



## New burden assessment pro forma

In advance of discussions with others, or as part of these discussions, the lead department should complete the pro forma below (this can be tailored to the specific policy where appropriate but should cover the same information).

As highlighted in the guidance, these issues should be discussed with Communities and Local Government at the earliest possible stage, and the pro forma can be revised as the assessment is taken forward. The signed off pro forma should be sent to Communities and Local Government.

**If this is a first assessment, departments must complete those fields in bold to provide a sufficient level of reassurance that the requirements of the Cabinet are being met. The remaining fields must then be completed when policy is more developed. Section 20 requires departments to state when a full assessment will be completed.**

Details of the proposal – please answer in area provided below question	
<b>Q1</b>	<b>Name of Lead Department.</b>
A1	<b>Department for Communities and Local Government</b>
<b>Q2</b>	<b>Working level contact details in lead department.</b>
A2	<p><b>Name: Hannah Bennett-Gough</b></p> <p><b>Team: Homelessness Division</b></p> <p><b>E-mail: <a href="mailto:hannah.bennett-gough@communities.gsi.gov.uk">hannah.bennett-gough@communities.gsi.gov.uk</a></b></p>
<b>Q3</b>	<b>Name of policy/duty/expectation.</b>
A3	The implementation of the Homelessness Reduction Act. The Act introduces a number of new duties on local authorities, most substantially new duties to prevent and relive homelessness.
<b>Q4</b>	<b>Description of the policy objective.</b>
A4	<p>The Homelessness Reduction Act makes significant changes to the current homelessness legislation contained in Part 7 of the Housing Act 1996 (“the 1996 Act”), by placing duties on local housing authorities to intervene earlier and prevent a homelessness crisis for all households.</p> <p>The current homelessness legislation provides an important safety net for</p>

	<p>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 within the Act will ensure that more people receive help earlier. Our analysis finds that it will lead to fewer households experiencing a homelessness crisis and, over time, reduce overall costs for local authorities.</p> <p>The duties in the Act aim to improve homelessness service provision across the country by:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>Acting earlier to help prevent homelessness will mean fewer households will have to face the stress and upheaval of a homelessness crisis.</p>
<b>Q5</b>	<b>Stage proposal is at (e.g. initial draft, consultation document, Cabinet clearance, etc.). If first draft, please state when update will be submitted.</b>
A5	<p>Implementation stage. The Act has received Royal Assent.</p> <p>The substantive provisions in the legislation will come into effect on 1 April 2018.</p>
<b>Q6</b>	<b>Brief expected timeline of the forthcoming key stages, including committee clearance.</b>
A6	<ul style="list-style-type: none"> <li>• 23.03.17 – The Act completed its passage through Parliament.</li> <li>• 27.04.17 - Royal Assent.</li> <li>• 01.04.18 – Commencement of the substantive provisions of the Homelessness Reduction Act.</li> </ul>
<b>Q7</b>	<b>What the proposal requires local authorities to do, and how this differs from what they are doing now. If there is no difference, why is the new power/duty/expectation being made?</b>
A7	<b>New duties &amp; differences</b>

	<p>The Act places a number of new homelessness duties on local authorities and makes amendments to a number of existing duties. Specifically the new duties placed on local authorities mean they will be:</p> <ul style="list-style-type: none"> <li>• Required to treat households as threatened with homelessness at 56 days before they are likely to become homeless, an increase from 28 days.</li> <li>• 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.</li> <li>• 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.</li> <li>• Required, for up to 56 days, to take reasonable steps to help <b><u>all eligible households</u></b> threatened with homelessness maintain their accommodation or find new accommodation. Households will be required to co-operate with the support provided.</li> <li>• Required, for up to 56 days, to take reasonable steps to help <b><u>all eligible homeless households</u></b> 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.</li> <li>• Required to carry out enhanced checks on accommodation they secure in the private rented sector for households in priority need.</li> <li>• Households will be able to request reviews of decisions made under the prevention and relief duties.</li> </ul>
<b>Q8</b>	<b>Expected date the policy impacts on local authorities. If implementation is to be phased in, please give estimated dates for each phase.</b>
A8	The Act will be commenced in April 2018.
Q9	Is an impact assessment being completed? If this shows that the policy impacts on the private sector in the same way with no disproportionate impact on local authorities, contact the Communities and Local Government New Burdens Team to confirm that the new burdens rules do not apply in this case - this does not mean there are no local government finance matters that might need to be addressed.
A9	There is no requirement to produce an impact assessment as there is no impact on business. This new burdens assessment sets out the cost to local government of the changes to the homelessness legislation.
<b>Estimated costs/savings</b>	
Q10	Has the proposal been appraised in accordance with HM Treasury <i>Green Book</i> principles? What was the outcome of the appraisal?

