**Department for Communities and Local Government**

## Homelessness Reduction Act New Burdens

## Method note for allocation of funding to local authorities

### Introduction

The Homelessness Reduction Act (HRA) was passed by Parliament in 2017 and will be commenced in April 2018. The Act requires local authorities to carry out additional duties to prevent and relieve homelessness and to intervene earlier to prevent homelessness (when it is likely that an applicant will become homeless within 56 days instead of the 28 days required under the current legislation).

Department for Communities and Local Government (DCLG) modelling estimates that there will be initial costs associated with the Act, namely from additional people presenting to authorities for assistance with homelessness. In time we estimate that the measures will lead to an increase in homelessness prevention and thus a reduction in more costly acceptances to the main housing duty.

We estimate that the following duties and measures will result in additional net costs to authorities in the first two years after the HRA 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[1]**          **£72.7m**

Details of the way these figures have been calculated can be found in the HRA New Burdens Assessment

This note outlines the methodology for distributing these funds between authorities in England.

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[1] Numbers may not sum due to rounding

**Methodology**

Options for the distribution methodology have been discussed at engagement sessions with local authorities, held between summer 2016 and summer 2017. Around 12 authorities participated, as well as the Local Government Association, London Councils, the District Councils' Network, and Northern Housing Consortium. The group considered the advantages and disadvantages of various options and the methodology adopted is the one broadly favoured by the majority of participants.

The method is designed to allocate funding according to where net costs are likely to increase <u>specifically as a result of the additional duties contained in the Act</u>.

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

This enables us to take account of variation in relevant homelessness costs around the country while minimizing the impact of annual and inter-authority variation in caseload and expenditure returns from individual authorities. This reduces the risk of neighbouring authorities with similar characteristics being allocated significantly different levels of funding.

At each stage of the allocation an example is given for a representative region/authority and for an actual region/authority.

**Stage 1 – Calculating Regional Allocations**

This stage of the allocations formula uses data from two sources, both reported to DCLG by local authorities. These are RO4 finance data and national homelessness statistics. Homelessness expenditure data is reported to DCLG by authorities and is published annually[2]. Acceptances to the main housing duty are households who are reported as statutorily homeless by their local authority in section e11g of the P1E return[3].

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[2] 15/16 Data can be found at: https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2015-to-2016-individual-local-authority-data-outturn
[3] 16/17 P1E returns can be found at: https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness

The data used to calculate distributions is the 2015/16 homelessness expenditure for homelessness administration, support and prevention, and acceptances to the main housing duty. These are the most recent figures available.

£72.7m of new burdens funding is distributed between the following regions: East, North East, North West, West Midlands, East Midlands, South East, South West, London and Yorkshire and Humber.

Allocations are calculated for each HRA duty/measure that will lead to additional burdens for authorities.

**Duties to help secure accommodation**

New burden to distribute: £35m

Helping to secure accommodation will lead to additional demand on homelessness prevention and support services, as well as additional administrative burdens. Funding is distributed proportionally across regions based on all homelessness expenditure.

The funding allocated to representative Region A is calculated in the following way:

$$Funding\ allocated\ to\ Region\ A =$$

$$£35m * \frac{Total\ net\ homelessness\ expenditure\ in\ Region\ A}{Total\ net\ homelessness\ expenditure\ across\ England}$$

**Taking the West Midlands as an example:**

- In 2015/16, the West Midlands spent £20m on all homelessness services.
- In 2015/16, authorities in England spent £372m on all homelessness services.
- West Midlands expenditure as a proportion of the England total = £20m/£372m = 5.4%
- West Midland's allocation = £35m x 5.4% = £1.9m

**Duty to provide advisory services**

New burden to distribute: £10.6m

Providing additional advisory services will lead to increased demand on homelessness prevention and support services, as well as additional administrative burdens. Funding is distributed proportionally across regions based on expenditure in the following areas:

- Homelessness: Administration
- Homelessness: Prevention
- Homelessness: Support

