

Briefing Paper

Flexible Homelessness Support Grant

April 2017



Introduction

The Department for Communities & Local Government announced the arrangements for the administration of the Flexible Homelessness Support Grant in March 2017.

The Flexible Homelessness Support Grant is designed to transform the way councils fund homelessness services to give them greater flexibility to prioritise the prevention of homelessness. It is described as a radical replacement of the tightly controlled funding currently given to source and manage temporary accommodation for homeless individuals and their families.

The former Chancellor, George Osborne MP, announced at Autumn Statement 2015 that the Department for Work and Pensions' temporary accommodation management fee would be replaced by a Department for Communities and Local Government grant from April 2017.

Under the existing 'Temporary Accommodation Management Fee', funding can only be used for expensive intervention when a household is already homeless, rather than on preventing this happening in the first place.

However, the new grant will empower councils with the freedom to support the full range of homelessness services. This could include employing a homelessness prevention or tenancy support officer to work closely with people who are at risk of losing their homes.

Marcus Jones MP, Communities Minister, said that:

“This government is determined to help the most vulnerable in society, which is why we’re investing £550million to 2020 to tackle homelessness and rough sleeping. We’ve brought in a raft of measures over the last few months, from funding homelessness projects in 225 local authorities to changing the law by backing Bob Blackman’s Homelessness Reduction Bill to support for more people at risk of losing their homes.

“We’re now going further and giving councils greater flexibility, so they can move away from costly intervention when a household is already homeless, to preventing this happening in the first place.”

The Flexible Homelessness Support Grant is ring-fenced for two years. The Government has not stated whether it will continue after 2018/19 or if it will continue to be ring-fenced.

The new grant forms part of a range of measures the government is taking to prevent people from becoming homeless. These include:

- Protecting and maintaining the funding for councils to provide homelessness prevention services at £315million over the four years to 2019/20; and £20million to support innovative approaches in local areas to tackle and prevent homelessness.
- A £20million rough sleeping prevention fund to help individuals at risk or new to the streets get back on their feet.
- A £10million Social Impact Bond programme to help long-term rough sleepers.
- £61 million for councils to implement the measures in the Homelessness Reduction Bill, that will change the law to provide vital support for more people at risk of losing their homes

The Government’s purpose is to enable councils to spend money currently spent on expensive temporary accommodation on stopping people becoming homeless in the first place. To do this, it has changed how councils are funded to manage temporary accommodation for homeless people.

Local authorities must provide temporary accommodation for families that are homeless through no fault of their own. Because of the shortage of social housing, most temporary accommodation is procured from private providers. The accommodation is funded through a combination of housing benefit and a management fee for each homeless household in temporary accommodation.

In high pressure areas, high rents, increasing levels of homeless, and cuts to benefits have caused a crisis in temporary accommodation that is rapidly proving difficult to control. In March 2017, there were 74,630 families living in temporary accommodation, up 55% since 2010. These families are frequently trapped for years in this unstable, often overcrowded, accommodation because of a shortage of genuinely affordable homes and squeezed benefit levels. In March 2017, the Local Government Association stated that councils were spending £2million a day on temporary accommodation.

Combined with the expected new duties on local authorities to prevent and relieve homelessness in the Homelessness Reduction Bill (see below), councils are now being encouraged to do far more to prevent people falling into homelessness and have been given flexible funding that is designed to allow them to do so.

Grant Allocations

The new Flexible Homelessness Support Grant came into effect from 1st April 2017. It is based on a completely new funding model that is designed to direct resources to the areas with the greatest need and that allows councils to plan their homelessness services with certainty.

The funding allocated for the two years from 2017 to 2018 is £186million and £191million respectively. A further £25million has been set aside for the London boroughs to work together to provide accommodation for homeless families in the capital.

Councils across England will therefore receive £402million over the next two years. No local authority will receive less annual funding under the grant than the government estimates they would have received under the Department for Work and Pensions fee. First year allocations will also include an additional amount to authorities with high temporary accommodation commitments.

Compared to the old system, the government estimates that London councils will receive around £20million more next year and that other high pressure areas, including Leeds, Birmingham, Reading, Peterborough and Portsmouth, will also gain significant additional funding.

