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Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru
Cardiff
CF99 1SN

27 August 2025

Dear Peredur,

Thank you for your letter of 18 June following my oral evidence to the Finance Committee's scrutiny session of the Homelessness and Social Housing Allocation (Wales) Bill. I am writing to provide you with the further information requested by the Committee.

I offered to provide the Committee with a technical note on the model and assumptions used by Alma Economics and the Welsh Government to develop the cost-benefit analysis for the Bill. This is attached at annex A and I set out responses to your follow up questions below.

The impact of the Bill on health services

In your letter you query how we have factored a potentially negative impact of the Bill on health services into our Regulatory Impact Assessment (RIA). It is my strong expectation that the Bill will result in positive impacts for the health service in Wales, including significant cost savings and avoided costs. It is, important, however, to acknowledge the implications of implementation and the necessary cultural and practical transition needed to deliver our aims. Several provisions within the Bill, particularly 'ask and act' and case coordination will require changes in practice to identify individuals who are either homeless or at risk of homelessness and who are also in need of health services. The RIA accounts for the opportunity costs associated with this change (page 128 and 135).

However, in identifying these individuals at an earlier stage, enabling them to receive efficient and early access to the care and support they need, we aim to prevent health conditions from developing or deteriorating further. Moreover, better coordination of services will bring about multiple benefits, such as better outcomes for individuals; the eventual reduction of pressures on wider public services; and the eventual longer-term reduction of costs for public services.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The affordability assessment

As you note, the RIA outlines £475 million of financial benefits and does not include the estimated benefits of £167 million for the wider public sector and £3.7 million for Registered Social Landlords (RSL). In your letter you ask in what form these benefits will be realised. The Bill is expected to have a positive financial impact on the wider public sector in Wales. RSLs are outside of the scope of the affordability assessment as it applies to Welsh public sector bodies only. However, the benefits to the wider public sector and RSLs are expected to be financial benefits. In the case of the wider public sector, they include avoided costs to health services and the criminal justice system. For RSLs, the benefits relate to the provision of settled accommodation.

“Ask and act”

As you note the implementation of “ask and act” for homelessness is estimated to result in approximately £12.4 million of opportunity costs across the specified public bodies, subject to the duty.

My officials have been engaged with all relevant departments, both devolved and non-devolved in relation to the proposed duties for several months and this engagement will continue throughout the scrutiny, pre-implementation and implementation processes. The delivery of “ask and act” forms part of our mid-term implementation planning, to allow time for this ongoing engagement and planning. During this time, we will develop training, referral materials and methodology and data requirements, in partnership with stakeholders.

We will also learn from implementation of the English duty to refer, particularly in relation to data collection, and from the delivery of “ask and act” in relation to violence against women, domestic abuse and sexual violence, in Wales.

Reasonable steps

As you note in your letter, we have estimated an additional £5 million per annum will be required to ensure local authorities are able to “offer help to secure that suitable accommodation does not cease to be available for occupation by the applicant by taking reasonable steps likely to achieve that purpose”.

The aim of the strengthened language in the Bill is to ensure the steps taken by local authorities to prevent individualised homelessness are tailored to an individual’s experience - that way they stand the best chance possible of preventing homelessness.

We envisage that additional preventative spend will be necessary to achieve this and to estimate this cost we have looked at current funding for discretionary homelessness prevention activities. Since the pandemic, we have provided £5m for this purpose. This funding has been transferred to the Revenue Support Grant this year in recognition of its statutory nature. The estimate in the RIA therefore represents an assumed doubling of that current preventative funding.

Rights to request a review

You ask how we have formed the assumption, set out in the RIA, that 25% of applicants subject to a homelessness duty may request a review.

The Welsh Government do not currently collect data on requests for reviews, nor do the courts publish statistics on appeals to the county or higher courts relating to homelessness.

