



National Zakat
Foundation

ECONOMIC IMPACT REPORT 2024

February 2024

Assessing the Impact of National Zakat Foundation's Housing Fund

Intervention in Tackling Homelessness through
Rent Arrears Across the UK and the financial
impact on Local Authority finance

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Executive Summary

NZF has impacted the lives of thousands of people through its Housing Fund from the provision of payment of rent arrears, Council Tax arrears, emergency household items and moving in grants.

The disbursement of £376,523 by NZF in the year 2022-2023 to applicants in rent arrears and at immediate risk of homelessness has rescued families and individuals from the streets or temporary accommodation.

The economic cost of homelessness if those helped had subsequently been made homeless is *£28.8 million* (calculated per person) or *£7.7 million* (if calculated per household) per annum. Therefore, the overall value of this monetary assistance is huge, demonstrating a ratio of *£73 for every £1 of Zakat* distributed through the UK Housing Fund.

The impact of this investment has therefore been enormous. With the use of temporary accommodation forecast to double across England in two decades this is money that would otherwise have to be found by central and, particularly, local government. There are significant lessons to be learned from interventions from charities that are often not seen by those in government. With the worsening local authority funding crisis these interventions are now playing a key role in saving ten of millions or pounds in already struggling local authority areas.

The National Zakat Foundation

Established in 2011, the National Zakat Foundation (NZF) is a charitable organization that works for the accumulation and disbursement of Zakat in the United Kingdom.

Registered with the Charity Commission for England and Wales as a not-for-profit organization in England and Wales (1153719) and as a charitable company and supported by guarantees and approval by the government in England (08536743).

Zakat is an obligatory payment made by all Muslims (above certain threshold), of 2.5% of their excess wealth. A report issued by the World Bank claims that the Zakat system ensures the circulation of annual wealth that ranges from *\$600 billion to \$1 trillion* the world over. (<https://www.undp.org/blog/zakat-sdgs>).

More than 21,000 people and more have so far benefitted with allocations of more than £25 million, since the inception of the National Zakat Foundation in the United Kingdom in 2011. Grants, which do not need to be repaid, are mainly made in cash, making NZF the largest distributor of direct cash grants in the UK.

This Housing Fund is one of three provided by NZF, alongside Hardship Relief and Work. With a total of around *£7 million* of Zakat donations in 2023, 76% is allocated to the Hardship Relief Fund for emergency cash grants.

Pervasive Homelessness in the United Kingdom: A Brief Overview

Homelessness has been segregated into two types; *statutory homelessness* and *hidden homelessness*.

Statutory homelessness: Statutory homelessness happens to be the most rampant form of homelessness and takes into account those individuals who are permitted to beget assistance from their local authority, mainly to prevent them from being set onto the path of homelessness.

The rules around temporary housing criteria are inflexible. Only a few families (hailing from vulnerable groups and families) can meet the eligibility criteria.

Hidden homelessness: Those who fail to fulfil the eligibility criteria to receive local authority assistance and have to put in woefully inadequate accommodation settings; such as sofa surfing, perennially living in hotels or hostels, or unlawfully occupying a residential space which is known as squatting; can be called as *Hidden Homelessness*.

The official figures around homelessness are not inclusive of those suffering from hidden homelessness, but makes considerable proportion goes unaccounted. (ILMUK).

Individuals who are labeled or identified as **'legally homeless'** and the **'hidden homeless'** (such as those who have found refuge in squats, hostels, beds and breakfasts, or have been accommodated by friends) constitute a part of what homelessness in the UK entails (Dawes et al., 2021).

While *1 in 100* households in the UK is labelled as homeless. These figures, though, appear to be an underestimate. As Shelter reports, about *63%* of single homeless remain unincluded in the official statistics. The gap had already widened with an alarming increase in homelessness since 2012. With rough sleeping *rising by 85%* and a *rise of 194%* in impermanent and inadequate accommodation by 2019, nearly *59,000* households across England and Wales were categorized as homeless by their local authority in the official government reports from 2015-16 (Dawes et al., 2019). London has the highest level of homelessness in the UK where one in *52* people face housing insecurity.

Managing Homelessness:

The Homelessness Reduction Act 2017 mandates councils to intervene promptly to address housing insecurity and extend aid to those who are without a home or are at the edge of being rendered homeless.

The government holds local authorities responsible for the provision of temporary accommodation to those who have the status of being homeless. UK Local Authorities spent *£1.74 billion* in the year March 2022–March 2023 – an increase of 9% on the previous year.

At the same time, six local authorities have declared themselves bankrupt including Birmingham City Council, the largest local authority in Europe. Nearly one in five council leaders believe it is “fairly or very likely” that they will go bust in the next 15 months as funding fails to keep pace with inflationary costs and demand for child protection, adult social care and homelessness according to a Local Government Association (LGA) survey in December 2023.

National Zakat Foundation’s Housing Assistance

Faith organizations have come to embody a central role in the UK when it comes to the reduction of the homelessness.

Faith-based organizations (FBOs) have traditionally been the entities that lead the charge when it comes to provision of welfare services for the affected. (Johnsen, 2014).