In recognition of the pressures faced by London councils, the government is setting aside £25million of the funding across the two years while they work with the Greater London Authority and London boroughs to look at how they might help councils collaborate in the procurement of accommodation for homeless families in London.

The funding has been allocated according to a formula which reflects relative homeless pressures, while at the same time aiming to protect local authorities which currently have high levels of Temporary Accommodation.

The government has calculated relative homelessness pressures by adding the number of acceptances to the number of prevention and relief cases achieved by securing a private rented sector tenancy, with the following adjustments to -

- Take account of differing private sector rental costs in different areas.
- Ensure a minimum allocation level of £40,000.
- Ensure that no authority receives an annual allocation less than we estimate they would have received under the Department for Work & Pensions' Temporary Accommodation Management Fee.
- Allow some headroom in the first year for authorities with high Temporary Accommodation Management Fee eligible Temporary Accommodation commitments so that they can benefit from the added flexibility the grant offers.

Department for Communities & Local Government Homelessness data from the year to June 2016 was used to assess levels of acceptances and preventions, and then projected into the future based on current trends.

Department for Communities & Local Government Homelessness data for the financial year 2015/16 was used to estimate levels of the Department for Work & Pensions fee, then also projected into the future based on current trends.

The local authorities that received the largest allocations are shown in the table below:

Local Authority	Funding that government expects would have been provided in 2017/18 under DWP TAMF £million	2017/18 FHSO Standard Allocation £million	One year additional 2017/18 FHSO funding for current high TAMF Las £million	2017/18 FHSO Total Allocation £million	2018/19 FHSO Total Allocation £million
Enfield	7.515	7.515	1.266	8.781	8.417
Haringey	7.387	7.387	1.244	8.631	8.273
Brent	6.931	6.931	1.168	8.098	7.762
Westminster	6.180	6.180	1.041	7.221	6.921
Newham	5.876	5.876	0.990	6.866	6.581
Brighton and Hove	5.694	5.694	0.412	6.106	6.378
Ealing	5,179	5,179	0.872	6.052	5.801
Redbridge	4.715	4.715	0.794	5.509	5.281
Waltham Forest	4.603	4.603	0.775	5.378	5.155
Tower Hamlets	4.098	4.098	0.690	4.789	4.590
Kensington and Chelsea	4.018	4.018	0.677	4.695	4.500
Croydon	3.878	3.878	0.653	4.531	4.343
Lambeth	3.859	3.859	0.650	4.509	4.322
Birmingham	2.148	3.792	0.0	3.792	4.156
Lewisham	3.061	3.935	1.024	4.959	3.935
Hammersmith and Fulham	3.019	3.019	0.509	3.527	3.381
Hackney	2.678	3.290	0.891	4.180	3.290
Barnet	2.928	2.928	0.493	3.421	3.279
Barking and Dagenham	2.854	2.854	0.481	3.335	3.197
Southwark	0.909	2.670	0.0	2.670	3.165

It will be seen that most of these authorities are London boroughs, although Birmingham City Council and Brighton & Hove City Council also receive large allocations.

Across England the funding that the government expects would have been provided in 2017/18 under the Department for Work & Pensions' Temporary Accommodation Management Fee is £123.3million. The 2017/18 Flexible Homelessness Support Grant standard allocation totals £171.4million. The one year additional 2017/18 Flexible Homelessness Support Grant funding for current high Temporary Accommodation Management Fee local authorities is £14.6million. The 2017/18 Flexible Homelessness Support Grant total allocation is £186.0million being the 2017/18 Flexible Homelessness Support Grant standard allocation plus the one year additional 2017/18 Flexible Homelessness Support Grant funding for current high Temporary Accommodation Management Fee local authorities. The 2018/19 Flexible Homelessness Support Grant is £191.3million.

The local authorities that receive the £14.6million of additional funding are shown below:

Local Authority	One year additional 2017/18 funding £million
Enfield	1.266
Haringey	1.244
Brent	1.168
Westminster	1.041
Lewisham	1.024
Newham	0.990
Hackney	0.891
Ealing	0.872
Redbridge	0.794
Waltham Forest	0.775
Tower Hamlets	0.690
Kensington and Chelsea	0.677
Croydon	0.653
Lambeth	0.650
Hammersmith and Fulham	0.509
Barnet	0.493
Barking and Dagenham	0.481
Brighton and Hove	0.412

It will be seen that these are all London boroughs except for Brighton & Hove City Council.