A10	Yes. The associated new burdens costs are set out below.
Q11	Best estimate of reasonable costs and savings involved for local authorities for each individual year. Please give breakdown <u>by financial year</u> and state whether costs are revenue or capital.
(a)	Overall <u>additional</u> total costs to local authorities for each year.
A(a)	<p><b>Data and Costings</b></p> <p>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.</p> <p>Unit costs for prevention, relief and homelessness acceptances have been taken from robust 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 a unit cost can be determined 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.</p> <p>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 who introduced similar measures in April 2015. We have also modified some of the changes we have seen in Wales to more realistically reflect realistic outcomes in England. We have also discussed assumptions with a representative group of local authorities and representative bodies.</p> <p>This 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, we have uprated costs by 1% per annum to reflect increases in staffing costs in line with the public sector pay cap.</p> <p>This complies with the core principle of the New Burdens Doctrine as we require 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. The Homelessness Reduction Act will require local authorities to recruit new staff to deliver its duties, then we should fund local authorities to meet these staff costs over the three year period the new burden assessment covers. Considering 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, this supports building such modelling into the new burdens assessment.</p> <p>We recognise that the model is based on a number of assumptions. That is why we</p>

will also carry out an independent post-implementation review of the new burdens to review the robustness of our 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.

**Overall costs**

The costs below are all revenue. There are no new burdens costs in year three and beyond as estimated savings are greater than the estimated costs of the changes.

In summary, the net costs to local government are set out in the table below.

Year	1	2	3
Cost	£47.9m	£24.8m	-£0.5m

**This means our estimated new burdens costs is £72.7 million, as we will not claw back the savings expected in year 3.**

In response to feedback from local authorities, who have asked for funding in advance of the commencement of the substantive provisions in the Act in order to restructure services, we are looking to split the costs to local government as below over the next three years.

Year	2017-18	2018-19	2019-20	Total
Cost	£25m	£22.9m	£24.8m	£72.7m

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

To more fully explain the various costs and savings of the different measures we have broken these down further below (note that some need to be grouped together whereas others can be treated on their own).

**Earlier intervention coupled with duties to assess and help to prevent and relieve homelessness.**

Year	1	2	3
Cost	£30m	£5m	-£22.5m

The costs here arise as local authorities will be required to do a number of new tasks and will also see an increase in overall caseload.

First, they will be required to treat people as threatened with homelessness at 56 days before a household is likely to become homeless. This is earlier than the present 28 days. Putting in place a longer time scale on its own will not increase the number of households approaching the local authority for help. Earlier intervention is often cheaper than a more crisis focused intervention latter on. So whilst on its own this does not increase costs, other changes brought in by the Act

will mean the overall caseload will increase, and so the costs of this measure will increase.

Second, authorities will be required to help to secure accommodation for any eligible household. Whilst carrying out prevention activity will not, on its own, be any more expensive than at present (unit costs are expected to remain static) we expect local authorities to see a rise in caseloads. Wales introduced similar measures in April 2015 and has produced valuable data. This has shown that Wales saw a 28% increase in overall caseload. This was in a country where the prevention ethos was less well embedded than in England. We believe that by making more realistic assessments of those changes, incorporating research data and trends in England, the increase in case load will be slightly lower than 28% at 26% it is unlikely to be higher and is likely to be marginally lower.

Third, authorities will also be required to help homeless households in a different way. They will be required to help to secure accommodation for households for a period of 56 days. Those households who are in priority need will be provided with accommodation as at present (therefore this element will be cost neutral) and those not in priority need will be provided with help to relieve their homelessness. This support for a wider group of households will result in better outcomes for a cohort of people (non-priority households) who services might not otherwise prioritise. This increase in activity results in an increase in costs.

At the same time we expect to see a corresponding reduction in those households who are owed the main homelessness duty. This is because we expect more successful preventions and reliefs given the change from 28 to 56 days of prevention activity. Local authorities have been clear that 28 days is often not early enough for intervention to be successful. Authorities believe that additional measures requiring households to take reasonable steps to relieve their own homelessness in addition with earlier intervention will result in positive outcomes.

Wales saw a decrease of 67% in those households owed the main housing duty the year after similar changes were introduced. We do not expect England to achieve similar gains in what is a very different housing market. Rather, we predict that by year three of implementation authorities will achieve a 30% decrease in those owed the main housing duty. This will result in savings to local authorities of £21.2 million in year three. In year one we will see a 10% reduction and 20% in year-two.

#### **Enhanced information and advice duty**

Year	1	2	3
Cost	£5.2m	£5.4m	£5.5m

This will require local authorities to provide advice and information on homelessness free of charge to anyone within their district. This goes beyond the current requirements of the duty and will require an authority to revise and improve the information they already hold. Based on discussions with a range of local authorities, the modelling assumes this would represent 2% of a local authority's

homelessness administration, prevention and support budgets, and is broadly projected to increase in line with the number of prevention and support cases. The increased cost to authorities comes from the increased administration spending associated with higher projected caseloads.

**Duty to make an assessment and personalised plan**

Year	1	2	3
Cost	£4.6m	£4.4m	£4.3m

We assume that each person presenting to an authority who is judged to be owed the main housing duty, intentionally homeless and in priority need or homeless and not in priority need has an assessment and plan. Based on discussions with local authorities we have assumed that it takes 2 hours to draft the assessment and plan and they are drafted by an employee costing the authority around £43,000 per year (including NICS and pension), or around £22 per hour, gross. This would lead to a burden of around £8.6m across England over the first 2 years of the Act being implemented.

We assume that there is no additional cost for would-be acceptances who have their homelessness prevented. This is because they have an assessment and plan but the authority doesn't have to go through the costly process of completing an investigation into what further duties apply.