The funding allocated to representative Region A is calculated in the following way:

$$Funding\ allocated\ to\ Region\ A =$$
£10.6m
$$* \frac{Sum\ of\ homelessness\ admin, prevention\ \&\ support\ expenditure\ across\ Region\ A}{Sum\ of\ homelessness\ admin, prevention\ \&\ support\ expenditure\ across\ England}$$

**Taking the West Midlands as an example:**

- In 2015/16, the West Midlands spent £15m on homelessness administration, prevention and support.
- In 2015/16, authorities in England spent £222m on homelessness administration prevention and support
- West Midlands expenditure as a proportion of the England total = £15m/£222m = 7%
- West Midlands allocation = £10.6m x 7% = £0.7m

**Right to request a review**

New burden to distribute: £0.8m

Additional rights to request review will result in additional administrative burdens for authorities. Funding is distributed proportionally across regions based on expenditure in the following area:

- Homelessness: Administration

The funding allocated to representative Region A is calculated in the following way:

$$Funding\ allocated\ to\ Region\ A =$$
£0.8m
$$* \frac{Sum\ of\ homelessness\ administration\ expenditure\ across\ Region\ A}{Sum\ of\ homelessness\ administration\ expenditure\ across\ England}$$

**Taking the West Midlands as an example:**

- In 2015/16, the West Midlands spent £9m on homelessness administration.
- In 2015/16, authorities in England spent £129m on homelessness administration.
- West Midlands expenditure as a proportion of the England total = £9m/£129m = 7%
- West Midlands allocation = £0.8m x 7% = £0.06m

**Suitability of accommodation**

New burden to distribute: £10.3m

Additional costs from checking the suitability of accommodation is closely linked to homelessness caseload. In particular, the higher the caseload, the higher the costs for checking accommodation. For the purpose of distributing funding, homelessness caseload is taken to be the number of acceptances to the main housing duty in each authority.

Funding is distributed across regions proportionally based on DCLG Live Homelessness Tables caseload data from 2016/17:
- Acceptances to main housing duty

The funding allocated to representative Region A is calculated in the following way:

$$Funding\ allocated\ to\ Region\ A =$$
$$£10.3m$$
$$*\ \frac{Sum\ of\ homelessness\ acceptances\ to\ the\ main\ duty\ across\ Region\ A}{Sum\ of\ homelessness\ acceptances\ to\ the\ main\ duty\ across\ England}$$

**Taking the West Midlands as an example:**

- In 2016/17, the West Midlands had 8,297 acceptances to the main housing duty
- In 2016/17, authorities in England had 59,091 acceptances to the main housing duty
- West Midlands expenditure as a proportion of the total = 8,297/59,091 = 14%
- West Midlands allocation = £10.3m x 14% = £1.4m

**Providing accommodation for cases being reviewed following refusal of final accommodation offers/part 6 offers**

New burden to distribute: £7m

Additional costs from providing accommodation for cases being reviewed is closely linked to homelessness caseloads. Higher caseloads are expected to lead to more reviews, and more accommodation being required. For the purpose of distributing funding, homelessness caseload is taken to be the number of acceptances to the main housing duty in each authority.

Funding is distributed across regions proportionally based on DCLG Live Homelessness Tables caseload data from 2016/17:

- Acceptances to main housing duty

To recognise that authorities in London face higher temporary accommodation costs, we have applied a weighting to London's share of the new burdens funding for this measure.

To apply the weighting, we apply a weight of 2.1 to each of London's acceptances. In the calculation below this has the effect of giving London an effective acceptance caseload of 18,063 x 2.1 = 37,932 and an effective caseload across England of 78,960.

