

# London's Homelessness Crisis

Winter briefing 2021/22



**LONDON  
COUNCILS**

London faces the most severe homelessness crisis in the country. This briefing sets out the latest data on the scale of the challenge in the capital, plus London local government’s key concerns and the policy changes required for tackling the homelessness crisis.

## Temporary accommodation figures are now close to their highest-ever levels

The number of homeless London households living in temporary accommodation is at near-record levels. The latest official data compiled by the Department for Levelling Up, Housing and Communities (DLUHC) shows 60,830 London households living in temporary accommodation arranged by their local authority.

Based on the household data, London Councils estimates there are 165,000 homeless Londoners living in temporary accommodation. This is more than the entire population of cities such as Norwich (143,000), Lancaster (146,000), or Oxford (152,400).

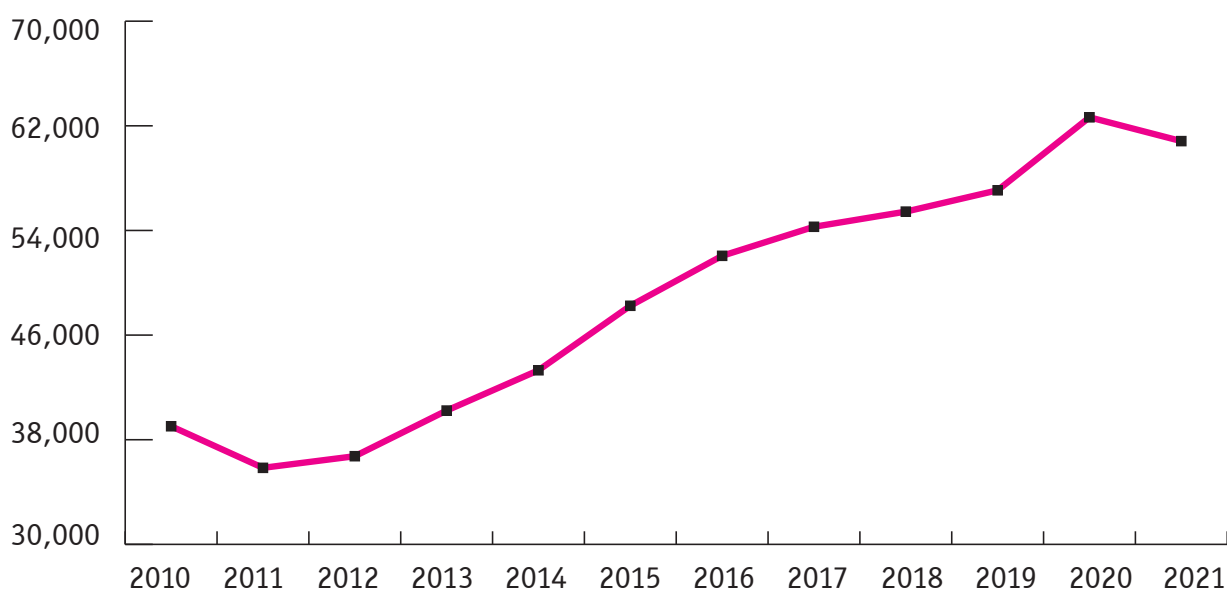
London has the most severe pressures in the country, accounting for two-thirds of England’s total temporary accommodation numbers (96,600 households). London Councils’ analysis suggests **Londoners are 10 times more likely to be living in temporary accommodation than residents of anywhere else in England.**

Families placed into temporary accommodation in London are much more likely to have dependent children. Almost 70 per cent of London households in temporary accommodation have at least one child (42,290 households), compared to 50 per cent of households in the rest of England.

