



Report to Policy Committee

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Report of: Janet Sharpe, Director of Housing

Report to: Housing Policy Committee

Date of Decision: 24th January 2024

Subject: Housing Benefit Subsidy Loss on Temporary and Supported Exempt Accommodation

Has an Equality Impact Assessment (EIA) been undertaken? Yes No

If YES, what EIA reference number has it been given? *(Insert reference number)*

Has appropriate consultation taken place? Yes No

Has a Climate Impact Assessment (CIA) been undertaken? Yes No

Does the report contain confidential or exempt information? Yes No

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."

Purpose of Report:

The report is to set out the financial position of Housing Benefit Subsidy on Temporary and Supported Exempt Accommodation.

Recommendations:

The Committee is recommended to:

Note the information described in the paper and the impact on the 2023/24 Revenue Budget Outturn.

Background Papers:

Lead Officer to complete: -		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Jane Wilby, <i>Head of Accounting</i>
		Legal: <i>Nadine Wynter, Service Manager, Legal Services</i>
		Equalities & Consultation: Adele Robinson , <i>Equalities and Engagement Manager, Policy, and Performance.</i>
		Climate: n/a
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	SLB member who approved submission:	<i>Philip Gregory, Director of Finance and Commercial Services</i>
3	Committee Chair consulted:	<i>Cllr Douglas Johnson, Chair of the Housing Policy Committee</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Janet Sharpe	Job Title: <i>Director of Housing</i>
Date: 16 th January 2024		

1. PROPOSAL

1.1. This report provides further context on the subsidy loss incurred by the Council in relation to Housing Benefits for temporary and supported exempt accommodation.

1.2. Background & Summary

1.2.1. **Housing Benefit Regulations have created a budget problem for the Council** The Government does not fully subsidise all housing benefit payments made by the Council even though it sets the rules that determine the amount the Council has to pay. In 2022/23, the Council incurred a loss of £5.9m as a result of the legislation relating to temporary homelessness nightly paid and supported accommodation. The Council is essentially bridging the gap between rent and the amount we are able to recover via Housing Benefit subsidy.

The report only addresses the financial implications and the regulations. Further report will be tabled containing options for mitigating the issues.

1.2.2. **There are two areas creating a budget shortfall** There are 2 main areas of Housing Benefit expenditure where the Council is unable to recover 100% subsidy on the awards of Housing Benefit, we make on the DWP's behalf:

- Temporary accommodation, though this is sometimes referred to as emergency accommodation and is where the Council uses B&B's to fulfil the homelessness duties to provide interim accommodation to people who may be eligible, homeless and in priority need under s188 of the Housing Act 1996.
- Supported exempt accommodation (SEA) where the landlord is a registered charity or a voluntary organisation (where supported exempt accommodation is provided by a registered housing association, we receive 100% subsidy on awards of Housing Benefit we make).

1.2.3. **The Council awards Housing Benefit in line with legislation** The Council processes awards of Housing Benefit in line with the [Housing Benefit Regulations \(2006\)](#) and the [Housing Benefit and Council Tax Benefit \(Consequential Provisions\) Regulations \(2006\)](#), and that further to this, the rules on how much the Council receives in the form of [subsidy](#), to compensate the Council for the awards of Housing Benefit we make on behalf of the DWP are set by the DWP. We have no discretion in how we interpret these regulations, and the regulations do not allow us to treat claims for Housing Benefit differently just because they may come at a cost to the Council.

1.2.4. **The Housing Benefit claim is subject to an** The Council is satisfied that the Benefits Service is processing these awards of Housing Benefit correctly

annual external audit to ensure compliance

and does so in line with the Housing Benefit Regulations. Each year our Housing Benefit Subsidy Claim is subject to an external audit, and these audits have confirmed that the subsidy arrangements are correct. The issue is that the Government have set these rules, which mean that certain types of Housing Benefit award come at a direct cost to the Council.

1.3. Subsidy Rules

1.3.1. **Temporary Accommodation**

Temporary accommodation is defined by the Housing Benefit Regulations, and in this context, it applies to claims for HB made by individuals who the Council have placed in Bed and Breakfast accommodation in pursuit of its duties to provide accommodation to homeless applicants who are eligible and may be in priority need. The Council is ultimately responsible for bearing the cost of Bed and Breakfast accommodation therefore it is crucial that HB is claimed by the individuals who are placed in it. However, the HB subsidy arrangements for temporary accommodation, which are set by the Government, limit the amount of subsidy that we can claim back from the DWP to **£98.08** per week (this is based on the Local Housing Allowance (LHA) rate that was in place in January 2011). This means that if the weekly award of Housing Benefit for a placement in a Bed and Breakfast is higher than £98.08 per week, the Council only receives £98.08, and the difference comes at a cost to the Council. The average placement is in excess of £500 per week.

