

Homelessness Reduction Act New Burdens Funding Briefing Paper October 2017



Houses and Cash

Introduction

The Department for Communities & Local Government issued its guidance on new burdens funding for the Homelessness Reduction Act on 16th October 2017. This included information on the new burdens funding local authorities have been allocated to implement the Homelessness Reduction Act and consists of three documents:

- New Burdens Funding
- New Burdens Assessment
- New Burdens Distribution – Methodology Notes

The government states that it is committed to preventing and reducing homelessness; and that is why they are implementing the most ambitious legislative reform in decades, the Homelessness Reduction Act, that will commence on 1st April 2018.

The government will provide £72.7million to local authorities to meet the new burdens costs associated with the additional duties contained within the Act over the course of the Spending Review. This is £11.7million more than had previously been estimated. The government anticipates that the new duties to prevent homelessness will lead to savings for local authorities thereafter.

The local authority allocations cover 2017/18, 2018/19 and 2019/20. The new burdens assessment explains how the government calculated the overall funding and the methodology note explains how the funding is distributed between local authorities.

At the same time the Department for Communities & Local Government published the draft Homelessness code of guidance for local authorities that is out for consultation until December 2017.

New Burdens Allocations

The total allocation of £72.7million is allocated between the three years as follows:

- 2017/18 - £25.0m
- 2018/19 - £22.9m
- 2019/20 - £24.8m

It is allocated between the regions of England as follows with the largest share being allocated to London:

- East - £7.2million (10%)
- East Midlands - £3.6million (5%)
- Greater London - £30.2million (42%)
- Northeast - £2.0million (3%)
- Northwest - £4.5million (6%)
- Southeast - £10.1million (14%)
- Southwest - £5.3million (7%)
- West Midlands - £6.1million (8%)
- Yorkshire & Humber - £3.7million (5%)

The authorities with the ten largest allocations are as follows. It will be seen that, except for Birmingham City Council, they are all London Boroughs:

	£,000
Birmingham City Council	1,766
Newham Borough Council	1,606
Tower Hamlets Borough Council	1,554
Hackney Borough Council	1,380
Lambeth Borough Council	1,356
Southwark Borough Council	1,321
Croydon Borough Council	1,292
Enfield Borough Council	1,279
Brent Borough Council	1,251
Haringey Borough Council	1,236

Another £3million is to be made available to upgrade data systems so councils can keep better information on people who are homeless in their areas.

The New Burdens allocations can be found on the Department for Communities & Local Government website at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/652195/New_burdens_allocation.pdf

New Burdens Assessment

Introduction

The Homelessness Reduction Act makes significant changes to the current homelessness legislation contained in Part 7 of the Housing Act 1996, by placing duties on local housing authorities to intervene earlier and prevent a homelessness crisis for all households.

The current homelessness legislation provides an important safety net for vulnerable households, but it requires local housing authorities to intervene only at crisis point, often too late to prevent an expensive homelessness crisis. This leads to two significant issues. Households who do not have a priority need (i.e. do not have dependent children or who are not considered 'vulnerable' but who may still have complex needs) often do not receive the support they need to secure accommodation, and local authorities do not always intervene as early as possible. The measures in the Homelessness Reduction Act are designed to ensure that more people receive help earlier. Analysis by the Department for Communities & Local Government finds that it will lead to fewer households experiencing a homelessness crisis and, over time, reduce overall costs for local authorities.

The duties in the Act aim to improve homelessness service provision across the country by: Providing all households with free information and advice on preventing and relieving homelessness and the rights of homeless people. The information will be tailored to the needs of vulnerable groups, for example care leavers and victims of domestic abuse.

Introducing an enhanced prevention duty that extends the period a household is threatened with homelessness from 28 days to 56 days, meaning that local authorities are required to work with people to prevent homelessness at an earlier stage.

Introducing a new duty for those who are already homeless which will mean that local housing authorities will support households for 56 days to relieve their homelessness by helping to secure accommodation.