The funding allocated to representative Region A is calculated in the following way:

$$Funding\ allocated\ to\ Region\ A =$$
$$£7m * \frac{Sum\ of\ homelessness\ acceptances\ to\ the\ main\ duty\ across\ Region\ A}{Sum\ of\ homelessness\ acceptances\ to\ the\ main\ duty\ across\ England,\ (allowing\ for\ London\ adjustment)}$$

**Taking the West Midlands as an example:**

- In 2016/17, the West Midlands had 8,297 acceptances to the main housing duty
- In 2016/17, authorities in England had 78,960, this acceptances to the main housing duty
- West Midlands expenditure as a proportion of the total = 8,297/78,960 = 11%

- West Midlands allocation = £7m x 11% = £0.7m

**Assessments and personalised housing plans**

New burden to distribute: £9m

Additional costs from making an assessment of an applicant's case and developing a personalised plan are closely linked to the number the number of acceptances to the main duty and to the number of people judged by authorities to be homeless but not owed the main duty.

For the purpose of distributing funding, homelessness caseload is taken to be the number of acceptances to the main housing duty, plus those found to be homeless but not in priority need and those found to be intentionally homeless and in priority need.

Funding is distributed across regions proportionally based on DCLG Live Homelessness Tables caseload data from 2016/17:
- Acceptances to main housing duty
- Intentionally homeless and in priority need
- Homeless but not in priority need

The funding allocated to representative Region A is calculated in the following way:

$$Funding\ allocated\ to\ Region\ A =$$
$$£9m * \frac{Sum\ of\ people\ found\ by\ authorities\ to\ be\ homeless\ Region\ A}{Sum\ of\ people\ found\ by\ authorities\ to\ be\ homeless\ across\ England}$$

**Taking the West Midlands as an example:**

- In 2016/17, the West Midlands had 12,026 people judged by authorities to be homeless
- In 2016/17, authorities in England had 88,409 people judged by authorities to be homeless
- West Midlands expenditure as a proportion of the total = 12,026/88,409 = 14%
- West Midlands allocation = £9m x 14% = £1.2m

Repeating this analysis for all regions gives the following stage 1 allocation:

| Region | New Burdens Allocation (£m) | Proportion of total funding (£72.7m) |
| --- | --- | --- |
| East | £7.2m | 10% |
| East Midlands | £3.6m | 5% |
| London | £30.2m | 42% |
| North East | £2m | 3% |
| North West | £4.5m | 6% |
| South East | £10.1m | 14% |
| South West | £5.3m | 7% |
| West Midlands | £6.1m | 8% |
| Yorkshire and the Humber | £3.7m | 5% |
| **Total** | **£72.7m** | **100%** |

**Stage 2 – distribution regional allocations to authorities in each region**

At stage 2 the regional funding allocated at stage 1 is distributed to authorities within each region.

Demand for homelessness services in each authority within a region is estimated by weighting Office for National Statistics (ONS) 2016 midyear population estimates[4] with DCLG Index of Multiple Deprivation[5] average scores.

Regional funding is then distributed proportionally across authorities within each region according to this deprivation weighted population estimate. Taking a representative region, Region A, which has been allocated £10m in stage 1, and a representative authority, Authority A, in Region A, then funding to Authority A is calculated according to the following formula:

$$Funding\ allocated\ to\ Authority\ A =$$

$$£10m * \frac{Average\ IMD\ score\ for\ Authority\ A * population\ estimate\ for\ Authority\ A}{Sum\ of\ 'Average\ IMD\ score * population\ estimate'\ for\ all\ authorities\ in\ Region\ A}$$

**Taking the Birmingham as an example:**

   a. Regional allocation (West Midlands): £6.1m
   b. Total population in region (West Midlands): 5.8m
   c. Population of Birmingham: 1.1m
   d. Average IMD score for Birmingham: 38
   e. Birmingham average IMD score x Birmingham population size: 38 x 1.1m = 42.5m
   f. Sum of authority IMD scores x authority populations across West Midlands: 146.3m
   g. Authority proportion of regional total: 42.5/146.3 = 29%
   h. Funding allocated to Birmingham: £6.1m x 29% = £1.8m

Local authority allocations can be found on Gov.uk.

[4]https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland
[5] https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015