

London's homelessness emergency

Key facts, figures, and policy priorities for tackling the crisis



Contents

Introduction	3
Key figures	4
Temporary accommodation	5
Rough sleeping	12
The costs of homelessness	15
Policy solutions	20

Introduction

London is grappling with the most severe homelessness crisis in the country.

Record numbers of Londoners are living in temporary accommodation. Street homelessness in the capital is spiralling. The pressure on London's local homelessness services is immense.

Homelessness is an injustice. Every Londoner should have a permanent home. Secure and stable housing is fundamental for accessing opportunity and maintaining wellbeing.

By contrast, homelessness can have a devastating effect on those who experience it. There is stark evidence of dramatically worse outcomes for individuals in terms of health, education, and employment.

High rates of homelessness are also bringing unsustainable costs to public services and the wider economy. The latest data shows London boroughs collectively spending £114 million a month – or £4 million every day – on temporary accommodation for homeless Londoners. These levels of homelessness spending are a clear and present danger to the financial stability of London local government, and represent poor value for money compared to investing more in permanent housing solutions.

London is the epicentre of a national emergency – homelessness is a major concern across the UK. However, London accounts for over half of England's homelessness figures. As the situation in the capital worsens, the impact is increasingly felt beyond its boundaries. This is demonstrated by the number of out-of-London homelessness placements boroughs must make due to the chronic shortage of affordable accommodation in the capital, which in turn can exacerbate housing pressures elsewhere in the country.

London is critical to resolving this appalling crisis. Reducing homelessness here will pay dividends nationally. And while boroughs are doing everything that we can to support homeless Londoners, we welcome the new government's commitment to focusing its powers and resources on this issue. The promise of a new, cross-government strategy involving councils has the potential to bring about positive change.

Homelessness is not inevitable. This report shares London Councils' latest analysis of the pressures in the capital, but also the policies required to reverse the worsening homelessness situation. Boroughs remain as determined as ever to work in partnership with each other and all levels of government to tackle this challenge. London's future success as a city depends on it.



Cllr Grace Williams
London Councils' Executive Member
for Housing and Regeneration

Key figures



More than 183,000 Londoners are estimated to be homeless and living in temporary accommodation. This is the highest-ever level of recorded homelessness in the capital and suggests at least one in 50 Londoners are homeless. London's homeless population could fill Wembley Stadium twice over.

One in every 21 children in London lives in temporary accommodation. This means on average there is at least one homeless child in every London classroom.

320,000 households are on waiting lists for social housing in London.

The number of homeless families placed by 27 London boroughs in B&Bs has risen 662% over the two years from April 2022 to April 2024. The number of families living in B&Bs beyond the six-week limit has jumped by over 1,300% during the same period (from 114 to 1600).

Overall boroughs' collective spend is around £114m each month – or £4 million every day – on temporary accommodation for homeless Londoners.

Homelessness represents a critical risk to the financial stability of town halls across the capital. London boroughs collectively overspent their homelessness budgets by £208m in 2023-24 due to skyrocketing demand for support and accommodation costs – with 29 of London's 33 local authorities overspending their budget.

Rough sleeping in London has also grown significantly, with a 58% increase in the ten years since 2014.

Boroughs' spending on temporary accommodation has jumped 68% in a year (comparing 2022-23 to 2023-24).

London boroughs are currently forecast to overspend on their homelessness budgets this year by £250m despite an increase in funding.

Temporary accommodation

The true scale of London's homelessness crisis is not found on the streets. Instead, the vast majority of homeless Londoners – who have no permanent home of their own and qualify as homeless under housing law – live in temporary accommodation (TA) arranged by their local borough.

The unprecedented rise in homelessness in recent years means record numbers now rely on TA. More than 183,000 Londoners are estimated to be homeless and living in TA, according to London Councils' latest analysis. This figure includes 89,000 children. An alarmingly high proportion of London's population is homeless. More than one in 50 residents of the capital live in TA, with at least one homeless child in every London classroom.

The combination of skyrocketing homelessness rates and a dwindling supply of TA has created a perfect storm. The crisis comes at a time when the financial pressures on low-income Londoners are immense, and many are seriously struggling with their housing costs. Homelessness numbers are rising while the availability of TA is shrinking. The problem is made worse by rising rents, benefit shortfalls, the acute shortage of affordable housing, and a collapse in the supply of private rented sector (PRS) properties.

Homelessness can have a devastating impact on those who experience it. Households living in TA are likely to have worse health, education, and employment outcomes. For

example, a 2020 study in one London borough found that parents living in TA were 13 times more likely to experience moderate to severe depression than equivalent parents in stable housing¹ while a 2023 Shelter survey found that 46% of households had experienced worsening physical health while residing in TA². Homeless Londoners can also experience changes to their support networks, continuity of education and access to employment. Children living in TA may have to travel long distances to attend school or even have to change schools, while adults could find their commute to work becomes unmanageable. As such, TA is no substitute for the stability afforded by a permanent home.

Rising numbers of Londoners requiring TA also leads to massive costs to councils and the wider public sector. If homelessness in London continues its current trajectory, it threatens the viability of boroughs' homelessness and accommodation services, which are already struggling to provide the necessary accommodation for homeless households.

What is temporary accommodation?

TA is accommodation that a local authority will arrange for a homeless household owed a housing duty while they seek a long-term housing solution.

Despite the name temporary, stays in TA can be far from short term. Some households find themselves in TA for many years because permanent housing cannot be found for them. The underlying cause of this is a severe

1 Rosenthal DM, Hayward A, Ucci M, et al: *Parental mental health and associations between living in temporary accommodation and socio-political determinants during the COVID-19 pandemic*, Archives of Disease in Childhood (2022)
2 Shelter: *Still Living in Limbo* (2023)