The intention is that by acting earlier, local authorities will be able to prevent homelessness meaning that fewer households will have to face the stress and upheaval of a homelessness crisis.

The Act places several new homelessness duties on local authorities and makes amendments to several existing duties. The new duties placed on local authorities mean they will be:

- Required to treat households as threatened with homelessness at 56 days before they are likely to become homeless, an increase from 28 days.
- Required to provide enhanced information and advice on homelessness, tailored to the specific needs of those groups who are at a greater risk of homelessness.
- Required to assess each household who are homeless or threatened with homelessness. Prepare a personalised plan setting out what the household and the authority will do to tackle their homelessness.
- Required, for up to 56 days, to take reasonable steps to help all eligible households threatened with homelessness maintain their accommodation or find new accommodation. Households will be required to co-operate with the support provided.
- Required, for up to 56 days, to take reasonable steps to help all eligible homeless households secure accommodation. Households in priority need will be provided with interim accommodation during this period. Households will be required to co-operate with the support provided.
- Required to carry out enhanced checks on accommodation they secure in the private rented sector for households in priority need.

Households will be able to request reviews of decisions made under the prevention and relief duties.

Government Proposals

Costings for the Act have been developed using a model based on unit costs for the two of the main elements (prevention and relief duties), combined with assumptions in caseload growth and the added costs of individual requirements.

Unit costs for prevention, relief and homelessness acceptances have been taken from data supplied by local authorities and contained within the Revenue Outturn tables. This data combines the reported spend by local authorities on a range of homelessness services across England. From this, the Department for Communities & Local Government has determined a unit cost by cross referencing the spend on homelessness with local authority reported numbers on each type of homelessness service carried out. These are collected in the homelessness national statistics.

The assumptions underpinning the unit costs and the effects of the measures have been further developed and sense checked using the first year's data from Wales where similar measures were introduced in April 2015. The Department for Communities & Local Government has also modified some of the changes seen in Wales to reflect outcomes in England more realistically. They have also discussed assumptions with a representative group of local authorities and representative bodies.

The new burdens assessment draws on 2014/15 homelessness expenditure returns from local authorities to form assumptions around the unit costs of homelessness activities. This data has been used as it was the most recent data available. While it is not possible to continually update this data, following calls from local authorities to allow for data updates to reflect increases in staffing costs, the Department for Communities & Local Government has updated costs by 1% per annum to reflect increases in staffing costs in line with the public sector pay cap.

This complies with the core principle of the New Burdens Doctrine. This is that when the government requires councils to do something new or different that they would otherwise need to fund through council tax rises, Government should ensure councils are fully funded to meet these changes. As the Homelessness Reduction Act will require local authorities to recruit new staff to deliver their duties, the government will fund local authorities to meet these staff costs over the three year period that the new burden assessment covers. The government has considered the significant cost impact of the Homelessness Reduction Act (high compared to other new burdens), the likely requirement it will place on councils to recruit new staff (again, high compared to other new burdens), and significant feedback from the sector that staff wages and inflation should be properly modelled as part of assessing the cost impact of its implementation; and have concluded that this supports building such modelling into the new burdens assessment.

The government recognises that the model is based on several assumptions. They will therefore carry out an independent post-implementation review of the new burdens to review the robustness of their assessment of the estimated cost to local authorities and the underlying assumptions. This will take place two years after commencement of the substantive provisions of the Act and will be informed by the new data collection process.

The costs of the new burdens are all revenue costs. The government calculates that there are no new burdens costs in year three and beyond as estimated savings are greater than the estimated costs of the changes. The net costs to local government are calculated as £47.9million in 2018/19, £24.8million in 2019/20 and a net saving of £0.5million in 2020/21.

This means that the government's estimate of the cost of the new burdens is £72.7million as they will not claw back the savings expected in 2020/21.