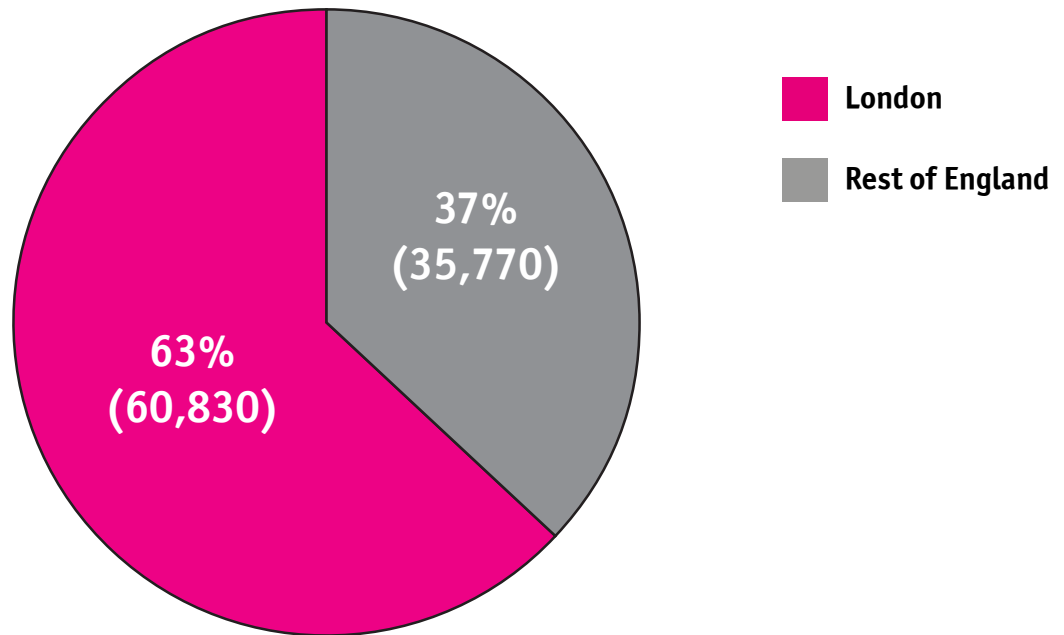
With the most recent figures indicating a total of 86,450 children in total in temporary accommodation, London has more than double the number of children in temporary accommodation than the rest of England’s local authorities combined (37,840).

London’s temporary accommodation figures peaked in 2005 at 63,800 households – only slightly higher than today. By 2011, numbers had fallen to 35,620 but have been steadily rising since. The number of children in temporary accommodation in London has increased by almost 60 per cent since 2011.

London Households in Temporary Accommodation



## All Households in Temporary Accommodation in England



## Supporting rough sleepers

London made rapid progress bringing rough sleepers off the streets following the launch of the government's 'Everyone In' directive in March 2020. Thanks to highly effective partnership work and a considerable short-term boost in resources from the government, 6,000 rough sleepers were housed by London local authorities and the GLA in emergency accommodation (including hotels) at the start of the Covid-19 pandemic.

Thousands of people have been supported off the streets and into settled accommodation, but there are still 2,000 in emergency accommodation, around half of whom have uncertain entitlements related to their immigration status. Data from the boroughs indicates on any given night there are around 650 rough sleepers on London's streets.

The multi-agency Combined Homelessness and Information Network (CHAIN) **rough sleeping statistics** for London tell us that a total of 11,018 people were seen rough sleeping at any point during 2020/21. This is a 3 per cent increase compared to 2019/20, following previous increases of 21 per cent between 2018/19 and 2019/20, and 18 per cent between 2017/18 and 2018/19.

This year's total is almost twice that of 10 years ago, when 5,678 people were seen rough sleeping during 2011/12 year. Within the overall number of people seen rough sleeping in 2020/21, 7,531 were new to rough sleeping and had never been seen bedded down before (often referred to as 'flow').

London Councils welcomed the recent launch of the government's Protect and Vaccinate scheme, which focuses on helping rough sleepers receive their Covid-19 vaccines and move into safe accommodation over winter. The push is accompanied by £28 million of extra funding for local authorities in England and this will boost boroughs' frontline support for rough sleepers in the coming months.