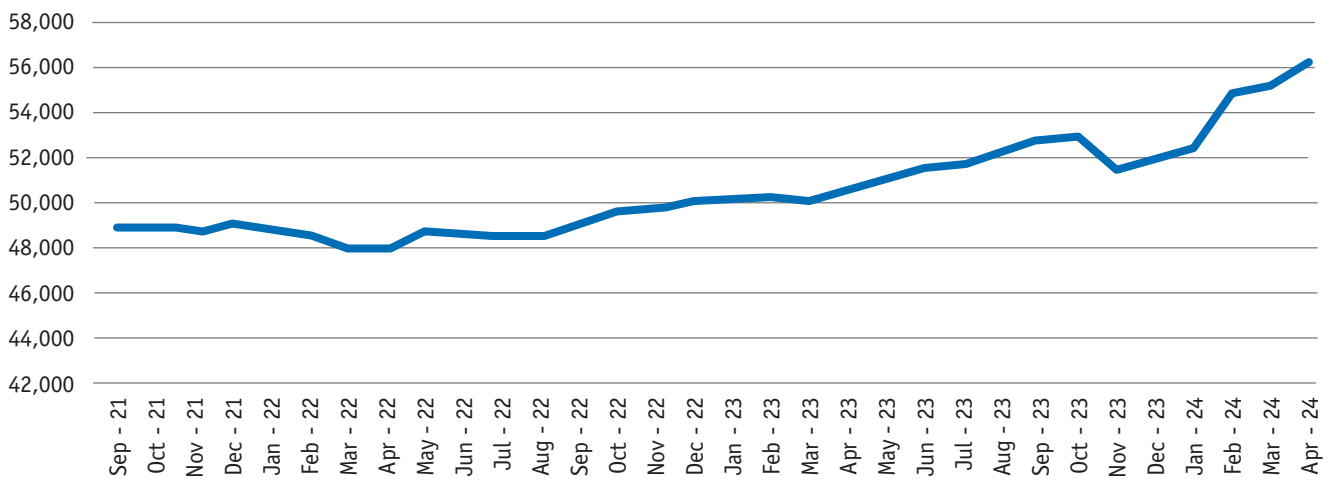
lack of accommodation that is affordable in the capital. Analysis by Shelter has found that homeless households in London have an average stay in TA five times longer than elsewhere in the country. Shelter’s research found 79% of households in TA in London stay for over a year, compared to 36% of households in the rest of England. Homelessness is a national crisis but it is undoubtedly most severe in London. The latest available government statistics show 65,280 households living in TA arranged by a London borough in March 2024, accounting for 56% England’s record-level of total TA numbers (117,450 households).

A long-term crisis: TA numbers in perspective

The number of households living in TA, both in London and England as a whole, is now the highest since records began. According to the government’s statistics, in March 2009 there were just 53,370 households living in TA in England, significantly less than the number in London alone today. Over the 15 years to March 2024 that number increased by 120% to 117,450.

To provide ongoing evidence of the pressures in the capital, London Councils has begun a regular data collection exercise among its member boroughs. This data shows that although TA numbers have been steadily increasing since 2010, London has seen a rapid escalation in the crisis from March 2023 onwards – with no sign of this trend abating.

London households in temporary accomoration (25 boroughs)



London Councils data

Based on this data, London Councils estimates there were 68,807 London households in TA in March 2024 (the latest month for which it is possible to produce a full estimate), consisting of 183,715 individuals, including 89,333 children.

London has an overall population of around 8.9 million, so this equates to at least one in 50 Londoners living in TA. These figures suggest that, with approximately 1.9 million children in the capital, one out of every 21 London children is homeless and living in TA. This equates to at least one homeless child in every London classroom (based on average class sizes).

London Councils' TA survey findings

	Estimated households in TA	Estimated children in TA	Estimated total number of individuals in TA
Dec 22	62,336	81,384	166,437
March 23	63,443	83,473	169,393
June 23	64,487	84,216	172,180
Sept 23	65,751	85,118	175,555
Dec 23	67,368	87,664	179,873
March 24	68,807	89,333	183,715

Why are more Londoners living in TA?

The growth in TA pressures can be directly traced to two root causes: the national failure to build enough new homes, and the unintended consequences of uncoordinated government policy objectives on homelessness and welfare reform.

Following the end of the eviction ban (ordered by the government as a temporary measure in response to Covid-19) in May 2021, combined with the growing impact of the cost-of-living crisis on lower-income Londoners, boroughs have experienced a sustained upward trajectory in demand for homelessness services. For example, the number of Londoners seeking homelessness support from boroughs (recorded as making a 'homelessness presentation') in April 2024, the most recent month for which London Councils has data, was 7,829 – a 12% increase on the same month two years prior.

There has been a jump in the number of Section 21 ('no fault') evictions, which makes a major contribution to homelessness pressures. Ministry of Justice figures show that nationally the number of households in the private rented sector evicted by bailiffs via Section 21 increased by 41% in the second quarter of 2023-24 compared to the same quarter the previous year³. The increase is in part due to the lifting of the eviction ban and the subsequent backlog in the courts.

3 Ministry of Justice data: <https://www.gov.uk/government/statistics/mortgage-and-landlord-possession-statistics-july-to-september-2023>

Although a full breakdown of the Section 21 proceedings is not available, the Ministry of Justice states that London has the highest private landlord possession claim rates out of any region. This means that the increase in both evictions and claims has had a larger impact in London than anywhere else in the country.

Fast-growing rental prices in the PRS are another critical factor. Research by Savills and the London School of Economics (commissioned by a partnership led by London Councils and published in 2023) found that asking rents in London were 20% above their pre-Covid level. A reduction in the number of new private rental properties coming to the market indicates that further rent increases are likely in the short term, meaning there is no sign of the current pressures abating.

Prior to April 2024, Local Housing Allowance (LHA) rates were frozen. Eligible households receive LHA as part of their Housing Benefit or Universal Credit payment if they have a private landlord. Around 300,000 Londoners receive LHA. The freeze to LHA rates reduced the number of properties affordable to low-income households reliant on benefits and increased the shortfall between housing support and rental costs – putting more Londoners at risk of homelessness.