It's worth noting that from 2024 the Government is increasing the LHA rates that have been frozen for 3 years. The 1 bed LHA rate from April 2024 will be £132.33. However, the subsidy rules for Temporary Accommodation are not being amended to reflect this increase in the LHA rates.

1.3.2. **Supported Exempt Accommodation**

Supported Exempt accommodation is defined in the Housing Benefit Regulations as being accommodation provided by a County Council, a housing association, a registered charity, or a voluntary organisation where care or support or supervision is provided by the landlord or is provided on behalf of the landlord. The Housing Benefit Regulations typically provide to restrict the amount of a claimant's rent that can be met by HB. However, the Government recognises that in some instances, the cost of providing accommodation to vulnerable claimants can come at an increased cost to the landlord. Where this accommodation meets the definition of being supported exempt accommodation, the amount of rent that can be met by Housing Benefit

		is generally higher than that for general needs tenancies.
1.3.3.	Accommodation provided by a Housing Association is eligible for 100% subsidy from Government	<p>Where exempt accommodation is provided by a housing association the subsidy rules mean that the Council receives 100% in subsidy in respect of the awards of Housing Benefit that are paid.</p> <p>But where exempt accommodation is provided by a voluntary organisation or a registered charity (but not by a housing association), the subsidy rules mean that the Council does not receive 100% in subsidy in respect of the awards of Housing Benefit that are paid. This is because the amount of rent being charged is referred to the Valuation Office Agency's Rent Officer who decides on a reasonable rent for the accommodation. HB paid above the Rent Officer's reasonable rent is not subsidised at all unless the claimant is classed as vulnerable (this is a narrow definition that is set by the DWP for subsidy purposes) in which case 60% of the difference between the Rent Officer's decision and the award of HB is subsidised.</p>
1.3.4.	The Council must award Housing Benefit according to the rules, even if it incurs a loss to the Council	Regardless of the nature of the landlord, the benefits service must assess any claim in line with regulations, it can't just refuse a claim or limit the amount of HB it pays just because the Council will incur a loss in subsidy.
1.3.5.	Non-registered providers present a challenge to the Council	We have seen a proliferation of non-registered exempt accommodation providers setting themselves up in the city and taking tenants from a number of different referral routes, outside of the services commissioned by the Council. The current legislation, and the associated case law have set a very low bar that landlords need to cross to demonstrate that they are providing support to their tenants. This has led to a number of providers expanding in the city, and they have contributed to the subsidy loss in this area. This is a national issue, and we aren't the only Council who are experiencing these losses. It is not clear why the DWP do not fully fund Council's for awards of Housing Benefit it makes on its behalf, where the landlord is not a registered provider.
1.3.6.	Officers are working to improve understanding of the sector and respond to new legislation	<p>A review is being carried out to ensure we have a sound understanding of residents in SEA and of existing relationships and pathways between providers and organisations.</p> <p>Officers are engaging with the Local Government Association in responding to the consultation on implementing the Supported Housing (Regulatory Order) Act 2023 that will apply to all supported</p>

housing. The Council will have new duties to regulate all exempt accommodation providers.

