The Salvation Army's response to the Spending Review 2020

Executive summary:

The Salvation Army's submission to the Comprehensive Spending Review 2020 focuses on three specific policy areas: homelessness and rough sleeping, employment, and Universal Credit.

As part of its submission, The Salvation Army wishes to make the following policy proposals to inform the development of the Spending Review, which we believe will further the Government's levelling up agenda, support economic recovery following COVID-19, and improve the management and delivery of pre-existing policy commitments in these areas.

Homelessness and rough sleeping:

- **Satisfy the need for better data to inform decision making**: To guarantee that the Government has a stable foundation from which to calculate the right level of ongoing investment, the Treasury and the Ministry of Housing, Communities and Local Government (MHCLG) should work together to improve data collection methods on homelessness and rough sleeping. This should include the introduction of Combined Homelessness and Information Network (CHAIN) style recording systems in city regions with high levels of rough sleeping outside London.
- **Improve outcomes by rectifying years of underinvestment**: The Treasury and MHCLG should work together to introduce a new approach to investment in the homelessness and rough sleeping system, which prioritises long-term sustainability. Failure to tackle rough sleeping generates costs elsewhere in the public sector. Between 2013/14 and 2018/19, hospitals in England saw a 130% rise in admissions for which the primary or secondary diagnosis was homelessness.[1] This is at a time when the need for hospital capacity to be used as efficiently as possible has never been higher.
- **Ensure that connected systems, including the social security system, prevent rather than cause homelessness and rough sleeping**: The Treasury and the Department of Work and Pensions (DWP) should work together to maintain the value of the Local Housing Allowance (LHA) at the 30th percentile of local market rates indefinitely. This will significantly reduce local authorities' reliance on costly forms of temporary accommodation to prevent and relieve homelessness and rough sleeping.

Although each of these recommendations is addressed separately below, they should be considered as part of a single comprehensive package. These measures have been considered specifically because The Salvation Army believes they offer the greatest benefit to central and local government, their partners, and most importantly people experiencing homelessness and rough sleeping.

Employment:

- **Invest in measures to help disadvantaged groups and areas find and return to work following the outbreak COVID-19:** The Treasury and the DWP should work together to introduce the UK

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Shared Prosperity Fund (UKSPF) as soon as possible. This will provide targeted investment for older people, those with health conditions and disabilities and multiple and complex needs, and those living in poorer areas to gain the skills they need to find and return to meaningful employment.

Universal Credit:

- **Ensure that Universal Credit continues to support people during the wider economic downturn caused by COVID-19:** The Treasury and the DWP should work together to maintain the temporary increase in the value of Universal Credit's standard allowance and working tax credit indefinitely.
- **Enable Universal Credit to fully support people to improve their financial independence and resilience:** The Treasury and the DWP should work together to increase investment in schemes like Help to Claim. This will broaden the support available to claimants to include access to initiatives such as the Government's new breathing space period for people experiencing problem debt.

The remainder of this submission explains the rationale, outcomes and benefits, and the costs and deliverability of each of these policy proposals.

Homelessness and rough sleeping – The need for better data

The rationale for better data to inform decision making:

There have long been concerns about the Government's ability to capture the true level of homelessness and rough sleeping across England. In particular, the accuracy of MHCLG's rough sleeping count has been called into question.[2] [3] The inadequacies of the rough sleeping count have been defended at various points on the grounds that it is intended to provide a 'snapshot' estimate. Yet, the utility of the rough sleeping count goes beyond this, as it is also used to calculate the level of investment allocated to programmes such as the Rough Sleeping Initiative (RSI). As a result, if the rough sleeping count is inaccurate, the investment allocated to programmes like the RSI is also likely to be inaccurate.

The latest rough sleeping count, conducted in November 2019, suggested that there were roughly 4,266 people sleeping rough in England on any one night.[4] However, the results of a similar snapshot survey conducted by local authorities less than six months later in April 2020 indicated that there were "6,000 people who were rough sleeping at the beginning of the Covid-19 pandemic across England".[5] This represents a discrepancy of 41% between the two snapshot estimates. This means that the investment allocated to the RSI for 2020/21 using the original snapshot estimate from Autumn 2019 may have underestimated the total amount required by well over a third.

The benefits and expected outcomes of introducing CHAIN type recording system in city regions with high levels of rough sleeping outside of London:

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[1] The King's Fund (2020), Delivering health and care for people who sleep rough https://www.kingsfund.org.uk/sites/default/files/2020-02/Delivering-health-care-people-sleep-rough.pdf

[2] UKSA (2015), Assessment of compliance with the Code of Practice for Official Statistics – Statistics on Homelessness and Rough Sleeping in England (as produced by the Department for Communities and Local Government): https://uksa.statisticsauthority.gov.uk/wp-content/uploads/2015/12/images-assessmentreport320statisticsonhomelessnessandroughsleepinginenglan_tcm97-45078.pdf

[3] https://uksa.statisticsauthority.gov.uk/correspondence/response-on-rough-sleeping-statistics-in-england/

[4] https://www.gov.uk/government/statistics/rough-sleeping-snapshot-in-england-autumn-2019

[5] MHCLG (2020), Coronavirus (COVID-19) emergency accommodation survey data: May 2020: https://www.gov.uk/government/publications/coronavirus-covid-19-rough-sleeper-accommodation-survey-data-may-2020

London's CHAIN database records more comprehensive information about the rough sleeping population than MHCLG's rough sleeping count. For example, information is broken down across different categories, including the number of people new to rough sleeping, people who have been rough sleeping intermittently, and people who are living on the streets. CHAIN's other major advantage over the rough sleeping count is that it is a live data set with information recorded year-round.