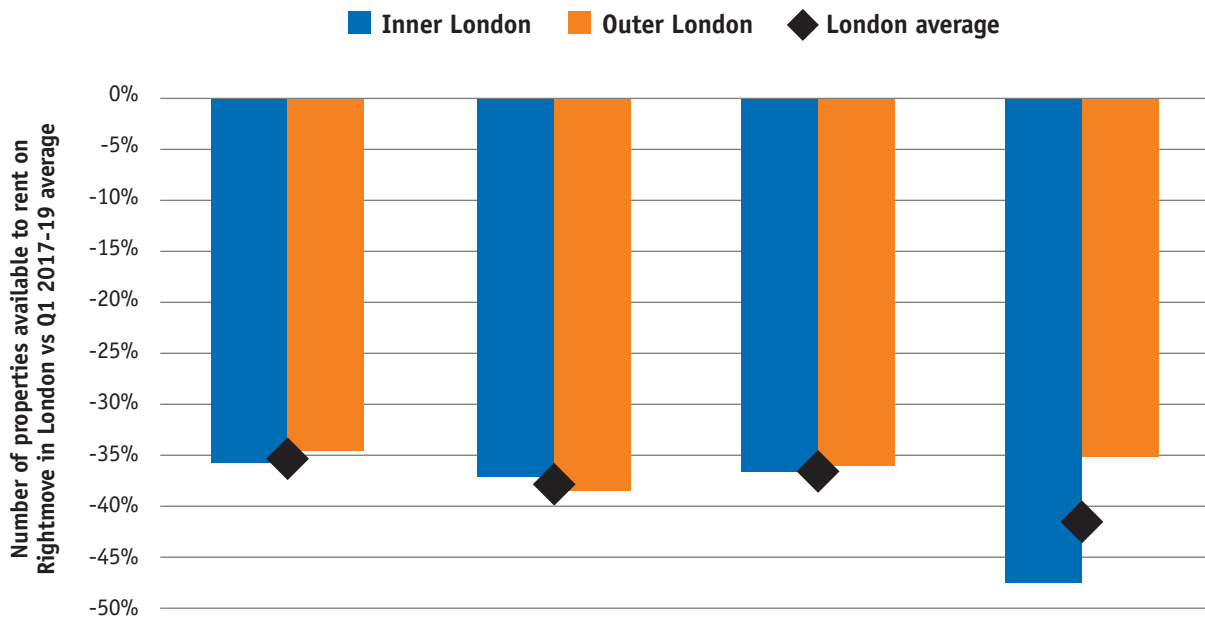
The same research from Savills and the LSE found that only 2.3% of London listings on Rightmove were affordable in 2022-23 to those needing LHA to help pay their rent – falling from 18.9% in 2020-21.

The increase to LHA from April 2024 has helped to alleviate this pressure to some extent. However, its impact has been limited within the context of rapidly rising rents. Further analysis by Savills shows only 5.1% of properties available to rent in London 2023-24 are affordable on the new April 2024 LHA rates. As such, unless action is taken to address the overall supply of accommodation in London – both PRS and social housing – alongside ensuring LHA continues to keep pace with rents, the fundamental problem will remain.

Shortage of TA supply

London has experienced an almost-complete collapse in the availability of suitable TA, driven by a sharp reduction in the supply of properties in the wider London PRS. In the first quarter of 2023 the number of properties available for rent in London was 41% lower than the pre-pandemic average across all property sizes (compared to 33% lower nationally).

This has severely limited boroughs' ability to prevent and relieve homelessness. The reduction in PRS supply impacts the TA market, making it increasingly difficult for boroughs to procure TA and contributing to the increased use of B&Bs for homeless households.



Reduction in PRS Supply in London

London Councils’ research shows that many private landlords renting their properties to boroughs for use as TA have increasingly cancelled these agreements, as they are instead renting to private tenants or selling the properties altogether. The number of notices to quit (a legal notice requesting the return of a property by a landlord) received by boroughs from September 2022 to April 2024 was over 10,000. This is equivalent to a loss of 18% of London’s total TA stock.

Boroughs’ difficulty in procuring or retaining suitable accommodation is driving a persistent increase in the use of unsuitable Bed & Breakfast (B&B) accommodation. London Councils’ data from 27 boroughs shows 2,249 families living in B&B accommodation in April 2024, up 25% on a year earlier. In April 2022 only 295 families were placed in B&Bs, so the number of such

placements has surged over the past two years by an enormous 662%

No borough wants to place families in B&B accommodation. For the purposes of homelessness regulation, B&B means non-self-contained accommodation (whether or not breakfast is included) where cooking, toilet or personal washing facilities are shared. After years of sustained reductions in B&B usage as a result of concerted action by London boroughs, their use has grown alarmingly as a result of the shortage of suitable alternative accommodation.

Placements into B&B accommodation are highly detrimental for children, with significant implications for their health and school performance. The current crisis means families are being forced to stay in this accommodation for unprecedented lengths of time, which could have a devastating impact on their mental health even more severe than

previously documented. London Councils' data shows 1,613 families had been living in B&B hotels for longer than six weeks in April 2024 – a 41% increase from the previous year. Comparing again to April 2022, when only 114 families were living in B&Bs for more than six weeks, the number has gone up by over 1,000%. This underlines the urgent need for action.

It is not in boroughs' financial interests to use B&B accommodation, as it is more expensive than alternative types of TA. B&B is a wider term for all non-self-contained accommodation, but within this, boroughs are increasingly being forced to place homeless households in spot-purchased commercial hotel bookings at far greater expense than – for example – use of PRS properties as TA. Data from London boroughs shows that while the cost of all accommodation types has grown, the average rates paid for shared accommodation (including hotels) have risen

by 98% over the past year and are 30% higher than self-contained accommodation.

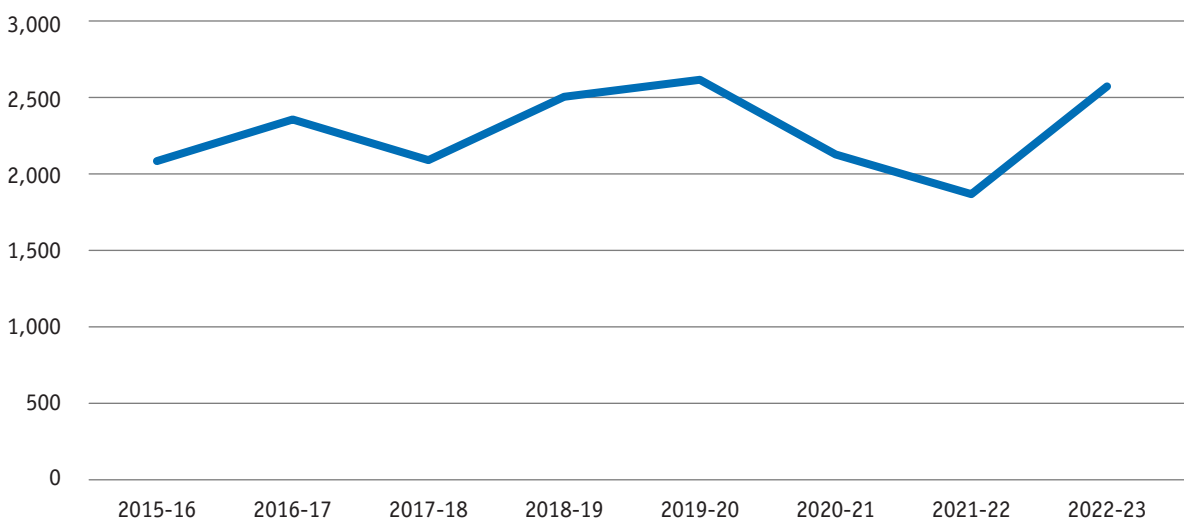
However, if no other suitable options are available, shared accommodation is sometimes the only way of ensuring families have a roof over their head. Rising numbers of families in B&B are unavoidable in the current market conditions unless urgent steps are taken to bring forward additional TA supply.

