Justlife

Our Recommendations to the Treasury, ahead of the Autumn Statement 2025

15th October 2025

Our recommendations in brief

There will always be people who fall through the gaps and end up homeless. Some of the reasons are difficult to legislate around, but there are specific policy levers that can be applied to address the crisis in temporary accommodation, help individuals become productive citizens and alleviate the public purse.

These include:

- Unfreezing Local Housing Allowance
- Raising the Housing Benefit Subsidy Rates
- Lifting the Benefit Cap
- Lifting the two child benefit limit

By addressing the most egregious poverty (particularly child poverty) and making housing more affordable, it is possible to address **two substantial push-factors** behind the ever increasing numbers ending up in TA; while simultaneously **addressing a blockage in the system** that keeps people stuck in TA, unable to move on, for far too long.

Further, in doing so, local authorities would have **reduced pressure on their finances** and be able to use the Homelessness Prevention Grant as it was intended, something that many are currently struggling to do. It makes financial as well as moral sense.

Below we go through the evidence for each of these recommendations in more detail.

Prevention: Cheaper, Healthier and Kinder than Fire-Fighting

Prevention is cheaper and healthier than cure. This is no less true for homelessness; preventing homelessness is much more cost effective than supporting people in temporary accommodation, once they have lost their home. Temporary accommodation does not present **value for money**. Preventing homelessness from happening in the first place makes sense for the families and individuals affected, the local authorities tasked with supporting them and providing temporary accommodation, and for the Government ultimately picking up the bill.

We welcome the recent MHCLG announcement of an additional £84 million to tackle homelessness and **shift the system towards prevention**. It is a welcome boost to a sector in crisis. We are particularly pleased to see the £950 million to increase the supply of good quality temporary accommodation, the added funding for struggling local authorities, and the £11 million to give families with children in temporary accommodation access to basics like Wi-Fi, laundry and travel passes for school.

While this will provide some instant relief, it is a drop in the ocean. More is needed if we are to move the system away from last minute firefighting. To help shift this emergency to something with prevention at its core, more manageable for local authorities, and **more cost-effective** for the state, welfare reform is essential.

We specifically argue for the Housing Benefit (HB) subsidy rate to be raised, the Local Housing Allowance (LHA) to be unfreezed, and the Benefit Cap, and the Two Child Benefit Limit, to be lifted.

What happens when families and individuals become homeless

With 1,611 people dying while homeless across the UK in 2024, and 74 children dying with TA noted as a contributing factor on their death certificate between April 2019 and March 2024, it is clear there is a heavy price to pay for those affected. The horrendous and unsuitable conditions are well documented, and the experience of homelessness itself presents a substantial set-back that it can be difficult to recover from, both mentally, physically and financially.

Preventing this outcome from happening in the first place is clearly preferable for the individuals involved. It is also cheaper. To prevent people from becoming homeless in the first place, the most immediately effective levers at the Government's disposal are welfare reforms to alleviate poverty (the benefit cap and the two child benefit limit), making housing more affordable (unfreezing LHA rates), and helping local authorities fund prevention efforts (closing the TA subsidy gap).

There is ample evidence that it makes sense to stop homelessness before it happens. Once people are homeless, **their productivity falls**, both in the short, medium and long term. The lack of suitable move-on accommodation means that many are trapped for years, even decades, in a system that actively prevents their return to being productive members of society.

Homelessness itself presents obstacles to finding, or staying in, **employment**. The lack of a permanent address and multiple unplanned moves, sometimes out-of-area, makes it hard to find or sustain a job. First hand accounts detail how out of area placements have put and kept homeless households out of work. Not only is the state paying over the odds for direct TA costs, we're losing tax contributions of people who are able and willing to work. This has long term consequences too in that once out of the job market, it is harder to get back in, and the loss of confidence that many experience makes it harder still.

The administrative and **financial burden** on the homeless household adds an extra layer of obstacles. Changing addresses, having to pay for storage of one's belongings, being far from trusted support networks/ schools/ GPs, limited access to kitchen facilities; all of this is both confusing and costly, and makes it harder to escape poverty and the trap of homelessness.

This has long term consequences that are costly, not just to the individuals affected, but also to the public purse. **Children** in temporary accommodation are particularly affected. For the majority of children, the combination of the difficult mental and physical conditions, means many are unable to develop properly through play and physical activity, and struggle to keep up with school. Living in one room, or sharing beds with your siblings, makes it hard to get a good night's sleep and keep up with homework. The cumulative effect when this goes on for extended periods of time will have a long term effect on their ability to become healthy and productive members of society.

Out of area placements, where a family or individual is placed outside of their local authority area, is happening in 32% of all TA placements across the country This can be devastating for the individuals and families involved, but it also has inadvertent consequences on a bigger scale. As local authorities are scrambling for affordable TA in cheaper areas, on a population scale, people with the fewest resources are shipped to areas of fewest opportunities. This accelerates the already existing **regional inequality** at a time when the Government is working to reduce it.