# Chronic shortage of affordable homes

A fundamental factor in London's high homelessness rate is the chronic shortage of affordable housing in the capital. Too many Londoners are suffering due to longstanding market failure.

Average house prices in the capital are **93 per cent higher than the UK average** compared to wages that are 49 per cent higher. London's house price-to-earnings ratio is 12.5, compared to the national average of 7.7. Inadequate provision of social housing can be seen in the enormous waiting lists – 250,000 Londoners are on borough waiting lists for council homes.



[Click here to download the report](#)

A recent report from the London Housing Director's Group (LHDG) and the G15 group of London's largest housing associations forecasts a significant shortfall in meeting the required level of supply. Projections in the report estimate that housing completions will average 43,000 per year over the period 2021-2025, compared to the London Plan target of 52,000 homes per year. Around 30 per cent are expected to be affordable or intermediate housing.

However, the LHDG and G15 report states – based on analysis by Savills – that London requires 90,000-100,000 new homes each year to overcome the affordability crisis, with at least 42,500 sub-market homes. This compares to an average 7,900 sub-market homes delivered annually since 2015/16.

London boroughs and housing associations alike have ambitious plans to deliver new affordable housing – including developing council housing at significant scale for the first time in over 30 years. However, data from the G15 shows government grant rates cover a smaller proportion of development costs than a decade ago, while the cross-subsidy model looks increasingly risky in the face of rising market exposure and interest cover.

Although boroughs have received welcome new flexibilities regarding Housing Revenue Account borrowing, there remain all sorts of hurdles undermining development funding. These include the continuing restrictions on the use of Right to Buy sales receipts, and the need to invest in existing stock to meet safety and decarbonisation commitments. Boroughs are also still establishing the required capacity and skills base within their development teams, while wider challenges are developing across the sector around the supply of materials and escalating costs.

The government should back social housebuilders through increased grant funding and ensuring that place-based investments are linked-up and focussed in a way that maximises new supply and improves existing housing conditions through regeneration. Funding for councils to undertake assessments of land opportunities would open the possibility for new areas of regeneration and delivery. On top of direct grant funding for building new affordable homes, the government could also provide financial backing for housing associations and councils to act as a 'buyer of last resort' for bulk purchase of unsold market homes where they deliver value for money.

Complete flexibility over Right to Buy receipts would give councils the autonomy to function in a practical and sustainable way. Revenue funding is needed to grow skills and development capacity within local authorities. A post-Brexit visa system for construction workers would support all housebuilders within the sector in both the short and long term.

Ultimately, **inaction on affordable housing only leads to greater problems downstream**, with spiralling homelessness rates, high costs for temporary accommodation, and the impact of living with chronic housing instability on individuals and families.

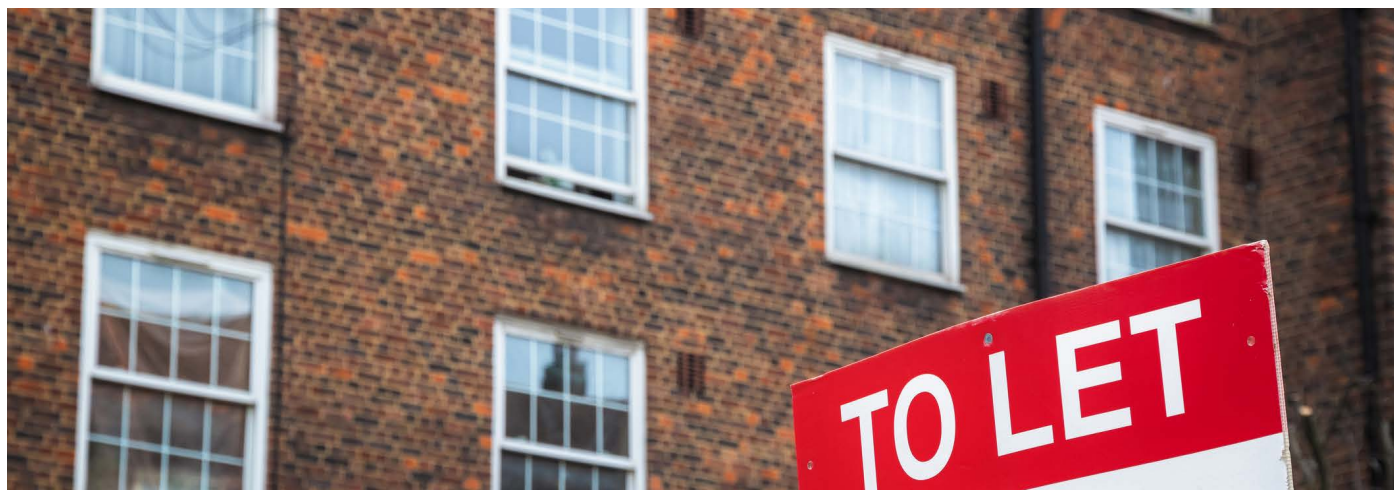
# The welfare system's role in homelessness