The impact beyond the capital

The growing number of out-of-London homelessness placements demonstrate how London's worsening crisis has a national impact.

When looking for accommodation for a homeless household, boroughs look for options as close as possible to the household's community. This can be essential for helping children to keep attending their

Overall number of placements made outside London by London boroughs each year*



* Please note that dates from 2021 onwards excludes the London Borough of Bexley

local school, or for employment reasons, or family links. Boroughs only make placements outside of London as a last resort or when the homeless household has a connection in the placing area.

However, as a result of unprecedented accommodation pressures in the capital, there is clear risk that such placements will increase.

As these figures show, there was a 37% increase in the number of placements outside London between 2021-22 and 22-23. However, this remains a small proportion of total London homelessness placements, at 8% in 2022-23. The highest recorded total remains the 2,647 in 2019-20, but the upward trend in recent quarterly results and increasing homelessness pressures mean this may well have been surpassed in 2023-24.

The vast majority of out-of-London placements are to areas adjacent to the capital. For example, in quarter four of 2022-23, 85% of all placements by London boroughs outside the capital were within the counties immediately bordering London. However, some placements involve much more significant distances.

London boroughs are committed to minimising out-of-London homelessness placements and are keenly aware that these placements can contribute to housing pressures in other parts of the country. Ultimately, the only long-term solution to this issue is coordinated action between central and local government to reduce homelessness in the capital and the risk of local authorities competing over much-needed temporary accommodation options.

Rough sleeping

The crisis at its most visible

The recent increase in rough sleeping across London is the most extreme and visible manifestation of the capital's worsening homelessness crisis.

Only a small minority of homeless Londoners end up living on the streets. However, those who do face immense challenges and risks. The longer a person sleeps rough, the more likely they are to experience violence, poor mental and physical health, addiction, and dying prematurely⁴.

Solid progress had previously been made in reducing rough sleeping in the capital. Following the government's 'Everyone In' directive at the height of the Covid-19 pandemic, which was backed by significant funding for local support services, rough sleeping numbers fell between the years 2020 and 2022.

But the situation has worsened again. In 2023-24, 11,993 people were recorded on the Combined Homelessness and Information Network (CHAIN) as having at least one night sleeping rough in London – an increase of 19% on the previous year.

The period between October-December 2023 saw the highest number of individuals ever recorded as sleeping rough in the capital in a single quarter (4,389), with half being recorded as sleeping rough for the first time. The most recent quarterly figures have dropped slightly, with 4,332 individuals recorded rough sleeping between April and June 2024. However, this still represents a

20% increase compared to the same period in 2023.

Overall, there has been a 58% increase in rough sleeping in the ten years since 2014. Boroughs fear London has now returned to the pre-pandemic trend of rising levels of rough sleeping.

As well as growing numbers of people sleeping rough, more prolonged periods of severe weather caused by climate change are making rough sleeping in the capital even more dangerous.

Since 2018, boroughs have signed up to the pan-London severe weather emergency protocol (SWEPE). The protocol means that when temperatures are forecast below zero, London boroughs and the Mayor of London – working with homelessness charities – open additional emergency accommodation for people who are sleeping rough during weather conditions that could pose a threat to life.

Although the capital's partnership arrangements are successful and have seen fast responses to weather warnings to keep rough sleepers safe, there are concerns regarding the future sustainability of this work. Boroughs receive no dedicated government funding for this activity, despite the pressures it brings to services and increasing costs to already overstretched housing budgets.

⁴ Crisis: [Crisis responds to new statistics on deaths of people experiencing homelessness in 2021 \(2022\)](#)

What is driving rough sleeping numbers?

Relationships breaking down and individuals leaving the family home for other reasons remain a steady driver of rough sleeping, accounting for around a quarter of people newly sleeping rough.

In recent years, however, boroughs have seen a jump in the number of people sleeping rough without the usual complex support needs often associated with those living on the streets, such as substance misuse and mental health issues.

Instead, a growing proportion are sleeping rough simply because they are unable to maintain the cost of their homes or find affordable housing. Cost-of-living pressures and increasing rents amid a severe shortage of affordable accommodation are making it difficult for individuals on low incomes to sustain their tenancies. Data shows that 27% of new rough sleepers say they have come from the private rented sector, leaving it due to housing debt, eviction or being asked to leave their home⁵. Leaving or being evicted from a private rented sector tenancy is the most common last settled base of people newly sleeping rough.

A significant number of asylum seekers and refugees are also ending up homeless and living on the streets in London after leaving Home Office accommodation. This group used to make up a small fraction of all new rough sleepers until 2023.

In the first quarter of 2023-24, boroughs and local homelessness services reported seeing around ten new rough sleepers per month who had recently left accommodation funded by the Home Office's National Asylum Support Service (NASS). By January 2024 this had risen to 311 refugees sleeping rough in London after eviction from NASS.

How to tackle rough sleeping in London

Boroughs believe more can and must be done to reduce rough sleeping numbers – and that the goal of ending rough sleeping altogether remains achievable.

Rather than tackling rough sleeping through a crisis response on the streets, the most efficient and effective approach is to invest in prevention. When rough sleeping does occur, the focus should be on making it rare, brief, and non-recurrent.

Strikingly, the majority of people rough sleeping in London do so for only one night. There is an imperative to review where funding is currently applied within the system and to seek earlier interventions, giving individuals who are inadequately housed better options than sleeping rough.