The benefits and expected outcomes of investing in new CHAIN type recording systems for city regions with high rough sleeping populations outside of London include:

- the ability to more accurately assess the overall number of people rough sleeping over time. This in turn will offer a more accurate assessment of the overall level of investment required to achieve the Government's manifesto pledge to end rough sleeping by the end of the current Parliament;
- the ability to use more detailed data collection to tailor specific initiatives to the needs of different groups. For example, if the number of women experiencing rough sleeping were to increase, more resource could be directed towards meeting their needs; and
- an improved understanding of the effectiveness of effort and investment. The latest CHAIN figures for London (covering April to June of 2020) suggest that the number of people living on the streets in the capital has decreased by 30% (or 130 people) from the previous quarter. This suggests that the 'Everyone In' initiative has been successful in reducing the number of entrenched rough sleepers in the capital since the outbreak of COVID-19. By contrast, the number of people new to rough sleeping increased by 31% (or 839 people) from the previous quarter. This suggests that efforts to prevent people from becoming homelessness have been less successful since the outbreak of COVID-19, and that further or a different type of investment is required to strengthen prevention efforts.

In the context of COVID-19, the ability to use live, up-to-date information to inform flexible decision-making processes will also be increasingly important as local lockdowns continue to increase the need for emergency accommodation.

The costs and ease of administering CHAIN type recording systems:

The cost of running CHAIN in London is £215,000 a year.[6] Based on this figure, if CHAIN type recording systems were rolled out to the four city regions outside of London with the highest levels of rough sleeping (in descending order: Greater Manchester, the West Midlands, the Sheffield City Region, and West Yorkshire), the total operating cost to the Treasury would be no more than £1,075,000 a year. There is also reason to suspect that the administration of these new systems could be improved through connections with other pre-existing systems. This includes StreetLink (a system whereby members of the public can refer people who are rough sleeping to local outreach teams). StreetLink currently operates at a national level across England and Wales.

Homelessness and rough sleeping – A new approach to sustainable investment

The rationale for a new approach to investment, as evidenced by rising levels of homelessness and rough sleeping following years of underinvestment:

During Quarter 1 (January to March) of 2020, 75,140 households were assessed by their local authority as being legally entitled to a homelessness prevention or relief duty. This is the highest quarterly total since the new statutory homelessness figures were introduced in April 2018. As of 31 March 2020, there were 93,000 households living in temporary accommodation, including 129,380 children. This is the highest number of households living in temporary accommodation since 31 June 2006.

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[6] Greater London Authority (2019), Briefing on the Mayor's 'Life of the Streets' Rough Sleeping Services, p. 5

The high rates of homelessness and rough sleeping currently experienced across England are connected to years of underinvestment following the previous financial crisis in 2008/09.

For example, as part of previous governments' approaches to deficit reduction, between 2010/11 and 2017/18, local authorities' spending power (government funding plus council tax) reduced by 29%.[7] Due to this decrease in spending power, local authorities have been forced to reduce their expenditure on services for certain groups. As a result, councils in England spent nearly £1 billion less on services supporting single homeless people in 2018/19, as compared to what was invested in this group in 2008/09.[8]

At the same time, between 2010 and 2019, the number of people recorded as rough sleeping on a single night in England rose by 141% (or 2,498).[9] In London, the number of people seen rough sleeping over the course of a year increased from 3,673 in 2009/10 to 10,726 in 2019/20 (or by 192%).[10]

This underinvestment, combined with other factors including a severe lack of suitable housing options, has severely limited the abilty of local authorities to prevent and relieve people's homelessness. In 2019, 33% of councils (103 from a sample of 311) were unable to get more than a third of households owed a relief duty in their local area into secure accommodation for six months or more.[11]

In response, the Government has opted to amend the homelessness legislation. However, there are increasing signs that the effectiveness of this action is also being impacted through underinvestment.[12]

Following the introduction of the Homelessness Reduction Act in Quarter 2 (April to June) of 2018, the number of households assessed as being owed a Main Homelessness Duty decreased by 50% (or 12,380 households) from the preceding quarter's total. Since then, the number of households owed a Main Homelessness Duty has increased steadily across every subsequent quarter. During Quarter 1 (January to March) 2020, 15,620 were owed a Main Homelessness Duty. An increase of 21% (or 2,700 households) from Quarter 2 of 2018. Across the country, the average cost of a Main Homelessness Duty is estimated to be £4,200, rising to £9,566 in London.

A new approach to investment in the homelessness and rough sleeping system:

Over the last decade, investment in the homelessness and rough sleeping system has typically been made through time limited grants, with the value of these grants often reducing in real terms between investment cycles. To provide stability at this critical juncture, this outdated system of investment must be replaced by one that prioritises sustainability through multi-year settlements.

Through a series of planned increases and additional allocations provided in response to COVID-19, approximately £650 million's worth of investment has been made available for homelessness and rough sleeping in 2020/21. At a minimum, this level of investment should be maintained across every year for the remainder of this Parliament, increasing in real terms via an inflation proofed floor.