The welfare system has a key role to play in preventing homelessness. Where low-income households are unable to meet their housing costs, the provision of housing support – either through Universal Credit or Housing Benefit – is essential to maintaining their tenancy.

However, flawed aspects of the current system mean the support received by many low-income Londoners is insufficient to meet their housing costs, placing them at risk of homelessness. For households in the private rented sector the maximum amount of support for housing costs is set by the relevant Local Housing Allowance (LHA) rate. Changes to LHA from 2011 and six years of restrictions on rate increases left only 8 per cent of London properties affordable to those relying on LHA.

In response to the Covid-19 pandemic, the government increased LHA in April 2020 to cover 30 per cent of local market rates. This represented a major boost to private sector housing affordability in the capital. The proportion of Universal Credit claimants whose rent is not covered by LHA decreased from 55 per cent in February 2020 to 39 per cent in May 2021.

However, **there remain 132,388 London households for whom LHA is not enough to cover their rent**, potentially leaving them in danger of becoming homeless. LHA rates must keep pace with changes to the rental market to prevent a return to the severe shortage of private rented sector properties affordable to benefit claimants. It is unfortunate that the government has chosen to freeze LHA rates at existing levels for 2022/23.



The benefit cap is another aspect of the welfare system that impacts upon homelessness levels. The benefit cap limits the total amount of benefit income an individual household can receive. It has had a disproportionate impact on London due to the capital's high rents which lead to large entitlements to support for housing costs. **The impact of the cap makes securing viable tenancies for affected homeless households extremely challenging and hampers the ability of boroughs to move people out of temporary accommodation**

Increases in benefit entitlements during the pandemic significantly increased the number of households affected by the cap. From February 2020 to May 2021 the number of capped households in London increased by 313 per cent to 62,492. The large number of London households capped (and the larger reductions they experience) has placed boroughs' homelessness and housing options services under pressure.

Discretionary Housing Payments (DHPs) are a crucial homelessness prevention tool, as they allow local authorities to offset shortfalls between a resident's housing support and their rent, thereby helping to maintain their tenancy. Yet despite the significant demand resulting from arrears accrued during the pandemic, councils saw government funding for DHPs reduce by 22 per cent in 2021/22.

# Inadequate funding for sustaining homelessness services

London Councils estimates (based on pre Covid-19 research from the LSE) that **boroughs' total annual expenditure on homelessness is just under £1 billion**. Over 80 per cent of borough homelessness spend was found to be on temporary accommodation, an increasingly costly service, in part due to the market shift toward nightly rental properties.

Boroughs' spending on homelessness and rough sleeping rose by £107 million in 2020/21 due to Covid-19. London Councils estimates that spending will be up by £67 million in 2021/22, although this was calculated before the spread of the Omicron variant and the potential impact on homelessness services.