Not only is it important to prevent people from spending a single night out, but also to intervene at the right point to avoid this becoming entrenched. A significant minority of those new to rough sleeping will do so multiple times. In addition, there are people returning to rough sleeping after a period away from the streets.

5 Rough sleeping in London (CHAIN reports)

Better use of data can guide prevention. For example, data analysis can help show the benefits of tackling debt before it becomes unmanageable, providing tenancy support at times of crisis, supporting individuals as they leave prison or other institutions, or have significant life changes. These are times of increased risk.

Boroughs are taking action to strengthen rough sleeping support and to reduce rough sleeping numbers. This includes:

- Working together at a pan-London level to share solutions and collaborate on service delivery.
- Supporting the 'Life Off the Streets' programme, co-chaired by London Councils and London's Deputy Mayor for Housing, to co-ordinate action across the public and voluntary sector.
- Innovating to address specific needs. For example, London Councils has helped create and pilot the first women's rough sleeping census. Boroughs are similarly working together on projects aimed at reducing rough sleeping among refugees and young people.

The costs of homelessness

Homelessness takes a massive toll on those individuals experiencing it, costing them in their education and opportunities, health and wellbeing.

However, homelessness also has a wider social impact – particularly in the resources required to alleviate homelessness and to provide support services.

As London's homelessness rates have grown significantly in recent years, the bills faced by boroughs have skyrocketed. Boroughs have legal duties around preventing homelessness and helping those in need, but do not receive adequate funding from central government for this activity. The inevitable result is massive pressures on boroughs' resources, which is bad for their financial stability, for those relying on homelessness support, and for other local services and residents too.

How homelessness funding works

A recent report from the National Audit Office described central government funding arrangements for local authorities' homelessness services as "complex, fragmented, and sometimes uncertain."⁶

Numerous central government grants exist to help fund homelessness services and provide accommodation, such as the Rough Sleeping Accommodation Programme, the Single Homelessness Accommodation Programme, the Local Authority Housing Fund and the Homelessness Prevention Grant.

However, these dedicated grants do not adequately cover the costs of homelessness services, and local authorities therefore rely

on their general funds – including council tax revenues - to plug the gaps. But the government's relative needs formula, which allocates general funding to councils based on population and other local data, also fails to reflect current pressures – both in London and across the country.

The largest form of grant funding for boroughs' homelessness services currently comes from the Homelessness Prevention Grant (HPG). The HPG was introduced by the government in 2020-21 and is specifically intended for funding local authority efforts to address and prevent homelessness. These activities primarily stem from the Homelessness Reduction Act (2017), which conferred new duties on councils to help individuals and families at risk of homelessness within certain timeframes.

The HPG itself was formed from two previous grants: the Flexible Homelessness Support Grant and the Homelessness Reduction Grant. In 2024-25, an additional top-up was provided in recognition of growing pressures. In total, £440m of homelessness prevention funding was awarded across England, with London boroughs receiving £199m (45% of the total).

The government is expected to consult again on the Homelessness Prevention Grant's methodology ahead of the 2025-26 allocations. This will cover the appropriate ways to measure homelessness need and the costs of delivering homelessness services. London Councils will continue to push for fairer recognition of the particular pressures faced in the capital, such as the cost of buying or renting residential property.

6 National Audit Office: 'The Effectiveness of Government in Tackling Homelessness' (July 2024)

Boroughs' homelessness spending

London boroughs spend substantial amounts of money on homelessness services. Government data on council spending figures shows that in 2023-24 London boroughs spent almost £1.6bn on homelessness. This includes £114m per month spent on temporary accommodation – or around £4million each day.

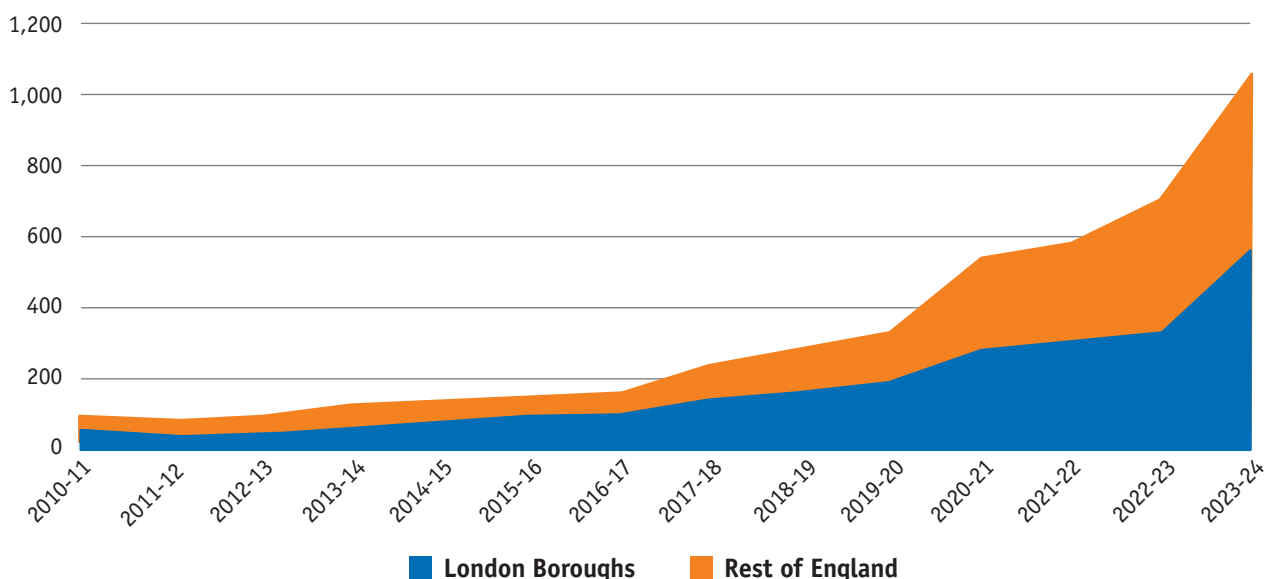
These are the 'gross' upfront costs of providing homelessness services – and indicate the total amount of homelessness and temporary accommodation spending. However, because boroughs are reimbursed for some of these costs by central government, the 'net' spending figures are more reflective of the rising pressures on borough budgets.

