

Future funding for supported housing:

What are the proposals for the new system?

From 2019 the Government has said that it will apply the Local Housing Allowance (LHA) cap to all benefit claims in supported and sheltered housing with funding devolved to local authorities to pay a top-up to cover the difference between the LHA rate and rents and service charges. There will be no Shared Accommodation Rate in the calculation of the LHA rate for tenants in the new system. The Government believes a different system needs to be worked out for short-term transitional services.

Why does it make economic sense to invest in supported housing?

Supported housing makes good economic sense. It delivers average net savings to the public purse of around £940 per resident per year. Depending on the type of scheme, the level of savings can be even greater; for example, for people with learning disabilities the saving is £6,764 per resident per year. Research undertaken in 2009 showed a net financial benefit of the Supporting People programme of £3.41bn per year against an overall investment of £1.61bn.¹ A new, sustainable approach to funding supported housing is needed to ensure the benefits of supported housing are maximised and positive outcomes for the people that live in it continue to be delivered.

Why do we need a different set of proposals?

The Federation does not believe that the Local Housing Allowance cap is a competent basis on which to base the future funding for supported and sheltered housing. We estimate around three quarters of tenants will face a cut in benefit in April 2019. These tenants have moved in expecting to be able to live there for as long as they need to and it is difficult for the proposed new system to give long-term security of funding for tenants and schemes. Risks include:

- Taking away an entitlement to benefit for large numbers of older and vulnerable people
- Postcode lottery of access to decent quality supported and sheltered housing
- Local authority discretionary decision making will prioritise spending on people with high social care needs over, for example, homeless people or people who have experienced domestic violence
- Funding for preventative housing services will be lost

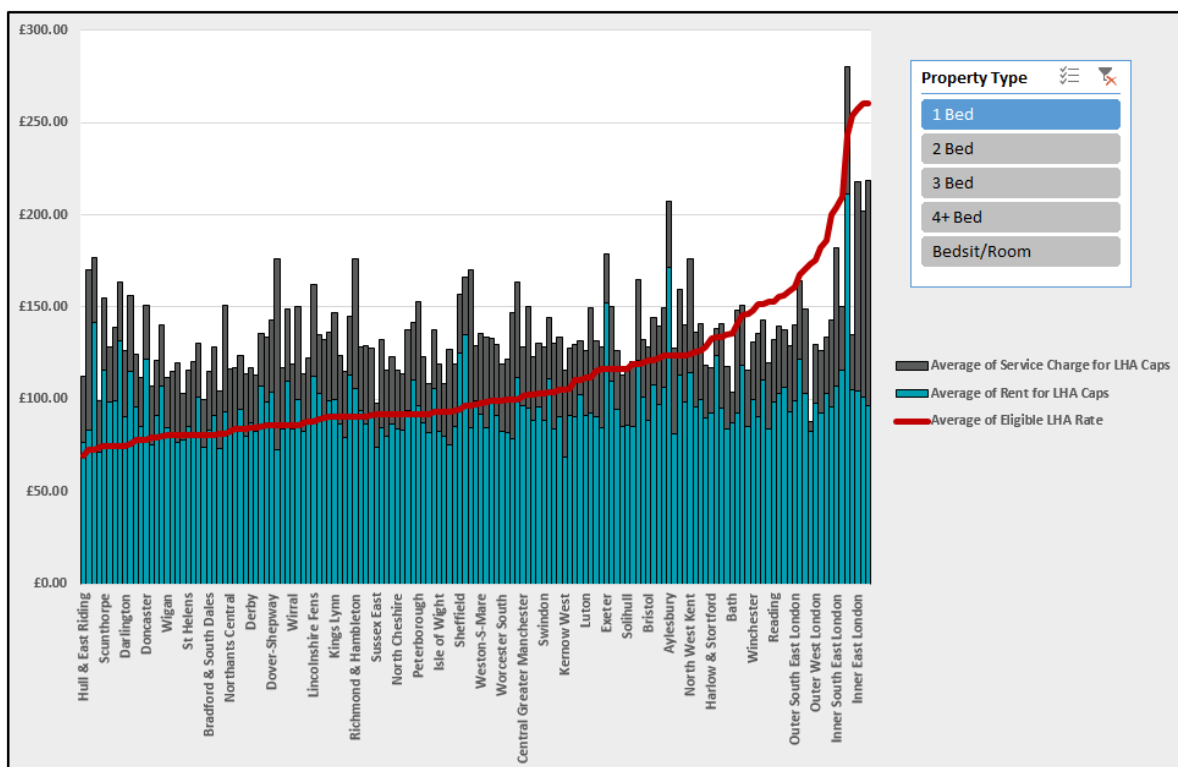
¹ DCLG (2009) *Research into the financial benefits of the Supporting People programme*

- The funding will not be able to grow in line with future need
- The ring fence around the money will last not last and this funding will be used to plug gaps in funding across other areas of local spending
- The Government will pass the funding to county councils who have little experience in paying for housing costs
- Many services such as sheltered housing will only need a relatively small amount of additional funding per person. There is a danger that much of the money will be absorbed in administration and lost to front-line services.

All these risks are significantly heightened in areas where LHA rates are low, as more funding will sit in the local system. It is essential that vulnerable tenants in areas where private sector rents are low are not disadvantaged by these changes and can still afford decent appropriate supported housing.

What does the impact of the LHA cap look like across the country?