Following this period of stabilisation, **a simple rule should be adopted**, meaning that if numbers are steady or increasing then central government investment in homelessness and rough sleeping cannot decrease. Where decreases do occur, a mechanism should be used to guard against severe cuts. For

[7] The National Audit Office (2018), Financial sustainability of local authorities 2018, p. 4: https://www.nao.org.uk/wp-content/uploads/2018/03/Financial-sustainabilty-of-local-authorites-2018.pdf

[8] St Mungo's, Home for Good, https://www.mungos.org/publication/local-authority-spending-on-homelessness-full-report/

[9] https://www.gov.uk/government/publications/rough-sleeping-snapshot-in-england-autumn-2019/rough-sleeping-snapshot-in-england-autumn-2019

[10] CHAIN Database, Greater London Full Report 2018-19, https://data.london.gov.uk/dataset/chain-reports

[11] The Salvation Army (2020), Future-Proof the Roof: The case for sustainable investment in the homelessness and rough sleeping system post-COVID-19: https://www.salvationarmy.org.uk/sites/default/files/resources/2020-08/WPI%20Economics%20-%20Salvation%20Army%20-%20Future-Proofing%20-%20Final.pdf

[12] New Local Government Network (2019), Leadership Index http://www.nlgn.org.uk/public/wp-content/uploads/Leadership-Index_April-2019.pdf

example, if the rough sleeping numbers decrease by 10%, investment can only decrease by 5%. This would provide a base level of certainty over the long term.

To ensure that councils have the flexibility to respond to unexpected and/or specific local circumstances, they should receive increased investment through their Revenue Support Grant to tackle homelessness and rough sleeping.

The benefits and expected outcomes of introducing a new approach to investment:

During the pandemic, there has been significant activity across government, local authorities, service providers, and community and faith groups, to help protect people at risk of homelessness and rough sleeping from the spread of COVID-19. This work has come to be known as the 'Everyone In' initiative. As a direct result of this unprecedent effort, close to 15,000 people have been found emergency accommodation and support.[13]

Despite this ongoing work, there is early evidence to suggest that incidences of rough sleeping are continuing to increase. According to the latest CHAIN figures, between April and June 2020, 4,227 people slept rough in London.[14] This is an increase of 14% (535 people) on the number that slept rough in the capital during the preceding quarter (January to March 2020 or pre-COVID-19), and an increase of 33% on the figure for April to June 2019.

One of the main benefits to the Treasury in providing MHCLG with the resources to introduce a new sustainable approach to investment is the need to maintain the recent progress made through the 'Everyone In' initiative. This will prevent people from returning to positions of homelessness and rough sleeping, thus minimising the associated costs to various parts of the public sector including the NHS. It also offers the Government the chance to reinforce the system against the kinds of ongoing increases in demand detailed by the latest CHAIN figures. Again, this will help to limit costs occurring further downstream.

These potential savings are substantial. The average annual local authority expenditure per person rough sleeping has been estimated to be around £9,000, rising to £25,500 for someone experiencing severe and multiple disadvantage.[15] A significant proportion of these costs are associated with the use of acute medical services, including A&Es. Between 2013/14 and 2018/19, hospitals in England saw a 130% rise in admissions for which the primary or secondary diagnosis was homelessness.[16]

The costs to local authorities are also enormous. In 2017/18, the cost of homelessness and rough sleeping services in London alone was £919 million, with some £200 million coming from general funds.[17]

To reduce these costs over time, this new approach to investment in the homelessness and rough sleeping system should be underpinned by a full set of multi-year financial settlements. Although this investment can be spent flexibly at a local level, analysis of local authorities' statutory homelessness plans suggests that most councils would benefit from an enhanced set of housing options and an increase in support available for non-British nationals, including people with no recourse to public funds (NRPF).[18]

Targeted investment in these areas will improve outcomes considerably, thereby reducing costs.

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[13] MHCLG (2020), Coronavirus (COVID-19) emergency accommodation survey data: May 2020: https://www.gov.uk/government/publications/coronavirus-covid-19-rough-sleeper-accommodation-survey-data-may-2020
[14] https://data.london.gov.uk/dataset/chain-reports
[15] Greater Manchester Combined Authority, Unit Cost Database, https://www.greatermanchester-ca.gov.uk/what-we-do/research/research-cost-benefit-analysis/
[16] The King's Fund (2020), Delivering health and care for people who sleep rough https://www.kingsfund.org.uk/sites/default/files/2020-02/Delivering-health-care-people-sleep-rough.pdf
[17] London Councils (2019), The Cost of Homelessness Services in London, https://www.londoncouncils.gov.uk/our-key-themes/housing-and-planning/homelessness/cost-homelessness-services-london
[18] The Salvation Army, Future-Proof the Roof: The case for sustainable investment to tackle homelessness and rough sleeping post-COVID-19, pp. 23-24: https://www.salvationarmy.org.uk/sites/default/files/resources/2020-08/WPI%20Economics%20-%20Salvation%20Army%20-%20Future-Proofing%20-%20Final.pdf

Building on the ongoing work of the Next Steps Accommodation Project, all possible options to increase housing supply for the close to 15,000 people helped through the 'Everyone In' Initiative should be explored, including the restoration of existing stock.

For example, in England there are 225,845 long-term vacant properties of all ownership types. In the North East there are 271 long-term vacant properties for every person counted in its snapshot of rough sleeping. In London there are 22 long-term vacant properties for every person counted in its snapshot of rough sleeping.[19]

For people with long histories of rough sleeping access to an increased supply of supported housing is essential. During 2019, just 4% of the 5,958 people who left a Salvation Army supported housing service after a period of residency returned to a position of rough sleeping. This demonstrates the value that services of this kind can have in working with people to move away from the damaging and costly experience of rough sleeping.

This increase in housing options has the potential to significantly improve the ability of local authorities to prevent and relieve homelessness and rough sleeping.