Local authority net spending on homelessness services has ballooned across the country. For England overall, this rose from £343m in 2010-11 to more than £1.6bn in 2023-24 (an increase of 392%), with London rising

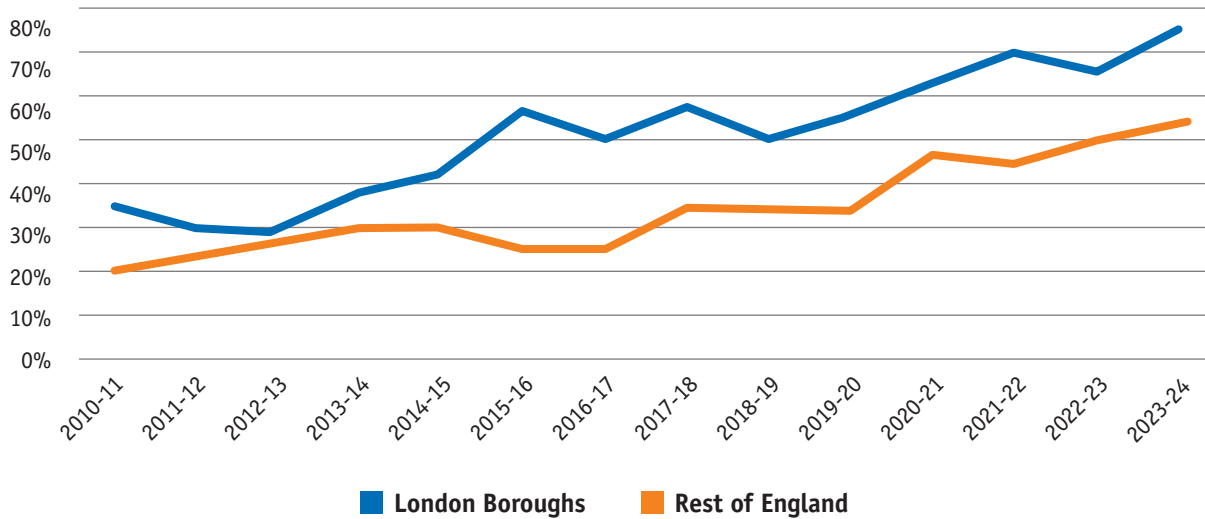
from £160m to £750m (an increase of 368%). In just one year from 2022-23 to 2023-24, net spending on homelessness in London has increased by a significant 49%, driven by a 68% increase in spending on temporary accommodation. This large increase in spend has meant ever larger proportions of the Housing Service Expenditure taken up by homelessness expenditure – for London a change from 24% in 2010-11 to 74% in 2023-24.

Spending on temporary accommodation has been a fundamental driver of this rise in overall homelessness spending. For England, net spending totalled £94m in 2010-11, rising to nearly £1.1bn in 2023-24 – an increase of more than 1,000%. For London, spending jumped from £54m to £559m (a 930% increase). London boroughs have a higher proportion of their overall homelessness expenditure going towards temporary accommodation, at 75% versus 53% for the rest of England.

Local authority net current spending on Temporary Accommodation (£m)

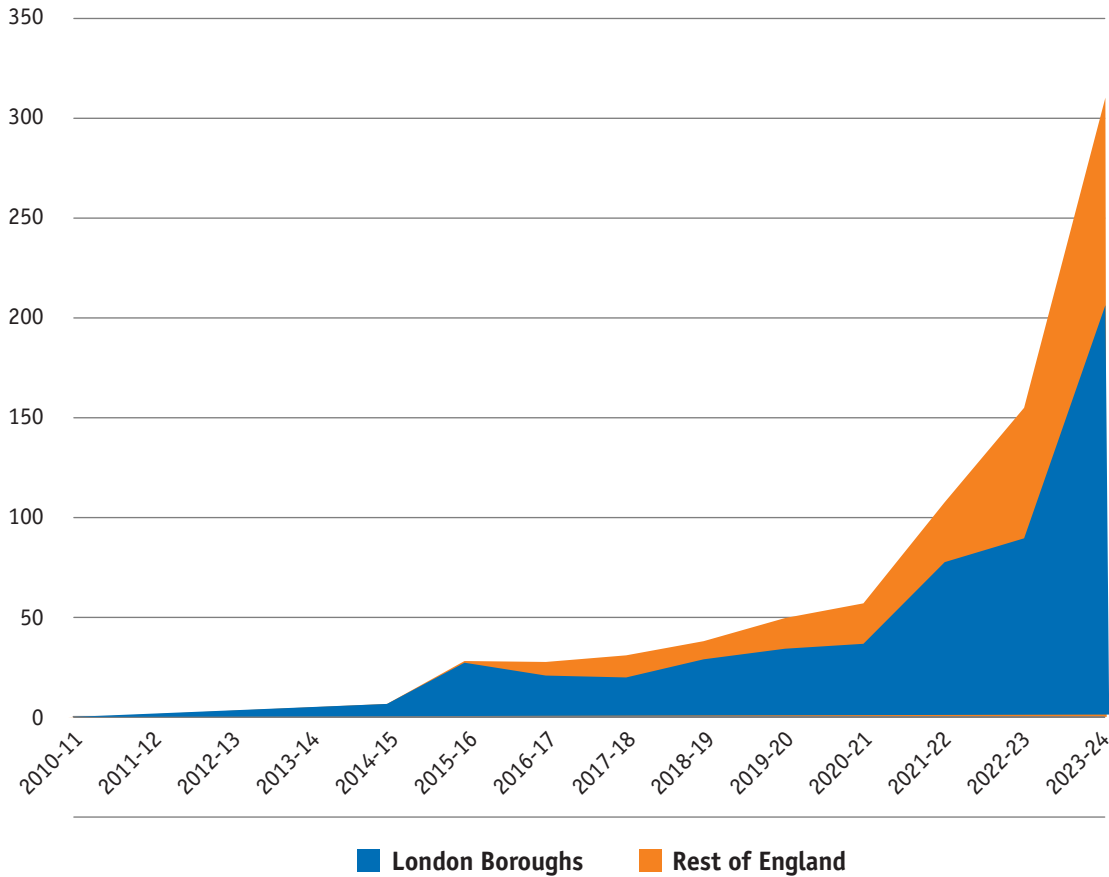


Share of homelessness net spending on temporary accommodation (%)



Within this expenditure, there are specific categories of temporary accommodation costs that have been rising especially dramatically and putting particular pressure on councils. Boroughs’ net spending on ‘Nightly Paid, Privately Managed Accommodation’ (short-term B&B arrangements) has risen from a vanishingly small spend of £1.3m in 2012-13 to £207m in 2023-24 (an enormous 16,300% increase) – with England’s overall spend on nightly paid accommodation in that period going from £2.2m to £310m.

