement and costs are at the greatest risk of homelessness.
36. The use of lower quartile PRS rents in an area does, to some extent, reflect the housing market pressures that can cause homelessness. However, the real driver of homelessness is not the overall level of rents, but whether rents are affordable to households living in those properties. A better measure that reflects affordability pressures would be the gap between rents and incomes or support for housing costs.
37. In addition, we do not agree that the ACA included as the third element in this formula truly reflects the regional variation in the cost of homelessness prevention. This is because it is very much driven by pay differentials and does not include housing costs. Further explanation of why the ACA is not an appropriate measure in the context of homelessness services is given in our response to question 2.
38. While the HRG formula may better reflect the historic pressures and costs faced by authorities, as it is based on actual homelessness spend data and the number of homelessness duty acceptances, it also has a number of weaknesses. The regional allocation formula is overly complex, and it is unclear how the overall weightings for the 6 new burdens it reflects have been determined. Conversely, for the individual authority allocations, the distribution approach is overly simplistic, and the use of overall IMD data is questionable as a measure of homelessness need, particularly as several domains of the IMD are unrelated to housing and the income domain relies on some welfare measures that are pre-housing costs. The use of overall population figures is also a weak proxy for need (see paragraph 49 below).
39. We believe further work is required to develop a more appropriate formula for this element of the grant.

Q2. Do you agree with our proposal to apply an overall ACA in the £110m element of the formula? (Yes – No – Indifferent - Not sure)

40. No. While it is true that it is more difficult to prevent homelessness in areas with higher costs, it is not the case that the ACA accurately reflects the real differential cost of homelessness prevention across the country. As such, the current ACA is not an appropriate measure and we oppose its inclusion in the formula.

41. We support the reasoning behind including an ACA given in the consultation – “in order to recognise that it is more difficult to prevent homelessness in areas with high costs, in particular areas with acute housing market pressures that limit the supply of affordable properties and make prevention very challenging, in a way which can be difficult to capture through traditional datasets”. However, the purpose of the ACA is to reflect the relative costs of delivering services across the country and is overwhelmingly driven by wage differentials. Differences in staffing costs do not, in our view, accurately reflect differences in residential property costs (either the cost of TA or PRS accommodation), which drive the bulk of the cost of homelessness provision and vary most significantly from region to region.
42. The greatest challenge for authorities preventing and relieving homelessness is one of supply of affordable accommodation and nowhere is this reflected in the formulas used to calculate homelessness funding. Areas such as London, which faces the most acute housing market pressures, suffer from a severe lack of supply of affordable properties, making prevention and relief both very challenging and expensive, while driving up the cost of TA.
43. As set out above (paragraph 13), research carried out by Savills on behalf of Capital Letters found that the number of properties listed to rent across London in the first quarter of 2022 was 35% lower than the pre-COVID quarterly average. Combined with increasing rents, this has led to only 8.8% of all properties listed for rent in London in the year Q1 2022 being affordable on LHA. The picture is even more stark for households impacted by the overall Benefit Cap. For a capped single parent household with 2 children over 4, only 0.8% properties were affordable in the two years to the first quarter of 2022.
44. London Councils’ survey of our members found that housing related costs (largely consisting of incentive payments to Landlords) accounted for 75% of the total cost of homelessness provision in 2021/22, compared to 11% for staffing costs. In 2021/22 London boroughs paid £747m in incentive payments to support the prevention and relief of homelessness, compared to total homelessness staffing cost of £102m. It is these housing related costs that form a large majority of total homelessness costs that must be reflected in the allocation formula. The ACA, which focuses predominantly on staffing costs, fails to do so.
45. Not only does staffing cost account for a small minority of the overall cost of homelessness provision but the regional differential between wages is much smaller than the differential between property costs. Median pay is around 30% higher in London than England overall², whereas median house prices and median monthly rents are almost twice (100%) higher in London than England overall³. As such, if the Government wishes to recognise the fact that it is more difficult to prevent homelessness in areas with higher costs then the ACA must be replaced with a measure that reflects the differential in housing costs nationally.
46. We are also concerned about double-counting if an overall ACA were to be applied to £110m element of the formula as well as within the first 80% of this part of the formula.