**Extension of the right to request a review (administration)**

Year	1	2	3
Cost	£0.5m	£0.3m	£0.2m

It was assumed that review costs make up around 2% of administration spend on cases where a local authority has had to make a decision on homelessness. The Act is expected to lead to an increase in the number of decisions being made by authorities, this leads to a small increase in review costs, of around £1 million over the first three years of implementation.

**Extension of the right to request a review (accommodation)**

Year	1	2	3
Cost	£2.3m	£4.8m	£7.5m

Where an applicant who has (or may have) may have a priority need requests a review of the suitability of the accommodation they have been offered at the relief stage, in circumstances where the main duty does not subsequently apply the local housing authority is under a duty to continue to provide interim accommodation until a decision on the review has been notified to the applicant.

The cost arises because the local authority would be required to continue the duty

to provide interim accommodation until a decision on the review has been notified to the applicant. In practice, this equates to around 8 weeks of accommodation at an estimated temporary accommodation rate of around £260 per week.

The cases most likely to be impacted by this measure are those who, in the absence of the measures in the Act, we would have expected to be owed the main duty but who have had their homelessness relieved under the Act. However, we do not expect all of this group to receive or reject an offer of accommodation in the private rented sector and so have adjusted this number in our final estimation.

However, not all of these cases will require interim accommodation, as some will accept the offer of private sector accommodation. Therefore this number was adjusted by estimating the proportion likely to reject an offer of private sector accommodation.

The adjustment estimate was made using existing data on those owed the main duty and those in temporary accommodation who received and rejected an offer of private rented sector accommodation.

**Extra suitability requirements**

Year	1	2	3
Cost	£5.3m	£4.9m	£4.5m

This will require authorities to determine whether specific standards are in place for any accommodation in the private rented sector that they secure for households in priority need. The costs have been developed in discussion with local authorities who have experience of carrying out these checks when making Private Rented Sector Offers under the current legislation.

i. Element attributable to 'one off' implementation costs.

A(i) The costs identified above are reoccurring costs. However there are increased costs in year one and two until a steady state of reductions in the number of homelessness acceptances is achieved in year three leading to an overall cost saving. It is assumed that by year three all systems will be in place and operating efficiently. This will result in an on-going reduction of 30% in acceptances therefore resulting in a steady state of costs.

Under these assumptions, any one-off costs are assumed to be covered by the relatively slow rate of getting to the new steady state. Similar legislation in Wales saw a 67% reduction in acceptances to the main duty in year one. Additional costs have been reached by assuming England arrives at its final steady state in year three.

ii. Recurring costs element (for the first 3 years).

A(ii) The recurring costs are reflected in the overall costs. From year three onwards the overall cost saving will remain stable -£0.5 million per annum rising only in line with inflation.

(b)	Estimated specific and identified <u>savings</u> for each year - these must be additional to the annual savings authorities are expected to make and their treatment consistent with the appropriate HM Treasury guidance on efficiency.										
A(b)	Local authorities will see savings from year three onwards as fewer households are placed in temporary accommodation (as set out above).										
(c)	What are the direct and indirect impacts on local authorities pay and pensions costs?										
A(c)	A significant part of the new burdens costs set out above relates to additional labour costs – these estimates include all costs to the employer.										
(d)	Overall estimate of the <u>Net</u> Additional Cost (costs-savings) to local authorities for each year.										
A(d)	<p><b>Overall cost</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Cost</td> <td>£47.9m</td> <td>£24.8m</td> <td>-£0.5m</td> </tr> </tbody> </table>			Year	1	2	3	Cost	£47.9m	£24.8m	-£0.5m
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<b>Discussion with authorities</b>											
<b>Q12</b>	<b>What discussions have taken place with local authority associations, e.g. with the LGA or LC? If there is no planned contact with local authorities through representative bodies, please explain why.</b>										
A12	<p>The new burdens estimate of costs has involved engagement with local authorities, their representative bodies and homelessness charities. Wider engagement has covered all aspects of the changes, for example, implementation, guidance and training.</p> <p>Officials worked directly with officers from around 20 authorities (a representative mix of London and other regions including unitary, metropolitan and district authorities, both rural and urban) to develop and test a set of assumptions underlining each measure within the Act. These were informed by the data from Wales that demonstrated the impact of their very similar measures.</p> <p>Discussions on costs have not only focused on the potential financial impact of the measures, but also their practical effect on the ground, their feasibility and the possibility of any unintended consequences.</p> <p>This information has informed the assumptions we have used in modelling the costs of the Act.</p>										
Q13	Give a brief description of the authorities' views, particularly on costs and financing (note: there is no obligation to agree final finance assessments with them).										
A13	The Homelessness Reduction Act has been significantly amended from the first version published by Bob Blackman MP in August 2016. Mr Blackman listened to views from the CLG Select Committee, homelessness charities, local authorities, landlord groups and the Government. The Act's measures, costs and assumptions										

have been stress tested and co-developed with local authorities.

We have worked with a number of local authorities when developing the unit costs and assumptions and have discussed these with the LGA. The LGA did not challenge the methodology but did call for a review of the actual costs once the Act is commenced given the fact that the model has to be based on assumptions, rather than known impacts.