Local authority net spending on nightly paid, privately managed accommodation, self-contained (£m)



These spending pressures pose a critical danger to town halls’ financial stability. Local authorities have a statutory duty to provide homelessness support to eligible households, but their funding from central government is not enough to meet their costs.

Boroughs therefore rely on using money from their general funds (i.e. funding from council tax, retained business rates, and general grants) to cover their homelessness costs. These general funds also need to support other crucial local services and it is

unsustainable for this situation to continue. Across 2023-24, London boroughs collectively overspent on their homelessness budgets by £208m – with 29 of London’s 33 local authorities overspending their budget. Due to homelessness numbers and costs continuing to rise, London Councils forecasts that boroughs are expecting to overspend their homelessness budgets by £250m this year, despite an increase in funding. In many cases homelessness has become the key financial challenge for boroughs, raising the risk of bankruptcy.

The cost-saving case for more homelessness prevention

Investing more – and more strategically – in homelessness prevention would pay dividends through reduced cost pressures on homelessness support and other associated services.

For example, it has been calculated that a 90-day episode of rough sleeping can cost the public purse around £11,000, which is significantly more than the costs of intervening at an earlier stage to prevent rough sleeping from occurring in the first place.⁷

Similarly, London Councils is making the case to the government for classifying asylum support accommodation as a hostel for the purposes of determining Local Housing Allowance (LHA) rates. This would mean that asylum seekers aged under 35 staying in that accommodation for more than 12 weeks would, on leaving in receipt of refugee status, be eligible for the higher one-bed rate of LHA rather than just the single-room rate, as is currently the case.

In the context of significant numbers of refugees being evicted from Home Office accommodation and ending up rough sleeping in the capital, helping them secure PRS accommodation through the higher LHA rate would be more cost-effective than seeing them turn to rough sleeping – which adds pressure on frontline services and could displace others from much-needed places in specialist hostels.

As the NAO’s recent report found, government funding for local homelessness services “remains fragmented and generally short term”, which is “inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.” The NAO makes the case that until these factors are addressed, the government will not be able to demonstrate that it is “delivering optimal value for money from its efforts to tackle homelessness.”

7 Crisis/ University of York/ University of Penn research paper, see table in Executive summary p.4 [crisis_better_than_cure_es_2016.pdf](#)

Policy solutions: how to tackle homelessness

The homelessness system is effectively broken at all levels. More Londoners are becoming homeless, while boroughs are struggling to find suitable temporary accommodation in which to house them. The chronic shortage of affordable long-term accommodation means it is ever more challenging to find permanent housing solutions.

London's ballooning temporary accommodation bill poses a major threat to boroughs' financial stability, as current levels of spending are unsustainable. Meanwhile, London's homelessness crisis also poses a national problem as boroughs have no choice but to place households outside the capital.

Funding and policy must become better aligned to reduce homelessness and prevent it from occurring in the first place.

In the long run, the key to addressing homelessness will be to build more homes, and specifically more affordable socially rented accommodation. Increasing the supply of new homes will also take the pressure off the private rented sector. London boroughs are pushing for the national policy changes required to make this happen. But in the short term, immediate measures are required to prevent the crisis escalating further and to support boroughs in securing accommodation for homeless Londoners.

Priorities for reducing all forms of homelessness

- **Boost Homelessness Prevention Grant Funding.** Local authorities play a vital role in supporting struggling households to avoid homelessness. Councils require an emergency funding increase to ensure

local services have the resources needed in the face of rising levels of demand for support. The current level of overspend on borough budgets suggests a doubling of HPG funding is necessary.

- **Make the increase in Local Housing Allowance rates a permanent measure.** When LHA rates were increased to cover the bottom 30% of market rents as part of the Covid-19 emergency measures in 2020, this dramatically increased the number of properties affordable to households (including bringing nearly 20% of new lets – which tend to be more expensive than existing tenancies – within reach of households supported by the benefit). However, when LHA rates were frozen again this fell to just 2.3% of new lets within a couple of years. The government should ensure that LHA rates track market rents (i.e. are updated annually) to prevent future significant fluctuations between actual market rents and support for tenants.
- **Increase Discretionary Housing Payments.** These payments are used by councils to help residents in financial crisis meet their housing costs. They are an essential homelessness prevention tool, but government funding for Discretionary Housing Payments in 2024-25 has been frozen at 2022-23 levels, despite significantly increasing homelessness pressures.

Specific priorities for addressing temporary accommodation pressures

- **Remove the January 2011 cap on Local Housing Allowance payable for temporary accommodation in Housing Benefit subsidy.** This is the amount of money local authorities can claim from the government for their temporary accommodation costs. Currently the subsidy has been frozen at 2011 rates – even though temporary accommodation has become significantly more expensive over the past 13 years. London Councils’ data from 24 boroughs shows a gap of more than £96m in 2023-24 between the cost of providing temporary accommodation and what councils can recover from government through the housing benefit subsidy for temporary accommodation. The ‘subsidy gap’ is a priority concern for London boroughs, especially as they increasingly rely on relatively high-cost temporary accommodation options in B&Bs and commercial hotels. Lifting the cap would better reimburse boroughs for their spiralling temporary accommodation costs.
- **Enable councils to buy more accommodation sold by private landlords.** The government should build on initiatives such as the Local Authority Housing Fund by providing increased capital investment for housing acquisitions, particularly to acquire homes being sold by private landlords as they exit the market.