Q3. Of the options presented to replace TAMF in the formula, which is your first preference? (Option 1 - Option 2 - Not sure – Indifferent - Neither) Please explain why. (300 word limit)

47. Neither. We agree that the TAMF element is outdated and should be replaced. However, we do not think either of the options presented accurately reflect homelessness pressures and call on the Government to pause the implementation of a new allocations methodology in order to work with local government to develop a formula that does.

² ASHE, ONS:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofworkbylocalauthorityashetable7>

³ <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/privaterentalmarketsummarystatisticsinengland>

48. Our main concerns with the approach set out in Option 1 are regarding the accuracy of RO4 data – as there are inconsistencies on how authorities complete the returns, and we strongly oppose the proposals to use ACA weighted population to fill in missing data (see Q5). More importantly, historic spending isn't necessarily an accurate predictor of future need and expenditure. While using 90% of a 3-year average of TA costs under Option 1 is clearly preferable to the population weighted ACA used in Option 2 (see below), we believe a predictive model should be developed that considers future demand. This is even more important as the cost of living crisis is set to have a disproportionate impact on certain parts of the country including London (as mentioned in paragraph 17).
49. London Councils is extremely concerned about the proposed measures within Option 2 – specifically the use of a population weighted ACA to replace the TAMF element - for two main reasons. Firstly, the general population does not accurately reflect demand for homelessness services. London's population represents around 16% of the national total, while London boroughs account for 60% of the total households in TA. Clearly, the use of general population as variable is unrepresentative of demand.
50. Secondly, for reasons explained in our answer to Question 2, we do not consider the ACA to be an accurate reflection of the driver of homelessness costs. This is particularly true in relation to TA costs, which are nowhere captured in the ACA. The department has failed to offer any explanation as to why it believes the ACA to be a good proxy for measuring costs and why it has chosen to include it in the formula for Option 2.
51. The indicative allocations for Option 2 show London would only receive around a third of the overall funding, even though London boroughs incur 75% of the gross spending on TA nationally and have 60% of all households in TA. This perverse outcome should alone be sufficient to demonstrate that Option 2 manifestly fails to capture the real cost of homelessness and would result in large funding cuts in precisely the areas of the country that face the highest pressures.

Q4. Are there other indicators of TA pressures you recommend we consider? (300 word limit) Please explain why. (300 word limit)

52. For the reasons outlined in answer to question 2 we believe that the department should consider the supply of affordable accommodation as a key indicator of TA pressures. Lack of affordable PRS accommodation makes it more difficult for authorities to prevent homelessness while also limiting the options for relief, meaning both the flow of new households into TA is higher and the ability for authorities to move currently homeless households out of TA into secure accommodation is limited. Nowhere is this pressure currently captured in homelessness funding formulas.

Q5. Of our proposed options in relation to missing data, which is your first preference? (Option 1 – Option 2 – Not sure – Indifferent - Neither) Please explain why. (300 word limit)

53. We do not support the options proposed. Instead, we would support the use of an amended version of Option 1 where, instead of the ACA, an authority's last published RO figure would be updated by the average change across the authority type where data is missing. For reasons already set out in our answer to question 2 we do not consider the ACA weighted population used in Option 2 to be in any way a good measure of the cost of homelessness prevention.

Q6. Do the listed data sources used in the FHSG element represent an accurate reflection of homelessness pressures? (Yes - No - Partially - Not sure) Please explain why. (300 word limit)

54. Partially. H-CLIC data only consist of prevention work that can be considered a duty under the Homelessness Reduction Act and does not include the wide range of earlier stage prevention work carried out by authorities. London boroughs carry out many such early-stage prevention activities, including tenancy sustainment services and payments to existing Landlords to help households remain in their current home. This range of

activities is not captured in statistics and is therefore not reflected in the current formula, yet it forms a vital part of homelessness prevention, as we know prevention is most effective the earlier it is undertaken. The realities of the housing market also make it a costly form of prevention in London, particularly in the form of payments to Landlords.