The majority of local authorities supported the assumptions, but a small number departed in a minority of cases (often those cases arose as a result of a misunderstanding of the Act's effect, or because of specific pressures in their local areas which we have taken on board in the distribution work). We found in consultation with authorities:

- A small number of instances where unit costs have differed - these were invariably due to regional variations. For example, one authority had slightly higher acceptance costs (£4,806) and lower prevention costs (£495).
- Similar differences in the local costs of temporary accommodation.
- Some suggestion caseloads would be larger (A London authority suggested 400% increase). We believe that these are unrealistic. The introduction of similar legislation in Wales saw an overall increase of around 28%. We believe that by making more realistic assessments of those changes, incorporating research data and trends in England, the increase in case load will be slightly lower than 28% at 26%.
- Some small variance as to the cost of the advice and information duty. One district suggested that it would be nearer 6% of budget, whilst many others suggested 1%. On balance we took 2%.
- The cost of the new assessment process divided opinion with many thinking it would be cheaper than the current assessment but two authorities thought that the potential for reassessment could increase the unit cost.
- Some local authorities, particularly London boroughs, do not agree that the Act will result in any savings, and therefore they don't agree that it will be cost neutral by year three. We do 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.

We recognise that the model is based on a number of assumptions. However, given the testing we did with local authorities and the lessons learnt from the Wales Act we believe that – when looking at England as a whole - the unit costs and assumptions are as accurate as possible and represent the likely effect the legislation will have at a national level.

We will carry out an independent post-implementation review of the new burdens to review the robustness of our 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.
<b>Providing the resources</b>	
<b>Q14</b>	<b>If there are net additional costs, has the lead department identified where the funding for this new burden is coming from and agreed to fully fund them? Please give details.</b>
A14	The lead department responsible for this policy, and therefore the costs, is DCLG. We will meet the costs identified through the new burdens impact assessment.
Q15	What costing evidence/analysis do you have/are you going to undertake to demonstrate that the funding is sufficient, and when will you be providing this?
A15	<p>We are radically overhauling our data to improve transparency and accountability and so that we can gain a better understanding of demand and how cases flow through the system.</p> <p>As part of this work, we will move away from aggregated P1E returns that authorities currently submit and, similar to the model in Scotland, collect anonymised case level data. This will allow us to monitor the success and impact of the Act with a much greater degree of accuracy than would currently be possible.</p> <p>We will review the implementation of the legislation, including its resourcing and how it is working in practice, concluding no later than two years after the commencement of its substantive clauses. We will also carry out, in the same timeframe, an independent post-implementation review of the new burdens to review the robustness of our 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.</p> <p>We have worked with a group of local authorities and their representatives to develop the methodology for the distribution of the funding, taking into account cost and demand differentials in different parts of the country to ensure funding is sufficient at local level.</p>
Q16	If costs are to be met by charging, do these cover the full net additional costs, and do authorities have the freedom to determine the fee levels consistent with recovering reasonable costs?
A16	N/A
Q17	If your assessment is that the proposal will result in no additional costs being placed on local authorities, how will you ensure that this is the case?
A17	N/A
<b>DCLG New Burdens Team Sign Off</b>	

<b>Q18</b>	<b>Have you shared your assessment with the New Burdens Team?</b>
A18	Yes
<b>Departmental Finance Director Sign Off</b>	
<b>Q19</b>	<b>Please state if this is a first or a final assessment of your proposal. If first please indicate when a final assessment will be submitted.</b>
A19	Final
<p><b>Certification that the estimated net additional costs falling on local authorities has been assessed in accordance with the guidance on new burdens and that this will be fully funded. That to the best of finance director's knowledge the estimates are a true and fair assessment of the net additional costs falling on authorities.</b></p> <p><b>Confirmation that their department is aware that if the proposed policy or initiative is implemented, there may be an independent post-implementation scrutiny carried out (paid for from within their department's existing resources) and that under or over-payments of grant revealed by the scrutiny may inform future decisions on funding.</b></p> <p><b>Signed: Jacinda Humphry</b></p> <p><b>Name: Jacinda Humphry</b></p> <p><b>Date: 13 October 2017</b></p> <p><b>Address: Department for Communities and Local Government, 2 Marsham Street, London, SW1P 4DF</b></p>	

**Please send the form to the relevant Communities and Local Government contact.**

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For completion by the DCLG New Burdens Team:

Date received: ..... Reference number: .....

## **Annex A**

### **New Burdens Funding Methodology clarification: costs, assumptions and confidence levels**

#### **1. Summary**

The overall England cost of the Act is derived from a set of unit costs and assumptions. This note explores how they were developed, how they were tested and the confidence we assign them.

#### **2. Methodology outline**

In the methodology that follows, all prices and costs are presented in real terms, with a base year of 2014/15. In producing the final expected expenditure figures presented in the document above, we uprated financial figures by 1% per year from 2014/15 onwards (in line with public sector pay agreements) to reflect expected increased staffing costs facing authorities.

We follow a basic caseload and unit cost methodology:

#### **Total costs = Caseload x Unit Costs**

For each measure in the Homelessness Reduction Act, we assessed the likely impact on caseload and unit costs and compared the resulting costs against the counterfactual of the Act not being enacted.

The major cause of increased costs is an increase to the general homelessness caseload encountered by local authorities. Savings generally result from an increase in prevention activities, specifically, the prevention of cases where a person who would have otherwise received the main homeless duty. This is due to our assumption that preventions are cheaper than the main duty.

In what follows, we will first outline caseload assumptions for our estimates of the impact of the Act. We will then outline our unit cost assumptions.