The total Flexible Homelessness Support Grant in 2017/18, at £186million is 51% above the £123.3million that the government estimates would have been provided in 2017/18 under the Temporary Accommodation Management Fee. However, the level of increase varies between authorities.

There are 112 authorities that were not expected to receive any Temporary Accommodation Management Fee in 2017/18 but that will receive Flexible Homelessness Support Grant. The authorities in this category that will receive the most grant are shown in the table below:

Local Authority	2017/18 FHSG Total Allocation £million
Nottingham	0.587
Bradford	0.535
Peterborough	0.489
Sheffield	0.404
Northampton	0.360
Salford	0.352
Derby	0.344
Kirklees	0.315
Shropshire	0.307
Arun	0.304
Cambridge	0.283
Epping Forest	0.277
Warwick	0.275
Canterbury	0.269
Trafford	0.266
Wigan	0.264
Wolverhampton	0.249
Warrington	0.242
Wycombe	0.235
Rochdale	0.228

These authorities are all outside London and most of them, although not all, are major urban areas.

On the other hand, there are 29 authorities that will receive the same level of Flexible Homelessness Support Grant as it is estimated they would receive in Temporary Accommodation Management Fee. These include Bexley, Bromley, Camden, Havering, Hounslow, Islington, Kingston on Thames, Luton, Manchester and Swindon.

Grant Formulae

'Temporary Accommodation Management Fee' was distributed to local authorities by the Department for Work and Pensions until the end of March 2017. The fee made £40 available per week per eligible temporary accommodation unit operated by authorities in London and £60 elsewhere in England.

The formula for Flexible Homelessness Support Grant is designed to distribute the funding according to levels of homelessness, family size and housing costs in the area. The approach can be summarised by the following formula:

Allocation for local authority =

$$\frac{(\text{Private Rented Sector preventions and relief plus acceptances}) \times \text{median rent (local authority)}}{(\text{Private Rented Sector preventions and relief plus acceptances}) \times \text{median rent (all authorities)}}$$

Where:

- Private Rented Sector preventions and relief is the activity local authorities recorded undertaking on section e101b 2 and 3 of the P1E return
- Acceptances are households who are reported as statutorily homeless by their local authority in section e11g of the P1E return
- Rents levels are taken from the Valuation Office Agency Private Rental Statistics and consider the number of large families 'accepted' as homeless in an area. Note that London has been split into two rent areas, 'Inner London' and 'Outer London'.

Median local authority rent =

(% of acceptances for small families x median rent - two bed) + (% acceptances of 3+ children families) x (median rent 4 bed)

Additional measures have been taken so that:

- No authority receives less than £40,000 a year
- No authority receives less funding than the estimated total they would get under the Temporary Accommodation Management Fee
- authorities with high levels of Temporary Accommodation Management Fee eligible temporary accommodation receive an additional share of the funding in 2017/18 to create some headroom above the contribution we estimate that Temporary Accommodation Management Fee would have made to their Temporary Accommodation costs.

Homelessness Reduction Bill

The Homelessness Reduction Bill was passed by the House of Lords in March 2017 and is now awaiting royal assent. It will require earlier intervention by councils to prevent homelessness. The Homelessness Reduction Bill also requires councils to provide advice and help to all affected, not just those protected under existing laws.

It was a private member's bill, introduced by Bob Blackman MP (Conservative) that received government backing. The government will also be providing £61million to councils to meet the costs incurred. Bob Blackman told the BBC that:

"I am immensely proud of everything that has been accomplished in this bill... It is profoundly wrong that homeless people who approach their council for help can be turned away to sleep on the street at the moment and that legislation in this area hasn't changed for the last four decades."

The Homelessness Reduction Bill will oblige councils to start assessing someone at risk of being made homeless 56 days before losing their home. Currently, the threat of homelessness is defined as starting 28 days before the person loses their home. The bill comes as the number of people sleeping on the streets increased by 16% last year, up from 3,569 in 2015 to 4,134 in 2016.