What this means for Local Authorities

The financial burden on local authorities is well documented. Local authorities across England spent 2.8 billion on housing people in temporary accommodation last year. £844m was spent on emergency B&Bs and hostels, often the least suitable option. This spend has more than doubled in the past five years, and is a 25% increase from the previous year alone. This acceleration in demand is difficult to plan for, and has **costly unintended consequences** that spill over into many other areas of local and national government. These in turn become more expensive too.

The **stark financial picture** is at its worst in London, where boroughs spend £5.5 million every day, but the cost is increasing at a faster rate outside the capital. Between 2020 and 2024, the

use of temporary accommodation rose by 73% in the South West and 216% in the North East. In total, local authorities spent a staggering 2,8 billion on TA in 2024/25.

With the Housing Benefit subsidy frozen since 2011, it falls well short of what local authorities pay out for TA. This shortfall, which local authorities must meet from their own resources, is often known as the 'TA subsidy gap'. New research estimates this to be a £740 million shortfall across London, equivalent to £202 per household. While most stark in London, this is replicated across the country.

To find this money, LAs have to dig into other budgets, such the Homelessness Prevention Grant that is meant for prevention. Local authorities are, in other words, unable to deliver what the government has intended. Other local authorities put up council tax, close libraries and leave potholed roads untended. In this way they **push the burden onto ordinary citizens**, who might reasonably wonder why local infrastructure crumbles when their council tax is increased.

The rapid increase in people presenting as homeless and in need of TA has played a substantial part in **pushing local authorities into crisis**. Eight English councils have declared themselves effectively bankrupt since 2018, by issuing a section 114 notice, as their forecast income is insufficient to meet their forecast expenditure. This includes councils like Birmingham and Croydon. Many others have warned they may soon have to follow suit. A recent poll by New Statesman revealed that a quarter of councillors believe their **council will go bankrupt** in the near future.

On current trends, the problem is only going to increase. 324,990 households were assessed as being owed a homelessness duty in 2023/4, and local authorities are spending money from the prevention grant to meet their statutory duty to provide temporary accommodation. This kind of last minute fire-fighting is **considerably more costly** than working to prevent people from falling into homelessness in the first place.

The government's renewed focus on prevention is positive. An increase in funding for the Homelessness Prevention Grant (HPG) is a crucial and welcome step to help people stay in settled accommodation, which will save money in the long-term. The plan to ring-fence parts of the HPG however, without resourcing local authorities elsewhere, will squeeze local authority budgets even further, and could result in further bankruptcies in future.

The ring-fence in the HPG would be a positive step if central government helps local authorities finance immediate TA costs in the short to mid-term. Closing the TA subsidy gap is one way to do this. In 2023/24, councils in England spent £1.04bn on temporary accommodation but were only repaid £780m by the Department for Work and Pensions, leaving a gap of £266m. This shortfall itself represented a 30% increase on the previous year, and has accumulated to £1bn over the past six years.

The gap exists as councils are only allowed to claim back on their TA spend based on the 2011 LHA rates. Uplifting to current rates, and therefore closing the gap, will give local authorities a major boost in covering TA costs, and allow them to focus more of the HPG on prevention,

including beyond that which has been ringfenced. The longer the government waits to close the gap, **the more expensive it will become**, both directly for central government, as well as for local governments who will be left fighting the fire rather than preventing it.

How welfare reforms can help shift the system towards prevention

By focusing on prevention through welfare reform, we can alleviate both the human cost, and the economic costs of homelessness. We have long known that **keeping LHA rates in line with market rents, lifting the benefit cap and abolishing the two child limit, will make a real difference to low income families' ability to stay in their homes, thereby preventing homelessness, or indeed move out of TA and into more settled housing, and thereby ending homelessness**.

The decision to unfreeze LHA rates last year was welcome, but the subsequent decision to refreeze it until at least 2026 will push more people into homelessness. Analysis of the same decision to freeze LHA by the coalition government in 2011, showed it leading to 18.9% more households relying on TA. The same analysis **questions the fiscal gain** for the government in the long-run, as does the recent HCLG report into child homelessness, highlighting a false economy whereby we save money in the short term, but quickly spend much more on new TA costs than the money saved by freezing rates. The government should **consider the long-term fiscal and human benefits of unfreezing LHA rates.**

While we believe it's crucial to unfreeze LHA rates, any decision to do so will have a limited effect without also **lifting the benefit cap**. Citizens Advice have highlighted that while last years' LHA uplift saw "an average 16.6% rise in the maximum housing cost support available", caps on both housing support and overall benefits meant "most households do not actually receive housing cost support at this level." If we lift the benefit cap, we can put more money in people's pockets and thereby prevent a stay in temporary accommodation, which is itself costly for national and local government.

The two-child limit unfairly punishes families, and is **a driver of child homelessness**. Action for Children claims up to 600,000 children could be lifted out of poverty if the policy is scrapped now. This would immediately protect children from becoming homeless and reduce the numbers of families relying on TA. We see here the false economy that exists in welfare cuts. Instead of saving us money, keeping the two-child limit will plunge more people into poverty and homelessness, and thereby into the more expensive TA provision, and all the associated costs to productivity, employability and pressure on public services.