To model for risk arising from uncertainty around the impacts of the Act, for each Act measure we will provide our central estimate, a range comprised of optimistic and pessimistic scenarios

In addition, we also present the cost of the Act in England assuming similar impact to the one observed from the Wales Housing Act 2014<sup>1</sup>. To ensure consistency, when considering the impact seen in Wales, we also adapt our unit costs to more closely reflect the unit costs from Wales. Under the above methodology (outlined in more detail below), we calculate the following net costing.

#### **Net costs**

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<sup>1</sup> [Housing \(Wales\) Act 2014](#)

Scenario	Year 1	Year 2	Year 3	Total
Central scenario	£46m	£23.6m	-£0.5m	£69.1m
Optimistic scenario	£36m	£5m	-£27m	£14m
Pessimistic scenario	£58m	£43m	£27m	£m

### 3. Detailed methodology and results

#### Caseloads

Broadly speaking, the changes in the Act offer similar, but enhanced, support to those households owed the main homelessness duty (those who are eligible, homeless through no fault of their own and in priority need), though they will be entitled to prevention support at an earlier stage. This increases the chance of their homelessness being prevented. The new duties provide enhanced support for those not in priority need and therefore for this group the Act offers a greater chance of preventing (or relieving) homelessness. This enhanced support is likely to result in more people seeking and receiving help from the local authority.

The counterfactual which we compare the expected impacts of the Act against is one where caseloads across the 5 categories of homeless households increase in line with the average growth rates observed over the past 4 years.

#### Assumptions

We informed our caseload assumptions using evidence from a similar Act enacted in Wales<sup>2</sup>. Data is available for one year post enactment in Wales, and shows significant reductions across all homelessness caseloads. In contrast, significant increases were observed in cases judged by authorities to be not homeless, and in prevention/relief cases.

For our analysis, we assumed that Wales was now in a steady state, and that caseload trends would match the counterfactual for years 2 and 3.

For our modelling, we assumed that, due to England having better embedded homelessness services, we would not expect to see such large reductions in homelessness acceptances. In addition, we believe that reductions to homelessness acceptances will be achieved at a slower rate.

We therefore assumed (for our central case):

- A 30% reduction to acceptances (compared against the counterfactual) would be achieved 3 years after the Act had been enacted. This is achieved gradually over 3 years.
- The Act would initially increase caseloads for those 'intentionally homeless and in priority need', 'homeless but not in priority need' and 'not homeless'

<sup>2</sup> [Housing \(Wales\) Act 2014](#)

by 38%, 32% and 29%, respectively. Caseloads would then follow counterfactual trends.

- Prevention caseloads would see a large increase in year 1, and then increase above counterfactual trends in years 2 and 3, driven by additional preventions of acceptance cases.

To model for risk arising from uncertainty, we produced a range of optimistic and pessimistic scenarios where we varied the number of acceptances we expect local authorities to prevent:

- Optimistic scenario: by year 3 acceptances 40% lower than the counterfactual caseload.
- Pessimistic scenario: by year 3 that acceptances 20% lower than the counterfactual caseload.

The year-on-year impact on caseloads of these assumptions is summarised in the table below:

<b>Scenario</b>	<b>Unintentionally homeless and in priority need [ACCEPTANCES]</b>	<b>Intentionally homeless and in priority need</b>	<b>Homeless but not in priority need</b>	<b>Not homeless</b>	<b>Action to prevent and/or relieve</b>
<b>Counterfactual</b>	Increases annually at 4%	Increases annually at 5%	No significant annual change	Decreases annually at 2%	Increases annually at 2%
<b>Central scenario</b>	<ul style="list-style-type: none"> <li>• Year 1: -7%</li> <li>• Year 2: -8%</li> <li>• Year 3: -9%</li> </ul>	Increase by 38% in year 1, then increases in line with the counterfactual	Increase by 32% in year 1, then increases in line with the counterfactual	Increase by 29% in year 1, then increases in line with the counterfactual	<ul style="list-style-type: none"> <li>• Year 1: +37%</li> <li>• Year 2: +4%</li> <li>• Year 3: +4%</li> </ul>
<b>Optimistic scenario</b>	<ul style="list-style-type: none"> <li>• Year 1: -3%</li> <li>• Year 2: -4%</li> <li>Year 3: -4%</li> </ul>				<ul style="list-style-type: none"> <li>• Year 1: +36%</li> <li>• Year 2: +3%</li> <li>• Year 3: +3%</li> </ul>
<b>Pessimistic scenario</b>	<ul style="list-style-type: none"> <li>• Year 1: -10%</li> <li>• Year 2: -12%</li> </ul>				<ul style="list-style-type: none"> <li>• Year 1: +38%</li> <li>• Year 2:</li> </ul>

	<ul style="list-style-type: none"> <li>Year 3: -15%</li> </ul>				<ul style="list-style-type: none"> <li>Year 3: +5%</li> </ul>
<b>Wales scenario</b>	Decreases by 64% in year 1, then increase in line with counterfactual	Decreases by 48% in year 1, then increase in line with counterfactual	Decreases by 50% in year 1, then increase in line with counterfactual	Increases by 124% in year 1, then decreases in line with counterfactual	Increases by 55% in year 1, then increase in line with counterfactual (2% per year)

The above assumptions lead to the following caseload projections for the counterfactual case:

Year	Total cases processed	Unintentionally homeless and in priority need (acceptances)	Intentionally homeless and in priority need	Homeless but not in priority need	Not homeless	Total cases of prevention and relief
2014/15	333,050	54,430	8,990	20,420	28,510	220,700
2015/16	327,390	57,750	9,560	19,570	27,910	212,600
2016/17	333,221	59,823	10,023	19,559	27,238	216,579
2017/18	339,240	61,971	10,508	19,548	26,581	220,632
2018/19	345,451	64,195	11,016	19,537	25,941	224,761
2019/20	351,860	66,500	11,549	19,527	25,316	228,968
2020/21	358,470	68,887	12,108	19,516	24,706	233,253

Under the central scenario assumptions, we obtain the following caseload projections under the Act (assuming the Act measures are in place for year 2018/19):

Year	Total cases processed	Unintentionally homeless and in priority need (acceptances)	Intentionally homeless and in priority need	Homeless but not in priority need	Not homeless	Total cases of prevention and relief
2014/15	333,050	54,430	8,990	20,420	28,510	220,700
2015/16	327,390	57,750	9,560	19,570	27,910	212,600
2016/17	333,221	59,823	10,023	19,559	27,238	216,579
2017/18	339,240	61,971	10,508	19,548	26,581	220,632
2018/19	435,269	57,776	14,534	25,777	34,225	302,957
2019/20	443,343	53,200	15,252	25,787	33,432	315,673
2020/21	451,673	48,221	16,005	25,797	32,658	328,992

## Unit costs

Using a combination of the Revenue Outturn (Table 4) data local authorities provide on homelessness, the P1E returns and Shelter/Aclaim published assumptions, we arrived at the following set of unit costs (presented below with unit costs observed in Wales and estimates from Shelter/Aclaim<sup>3</sup> and Shelter<sup>4</sup> reports, for comparison):

Caseload type	DCLG	Wales	Shelter/Aclaim	Shelter
Unintentionally homeless and in priority need [ACCEPTANCES]	£4,200	£2,520 <sup>5</sup>	£2,270	N/A
Intentionally homeless and in priority need	£2,200	N/A <sup>6</sup>	N/A	N/A
Homeless but not in priority need	£730	£380	N/A	N/A
Not homeless	£260	£190	N/A	N/A
Action to prevent and/or relieve	£530	£990	£890	£690

We believe that unit costs vary between England and Wales because:

- Homelessness prevention work is more embedded in England than in Wales (accounting for 66% of homelessness activity compared to 44% in Wales).
- Over a decade of this work in England, including more than a million preventions, means that some efficiencies have already been realised.
- The housing market is more constrained in England than in Wales (implying higher TA costs).

## 4. Costing individual measures of the Act

### Prevention and relief measures

To calculate the costs/savings from the Act's prevention and relief measures, we applied the assumptions outlined above. Specifically, we produced four estimated costings, which net scenario costs against the costs from the counterfactual:

<sup>3</sup> [Value for money in housing options and homelessness services](#), Shelter/Aclaim (2010)

<sup>4</sup> [Shelter Research: Briefing](#), Immediate costs to government of loss of home, Shelter (2012)

<sup>5</sup> The estimate from Wales was £2,030, but we had to inflate this figure to £2,520 to ensure spending totals remained consistent with published DCLG spending data.

<sup>6</sup> Where estimates from Wales were unavailable, we used our estimates for England. Unit costs for 'Intentionally homeless and in priority need' cases for Wales were set at £2,200 – this seems a sensible estimate as it is lower than the Wales unit cost for acceptances and higher than the prevention Wales unit cost.

- Central scenario: costs = DCLG unit cost estimates x DCLG central caseload estimates (which assumes a 30% reduction in acceptances, due to increased preventions)
- Optimistic scenario: costs = DCLG unit cost estimates x DCLG optimistic caseload estimates (which assumes a 40% reduction in acceptances, due to increased preventions)
- Pessimistic scenario: costs = DCLG unit cost estimates x DCLG pessimistic caseload estimates (which assumes a 20% reduction in acceptances, due to increased preventions).

The associate costs are presented in the following table:

<b>Scenario</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Central scenario	£28.9m	£4.7m	-£21.2m	£12.4m
Optimistic scenario	£21m	-£11.7m	-£46.6m	-£37.3m
Pessimistic scenario	£36.8m	£21.1m	£4.2m	£62.1m

Following our discussions with local authorities, we are confident that the central scenario is the best estimate available at this time.

### **How section 21 (eviction) notices are dealt with**

The Act extends the period an applicant is threatened with homelessness from 28 to 56 days. It ensures that anyone who has been served with a valid section 21 notice that expires in 56 days or less is threatened with homelessness. The impact of this change is incorporated into the overall caseload costs of the new prevention and relief duties considered immediately above.

### **Extending the provisions of the advice and information duty**

The Act requires improved advice and information on homelessness to be provided. We have assumed there will be an initial cost in producing this information. There will then be a smaller reoccurring cost when this information is updated. We have therefore assumed an expected increase in administration cost:

- Total admin costs increase year-on-year in line with prevention caseloads:
  - For our central, optimistic and pessimistic estimates, we use the DCLG central caseload scenario.