If the five poorest performing combined authority areas at securing accommodation for homelessness relief cases were to improve to the levels of the five strongest, this would have meant 7,599 fewer households being owed a Main Homelessness Duty in 2019.[20] Using MHCLG's estimates of post-HRA average unit costs of homelessness by user type, this would have resulted in a saving of £27,888,330.[21]

If London's relief performance were to match that of the best performing combined authority, this would have meant 4,580 fewer households being owed a Main Homelessness Duty in 2019. Using London Councils and the London School of Economics' estimates of post-HRA unit costs of homelessness by user type,[22] this would have resulted in a saving of £32,284,600.[23]

Over time, these improved outcomes will significantly reduce the human and financial costs of homelessness and rough sleeping.

The costs of the new approach and ease of administration:

At a minimum, the cost of the new approach to investment in the homelessness and rough sleeping system advocated for by The Salvation Army would cost £650 million a year across the remainder of the current Parliament. However, beyond this specific funding, there is also a need to ensure that local authorities can use their general funds to adapt to local circumstances and address gaps as and when they occur. The Salvation Army would expect this to cost around £400 million (in 2017/18 councils in London spent circa £200 million of their general funds on homelessness and rough sleeping), taking overall expenditure to £1 billion a year. This new approach to investment would be distributed through existing mechanisms, keeping administration costs to a minimum.

Homelessness and rough sleeping – Maintaining the value of the LHA

The rationale for maintaining the LHA at the 30th percentile of local market rents:

Between 2016 and 2020, the value of the LHA was frozen. In practice, this meant that the rate at which the LHA was paid would no longer keep pace with inflation. When the LHA was first frozen, its value was set nominally at the 30th percentile of local market rents. As a result, LHA claimants could, in theory,

[19] Ibid. p. 7
[20] Ibid. p. 7
[21] The cost of 7,599 main duty acceptances is £31,915,800 (7,599 x 4,200). The cost of 7,599 relief duties is £4,027,470 (7,599 x 530). As a result, the total saving is £27,888,330 (31,915,800 – 4,027,470).
[22] London Councils (2018), The cost of homelessness services in London, p. 27: https://www.londoncouncils.gov.uk/sites/default/files/LC%20final%20report%20-%20CA%20edit.pdf
[23] The cost of 4,580 main duty acceptances is £43,812,280 (4,580 x 9,566). The cost of 4,580 relief duties is £11,527,860 (4,580 x 2,517). As a result, the total saving is £32,284,600 (43,812,280 – 11,527,860).

meet the full rental costs of three in ten of most affordable private rental properties in a given area. However, due to the freeze, by February 2020, the value of the LHA had fallen to just the 13th percentile of local market rents.[24] In 94% of areas across Britain this reduction in value has meant that just one in five (or often less) private rented homes are affordable to most households who rely on the LHA to help meet their housing costs.[25]

During this time, households' inability to maintain tenancies in the private rented sector has become one of the leading causes of homelessness. **Between 2014/15 and 2017/18, the single biggest cause of homelessness in England was the termination of an assured shorthold tenancy in the private rented sector**. In 2019 alone, 15,380 households were accepted as homeless by their local authority due to issues with rent arrears in the private rented sector. This in turn has led to a substantial increase in costs for local authorities, most notably in their spiralling expenditure on temporary accommodation.

In 2018/19 alone, local authorities spent £1.1bn on temporary accommodation. This is an increase of 9% on 2017/18 year and 78% over the previous five years.[26]

The benefits and expected outcomes of maintaining LHA at the 30th percentile of local market rents:

The main reason for the Treasury to invest in maintaining the current value of the LHA into the long-term is a substantial reduction in the number of households required to spend time in unsuitable and costly temporary accommodation. Recent research by the Local Government Association suggests that if the LHA were set at the 30th percentile permanently, the average local authority would see 300 fewer households in temporary accommodation. As a result, the average gross cost of temporary accommodation for a local authority would reduce by between £1.4 and £3.3 million. If the LHA was increased to the 40th percentile or market rents, the average local authority would have next to no households in temporary accommodation, with costs reduced to close to £0.[27]

These savings could then be reinvested in other parts of local authorities' homelessness and rough sleeping systems. Using MCHLG's estimated conversion rate of prevention and relief into avoided homelessness acceptances, it is projected that the savings gained from maintaining the value of the LHA could be used to fund around 2,500 extra prevention and relief cases, with an additional 975 households prevented from becoming homeless.[28]

Costs and ease of administration:

The cost of increasing the LHA to the 30th percentile of local market rents is approximately £1 billion per year, as compared to the expenditure required to maintain its previous lower level.[29] This is a substantial expenditure. However, due to the severe and long-lasting economic consequences of COVID-19, it is vital that the Government continues to support people at a time when their financial resilience has been severely restricted through no fault of their own. The recent increase in the value of the LHA is estimated to have increased the value of over one million households' claims for Housing Benefit or

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[24] he Local Government Association (2020), Evidencing the link between the Local Housing Allowance freeze and homelessness, p. 46: https://www.local.gov.uk/sites/default/files/documents/Evidencing%20the%20link%20between%20the%20LHA%20freeze%20and%20homelessness-Full%20report-pub5Feb20.pdf

[25] Crisis (2019), Cover the Cost, p. 6: https://www.crisis.org.uk/media/240986/crisis-cover-the-cost-solutions-report.pdf

[26] https://england.shelter.org.uk/media/press_releases/articles/homelessness_crisis_costs_councils_over_1bn_in_just_one_year#:~:text=They%20show%3A,in%20the%20last%20five%20years.