As the Bill provides increased opportunities to request a review and it will be possible for applicants to request more than one review during their service experience, we have chosen to use a relatively high estimate of 25% as a basis for potential cost. The reason for this potential over-estimate is to minimise risk of under costing the reforms. We understand that local authorities may aim to resolve concerns outside of the formal process, however we did not think it appropriate to assume this level of informal practice going forward. The aim of the increased rights to request reviews is to create access to justice in the simplest way possible.

Funding for the new duty to retain accommodation

Future budgets will be a matter for future Governments, however, I recognise, as the RIA sets out, initial investment is necessary to support implementation of this Bill, including the new duty to help retain suitable accommodation. Helping a person to retain their accommodation is an important form of homelessness prevention, particularly in relation to repeat homelessness. The new duty is important for both local authorities as they prepare applicants for long term housing and for providers of social housing as they prepare to support occupation contract holders. The RIA sets out that the costs of the duty to retain are recurring and form part of the long term aim to redistribute investment into prevention and away from temporary accommodation.

I hope this additional information aids your ongoing scrutiny of the Bill and I thank the Committee for your work on this Bill.

Yours sincerely,

A handwritten signature in black ink that reads "Jayne Bryant". The signature is written in a cursive, flowing style.

Jayne Bryant AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol a Thai
Cabinet Secretary for Housing and Local Government

A technical note on estimating the costs and benefits of the Homelessness and Social Housing Allocation (Wales) Bill

This technical note is provided to the Senedd Finance Committee to aid their scrutiny of the Homelessness and Social Housing Allocation (Wales) Bill. It focusses on the stock and flow model developed by ALMA Economics which has been used to estimate the current demand and costs of the homelessness system in Wales and how this is projected to change over time, assuming no change to policy or legislation. The aim of the note is to set out, in more detail, the core understanding upon which the Regulatory Impact Assessment for the Bill is based.

The stock and flow model

The stock and flow model breaks down the statutory homelessness system in Wales into six stages (see below), using national datasets to estimate the volume of applicants seeking assistance at each stage. It also uses a range of well-known existing literature and the results of primary research with stakeholders in Wales to estimate average costs, per homeless household, at each of these stages (unit costs). The model combines the evidence on the volume of cases with the estimated unit costs, to approximate the public sector cost of homelessness and how this may change in the future.

The stages of the stock and flow model

The model considers how individuals may access assistance and “flow” through the homelessness system. This applicant experience is broken down to six potential experiences or stages. Applicants may experience one or multiple of these stages, depending on their application and situation. The stages are:

Stage 1: Receipt of statutory assistance for those who are threatened with homelessness under section 66 of the Housing (Wales) Act (2014).

Stage 2: Receipt of initial statutory assistance for those who are experiencing homelessness (relief duty).

Stage 3: Outcomes for those in receipt of initial statutory assistance, who are experiencing homelessness (relief duty).

Stage 4: Those in receipt of the main housing duty (section 75 of the Housing (Wales) Act (2014))

Stage 5: Temporary accommodation

Stage 6: Settled accommodation

Modelling these flows enables us to understand where costs associated with the homelessness system tend to fall and in what proportion. It also creates a baseline upon which we can estimate the impact of the proposed reforms, particularly in demonstrating where and how improvements in homelessness prevention and relief can generate savings.

The stock and flow model is not a perfect tool, it offers a simplified view of how homeless people transition from one state to another, using data that reflects the current state of the system. This simplification is necessary to provide meaningful analysis. Further information on caveats and data quality is included within the RIA.

Approximating the volume of recipient groups at the stock and flow stages

Stage of stock and flow model

Estimated volume

Stage 1: Receipt of statutory assistance for those who are threatened with homelessness under section 66 of the Housing (Wales) Act (2014)

StatsWales data tells us that 8,772 Households were provided with assistance at this stage in 2023-2024. Based on a two year average of local authority data, 58% of applicants have their homelessness prevented at this stage. Those whose homelessness cannot be prevented will flow into stage 2 of the model.