For the measure cost, we assume that costs will be:

- Central scenario : 1.5% of projected admin budget
- Optimistic scenario : 1% of projected admin budget
- Pessimistic: 2% of projected admin budget

Scenario	Year 1	Year 2	Year 3	Total
Central scenario	£5.0m	£5.1m	£5.2m	£15.3m
Optimistic scenario	£3.3m	£3.4m	£3.5m	£10.2m
Pessimistic scenario	£6.7m	£6.8m	£6.9m	£20.4m

Local authorities provided a range of feedback on this measure. The central scenario was felt to be reasonable by the majority but a number felt that the costs would be lower with one suggesting it an ideal opportunity to work across local authority boundaries. One felt the costs would be considerably higher at around 6% but this was predicated on the false assumption that this would require considerable one to one staff time to deliver the advice.

### **Duty to make an assessment and personalised plan**

The Act requires authorities make as assessment of an applicant's case and develop a personalised plan setting out the steps the authority and the applicant will take to help prevent or resolve their homelessness.

We estimate that there will be additional cost associated with this measure to local authorities. We have assumed that:

- Each person presenting to an authority who is judged to be owed the main duty, intentionally homeless and in priority need or homeless and not in priority need has an assessment and plan. This translates as 98,000 people in 2018/19, 94,000 in 2019/20 and 90,000 in 2020/21.
- It takes 2 hours to draft the assessment and plan.
- In the central scenario the assessment and plan are drafted by an employee costing the authority around £43,000 per year (inc NICS and pension), or around £22 per hour, gross in the central scenario. This increases to £44,000 in the pessimistic scenario and £42,000 in the optimistic scenario.
- There is no additional cost for would be acceptances who have their homelessness prevented. We assumed this because, although an assessment and plan will have to be produced, at this stage it will not require the checking of medical records/determination of a specific vulnerability. We therefore assumed the additional cost of the production of the assessment and plan for this group would be offset by the potentially less intensive assessment.

This implies the following costs to authorities:

<b>Scenario</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Central scenario	£4.4m	£4.2m	£4m	£12.6m
Optimistic scenario	£4.2m	£3.9m	£3.6m	£11.7m
Pessimistic scenario	£4.6m	£4.5m	£4.4m	£13.5m

### **Right to request a review**

The right to request a review would be extended to the prevention and relief duties.

We have assumed that:

- Expenditure on reviews is 2% of total administration expenditure on all no-prevention cases.
  - Non-prevention cases are made up of the following:
    - Unintentionally homeless and in priority need (acceptances)
    - Intentionally homeless and in priority need
    - Homeless but not in priority need
    - Not homeless
  - We estimated that this represented around £2m of expenditure in 2014/15.
- Expenditure increases in line with non-prevention caseload increases.
- There is no change to the unit cost of a review.
- There is no change in the proportion of people asking for reviews.
- 10% uplift in review costs due to a more senior case officer having to carry out the review.

The profile of additional expenditure associated with this measure follows the profile of the non-prevention/relief caseload. In the table below, we present our estimated projections of non-prevention/relief caseload growth rates (for our central scenario caseload), and the impact we expect the rates to have on review expenditure in the counterfactual case of no Act, under the Act, and under the Act including a 10% uplift in review costs, outlined in our assumption above.

	Counterfactual non-prevention/relief caseload growth rate	Non-prevention/relief caseload growth rate under the Act	Review expenditure under counterfactual	Review expenditure under the Bill without 10% uplift	Review expenditure under the Bill after 10% uplift	Net cost of Act measure
2018/19	2%	12%%	£2.2m	£2.4m	£2.7m	£0.5m
2019/20	2%	-4%	£2.3m	£2.3m	£2.6m	£0.3m
2020/21	2%	-4%	£2.3m	£2.3m	£2.5m	£0.2m

We estimated additional review costs for each of our scenarios using the methodology outlined.

To model for uncertainty, we used the expected impacts of the Act to vary caseload levels – this was done in line with the overall caseload impacts presented earlier.

In addition, for the pessimistic scenario we assumed that review costs accounted for 10% of admin spending on the non-prevention/relief group. This approach was taken as we did not believe that the risk arising from uncertainty was symmetric for this measure.

Scenario	Year 1	Year 2	Year 3	Total
Central scenario	£0.5m	£0.3m	£0.2m	<b>£1m</b>
Optimistic scenario	£0.5m	£0.3m	£0.2m	<b>£1m</b>
Pessimistic scenario	£2.3m	£1.6m	£0.9m	<b>£4.8m</b>

The authorities we engaged with largely recognised that proportionately the numbers of reviews would remain the same, but welcomed the uplift to reflect additional cost associated with sign-off. While some local authorities have asserted review costs could be significantly higher, we believe our central estimate represents reflects the best assumption that can be made at this time (while the pessimistic scenario reflects the potential impact if that were not the case).

### Suitability of accommodation

The Act requires that all accommodation will need to meet those requirements set out in Article 3 of the Homelessness (Suitability of Accommodation) (England) Order 2012<sup>7</sup>.