[27] Local Government Association (2020), Evidencing the link between the Local Housing Allowance freeze and homelessness, pp. 46-47: https://www.local.gov.uk/sites/default/files/documents/Evidencing%20the%20link%20between%20the%20LHA%20freeze%20and%20homelessness-Full%20report-pub5Feb20.pdf

[28] Ibid, p. 10

[29] DWP (2020), Annual Report and Accounts 2019-20, p. 54: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/896268/dwp-annual-report-and-accounts-2019-2020.pdf

Universal Credit by an average of £600 per year. This vital financial support must continue. This is also a gross cost before the net benefits have been considered. Once considered the net cost would be significantly lower.

As the value of the LHA is currently set at the 30th percentile of local market rents, albeit temporarily, any costs associated with implementing this change have already been incurred. Due to the existing mechanism any further increases in the value of the LHA in response to rising levels of demand could be implemented swiftly and at negligible cost.

Employment

The rationale for introducing the UKSPF to help those furthest from the labour market:

The impact of COVID-19 on the labour market has been unprecedented in its size and scope. In the wake of the pandemic, the Office for Budget Responsibility (OBR) has produced three economic scenarios (an upside scenario, a central scenario, and a downside scenario) to inform its assessment of the outlook for the public finances. Using these scenarios, the OBR has suggested that the unemployment rate, will peak "at 10 per cent in the third quarter of 2020 in our upside scenario; at 12 per cent in the fourth quarter in the central scenario; and at 13 per cent in the first quarter of 2021 in the downside scenario."[30]

These scenarios are heavily dependent on what happens once the Coronavirus Job Retention Scheme (CJRS) ends in October 2020. However, even before the closure of the CJRS, there are worrying signs that large numbers of people are falling out of paid employment. The latest figures from the Office for National Statistics suggest that in August 2020 there were 695,000 fewer people (around 2% of the entire labour force) on company payrolls than in March 2020, with younger and older employees disproportionately affected. In addition, there are an estimated 700,000 redundancies planned for the third and fourth quarters of 2020/21.[31]

In response to these alarming trends, the Government has so far focused its efforts on providing extra support to young people through initiatives like the Kickstart scheme. This initial focus on youth unemployment is welcome due to the disproportionate impact that COVID-19 has had, and is likely to continue to have, on the job prospects of younger people, especially those aged 16-25 in low paid roles.

However, The Salvation Army remains concerned that the Government is yet to outline any further policy options for other groups who may be struggling to find work or alternative employment opportunities, including people with disabilities and those with multiple and complex needs, as well as those living in disadvantaged areas across the UK.

Even prior to the outbreak of COVID-19, people in these groups often faced additional employment-related challenges and were typically at the 'back of the queue' for access to mainstream employment programmes. For example, as of June 2020, the disability employment gap stood at 28%, with 54% of disabled people in employment as compared to 82% of people who are not disabled.[32] At the same time, just 17% of prison leavers are in work a year after release.[33]

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[30] OBR (2020), Fiscal sustainability report, p. 6: https://obr.uk/fsr/fiscal-sustainability-report-july-2020/

[31] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2020

[32] House of Commons Library (2020), Disabled people in employment, p. 5: https://commonslibrary.parliament.uk/research-briefings/cbp-7540/

[33] https://www.gov.uk/government/publications/unlock-opportunity-employer-information-pack-and-case-studies/employing-prisoners-and-ex-offenders

Based on recent analysis from the Institute of Employment Studies it has also become clear that although COVID-19 is severely impacting all areas and nations of the UK, the most disadvantaged areas before of the pandemic remain the most disadvantaged areas now.[34]

The overall impact of COVID-19 on the UK's labour market risks leaving people facing these challenges further from employment than they ever have been. If the Government is serious in its intention to 'level up' economic opportunity across all nations and regions of the UK, this must be rectified

Introducing the UKSPF:

The swift and effective introduction of the UKSPF is essential to strengthening the UK's economic recovery from COVID-19 by prioritising jobs and skills. To facilitate this, the Treasury must provide the DWP with enough resource over the reminder of this Parliament to:

- ensure that overall investment levels in the UKSPF do not drop below the current £2.4bn a year invested in the UK via European Structural Investment Funds (ESIFs);
- distribute investment so that it accurately reflects levels of local need. In the first instance, this should be achieved by determining allocations at a local authority level. This would avoid the risk associated with regional allocations, in which the needs of lower performing areas are obscured by the relative lack of need in higher performing areas. Allocations per local authority should then be decided according to a combined measure of their employment rate and the level of pay for the worst off;
- commit to a multi-year investment settlement. Investment from ESIFs operate over a seven-year cycle. This has been integral in allowing providers to plan for the long term and make the necessary investments to guarantee that their provision and infrastructure is as up-to-date as possible;
- offer greater flexibility within investment allocations so that they offer a mixture of short-term grant funding and longer-term financing options. This would allow the UKSPF to not only address more permanent structural issues within localities, but also to react to sudden economic shocks, such as the closure of a large manufacturer employing significant proportions of a local population. This should also enable the UKSPF to move beyond a model of allocation based solely on employment rates and level of pay, to one that's better able to incorporate the needs of the market. This flexibility will be especially important in the wake of COVID-19, where there is a strong argument to suggest that in the first stage of the recovery, increasing levels of employment should be prioritised over increases to productivity; and
- operate according to the principle of 'additionality'. This would mean that projects should only be invested in where they would not otherwise occur without this investment, or where the expected outcomes of a project would increase significantly. This would prevent the UKSPF from being used as a direct replacement for local growth or other forms of local authority funding, thereby maximising all available sources of investment.