Stage 2: Receipt of initial statutory assistance for those who are experiencing homelessness (relief duty)

StatsWales data tells us 13,539 applicants received assistance under section 73 of the Housing (Wales) Act (2014) (Duty to help secure accommodation) in 2023-24. Some of these applicants will be people who have flowed from stage 1, but many applicants also enter the system at this stage. Given the StatsWales data on the number of people owed Section 73 duties are recorded in terms of outcomes, the data refers to the number of people flowing out of homelessness rather than the total stock of people currently experiencing homelessness. Note that this specifically does not include those with a section 75 duty (duty to secure accommodation for priority need) given that Section 73 lasts for a maximum of 56 days, and so it is likely there will be significant double counting if Section 75 was included in the definition of homelessness.

We do not hold data to assist us in understanding the specific reason people enter the system at this stage so the stock and flow model assumes that applicants receiving assistance under section 73 have received assistance because they were threatened with homelessness or they have sought assistance at the point they have become homeless (rather than earlier).

We have also assumed the share of people experiencing homelessness, who were also threatened with homelessness (as defined by section 66 of the Housing (Wales) Act (2014)), is constant over time – roughly 26% over the past five years. An alternative approach would have been to project flow based on average growth rate over the previous five years, however, data over the last five years is very erratic and this would not have been a robust approach.

Stage 3: Outcomes for those in receipt of initial statutory assistance, who are experiencing homelessness (relief duty)

The model assumes the following outcomes for an applicant receiving assistance under section 73 in a given year, based on average StatsWales data over the past two years: 59% of applicants have homelessness relieved¹, 34% are discharged for “other” reasons and the remainder do not have their

¹ Where “Total Relief” is defined as the sum of the outcomes: “successful relief under section 73” and “positively discharged section 75”. The relief rate is: “Total Relief” divided by total S73 discharge outcomes.

homelessness relieved.

Stage 4: Those in receipt of the main housing duty (section 75 of the Housing (Wales) Act (2014))

Under the current legislation, only those who fall into a priority need group, who are un-intentionally homeless are entitled to assistance under section 75 of the Housing (Wales) Act (2014). Using StatsWales data over a four year average, the model assumes 6% of applicants are found not to be priority need and/or intentionality homeless and the remainder of applicants flowing from stage 3 to stage 4 receive an outcome at this stage.² The legislative process upon which part of the stock and flow model is based ends here – there are no further discharge options for an applicant. Stages 5 and 6 of the model relate to the accommodation needs of the applicant as they navigate the homelessness system.

Stage 5: Temporary accommodation – Section 68

Individuals who are homeless, in, or believed to be in, a priority need group are entitled to temporary accommodation under section 68 of the Housing (Wales) Act (2014) (Interim duty to secure accommodation for homeless applicants in priority need).

Data on temporary accommodation placements is provided on StatsWales, however, this data does not record which duty or duties an applicant is subject to as they take up a placement in temporary accommodation. It is therefore assumed that temporary accommodation could be provided to anyone who is not successfully relieved of the section 73 duty. Other applicants can and will make use of temporary accommodation. It is also assumed that the ratio of temporary accommodation placements to those with S73 duties with unsuccessful discharge remains constant over time.

Stage 6: Settled accommodation – homelessness relief

Applicants receiving assistance under section 73 and/or section 75 will enter into settled accommodation if their duty is positively discharged. The model uses StatsWales data to estimate this figure.³

Having established the estimated volume at each stage of the homelessness system, the model also uses estimated unit costs of homelessness assistance provided to these applicants.

These costs were estimated based on Welsh local authority survey data collected in 2024. The costing survey and templates gathered data on annual costs relating to vulnerable groups, temporary accommodation, short-term supported accommodation, rough sleeping, social housing, administration and delivery, social housing demand and associated costs, providing estimates for the following financial cost groups:

² Four year average rather than five year average, as use of exceptionally high figures in 2019/20 would skew the % and not reflect current trends.