The government will bring forward £25.0million of funding into 2017/18 and will split the costs to local government as below over the next three years:

- 2017/18 - £25.0million
- 2018/19 - £22.9million
- 2019/20 - £24.8million

This is aligned to feedback from local authorities who have asked for some of the new burdens funding in 2017/18 so that they can restructure, prepare training and hire staff in advance of commencement.

Reaction of the Sector

In response to the government's consultation some local authorities suggested that caseloads would be larger (one London authority suggested a 400% increase). The government believes that these projections are unrealistic as the introduction of similar legislation in Wales saw an overall increase of around 28%. They believe that by making more realistic assessments of those changes, incorporating research data and trends in England, the increase in case load will be 26%.

Some local authorities, particularly London boroughs, do not agree with the government's conclusion that the Act will result in savings, and therefore don't agree that it will be cost neutral by year three. The government does not agree with this position, as the Act builds on the premise that prevention should impact on the number of households progressing to the main housing duty, and therefore should result in savings.

In September 2017, Sir Steve Bullock (Labour), Mayor of Lewisham and Executive Member for Housing at London Councils, wrote in 'Inside Housing' that:

"From 1 April 2018, boroughs will need to provide higher levels of support to a broader number of people at risk of homelessness as well as earlier interventions to the 54,000 homelessness households currently being accommodated, with every stage subject to review.

"We are seeking to make this step change despite having experienced a 60% reduction in our funding since 2010, which has had a very significant impact on existing services.

"Government must provide local authorities with the additional funding needed to run these important new services. Data from a survey of London boroughs suggests that providing expanded homelessness prevention and relief services will cost around £77m per year in London."

The new burdens funding for London totals £30.2million and therefore provides only 39% of the funding that Sir Steve Bullock and London Councils were looking for.

In Barking & Dagenham Borough Council, officials have forecast a 180% increase in the number of homelessness cases they will have to support because of the Homelessness Reduction Act, at an extra cost of £4million. However, they have received an allocation of only £1.0million.

Croydon Borough Council has predicted a 20-25% increase in the number of people presenting as homeless because of the new legislation but has received an allocation of only £1.3million.

Sir Steve Bullock has also suggested that the government should also reform the Local Housing Allowance, Targeted Affordability Fund and Discretionary Housing Payments to assist with homelessness; but the government has yet to bring forward any proposals to do this.

Conclusion

The government is providing more funding than was initially anticipated but this is still less than some local authorities estimate that the new duties will cost to implement. London experiences more problems with homelessness than other regions of England and is receiving the largest share of the funding but London Councils and many individual borough councils consider that the allocations will not be sufficient.

The New Burdens assessment can be found on the Department for Communities & Local Government website at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/652196/HRA_new_burdens_assessment_pro_forma.pdf

New Burdens Distribution – Methodology Notes

Introduction

The government estimates that the following duties and measures will result in additional net costs to authorities in the first two years after the Homelessness Reduction Act is commenced:

- Duties to help secure accommodation - £35m
- Duty to provide advisory services - £10.6m
- Right to request a review - £0.8m
- Suitability of accommodation - £10.3m
- Providing accommodation for cases being reviewed - £7m
- Providing assessments and personalised housing plans - £9m
- Total new burdens funding to be distributed - £72.7m

The funding is distributed in two stages. Stage 1 allocates new burdens funding to regions using RO4 finance data and national homelessness statistics; and Stage 2 allocates this funding between the authorities within each region using Office for National Statistics 2016 midyear population estimates and Department for Communities & Local Government Index of Multiple Deprivation average scores.

Regional allocations are calculated based on the following:

- Duties to help secure accommodation – all homelessness expenditure in 2015/16.
- Duty to provide advisory services - homelessness prevention, administration and support expenditure in 2015/16.
- Right to request a review – homelessness administration expenditure in 2015/16.
- Suitability of accommodation - Department for Communities & Local Government Live Homelessness Tables caseload data from 2016/17 - Acceptances to main housing duty.
- Providing accommodation for cases being reviewed – Department for Communities & Local Government Live Homelessness Tables caseload data from 2016/17 - Acceptances to main housing duty

Providing assessments and personalised housing plans – Department for Communities & Local Government Live Homelessness Tables caseload data from 2016/17: Acceptances to main housing duty, intentionally homeless and in priority need and Homeless but not in priority need.