Expected benefits and outcomes of introducing the UKSPF

Operating according to 'business as usual', The Salvation Army would expect the new UKSPF to achieve similar results to the European Social Fund (the part of ESIFs that are invested in employment programmes for disadvantaged groups). In England alone, across the last funding round (2014-2020), almost seven million people took part in programmes funded by the European Social Fund (ESF). Of these people:

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[34] Institute for Employment Studies (2020), Labour Market Statistics September 2020, pp. 9-12: https://www.employment-studies.co.uk/system/files/resources/files/On%20Notice%20-%20estimating%20the%20impact%20on%20redundancies%20of%20the%20Covid-19%20crisis.pdf

- over 700,000 found work on leaving the programme;
- over 1.1 million found work within six months of leaving the programme; and
- over 650,000 gained full qualifications at Level 2 (e.g. GCSE grades 9 - 4 or grades A* - C) or above.[35]

Despite these excellent outcomes, the ESF is not a perfect system. It can at times be an overly bureaucratic system with lengthy, complex and costly application, allocation, and reporting procedures that can hamper outcomes. In introducing the new UKSPF, the Government has promised to overcome these issues by implementing a system that is "cheap to administer, low in bureaucracy and targeted where it is needed most."[36]

If the Government were to achieve these objectives, while replicating the effective parts of the existing system, then it is likely that the UKSPF can surpass the outcomes achieved by the ESF. As an investment fund that specialises in helping under-represented groups, the UKSPF has integral role to play in reducing long standing structural problems, such as the gender and disability employment gaps. In doing so, the UKSPF has the potential to generate substantial gains for the UK economy. For example, it is estimated that:

- bridging the gender employment gap could create an extra £150 billion in GDP by 2025;
- a 5% rise in the employment rate of working-age disabled people would increase GDP by £23 billion by 2030; and
- if BAME communities were to be full represented in the labour market, the potential benefit to the UK economy could be as high as £24 billion a year, or 1.3% of GDP.[37]

Beyond these macro level benefits, an efficient and effective UKSPF would also ensure that people are not left behind by the pace of change. For instance, if it were not for the ESF, investment for people over the age of 50 to retain and update their skills to find work in an increasingly digital economy would have all but disappeared. Based on the Government's priorities for this Spending Review, programmes of this kind will be essential to ensuring that people and communities are able to take full advantage of the new opportunities and industries that are likely to be created via the Government's levelling up agenda.

The costs of introducing the UKSPF and ease of implementation

It is vital the UKSPF matches the current level of investment provided by ESIFs. Investment from ESIFs are set over a seven-year cycle and are worth around £2.4bn a year to the UK. However, this does not mean that the Government would be required to spend £2.4bn every year. Due to the size and success of the ESIFs, they attract other forms of investment. As a result, the £2.4bn invested every year is broken down into £1.2bn from the EU, and 1.2bn from other public and private sources via match funding. This means that provided the UKSPF maintains current investment levels and demonstrates a clarity or purpose, the Government will be able to supplement its own investment with income from other sources.

To implement a programme the size of the UKSPF represents a significant challenge. Nevertheless, the Government is not beginning from scratch. Following years of investment via ESIFs, there is plenty that can be used to aid the design of the UKSPF and its ongoing operation. Due to the strength and widespread presence of community-based organisations such as The Salvation Army, the UK also benefits from a well-developed set of providers and existing infrastructure, which can be utilised from the outset of the new UKSPF. However, as highlighted to the Work and Pensions Select Committee during a recent inquiry, if a gap in funding were to open-up between ESIFs and the UKSPF, the UK would risk a very real

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[35] ERSA, The Salvation Army, and The Shaw Trust (2019), Sharing Prosperity: Building Better Employment Support for the UK, p. 10: https://ersa.org.uk/sharingprosperityUK
[36] The Conservative and Unionist Party Manifesto 2017, p. 35
[37] ERSA, The Salvation Army, and The Shaw Trust (2019), Sharing Prosperity: Building Better Employment Support for the UK, p. 10: https://ersa.org.uk/sharingprosperityUK

loss of capacity. This in turn would make the implementation of the UKSPF more difficult and lengthen the amount of time before the new fund was able to operate at full capacity. This "nightmare scenario" should be avoided at all costs.[38]

Universal Credit – Maintaining recent increases in value

The rationale for maintaining the current value of Universal Credit's standard allowance

Universal Credit has two primary purposes. The first of these purposes is to provide financial assistance to people who are out of work, unable to work, or on low pay. For new and existing Universal Credit claimants, the impact of COVID-19 has caused considerable financial hardship. Recent research from the Institute for Fiscal Studies (IFS) shows that, on average, new Universal Credit claimants saw their net income (including income from Universal Credit) fall by 40% during the pandemic.[39]

At the same time, COVID-19 has exacerbated instances of extreme poverty. Between 24 April and 05 May 2020, The Salvation Army conducted a survey of the work of 450 of its corps (church-based community services) in distributing food to people in the local community. The survey shows that between 18 – 24 April, 10,534 households were provided with food due to ongoing issues of poverty. This equates to an average of 43 households supported per corps. As compared to a standard week in February 2020 (pre-COVID-19), this represents an increase of 67%, up from 6,237 households (or 28 households per corps). Forthcoming research from the Trussell Trust demonstrates a similar pattern. Their data shows that in April 2020 there was an 89% increase in the number emergency food parcels given out as compared to April 2019, with a 107% increase in the number of food parcels given to households with children.