55. The severe affordability pressures in the London PRS also call into question whether the metric of 'the number of prevention and relief cases which ended in securing a PRS tenancy' is an accurate reflection, as it measures the ability of authorities to secure a PRS tenancy and not housing need. The statistics given previously on the reduction in PRS supply in London, alongside the increasingly small number of properties affordable on LHA, highlight the extreme difficulties faced by London boroughs when attempting to prevent homelessness in this manner.
56. To put this into context the Savills research found only 18,072 London properties available at LHA levels, yet 23,990 households in London were owed a homelessness prevention duty in 2020/21. Combined with the 56,460 household in TA for whom a PRS tenancy is the only realistic mean of relieving their homelessness, it is clear that it is simply impossible for London boroughs to prevent or relieve homelessness for all these households without a significant boost in the supply of affordable properties.
57. This means it is more difficult for London boroughs to prevent homelessness, and thereby stop increases in TA numbers, as well as reduce existing TA levels by relieving homelessness. This dynamic creates significant ongoing TA costs that are not met by the welfare system and therefore authorities have to use HPG funding to plug the gap. It is vital that these TA pressures are accurately reflected in the formula.

Q7. Do you have any alternative suggestions for data sources that could be used as indicators of homelessness pressures in the formula? (500 word limit)

58. As previously explained, the key driver of homelessness pressures in London is housing affordability and this is not accounted for in the existing formula. Measuring housing affordability is not straightforward and cannot simply be understood from the perspective of housing cost data, such as rent levels. It is the gap between a household's income and housing costs that is the key determinant of affordability. If the Government were to pause the implementation of the new allocation methodology they could work with local authorities to develop a measure that captures this gap and therefore properly reflects homelessness pressure in the formula.

Q8. Do you want to see transitional arrangements introduced for 2023/24 financial year? (Yes – No – Indifferent - Not sure)

59. Yes. In the context of rising homelessness pressures, we strongly oppose any changes to the funding formula that would lead to a reduction in allocation for authorities and thereby reduce their ability to meet these pressures. Were the reforms to be implemented, we therefore urge the Government to increase the level of funding within the grant overall such that no local authority is worse off as a result of the changes to the formula.
60. However, if the department insists on proceeding with changes that produce such an outcome, it is essential that transitional protection is introduced in order to prevent sudden harsh funding reductions that could jeopardise the stability of a vital statutory service.

Q9. Do you want to see transitional arrangements introduced for 2024/25 financial year? (Yes – No – Indifferent - Not sure)

61. Yes. See answer to question 8 – transitional arrangements would need to apply over two years.

Q10. What percentage cap would you prefer to see? (5% in 2023/24 and 10% in 2024/25 as proposed – 2% each year - 5% each year - 10% each year – 20% each year – None - Indifferent - Other - Not sure)

62. Notwithstanding our preference for no authority to be worse off, of the proposed options we would support the highest level of protection - 2% in each year.

Q11. Please explain the reasons for your answers to the questions in this chapter, and provide any other thoughts or comments on this proposal. (500 word limit)

63. No further comments.

Q12. Do you agree that funding allocations for 2023/24 and 2024/25 should be announced this year, providing the earliest funding certainty possible? (Yes – No – Indifferent - Not sure) Please explain why. (300 word limit)

64. Not sure. While we welcome the department's desire to give authorities a longer-term view of homelessness funding, enabling them to better plan their homelessness services and invest in longer term service provision, we are concerned that a two-year funding allocation would not reflect the significant increase in homelessness pressures boroughs anticipate in the coming months, or indeed guard against the uncertain economic environment caused by rising inflation

65. London's already severe homelessness pressures have been compounded by the rapid increase in the cost of essential goods in recent months. 79% of Londoners surveyed said their cost of living had increased in the last 6 months and as a result it is becoming increasingly difficult for them to meet their basic living costs, with more than half of Londoners now reporting they are struggling financially. With London households resident in the PRS spending almost 40% of their income on rent, compared to 23% in the rest of England, any increase in financial pressure on low-income households will undermine their ability to pay their rent and place them at risk of homelessness.