The LHA cap is linked to the lowest private sector market rents and as such varies a great deal across the country. For example, in Hull and East Riding the 1-bed LHA rate is £69.73, in Leicester it is £86.30, Reading £153.02 and in central London, the same rate is £260.64. The chart below illustrates how the cap varies enormously across the country.



Rents for supported housing across the country do not vary in the way private sector market rents do. Many costs are consistent across the country as they relate to accessible design, communal space, high turnover or security. This leads to a much greater reliance on a local top-up fund in lower value areas and hence much greater uncertainty for providers and tenants in these areas. It may also impact on the ability to develop new schemes as whilst benefit funding is demand-led the localised pot

might not be able to grow or flex to accommodate new expenditure. This may distort the future growth of supported and sheltered housing towards areas which experience higher private rents.

For example, for an older person living in sheltered housing, it means that if he or she lives in one part of the country the rent and service charge on a one bedroom flat will be paid through benefits but in another areas someone living in exactly the same type of housing will have to rely on a discretionary payment from the local authority to top up benefit entitlement. This money is to cover the basic cost of the housing – not a care or support service.

Do we have enough supported housing to meet needs?

The availability of specialist and supported housing is failing to keep up with existing and increasing future demand. This leaves older and vulnerable people in housing that does not suit their needs and which does not deliver the integrated care and support which is so vital for their independence. It is estimated that around 16,000 more specialist homes are needed every year for older people alone to close this gap by 2030.

A [recent study](#)² showed a shortfall of 16,692 places in supported housing for people of working age. The largest gap in provision was found to be for people with ongoing mental health problems or learning disabilities. For these individuals, supported housing provides an appropriate level of support that enables them to live as independently as possible. If current trends continue, the annual gap in provision for working age people will grow to 35,166 places by 2020/21.

What about hostels, refuges, foyers?

Shorter term services like hostels for homeless people are intended as a transition to greater independence. These schemes provide life-saving support and a home in a time of crisis. They offer residents supervision and security. These services have traditionally not been served well by local funding schemes as they sometimes struggle to attract local popular and political support.

A wholly localised system of funding for short-term services potentially carries with it a high level of risk. If the revenue funding is insecure and subject to short-term decision making, schemes will close and the cost of borrowing to fund new schemes will escalate. It also puts the vital decision about providing refuges and hostels entirely in the hands of the local authority. There is already patchy provision of services across the country and a fully localised system could increase this inequality if local authorities seek to move people out of an area rather than provide appropriate services.

² *Strengthening the case for supported housing: the cost consequences*, Mark Goldup, SITRA/Homelesslink

The Universal Credit system needs reform so that it is better able to deal with claims from vulnerable homeless people or people at a point of crisis in their lives. We recommend that a review is undertaken of the impact of Universal Credit on vulnerable people including the way the new system is able to deal with people living in supported housing.

What about older people living in sheltered housing?

More than 70% of the homes affected by this are sheltered housing for older people – 395,000 in England. Older people tend to spend much longer periods of time at home than people of working age and need housing that is accessible, of a decent standard and easy to heat. Rents in sheltered housing tend to be higher than for other types of social housing because there are communal facilities and a lift. The Government's proposals include reducing entitlement to benefit down to the LHA level for all tenants of all ages.

In higher value areas of the country the rent in many sheltered homes will be under the LHA cap. In areas where the LHA level is below the rent on a sheltered home, older people on low incomes will have to rely on a local discretionary decision from their council rather than an entitlement through the benefits system to fund their housing. This will create inequality for older people across the country.

Why can't housing associations put rents down?

It is very difficult for housing associations to lower what are already regulated rents: rent levels are set to cover the cost of services, maintenance and loans on the building. Supported and sheltered housing costs more to build, manage and maintain and it houses a large number of vulnerable people on low incomes, the great majority of whom are over pension age.

Is the timetable for implementation realistic?

There are serious concerns about the timeframe for implementation of these proposals and whether there is enough scope to fully pilot and test the models. Piloting and phasing of any new system would help local authorities and providers prepare and plan more effectively. The timetable for the reforms is partly driven by the timetable for the rollout of Universal Credit but this only applies to people of working age. An alternative approach to piloting could be to introduce it first for the smaller number of working age people while allowing older people to continue to claim housing costs for sheltered housing through the benefits system.

What did the parliamentary joint DWP/CLG select committee recommend?

The joint DWP/CLG select committee of MPs looking into the future funding of supported housing reported in May 2017. This unanimous report from a cross bench group states its concern that "the Government does not seem to be aware of the impact its funding proposals are already having on the supported housing sector", and calls for:

- A new supported housing allowance which is banded to reflect the actual cost of provision in the sector, instead of the LHA rate, which the report says is an inappropriate mechanism to use as a basis for the funding model.
- A new capital grant scheme to ensure core rent and service charges for new supply would remain broadly consistent with existing stock.
- The Government to guarantee the ring fence around local authority top-up funding for the duration of the next parliament, and a clear indication of its desire for the fund to remain in the long term.
- An alternative funding mechanism for very short-term accommodation, given the inability of Universal Credit to reflect short-term changes in circumstance. The Committees recommend grants to local authorities, which can commission accommodation and pay providers. They also call for a separate funding model for women's refuges.
- The scheme to have a proper pilot.
- The Government to ensure providers are aware that supported housing tenants claiming Universal Credit will not be worse off if they seek employment.
- The Government should establish a set of national standards to enable monitoring of the quality of provision in all supported housing in England and Wales, with a specific emphasis on improving the quality of life that tenants experience.
- The Government to undertake an assessment of the final funding proposal to assess its impact on the future provision of supported housing.

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