To help manage the financial hardship caused by COVID-19, the Government acted to increase the value of Universal Credit's standard allowance by £20 a week. Over a year this increase is worth £1,040 to households. This increase has been essential in preventing households from suffering further, and often extreme, financial hardship during the outbreak of COVID-19. However, as things stand, this increase is due to end in April 2020. Without further action, the value of the standard allowance will simply revert to its original value, with millions of households experiencing a fall in their incomes over night.

For Universal Credit to fulfil the first of its primary purposes, its value must be set at a level capable of supporting households whose financial resilience has been impacted by COVID-19 through no fault of their own. Maintaining the recent increase in the value of its standard allowance is the minimum that is required to achieve this aim.

The benefits and expected outcomes of maintaining the value of Universal Credit's standard allowance

In ordinary times, one of the main levers available to government to increase people's prosperity is through the creation of conditions to ensure that the right job opportunities occur in the right places. However, the outbreak of COVID-19 has placed severe restrictions on the Government's ability to create these conditions, especially over the short term, with certain sectors of the economy still unable to reopen fully or at all.

For example, according to the latest figures from the ONS, the rate of unemployment has increased to 4.1%. In August of 2020, there were 695,000 fewer people (around 2% of the entire workforce) on company payrolls, as compared to March 2020. People's ability to find alternative employment is also

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[38] Work and Pensions Committee (2017), European Social Fund, p. 5: https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/848/848.pdf
[39] IFS (2020), Income protection policy during COVID-19: evidence from bank account data: https://ifs.org.uk/uploads/BN303-Income-protection-policy-during-COVID-19-evidence-from-bank-account-data.pdf

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likely to be restricted by a reduced number of vacancies. As of August 2020, there were an average of four unemployed workers for every available vacancy in England.[40]

As a result, thousands of households have no way to improve, or even maintain, any previous financial stability they may have enjoyed. This leaves the Government with little option, but to strengthen the safety net provided by Universal Credit to ensure that people do not suffer further undue hardship. Yet, this option is far from a zero-sum game.

If the Government removes the temporary increases in the value of Universal Credit, the income of 16 million households will be reduced overnight, with 700,000 households pushed into poverty.[41] As we have seen from earlier figures in this submission, this comes with an economic cost through things like increased levels of homelessness and rough sleeping resulting in local authorities being forced to spend exorbitant sums on temporary accommodation.

Data from The Salvation Army's Debt Advice Service also demonstrates the risk faced by households on low incomes in relation to debt. Between December 2019 and February 2020, people using the Debt Advice Service with an income of £6,000 to £10,000 had total debts of £10,131, with an average debt of £1,000 per person. Between March and May 2020, the total debt for this same group had rose to £58,340, with an average debt of £11,000 per person.

As people on low incomes are especially vulnerable to labor market instability, they are more likely to rely on Universal Credit as both an in and out-of-work benefit. As a result, if the temporary increase in the value of Universal Credit were removed, their exposure to problem debt would increase. According to recent research by the charity Step Change, issues with problem debt currently cost the UK economy around £8.9bn.[42]

The cost of maintaining the value of Universal Credit's standard allowance an ease of administration

The Joseph Rowntree Foundation estimates that maintaining the £20 per week uplift to Universal Credit's standard allowance would cost approximately £7.7 billion in 2021/22, rising to £8.4 billion in 2024/25. Although this undoubtedly represents a considerable investment, it compares favourably to the CJRS and Income Support Scheme for self-employed people, which is scheduled to cost around £60 billion in 2020/21.[43] These costs are also before savings from elsewhere (e.g. reduction in homelessness and rough sleeping) have been factored in.

Universal Credit – Creating a clear connection between Universal Credit and the new breathing space scheme for the management of problem debt

The rationale for connecting Universal Credit and the new breathing space scheme

The second of Universal Credit's primary purposes is to provide people with access to the right support to improve their employment prospects at the right time. At present, this support is primarily provided through Help to Claim and initiatives funded through the Universal Credit Transition Fund. The main aim of these programmes is to help people set up and manage their claims for Universal Credit over a short period.

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40 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2020

41 The Joseph Rowntree Foundation (2020), Briefing: Autumn Budget – why we must keep the £20 social security lifeline, p. 5: https://www.jrf.org.uk/report/autumn-budget-why-we-must-keep-20-social-security-lifeline

42 https://www.stepchange.org/policy-and-research/social-cost-of-debt.aspx

43 The Joseph Rowntree Foundation (2020), Briefing: Autumn Budget – why we must keep the £20 social security lifeline, p. 5: https://www.jrf.org.uk/report/autumn-budget-why-we-must-keep-20-social-security-lifeline

Based on Salvation Army research, programmes of this kind are vital in supporting people who struggle with things like digital literacy to access employment support through Universal Credit.[44] However, due to the widespread impact of COVID-19, there is a renewed need to expand these existing mechanisms to be able to cope with additional issues, such as increasing levels of problem debt.

In January 2020, the total amount of debt held in the UK was estimated to be approximately £1,680 billion. This represented an increase of £48.7 billion on the total recorded in January of 2019, or an extra £923 per adult over the year.[45] The impact of COVID-19 looks likely to further exacerbate this trend.

For example, data from The Salvation Army's Debt Advice Service indicates that levels of individual debt for people in full time work have increased during the pandemic. Between December 2019 and February 2020, the total amount of debt held by people in this group was £77,638. Between March and May 2020, the total amount of debt held by those working full time had increased by 55% (£42,798) to £120,436.