66. In such a volatile context, it would not seem prudent to fix homelessness funding at a level that won't reflect the significant shift in homelessness pressures between 2023/24 and 2024/25 that boroughs anticipate. As a compromise, we would suggest that the department sets out indicative allocations, for 2024/25 alongside those for 2023/24 as a guaranteed minimum funding level, but keeps the overall level of funding under review and increase it should homelessness levels rise significantly.

Q13. To what extent do you feel confident that local authorities would be able to provide a yearly spend declaration of HPG categorised under 'prevention and relief', 'TA' and 'main duty/other'? (Very confident – Quite confident – Neutral – Slightly doubtful - Very Doubtful – Not sure)

67. Providing the data outlined in the consultation is likely to prove challenging for authorities and cause undue pressure on limited staff resources. This is not because the spend categories given are incorrect but because such data is not currently reported on or collected centrally by authorities and as such would require the creation of new reporting mechanism. This will be difficult to implement as HPG spend will be spread out across different service areas. For example, much of the contract management or service provision will be undertaken by teams not inputting H-CLIC data. Before proceeding the department will need to consider the balance between the potential utility of such data and the cost to authorities in terms of staff time and the development of internal reporting mechanism that it would require.

68. Local authorities have limited resources in this space and the consultation already sets out the need to improve H-CLIC reporting. It will not be possible to achieve this alongside additional reporting requirements without further resources.

Q14. Please use this space to provide reasons for your answer and any further thoughts or comments on this proposal. For example, whether you think the above definition of ‘prevention and relief’ spend (as set out in para 5.5) is workable, if there are other spend categories which could constitute ‘prevention and relief’ that we have not listed above, whether you have views on the local authority’s ability to provide this information, or any additional impact this extra reporting requirement may have? (500 word limit)

69. We broadly agree with the definitions and spend categories provided in the consultation. However, we are concerned about the additional impact on staff time and resources these reporting requirements would have for the reasons set out in our answer to question 13.

Q15. Would it be possible for local authorities to provide a more granular breakdown of spend than those proposed – for example, reporting the amount spent on staffing/incentive payments for a new tenancy/clearing rent arrears? (Yes – No – Maybe – Not sure) Please explain why. (300 word limit)

70. It may be possible for authorities to provide a more detailed breakdown of spend than that currently proposed, but this is likely to come at undue cost in terms of staff time. We are already concerned that the new reporting requirements outlined in the consultation will prove too burdensome for authorities and would oppose the introduction of even more detailed mandatory spend reporting.

Q16. What is your view on our proposal to introduce tranche payments for the Homelessness Prevention Grant in order to incentivise better H-CLIC data reporting? (Strongly Agree – Agree – Neutral – Disagree – Strongly Disagree – Not sure)

71. Strongly disagree. We recognise the importance of H-CLIC data reporting and the need for all authorities to complete their returns accurately and in full to ensure that national homelessness statistics provide a correct reflection of homelessness pressures. However, we think splitting the funding into tranches will undermine the ability of authorities to strategically plan their homelessness prevention activities, invest upfront in specialist services and procure necessary accommodation. This is especially true in the face of the severe financial pressures currently faced by authorities. The department should explore other ways to incentivise better H-CLIC data reporting, underlining the importance of H-CLIC reporting in ensuring authorities receive their fair share of funding, as well as improving the H-CLIC system to make it easier for authorities to provide accurate returns. In part this could be achieved by emphasising that the methodology for missing data is likely to lead to lower allocations than proper data reporting.

Q17. If we were to introduce tranche payments, what percentage of the funding would you recommend be released in tranche 2 (later in the financial year)? (50% - 25% - 10% - 5% - None – Other – Indifferent - Not sure)

72. None. We do not agree with the introduction of tranche payments.

Q18. What is your view on the proposed conditions – publishable H-CLIC returns with full TA data - in order to receive tranche 2 of the grant? (Strongly Agree – Agree – Neutral – Disagree – Strongly Disagree – Not sure)

73. Strongly disagree. For the reasons set out in our answer to question 16 we do not agree with the introduction of tranche payments.

Q19. Please explain the reasons for your answers to the questions in this chapter, and provide any other thoughts or comments on this proposal. (500 word limit)

74. No further comments.