However, local government representatives feel that without additional funding and support for councils, the additional legal protections introduced by the bill will mean little in practice. Lord Porter (Conservative), Leader of South Holland District Council and Chairman of the Local Government Association, told the BBC that:

"It is clear that legislative change alone will not resolve homelessness. It is crucial that the government recognise and address the wider factors that are increasing homelessness, such as the lack of affordable housing and welfare reforms. Without this, the bill will struggle to achieve its aim of reducing homelessness."

"Councils need powers and funding to address the widening gap between incomes and rents, resume their historic role as a major builder of new affordable homes and join up all local services - such as health, justice and skills. This is the only way to deliver our collective ambition to end homelessness."

The Flexible Homelessness Support Grant is designed to support the Homelessness Reduction Bill by providing additional funding to local authorities.

Response of the Sector

Local authorities have welcomed the concept of the 'lump sum' as it will enable them to use the funding for things other than managing accommodation – such as employing new staff to prevent people losing their home in the first place. They have also welcomed the increase in funding in 2017/18 for local authorities with very high levels of households living in temporary accommodation.

Faye Greaves, Policy & Practice Officer at the Chartered Institute of Housing said that:

"Anything which seeks to tackle this issue is welcome and this new flexible homelessness support grant will give councils an important chance to develop imaginative ways to prevent people from needing temporary accommodation... Councils will now have access to up front lump sums to tackle homelessness in a more proactive way compared to the reactive retrospective subsidy system it replaces."

Shelter stated that:

"Marcus Jones, the homelessness minister, has confirmed a change in council funding to encourage local authorities to spend money on stopping homelessness instead of on costly temporary accommodation. But local authorities will be left with few tools to prevent people becoming homeless without an end to the Local Housing Allowance freeze."

Shelter considers that something more radical must happen, beyond a technical funding change to the way temporary accommodation is managed. They conclude that while increased funding is welcome, it will not increase the supply of new homes and will not solve the problem of benefit rates failing to keep up with private rents. They consider that the government is on the right lines to say that people should be stopped from becoming homeless in the first place. However, at the same time, ministers have frozen Local Housing Allowance rates at the 2016 levels for four years.

Research by Shelter shows that in a quarter of the country, a family with one or two children would now face a £100 or more a month shortfall between the Local Housing Allowance level and a two-bedroom home at the cheapest end of the market. Therefore, the growing gap between Local Housing Allowance rates and high rents means that more and more families are now left with no choice but to fall onto council homelessness services.

Shelter recommends that to prevent homelessness, councils have to be able to find housing that low-income families are able to afford. They consider that, in the long-term, building more genuinely affordable homes will help to solve this problem. However, many councils are facing a crisis in temporary accommodation that demands an immediate solution. They recommend that the government end the freeze on Local Housing Allowance rates so that benefit levels begin to reflect rents once more.

Heather Spurr, Policy Officer at Shelter said that:

“It is not nearly enough to stem the rising tide of homelessness. To help renting families struggling to keep a roof over their head right now, the government must abandon the current freeze on housing benefit for private renters... And to put an end homelessness for good, they need to start building more homes that people on normal incomes can really afford to rent and buy.”

Shelter warn that:

“The government has suggested that councils hire new homelessness prevention officers with the new funding. But if something fundamental does not change, these new staff may find that their first job is to tell families that they have nowhere to house them.”

Conclusions

Homelessness is an increasing problem in England that is resulting in increasing numbers of people living in temporary accommodation at considerable cost. The introduction of the Flexible Homelessness Support Grant is part of a package of measures that are designed to address this. The objective is to reduce homelessness (and to reduce expenditure on homelessness) by taking preventative action to ensure that people do not become homeless in the first place.

The approach is consistent with the Homelessness Reduction Bill that has been passed by Parliament and is awaiting royal assent. It provides local authorities with more funding that they can use more flexibly, that is ring-fenced and that is targeted at areas of greatest need.

The Flexible Homelessness Support Grant has been welcomed in the local government and housing sectors as a step forward. However, there are concerns that the government's measures will not be sufficient to address homelessness adequately and that there is a need for increased resources, a higher level of Local Housing Allowance and increased provision of new social housing.

Adrian Waite
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