At an individual level, the average level of debt held by people working full time increased by £5,000 per person (from £8,000 to £13,000 or 63%). The size of this impact is likely due to people working full time being more exposed to loss of employment or a reduction in hours than other groups in The Salvation Army's data set.

These increases emphasise not only the overall negative impact of COVID-19 on the finances of people in work, but also the importance of ensuring that people have access to the right support to help them control and reduce their debt levels. This is especially important as we enter a period where it is likely to be more difficult to find work, or for people to increase their earnings, due to rising unemployment and fewer job opportunities in large parts of the labour market.

Creating a clear referral pathway between Universal Credit and the new breathing space scheme

In February 2020, the Government announced that from early 2021, it will be introducing a new 60 day breathing space period for people experiencing problem debt.[46] The aim of the new scheme is to incentivise more people to access professional debt advice and to do so sooner. However, of the 700,000 people expected to benefit from the new breathing space period in its first year of operation, it remains unclear how individuals outside of those receiving mental health crisis treatment will be able to access the scheme.

A high proportion of households claiming Universal Credit also experience problems with debt. Recent research by Citizen's Advice found that around 24% of people approaching their Help to Claim service also required assistance with debt.[47] As a result, to ensure maximum effectiveness across the two systems, it is essential that a clear and accessible referral pathway is established between the new breathing space scheme and Universal Credit. For example, once it has been established that a claimant is experiencing problem debt, and the claimant has provided consent, they could automatically be referred to a professional debt service to set up a breathing space period.

To ensure that the full range of people's debts are captured, the definition of debt eligible for inclusion in the new breathing space period should be also expanded to include Universal Credit deductions for the repayment of advances. This is important as various pieces of research have highlighted how the need to

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[44] The Salvation Army (2020), Understanding Benefits and Mental Health: https://www.salvationarmy.org.uk/sites/default/files/resources/2020-05/FINAL%20print%20version%20UC.pdf
[45] https://themoneycharity.org.uk/money-statistics/#:~:text=UK%20Personal%20Debt,including%20mortgages%2C%20was%20%C2%A360%2C363.
[46] https://www.gov.uk/government/news/breathing-space-to-help-millions-in-debt
[47] Citizen's Advice (2019), Managing Money on Universal Credit, p.1: https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Managing%20Money%20on%20Universal%20Credit%20-%20Summary.pdf

repay advance payments can increase financial hardship.[48] [49] Findings from the National Audit Office also highlight the disproportionate impact of these repayments on certain groups, with disabled people more likely to be in debt at the beginning of their claims and to experience larger deductions than the average claimant.

In The Salvation Army's view, the best way to deal with this increased financial hardship is to end the five-week wait for a first payment of Universal Credit altogether. Yet, in the absence of this, the inclusion of Universal Credit deductions for the repayment of advances in the new breathing space period will at least allow people access to professional advice and support to help manage this debt.

Benefits and expected outcomes of creating a clear referral pathway between Universal Credit and the new breathing space scheme

The cost of problem debt to the UK economy currently stands at around £8.3 billion.[50] The key to reducing this cost is early intervention. A recent study commissioned by StepChange suggests that effective prevention activities would save roughly £3.2bn with around £960 million saved via a reduction on the current health costs associated with problem debt alone.[51]

By introducing a mechanism to allow people to access the new breathing space period from the start of their Universal Credit claim, the Government would be implementing an important safety valve for people to begin access debt advice at the earliest possible opportunity. Given Universal Credit's high caseload numbers and the high proportion of claimants experiencing problem debt, this would ensure that the new breathing space period was able to operate at maximum efficiency and reach its target of engaging 700,000 people in its first year of operation. At an individual level, this would also be of huge benefit to claimants, with estimates suggesting that people who wait longer than six months to seek advice tend to have debts of 14% more than those who seek advice immediately.[52]

Costs and ease of administration

The investment for the new breathing space period has already been allocated by the Treasury. As a result, the only additional cost involved in The Salvation Army's policy proposal is in the expansion of existing support schemes to incorporate more comprehensive support for people experiencing problem debt.

Currently, funding for Help to Claim and the Universal Credit Transition Fund amounts to around £49 million. To cope with the exceptionally high Universal Credit caseloads (around 5.2 million households are now claiming Universal Credit) and the expansion of issues like problem debt caused by COVID-19, The Salvation Army suggests that this investment should be increased to around £80 million. Due to the existence of successful schemes like Help to Claim, and the presence of community organisations like The Salvation Army to deliver programmes of this type, this new investment would be utilised quickly and efficiently across the country, including in those areas targeted by the Government as part of its levelling up agenda.

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[48] Citizen's Advice Bureau (2019), Managing Money on Universal Credit: How design and delivery of Universal Credit affects how people manage their money, pp. 19-32: https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Managing%20Money%20on%20Universal%20Credit%20(FINAL).pdf

[49] Shelter (2019) From the frontline: Universal Credit and the broken housing safety net: https://england.shelter.org.uk/__data/assets/pdf_file/0003/1827021/From_the_frontline_Universal_Credit_and_the_broken_housing_safety_net.pdf

[50] https://www.stepchange.org/policy-and-research/social-cost-of-debt.aspx

[51] StepChange (2014), Transforming Lives: A review of the social impact of debt advice for UK individuals and families evaluated using SROI: https://www.stepchange.org/Portals/0/documents/media/reports/Transforming_lives.pdf

[52] Ibid, p. 20

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