Demand for homelessness services in each authority within a region is estimated by weighting Office for National Statistics 2016 midyear population estimates with the Department for Communities & Local Government's Index of Multiple Deprivation average scores. Regional funding is then distributed proportionally across authorities within each region according to this deprivation weighted population estimate.

Conclusions

The New Burdens Distribution – Methodology Notes can be found on the Department for Communities & Local Government website at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/652257/Distribution_methodology_note.pdf

Conclusions

The Homelessness Reduction Act has been widely welcomed in the sector and the government has accepted that it places new burdens on local authorities that will require additional funding.

The government has now announced its proposals. An additional £72.7million is to be provided to councils over a three-year period based on the government's assessment of the additional costs of the scheme nationally and on a formula to allocate it between authorities based on existing levels of expenditure and homelessness statistics. The largest share of the funding will be provided to London and £25.0million will be provided before the Homelessness Reduction Act comes into effect.

However, London Councils has calculated that the additional funding provided will only meet 39% of the expected additional costs. If their calculations are correct, most of the additional costs of the Homelessness Reduction Act will fall on local council tax payers.

Adrian Waite
October 2017.

Housing Business Planning in an Uncertain Environment - Seminar

We are holding seminars on 'Housing Business Planning in an Uncertain Environment' during November 2017. These seminars will look in depth at how local authorities can update their housing revenue account business plans.

Business Planning has been an important element of the management of council housing for some time. However, we are now operating in a very uncertain environment. There is a minority government; the Housing & Planning Act will not be implemented in full; the future funding of supported housing is under threat; and the implications of the vote for Britain to leave the European Union are not clear.

The public finances are weak; welfare reform - including reform of housing benefit - is a 'work in progress'; government policy on rent reductions, 'right to buy', new development and the integration of housing, social care & health are all unclear. Demographic change continues to put pressure on housing services. This requires a new way of business planning including a robust approach to the development of strategy, financial forecasting, sensitivity analysis, risk management and contingency planning.

The seminar will address the following questions:

- What are the key elements of a good quality housing revenue account business plan?
- What is the political, economic, social and technological environment in which local authority housing services operate? What are the key uncertainties?
- How can councils develop effective self-financed business plans that will address the new uncertain environment in a robust way? What assumptions should be made in the financial model? How can uncertainties be managed?
- What business planning techniques are now required including for strategy, financial forecasting, sensitivity analysis, risk management and contingency planning?

Who should attend?

- All those with an interest in business planning in local authority housing, including Managers in Local Authorities and Arm's Length Management Organisations, Elected Members, ALMO Board Members, Housing Accountants and Tenant Representatives.

The session is interactive, includes specific practical examples and is accompanied by a very useful book entitled: "Housing Business Planning in an Uncertain Environment"

Venues and Dates:

- London: Novotel Hotel, Waterloo – Tuesday 7th November 2017
- North: Novotel Hotel, Leeds – Tuesday 21st November 2017

The price of the seminar in London is £250 plus Value Added Tax, a total of £300. The price of the seminar in Leeds is £195 plus Value Added Tax, a total of £234. However, there is a £20 discount for people who book a month or more in advance making the cost £230 plus Value Added Tax in London and £175 plus Value Added Tax in Leeds.

For further information or to make a booking, please click here: <http://awics.co.uk/housing-business-planning-in-an-uncertain-environment>

AWICS Seminars:

Our next seminars are as follows:

- Welfare Reform 2017: The Implications for Housing
- All You Want to Know about Service Charges in Social Housing in Wales.
- All You Want to Know about Service Charges in Social Housing in England.
- All You Want to Know about Local Authority Housing Finance.

Information about all our seminars can be found at: <http://awics.co.uk/seminars2017> and <http://awics.co.uk/seminars-2018>

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Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

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