Specific priorities for addressing rough sleeping pressures

- **Confirm future Rough Sleeper Initiative funding.** Current funding arrangements are due to expire at the end of the 2024-25 financial year. Confirming future funding would help ensure the sector avoids a cliff edge and that services providing support for rough sleepers are able to continue. Funding should ideally also be provided closer to local authorities, and in London could be designed to support more sub-regional working.
- **Ensure sufficient supported housing is available** to those who require it on release from prison or discharge from hospital. People leaving institutions often sleep rough due to the lack of suitable ‘move on’ accommodation.
- **Provide specific funding to councils for severe weather activity.** Boroughs’ homelessness and rough sleeping budgets already face intense pressures and government funding for SWEP would help sustain good quality provision. There should also be a complete halt to asylum evictions during the whole period of any SWEP activations.
- **Extend the move-on period from 28-days to 56-days** for people who have been given an asylum decision and notice to leave their Home Office accommodation. A 56-day notice period would align with the Homelessness Reduction Act and give local authorities a better chance of helping refugees avoid homelessness.

- **Provide councils with new burdens funding to support increasing numbers of refugees.** This would enable a new local wraparound support model that can be deployed in all boroughs, giving prompt support for people leaving Home Office accommodation, and facilitating access to employment, language support, and assessments of physical and mental health needs.
- **Make better use of welfare policy to prevent refugee homelessness costs.** Reclassifying Home Office NASS accommodation as a hostel will enable anyone staying for more than 12 weeks to access the higher one-bed rate of LHA rather than the lower shared accommodation rate when they are evicted. This will help them find housing to move into and avoid homelessness.

A cross-departmental strategy on homelessness

Tackling homelessness requires central government departments working together – in addition to key partners such as local authorities – as effectively as possible. London Councils welcomes the government’s commitment to this approach.

Boroughs believe the government’s new strategy should include a duty to collaborate between the Ministry of Housing, Communities and Local Government, Department of Health and Social Care, Department of Work and Pensions, the Home Office, and the Ministry of Justice.

Currently, a multitude of fragmented government programmes, interventions, and funding streams are seeking to deliver homelessness outcomes and services, and impacting on the demand for service support. These approaches are siloed and too focused on relief, rather than prevention.

There are useful lessons to be learned from the Rough Sleepers Unit (RSU) established by the government in 1999 and led by ex-Shelter deputy director Louise Casey. A significant reduction in street homelessness was achieved through a focus on preventative work including mental health and addiction, sufficient funding for key partners like local councils, and joined-up working across departments and with the police, armed forces, and health care institutions.

However, the current homelessness context is different from that of the 1990s. The shortage of affordable housing is far worse today. Boroughs hope to see a whole-system approach to tackling homelessness, which takes into account the lack of housing supply and urgent need to deliver more affordable homes.

London Councils welcomes the Centre for Homelessness Impact’s [systems-wide evaluation](#) project as a vital opportunity to improve our understanding of what works and how best to deliver positive change. We are participating in this scheme and sharing London-wide data to ensure the full range of insights are captured. The project will provide useful evidence on how different parts of the system are working together and what more is required for a joined-up approach to ending homelessness.

The need for more affordable housing in London

London has long suffered from a chronic shortage of affordable housing. This is the core driver of the capital's homelessness crisis.

In recent years new construction in London has averaged around 40,000 homes per year, but is expected to fall significantly this year and is falling short of London Plan targets.

Overall, London has a pipeline of 286,000 potential new homes that have received planning permission from boroughs but have not yet been built due to other reasons.

There are several key factors holding back housebuilding in London, including insufficient capital funding and infrastructure investment, as well as construction skills shortages.

Housing of all tenures is required. However, with 320,000 London households on waiting lists for social housing, and thousands increasingly unable to afford private rented sector accommodation, there is a clear need to build more homes for social rent.

Boroughs are determined to deliver more affordable housing for their communities, but face immense constraints – particularly in terms of resources. Policy changes at a national level are urgently needed to help boroughs' housebuilding ambitions.

Priorities for building more affordable homes in London

- **Inject additional Affordable Homes Programme (AHP) grant into London.** Investment should include £2.2bn in the short term to bring AHP 2021-26 targets back up to 35,000 affordable homes. Over the long term, research undertaken by Savills in 2022 shows that £4.9bn in capital grant is needed each year to enable local authorities and housing associations to achieve the strategic target for affordable housing set out in the London Plan.
- **Longer-term certainty to better enable new housing delivery.** The ability to establish longer-term grant funding agreements through the Affordable Homes Programme, and greater certainty around social housing rents policy, would better help councils to bring forward new schemes.
- **End all restrictions preventing boroughs from reinvesting Right to Buy sales receipts in building replacement homes.** For many years central government has upheld strict rules on how local authorities can use the money raised from council house sales. These have made it harder for councils to invest in replacement homes, as typically 20-25% of the funding from council house sales receipts has gone to the Treasury rather than stayed with the local authority. London Councils has welcomed the new government's announcement of more flexibilities for local authorities, which will improve the situation, and a fuller review of Right to Buy policy. Boroughs ultimately want greater flexibility in how they use receipts

in order to support long-term planning, improve the viability of schemes and help ensure every penny raised from council house sales can be reinvested locally in new affordable homes.

Priorities for stabilising local government finances

London local government urgently needs a stable financial footing. This is vital for sustaining homelessness support as well as other local public services. London boroughs' Core Spending Power is 20% (£2.2bn) lower in 2024-25 than it was in 2010-11 in real terms. Over the same period, London's population grew by 884,000 (11%) – more than the entire population of Leeds – with associated increases in demand for services.

The current situation is untenable, and it is highly likely more local authorities, including some in London, will need exceptional financial support or issue a Section 114 notice (effectively a declaration of bankruptcy) in the next year.

To stabilise local government finances, London Councils is calling for:

- **Additional funding.** Increased investment is needed to stabilise borough finances. London Councils estimates boroughs face a £700m funding gap across the capital next year (2025-26).
- **Fairer funding.** The distribution of government funding needs to become more reflective of local needs. The government's core funding formulae have not been updated since 2013 and a 'fair funding review' is urgently required.

- **Funding certainty.** Boroughs are seeking long-term funding settlements of at least three years and fewer bidding pots where councils compete for funding from the government. Greater funding certainty will enable better planning and strategic investment in prevention.
- **Greater financial autonomy.** With more financial freedoms and devolved powers, boroughs will be in a stronger position to sustain services and encourage local economic growth. These could include measures such as 100% business rates growth retention for London, powers to create a new tourism levy, and ensuring government grants are un-ringfenced by default (i.e. do not come with burdensome restrictions).

Boroughs welcome the opportunity to work with the government in achieving these goals and will be making the case for such measures through the upcoming Spending Review.

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