We expect suitability tests to be carried out for all unintentionally homeless and in priority need cases. This leads to the following caseloads for the central case:

<sup>7</sup> [http://www.legislation.gov.uk/uksi/2012/2601/pdfs/uksi\\_20122601\\_en.pdf](http://www.legislation.gov.uk/uksi/2012/2601/pdfs/uksi_20122601_en.pdf)

- Year 1 – 55,774
- Year 2 – 51,365
- Year 3 – 46,550

We assume that the unit cost of a suitability check is based on the time it takes to carry one out, and model for uncertainty by varying the time it takes for a review to take place. This translates to staff hours required per review:

- Central scenario: 4hrs
- Optimistic scenario: 3hrs
- Pessimistic scenario: 5hrs

At an annual cost of staff to LA (including employer pension contributions and NICs) of £42,500, per 52 weeks, at 37 hours per week<sup>8</sup>.

This implies the following costs:

<b>Scenario</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Central scenario	£5.1m	£4.7m	£4.3m	<b>£13.8m</b>
Optimistic scenario	£3.7m	£3.2m	£2.7m	<b>£9.7m</b>
Pessimistic scenario	£6.6m	£6.4m	£6.1m	<b>£19.1m</b>

Local authorities were content with this assumption.

### **Providing accommodation for cases being reviewed**

Where an applicant requests a review of the suitability of the accommodation they have been offered at the relief stage, in circumstances where the main duty does not subsequently apply the local housing authority is under a duty to continue to provide interim accommodation until a decision on the review has been notified to the applicant.

#### **Unit cost**

The cost arises because the local authority would be required to continue the duty to provide interim accommodation until a decision on the review has been notified to the applicant. In practice, this equates to around 8 weeks of accommodation at an estimated temporary accommodation rate of around £260<sup>9</sup> per week.

#### **Caseload**

<sup>8</sup> We have used this assumption for both England and Wales estimates. It is likely that Wales may see cheaper average staffing costs than England.

<sup>9</sup> We have used this assumption for temporary accommodation costs in both England and Wales. It is likely that temporary accommodation would be less expensive in Wales, and that we are therefore overestimating the cost for Wales.

We do not have reliable data on the number of reviews or the likely number of people who will request a review of whether an offer of accommodation is reasonable.

Since 2013/14, DCLG has recorded the outcome of offers of PRS accommodation offers made to those receiving the main duty and those no longer owed the main duty due to them leaving temporary accommodation. However, the sample size is very small:

- Of the 164,760 receiving the main duty between 2013/14 and 2015/16, 1,840 (1%) received an offer of assured shorthold tenancy in the PRS.
  - 1,370 (74%) accepted the offer
  - 470 (26%) rejected the offer
- Of the 123,850 no longer owed the main duty between 2013/14 and 2015/16, due to leaving temporary accommodation, 4,780 (4%) received an offer of assured shorthold tenancy in the PRS.
  - 4,250 (89%) accepted the offer
  - 530 (11%) rejected the offer

Due to concerns about small sample sizes, we used two methodologies to estimate the number of people likely to be offered, reject and review a PRS accommodation offer at the relief stage. We then took the average of these two estimates to obtain our final cost estimate.

Upper caseload estimate

To obtain an upper estimate, we assumed that of all of those judged to be unintentionally homeless and in priority need that have their homelessness relieved due to the Act have their homelessness ended by the offer of PRS accommodation. We then assumed that 26% of those made the offer reject it, request a review, and are placed in temporary accommodation while a review takes place.

These assumptions lead to the following caseload projections:

	Pre-Act acceptance caseload	Post-Act acceptance caseload	Preventions/reliefs due to the Act	Number of reviews
2018/19	64,195	57,776	6,420	1,639.77
2019/20	66,500	53,200	13,300	3,397.28
2020/21	68,887	48,221	20,666	5,278.86

Lower caseload estimate

In order to obtain a lower caseload estimate, we consider the decisions made by people whose duty has ended due to an offer of PRS accommodation being made.

Between 2013/14 and 2015/16, 11% of those no longer being owed the main duty who received an offer of PRS accommodation rejected the offer.

However, for this lower estimate we would not expect all acceptances that will be prevented or relieved due to the Act to receive an offer. We therefore make a further adjustment, and assume that only those currently going in to temporary accommodation from the main duty receive the offer of PRS accommodation. In 2015/16, 63% of those owed the main duty moved in to temporary accommodation.

We used these proportions to derive a lower caseload estimate:

	Pre-Act acceptance caseload	Post-Act acceptance caseload	Preventions due to the Act	Of those moving to TA, the number who would reject and review a PRS offer
2018/19	64,195	57,776	6,420	450
2019/20	66,500	53,200	13,300	932
2020/21	68,887	48,221	20,666	1,447

Using the above caseloads, we were able to estimate the total costs associated with providing temporary accommodation to those owed the main duty who had been offered PRS accommodation, had rejected the offer, and were reviewing whether the accommodation offered was suitable.

Total cost

	High caseload estimate	Low caseload estimate	Average caseload estimate	Total cost of 8 weeks TA at £260 per week
2018/19	1,639.77	450	1,045	£2.2m
2019/20	3,397.28	932	2,164	£4.5m
2020/21	5,278.86	1,447	3,363	£7.1m

We carried out the above analysis across each of our scenarios.

Scenario	Year 1	Year 2	Year 3	Total
Central scenario	£2.2m	£4.5m	£7.1m	<b>£13.8m</b>
Optimistic scenario	£2.9m	£6.1m	£9.4m	<b>£18.4m</b>
Pessimistic scenario	£1.5m	£3m	£4.7m	<b>£9.2m</b>