Homelessness services across London, both within local government as well as the voluntary sector, warn of probable increases in homelessness as a fall out from the pandemic. The Joseph Rowntree Foundation estimate that around 400,000 renting households have either been served an eviction notice or have been told they may be evicted following the end of eviction restrictions imposed in the government's initial response to Covid-19.

With London likely to make up at least two-thirds of these households, a sudden increase in homelessness will continue to put pressure on an already unsustainable system. In 2021/22, around £270 million of anticipated homelessness spending in London is expected to be met by borough general fund contributions (i.e. not from homelessness specific grant funding or other income).

The government has acknowledged these pressures with a recent uplift to the Homelessness Prevention Grant. Local authorities across England are receiving £65 million to help residents in rent arrears and to reduce the risk of them being evicted and becoming homeless. While this support is welcome and much needed, reactive funding like this is a short-term fix to the problems within London's housing market and the benefits system that has driven homelessness to such high levels.

## Working together to support homeless Londoners

London Councils leads a programme of activity – working jointly with boroughs, the GLA, DLUHC, and other partners – **to build on the progress made through the 'Everyone In' initiative and to end rough sleeping in London by 2024** in support of the government's manifesto commitment.

This includes a new set of governance arrangements and a new Rough Sleeping Programme Director role within London Councils to help co-ordinate cross-agency efforts to secure long-term accommodation for rough sleepers and prevent them from returning to the streets.

Boroughs are collaborating to enable more families to access affordable homes in the private rented sector. The not-for-profit company **Capital Letters** was set up in 2019 by a group of London local authorities – with government support and funding – to pool their property procurement capacity with the aim of alleviating and preventing homelessness, as well as ensuring a better experience for those affected. It is the only government-backed project focused on reducing family homelessness as opposed to rough sleeping.

Capital Letters now has 21 member boroughs and has offered over 7,500 properties to house families. A recent independent review of Capital Letters by LSE London highlighted its positive impact and concluded "there is real potential to grow the approach". However, Capital Letters' government grant funding is due to end this year and without additional funding the company will cease to exist at the end of March 2022.

Boroughs are also working together through **Setting the Standard**, a pan-London programme to ensure B&B and studio flats used by local authorities for nightly paid temporary accommodation meet a decent level of quality and management standards.

Setting the Standard's central inspection team will ensure that accommodation receives a high-quality inspection on at least an annual basis. This represents the first time that boroughs are collaborating through a shared service focused on standards in London's emergency accommodation sector.

# How to reduce homelessness in London

London boroughs fully support the government's commitment to reducing homelessness and local authorities have a vital part to play in achieving this.

However, boroughs fear there is little chance of these shared ambitions being met unless a range of national policy changes take place to improve housing affordability and prevent homelessness.

Boroughs' policy priorities for tackling homelessness:

- Help bring rough sleepers off the streets and into long-term accommodation through **increased government funding for supported housing and for drug, alcohol and mental health services.**
- Facilitate **increased cross-departmental working** – including from the Home Office, DHSC, and Ministry of Justice – to support the strategic objective of ending rough sleeping by 2024.
- Support boroughs' collaborative work to increase homeless families' access to accommodation by extending government grant funding for the **Capital Letters project.**
- Prevent homelessness from occurring in the first place by **improving the welfare system's ability to help low-income Londoners meet their housing costs.** End the five-week wait for Universal Credit payments to begin; restore government funding for councils' local welfare assistance schemes supporting residents in financial crisis; increase Discretionary Housing Payment funding.
- Strengthen local authorities' ability to **invest in council housebuilding** by ending all Treasury restrictions on use of Right to Buy sales receipts and confirming social rent levels for at least the next ten years.
- Increase grant funding available through the **Affordable Housing Programme** to cover a greater proportion of scheme costs and support an increase of new housing supply. The government should also work with local authorities to enable more council delivery of homes and the unlocking of housing sites locally, including through infrastructure funding.



