

Flexible Homelessness Support Grant – Formula Allocation

Introduction

Temporary Accommodation Management Fee' (TAMF) 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. TAMF is being replaced by Flexible Homelessness Support Grant.

Department of Communities and Local Government (DCLG) statistics are recorded by Local Authorities in a quarterly statistical return called form P1E. This form collects data from English local housing authorities on their responsibilities under the homelessness legislation, including acceptances and number of households in temporary accommodation. It also includes a section on homelessness prevention and relief. Summary information from these returns is published by DCLG as official statistics, and the data is collected by Local Authorities in accordance with guidance issued by the Department¹. It is therefore the most robust source of data on statutory homelessness and is used for the purposes of allocating this grant.

Methodology

Options for the formula methodology were discussed at the engagement sessions with local authorities which were held during summer and autumn 2016. Around 130 authorities participated, including all London boroughs. The formula adopted is the one which was favoured by the large majority of authorities which participated.

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:

$$\text{Allocation for LA} = \frac{(\text{PRS preventions \& relief + acceptances}) \times \text{median rent}_{\text{Local authority}}}{(\text{PRS preventions \& relief + acceptances}) \times \text{median rent}_{\text{All Local authorities}}}$$

Where:

- PRS 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 VOA Private Rental Statistics and take into account the number of large families 'accepted' as homeless in an area. Note

¹ See

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/588912/P1E_Guidance_201612.pdf

that London has been split into two rent areas, 'Inner London' and 'Outer London'.

Median LA rent

$$= (\% \text{ of acceptances for small families} \times \text{median rent}_{2 \text{ bed}}) + (\% \text{ acceptances of } 3^+ \text{ children families} \% \times \text{median rent}_{4 \text{ bed}})$$

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 TAMF
- authorities with high levels² of TAMF eligible temporary accommodation receive an additional share of the funding in 2017/18 to create some headroom above the contribution we estimate that TAMF would have made to their TA costs.

Example: Applying the formula to Birmingham³

There is currently an upward national trend in the use of TAMF eligible units estimated at 12% per year. If we assume this trend continues from the baseline year of 2015/16 until at least 2018/19 (year 1 of the FHSG) then we can estimate Birmingham will have 688 TAMF eligible units in use by 2017/18. If allocations are made, as previously, paying £60 per week per unit of eligible TAMF units in use, this would give Birmingham an estimated £2,147,658 in 2017/18 and £2,405,377 in 2018/19 in TAMF funding.

Using the Flexible Homelessness Support Grant formula above for 2018/19 and the key assumptions below:

μ (Location, Year of allocation) is shorthand for our key demand metric '(PRs preventions & relief + acceptances) × median rent' and indicates for which location and year the metric is being calculated for.

1. Calculate μ for Birmingham over the last 4 quarters using existing data from the P1E.

$$\mu (\text{Birmingham, 2015/16}) = (408+3,730) \times \text{median rent}$$

2. Calculate the average rent for Birmingham.

23% of the acceptances in 2015/16 were for families who had 3+ children. So Birmingham's average rent will be based on 23 parts of the rent of a 4 bedroom property and 77 parts on the rent for a 2 bedroom property.

² Local authorities are defined as 'high' if their volume of TAMF eligible units constitute 2% or more of the England total

³ Rounding to the nearest £ and % have been used throughout this example

$$\begin{aligned} \text{Rent} &= 23\%(\pounds1127)+77\%(\pounds625) \\ &= \pounds742 \end{aligned}$$

Inserting this rental value into the formula in step 1

$$\begin{aligned} \mu (\text{Birmingham, 2015/16}) &= (408+3,730) \times \pounds741.67 \\ &= 3,069,022 \end{aligned}$$

- Using the predicted annual percentage changes in the 'key assumptions' for rent (1.4% for West Midlands) and for μ (-2.6% for West Midlands) we extrapolate Birmingham's metric for 2018/19.

$$\mu (\text{Birmingham, 2018/19}) = 2,957,213$$

- Doing the same for England gives:

$$\mu (\text{England, 2015/16}) = 87,848,494$$

$$\mu (\text{England, 2018/19}) = 97,098,311$$

- We can now use the formula above, which shows us what percentage of the England metric is down to Birmingham's effect:

$$\text{Allocation \%} = \frac{2,957,213}{97,098,311} = 3.05\%$$

- To find Birmingham's financial allocation, multiply this share by the total funding available for that year.

$$\begin{aligned} \text{Financial allocation} &= \text{Allocation percentage} \times \text{Total annual funding for 2018/19} \\ &= 3.05 \% \text{ of } \pounds191,000,000 \\ &= \pounds5,817,071 \end{aligned}$$

- The additional measures above do not affect Birmingham directly; however they do influence the amount of available funds for distribution. Therefore applying a floor payment of $\pounds40,000$ to all authorities, and compensating those areas who have lost funding compared to the estimated TAMF funding⁴, gives Birmingham the following final allocation = $\pounds4,155,989$

⁴ Under the formula two Local Authorities areas would have received less funding in Year 2 of FHSG compared to Year 1. These areas have been given the same level of funding for Year 1 and Year 2 to mitigate this effect, and this has been managed by using funds outside of the formula allocation to avoid a reduction on the total FHSG available to all other areas.

Key assumptions

As the allocations are forward looking, a number of assumptions have been made based on current trends.

1. Regional rents will continue to rise as they have done so over the last 5 years:

Region	Average annual change
East of England	1.9%
East Midlands	1.6%
London	3.8%
North East	0.6%
North West	0.7%
South East	2.3%
South West	1.6%
West Midlands	1.4%
Yorkshire and Humberside	0.9%

2. Temporary accommodation unit types that were eligible for TAMF are documented in DWP's 2011 Housing Benefit and Council Tax benefit circular⁵.
3. The P1E categories which are the best equivalents to the categories of temporary accommodation eligible for TAMF are:
 - a. 'Self-contained, nightly paid and privately managed', P1E section 6 2b;
 - b. 'Private sector accommodation leased by local authority or registered provider', P1E section 6 4 and;
 - c. 'Directly with a private sector landlord', P1E section 6 5.

Some of the units recorded in the third category may not be eligible for TAMF but for the purposes of these calculations we have assumed they are.

4. The use of TAMF eligible units will continue to rise by 12% annually from 2015/16, as it has done over the last 5 years.
5. The regional trends in the use of PRS prevention & relief + acceptances (μ) will continue as they have done so over the last 5 years

Region	Average annual change
East of England	0.2%
East Midlands	-5.7%
London	2.9%
North East	-8.3%

⁵ See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/245812/s1-2011.pdf

North West	-0.4%
South East	1.3%
South West	-6.6%
West Midlands	-2.6%
Yorkshire and Humberside	-2.0%