1.4. The National Context

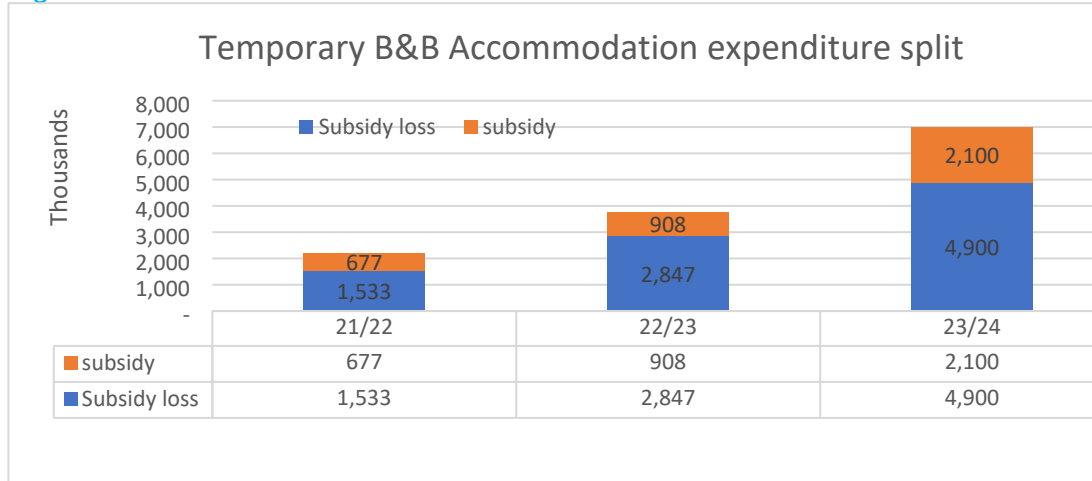
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| 1.4.1. | This is not a new problem to the Council and is an area of national concern. | <p>This has been an issue for the Council in previous years. The scale of the problem has escalated for 5 reasons:</p> <ul style="list-style-type: none">○ An increased demand for temporary accommodation with increased lengths of stay,○ An increase in accommodation costs.○ A reduction in the number of commissioned supported housing schemes that receive full subsidy.○ Delays in progressing the planned programme of TA under the Stock Increase Programme due to increased construction costs.○ No uplift on subsidy caps from Government.○ An increase in the number SEA tenancies provided by non-registered Housing Providers.○ The proliferation of SEA is of such concern that the Supported Housing (Regulatory Order) Act 2023 was passed in August 2023. The government is due to launch consultation on implementation. However whilst this may improve some of the quality concerns it does not address the benefit subsidy loss. |
| 1.4.2. | The Homelessness Reduction Act 2018 has increased the financial impact on the Council | <p>The number of homelessness cases has been increasing since the Homelessness Reduction Act was implemented in 2018 and expanded the duties to prevent and relieve homelessness. This has meant more people are eligible for assistance and for longer periods.</p> |
| 1.4.3. | Over 100,000 households were in temporary accommodation by the end of 2022-23 | <p>A national shortage of suitable housing has cost Councils more than £1.7bn in temporary accommodation last year to house over 104,000 households. This is the highest number on record according to LGA analysis.</p> |
| 1.4.4. | The increase in TA costs is overwhelming Council budgets across the country | <p>Basildon Borough Council in Essex has seen spending on temporary accommodation rise from £7,000 in 2017 to £2m in 2022. Hastings Borough Council, in East Sussex, spent £750,000 in 2019 but expects to spend £5.6m by April. Hastings Council recently warned rising homelessness costs have put the authority close to issuing a Section 114 notice. Amongst Core Cities, Liverpool have announced they will spend in excess of £19m on B+B's in this year.</p> |
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1.4.5.	The Council and partners are addressing the increase in demand	<p>Locally the Council and partner organisations are working to implement the Homelessness Prevention Strategy 2023-28 which aims to improve prevention outcomes and therefore help to reduce the demand and duration of Temporary Accommodation placements. This is linked to plans to deliver more affordable social housing, develop cost effective alternative Temporary Accommodation and increase access to good quality affordable private rented homes. The work underway with The Royal Foundation – Homewards will enable innovative approaches to be tested and scaled up if effective, bring new resources and partners to support earlier prevention.</p> <p>Within the Council, Service Improvement Plans are in place to ensure that placements in TA are managed efficiently and effectively. Homelessness is regularly discussed at the Performance Delivery Board and a Task and Finish piece of focussed work has been initiated to ensure the correct resources and approach to performance management are in place to support improvement in this area.</p>
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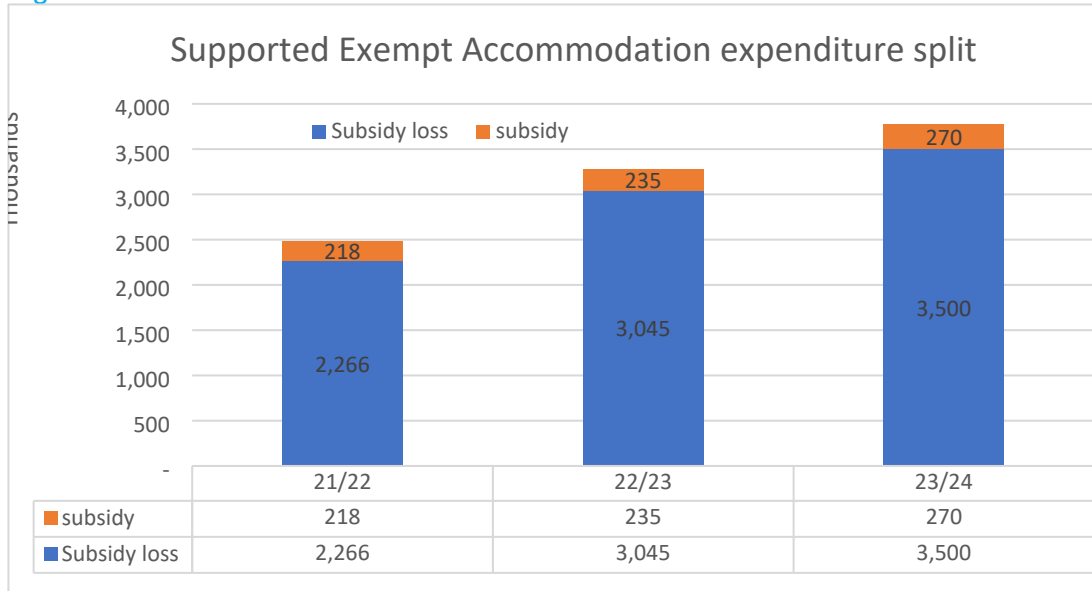
1.5. Financial Implications for Sheffield City Council

