

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
Westminster
London
SW1A 2HQ
United Kingdom

Cc Rt Hon Angela Rayner MP, Secretary of State MHCLG
Rushanara Ali MP

November 2024

Dear Rachel Reeves,

National Insurance Contributions and Homelessness Sector

We are writing as members of Homeless Link and homelessness organisations from across England to highlight the threat to our services, which we believe is an unintended consequence of last week's Budget.

We would like to say first and foremost that we welcomed the prominence of homelessness within your budget, and in particular your additional investment of £230m towards our shared goal of ending homelessness and rough sleeping. And we also warmly welcome the Government's commitment to a cross-departmental homelessness strategy, and your prioritisation of reviewing homelessness spending across departments for 2026 onwards. We look forward to working collectively with you and colleagues at both Treasury and MHCLG to agree how these funds can be spent most effectively.

However, we are extremely concerned that in the short term we face a very real threat to the homelessness services that are needed to provide the foundation for future strategic efforts to end homelessness. This will have an immediate detrimental impact on the lives of the thousands of people who are supported and accommodated on a daily basis helping them move on from the worst forms of homelessness and rebuild their lives.

A significant number of homelessness services commissioned by local government are delivered by not-for-profit organisations. These include everything from street outreach, through to emergency beds, floating

individual support and counselling, supported housing provision and upstream homelessness prevention. Many of these services operate a very narrow margin, driven down by years of competitive tendering. In addition, many not-for-profit organisations provide non-commissioned support which is an equally important part of the ecosystem.

It is in this context that your proposal to increase National Insurance rates is going to cause a significant challenge to the sector and to our ability to prevent and end homelessness. **We estimate that the NI changes alone could take between £50 and £60m out of the homelessness sector and away from the delivery of frontline services.**

To be clear, homelessness services are already under enormous pressure. Service contracts across the homelessness sector have fallen well behind the cost of delivering services. Most existing contracts were set in April 2022, before the cost of living crisis caused rapid inflation to the cost of service delivery. Many services are running deficit budgets and relying on reserves to meet essential costs.

With all forms of homelessness rising rapidly, support services are needed now more than ever. As the number of bed spaces reduces, providers across the country are already turning people away. We cannot afford to lose more beds because services cannot afford to stay open. Insights from the sector show that 64% of providers across homelessness services manage contracts that are no longer deemed financially viable. A number of services have already closed in the face of rising costs. 36% of accommodation providers told us that they had already reduced services to meet the rising cost of living.

We note that you have made an arrangement to pay a rebate to the public sector for additional costs of National Insurance. We ask that you provide a similar rebate or relief to the homelessness sector – who provide vital services for the public sector – and require MHCLG and local authorities to cover the increased costs by increasing the value of grants and contracts for 2025-26 onwards.

We trust you will treat this matter with the utmost urgency as we are making our plans now for the next financial year – and we want to avoid any unnecessary closure of services with the inevitable impact of people's lives that will follow. Such an outcome would be an extremely poor start to our efforts to end homelessness together.

Yours sincerely

Rick Henderson, CEO, Homeless Link.

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