³ [All cases where positive action succeeded in preventing/relieving homelessness](#)

Cost	Cost per household
Gross temporary accommodation: the cost of providing temporary accommodation to those who are experiencing homelessness. These costs are gross costs and are inclusive of any amounts that would be deducted through housing allowance.	£12,540
Supported accommodation: the cost of providing supported accommodation.	£15,075
Social housing (incremental): the incremental cost of providing social housing to a homeless person versus to that for someone not homeless, rather than the total cost of social housing provision. This is because the stock of social housing is considered as broadly fixed in the short term and so any increase in demand for social housing for people experiencing homelessness would require a reallocation of existing social housing stock.	£3,126
LA administration – prevention activity	£1,320
LA administration – experiencing homelessness activity	£1,555
LA administration – relief activity	£889

Average unit costs associated with the increased interaction of people experiencing homelessness with wider public services, when compared with someone who is not homeless have also been estimated. These services include the health service, criminal justice system, mental health services and substance misuse services. These costs were approximated using a range of published research, including from the National Housing Federation (2024)⁴, Crisis (2018)⁵, Centrepoin (2024)⁶, and University College London (2023)⁷.

The table below summarises the additional cost, per homelessness household, used in the analysis.

⁴ National Housing Federation (2024), The economic impact of building social housing, <https://www.housing.org.uk/resources/the-economic-impact-of-building-social-housing/>

⁵ Crisis (2018), Assessing the costs and benefits of Crisis' plan to end homelessness, https://www.crisis.org.uk/media/238957/assessing_the_costs_and_benefits_of_crisis-plan_to_end_homelessness_2018.pdf

⁶ Centrepoin (2023), Human Costs and Lost Potential: The Real Cost of Youth Homelessness, <https://centrepoin.org.uk/research-reports/human-costs-and-lost-potential-real-cost-youth-homelessness>

⁷ University College London (2023), Design for All – A Place to Call Home UCL Report, <https://www.arc-nt.nihr.ac.uk/media/2yxzfzell/ucl-report-a-place-to-call-home.pdf>

	Unit cost, per homelessness household
Wider public service	
Criminal Justice	£2,252
NHS Health	£1,369
Mental Health	£667
Substance misuse	£419

Wider economic costs of homelessness

Our analysis also considered wider economic impacts associated with homelessness; specifically the health impacts and impacts on worker earnings.

Health impacts (QALYs) – Lewer et al. (2018)⁸ estimate that homelessness is associated with 0.161 loss of quality adjusted life years (QALYs), a measure of changed health outcomes resulting from an intervention. This implies that preventing someone from experiencing homelessness will result in an increase of 0.161 years of healthy life. While other estimates of QALYs are available, those provided by Lewer et al (2018) were deemed the most relevant given they actively compare QALYs of a homeless person in relation to those that are not homeless – which is the correct comparison for the Cost Benefit Analysis in which the objective of the intervention is to avoid or remove people from homelessness. QALYs have a monetary value of £70,000 per QALY, according to HMT Green Book guidance.**Error! Bookmark not defined.**

Worker earnings – people experiencing homelessness are likely to experience disruption to their employment and earnings due to the lack of stability. The National Housing Federation (2024) estimates that there are £3,290 annual labour market benefits from increased housing stability, such as from moving someone from temporary accommodation to social housing.⁹

It is not possible to quantify other benefits associated with homelessness, particularly the individual impacts, although it is very likely that increased homelessness prevention will bring about wider benefits. Practice based feedback suggests that prolonged periods of time spent living in temporary accommodation, particularly accommodation of a lower standard, has detrimental impacts on individuals. However, evidence is not available to quantify the impact of spending less time being homeless and residing in temporary accommodation in relation to individual outcomes or wider public service impacts. The analysis currently assumes that a person experiencing homelessness would still experience the same

⁸ Lewer D, Aldridge RW, Menezes D, et al. Health-related quality of life and prevalence of six chronic diseases in homeless and housed people: a cross-sectional study in London and Birmingham, England *BMJ Open* 2019;9:e025192. doi: 10.1136/bmjopen-2018-025192

⁹ National Housing Federation (2024), The economic impact of building social housing, <https://www.housing.org.uk/resources/the-economic-impact-of-building-social-housing/>

detriment in terms of health and earnings outcomes, and interaction with the wider public sector, regardless of time spent in homelessness. Therefore, the results are likely to underestimate the impact of faster relief of homelessness, particularly in relation to the well understood negative impacts of long stays in temporary accommodation.