1.5.1.	In 22/23 the Council faced a loss of £5.9m as a result of the increased use of temporary and supported exempt accommodation	<p>The gap in funding or “subsidy loss” had been offset as part of the overall housing benefit reconciliation in previous years. In 21/22, the cost to the Council of the subsidy loss was £4.2m, this rose to £5.9m in 22/23. An unfunded shortfall of £1.2m was reported in the Housing General Fund outturn position upon full reconciliation of the accounts for the period. This was not the full scale of the financial gap, just the gap that could not be covered through historic provisions.</p>
1.5.2.	In 2023/24 a £8.4m loss is forecast as a result of the issue	<p>Based on current trends the loss is projected to grow to £8.4m in 2023/24. This loss is split between temporary accommodation at £4.9m and supported exempt accommodation at £3.5m. Some historic grants and provisions totalling £1.7m are forecast to be used within the period to offset the overall impact to the final outturn position this year. This is a one-off mitigation and is not an option for 2024/25.</p> <p>The loss will increase year-on-year if the current trends continue for both temporary accommodation and supported exempt accommodation.</p>
1.5.3.	<p>The following two graphs show the subsidy loss incurred by the Council for the past 2 financial years and a forecast outturn position for 2023/24 for temporary and supported exempt accommodation:</p>	

1.5.4. **Figure 1.**



1.5.5. **Figure 2.**



1.5.6. **Subsidy loss impacts just 6% of the total Housing Benefit cases.** For further context and scale within the overall Housing Benefit budgets, in 2022/23, a total of 32,423 cases were awarded £132m housing benefit. The cases that were affected by the subsidy loss totalled 1,954 so represent a small proportion or just 6% of the total budgets but carry a significant financial impact.

1.5.7. **Business planning assumptions for 2024/25 have included £7.9m to cover the costs of the shortfall within base budgets** We have a legal duty to set a balanced budget and therefore must recognise the cost of this subsidy shortfall to the Council for 2024/25. As such, the Medium-Term Financial Analysis assumes a baseline of £7.9m to cover the shortfall for next year. This contingency in our budgets will provide us cover as we work to reduce the cost to the Council and continue to lobby for additional funding through legislative changes from Government.

1.5.8. **No additional Government funding** It should be noted that whilst a provision has been made in our budgets for this cost next year, no

has been provided to cover this shortfall

additional funding has been made available from Government despite this being an area of national financial concern for most Councils. Sheffield City Council has made room for this cost by reducing budgets elsewhere as part of the business planning process with effective cuts from other services to compensate.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The report is to provide further context and detail into Housing Benefit subsidy rules and the financial loss incurred by the Council as a result of the regulations.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 There has been no consultation on this report.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 There are no direct equality implications arising from this report.

4.2 Financial and Commercial Implications

- 4.2.1 The primary purpose of this report is to provide Members with information relating to the City Council's revenue budget position for 2023/24. Financial implications are described in section 1.5 of this report.

4.3 Legal Implications

- 4.3.1 There are no direct legal implications arising from this report.

4.4 Climate Implications

- 4.4.1 There are no direct climate implications arising from this report.

4.4 Other Implications

- 4.4.1 No direct implication

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 No other alternatives were considered.

6. REASONS FOR RECOMMENDATIONS

- 6.1 To provide Members with information relating to the City Council's revenue budget position for 2023/24.

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