According to the 2021 United Kingdom census, Muslims in England and Wales numbered 3,868,133 or 6.5% of the population.

Empirical data on Muslim homelessness in the UK remains insufficient and more work is needed in this area. A study carried out by the Muslim Council of Britain post-2011 Census revealed that 2.2% of the overall population was housed in hostels or makeshift shelters for the homeless but for the Muslim population it touched 5.1%. It obviously points to factors that are not easily identifiable; such as increased rates in poverty experienced by Muslim households, has worsened this ratio to this degree within the Muslim community.

Investment policy and performance

Many researchers have undertaken different studies to assess the consistent economic depreciation, financial toll, and social implications of homelessness in multiple ways.

While an exact figure has not been given because of the absence of a central homelessness budget in the UK and how it affects the responsibility, costs, and future socio-economic impact. To utilize the most comprehensive and approved cost we are utilizing the 2022 study carried out by Xantura (Dellar, 2022) – a data company that specializes in working with several local governmental bodies and charities. Using a model presented by Falatu and others (2019), the annual cost of individual homelessness has been derived:

The Estimated Annual Net Cost of Homelessness in England, using 2022 Prices (Falatu et al, 2019):

Cost Area	Annual net cost per homeless person (£)*	Annual net cost in England (£)***
Quality-of-life related	172,158	35,016,937,200
Lowered Taxable Income and Higher Unemployment	7,000	1,423,800,000
Homelessness Services	18,500	3,762,900,000
Mental Health Services	6,571	1,336,541,400
Physical Health Services	2,800	569,520,000
Substance	1,978**	402,325,200

* Inflation-adjusted to 2022 prices.

** 0.43 times the gross costs displayed in earlier sections. Relatively crude estimate calculated by averaging the proportion of gross healthcare costs that were net costs (0.24), and gross criminal costs that were net costs (0.62).

*** Calculated by multiplying the annual net cost per homeless person by the 2020 Crisis estimate of core homeless households in England (203,400).

They note: "We reach the estimate that the annual net cost of homelessness in England is £44.4 billion, or £9.4 billion excluding the quality-of-life related costs.

Since this figure encompasses only the households experiencing the most acute forms of homelessness, since 2020 is a year that had lower numbers of homeless households than average, since 'hidden' homeless people are likely not accounted for, and since there are more homeless people than homeless households, this estimate of net costs almost certainly falls short of the actual figure.

Furthermore, homelessness produces significant costs in areas not included in this estimate, such as education and domestic abuse, discussed above, for which no cost figure was calculated. The fixed cost per homeless person associated with higher mortality was also not included as the annual estimate could not be calculated."

Via the disbursement of the Housing Fund, NZF engages in Zakat disbursement to eligible individual applicants in **4 key areas** which have been listed below:

1. **Rent arrears**
2. **Council Tax arrears**
3. **Emergency Household Items**
4. **Moving in grants**

The National Zakat Foundation gave £376,523 in aid to the eligible applicants in rent arrears. It averted the prospect of their impending eviction between September 2022 and September 2023. A sum of 824 people benefitted from these 221 grants, with an individual grants positioned at an average of £456 per person or £1619 per household. The average number of people per household who were impacted was 3.7. The NZF has given the vast majority of these grants through

local authority housing associations. Thereby, it became clear that the individuals aided continued being housed and sheltered post the clearance of arrears. There is no evidence of any recipient becoming homeless within 12 months of the NZF intervention.

With a rather conservative calculation of individual cost of housing insecurity, minus the costs of the quality of life and reduction of the substance abuse support, the number of children supported were taken into account (albeit this will incur additional costs with regards to social services, and monetary reductions for health and education). The total annual cost stands at £34,871, making a total of about £35,000. Therefore, the economic value stands at of 1:73.

Conclusion

In conclusion, homelessness has penetrated the social fabric of the UK, and it has its own set of complexities which are further affected by a plethora of variables, from adverse family circumstances, economic obstacles, health and education.

A differentiated and multifaceted approach to stem homelessness is needed and it demands a concerted effort to coordinate responses across the spectrum of public and third sector providers. National Zakat Foundation has contributed greatly towards addressing the critical problem of homelessness within the United Kingdom.

The disbursement of £376,523 by NZF in the year 2022-2023 to eligible applicants in rent arrears has been proven to be a lifesaver for many. This aid has offered protection by doing away with the possibility of eviction and ensuring that individuals and families could establish a stable and functioning living environment. The overall economic value of this assistance, when gauged against the background of the overall economics of homelessness in England, highlights the significant impact of NZF's work with an economic return of £73:1.

NZF's operations as a faith-based organization supports the efforts of the government and other nonprofits, reflecting the influence of collaborative and compassionate engagement practices in addressing social challenges. NZF's work is a reflection of the positive impact that strategic acts of charitable giving can yield on a society, and it sets a standard for those who would be following suit in the field of social welfare and community support programmes.

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National Zakat Foundation (NZF) is a registered charity in England and Wales (1153719) and a company limited by guarantee registered in England (08536743).

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