Cost of the reforms

As set out in the RIA, there is a cost of implementing the reforms before any of the benefits from the reforms can be realised and the RIA sets out one off and recurring costs associated with the Bill. These estimated costs were developed with engagement from local authorities, RSLs and relevant wider public sector bodies, recognising limitations in data and evidence. For some implementation costs it has been necessary to develop assumptions in the absence of evidence. Further detail is available within the RIA.

Modelling the benefits of the Bill

As outlined in the RIA, a key challenge with modelling the benefits of the proposed reforms is that there is little evidence or examples of similar interventions which a benefits analysis would typically be based on. As a result, it is not possible to model the benefits resulting from each individual reform. Instead, the benefits are based on the overall package of reforms, focussing on high-level changes to key parameters that lead to beneficial outcomes: increased prevention, more efficient homelessness relief and reducing discharge for other reason.

Prevention of homelessness – the reforms are expected to increase the success rate of preventing homelessness among people who are threatened with homelessness and are owed a duty under Section 66. Currently 58% of applicants are successfully prevented from becoming homeless (based on last two years of data). The ability of the reforms to increase this rate will reduce the number of people entering into homelessness and therefore all associated costs, including temporary accommodation costs and longer term local authority administration, as well as wellbeing and employment impacts on the individual.

Successful relief of homelessness – the reforms are expected to improve the efficiency by which people experiencing homelessness (as defined by Section 73 duty) are rehoused and are relieved from homelessness. Currently, 59% of people owed a Section 73 duty have their homelessness relieved (where relief is defined as the sum of “successful relief under section 73” and “positively discharged under section 75”. The relief rate is total relief divided by S73 discharge outcomes) from homelessness in that year. Improving this rate will reduce the length of time people spend in temporary accommodation, alongside longer term administration and case management.

Discharged for “other reasons” – currently, about 34% of people with a Section 73 duty are discharged from homelessness without relief due to reasons including non-cooperation, loss of contact and withdrawal of application. The reforms seek to reduce this number, recognising that some people discharged for these reasons may continue to be homeless and re-enter the system at a later date. While this will result in greater costs in the short term, given more people will now be eligible for support, it is expected to result in longer term benefits as remediating people early will avoid further risk of escalation which can be more costly to resolve at a later date.

Given little evidence exists to inform the scale of improvements of the above parameters, switching analysis has been undertaken in which the parameters are changed by the smallest amount to yield break-even of the implementation costs. Should only a small and “reasonable” combination of changes be required to generate net benefits, then this would imply the reforms are likely to achieve net benefits. Modelling around these parameters is set out below. Our analysis suggests that the reforms can achieve financial break-even and value for money based on a 6.1% improvement in the prevention rate and a 0% improvement in relief. When we include the societal benefits, the necessary increase in the prevention rate drops to 3.2%. It is important to note that prior to the onset of the Covid 19 pandemic, the prevention rate sat at an average of 67% (average taken between 2017/2018 and 2019/2020). This indicates that the required improvement necessary for the costs of these reforms to break even, is low and extremely achievable. Not even requiring a return to pre-pandemic prevention levels to achieve value for money.

Scenario - % improvement in parameters compared to BAU due to reforms	Benefit cost ratio	Benefit cost ratio
	(financial)	(societal)
Business as Usual Prevention rate = +0% Relief rate = +0%	0.0	0.0
Core Prevention rate = +10% Relief rate = +10%	2.0	3.9
Prevention rate = +1% Relief rate = +0%	-0.1	0.1
Prevention rate = +5% Relief rate = +0%	0.8	1.7
Prevention rate = +6.1% Relief rate = +0%	1.0 (break even)	2.2
Prevention rate = +3.2% Relief rate = +0%	0.4	1.0 (break even)
Prevention rate = +0% Relief rate = +5%	-0.2	-0.2
Prevention rate = +0% Relief rate = +15%	-0.1	-0.1

