

## HOUSING BENEFIT REFORM – SUPPORTED HOUSING CONSULTATION RESPONSE

### INTRODUCTION

Homeless Link is the national umbrella body for frontline homelessness services in England. We have more than 500 member organisations, whose services range from local authority housing services, day centres, outreach services, residential care homes, hostels, supported housing, floating support through to employment, training and education. As the national collaborative hub for information and debate on homelessness, we seek to improve services for homeless people and to advocate policy change. Through this work, we aim to end homelessness in England.

This response is informed by our members, who were consulted through:

- an online survey
- direct responses, conversations and comments
- a policy forum on this consultation
- Homeless Link's National Advisory Council.

At the heart of our response are vulnerable and homeless adults who will be directly affected by these changes. Such adults access a wide range of supported housing, from short-term to long-term, and from high to low intensity support.

**The changes proposed in the Housing Benefit Reform – Supported Housing Consultation will have significant impact on homelessness services and their funding. The ending of the 'exempt accommodation rule' and other proposals in the consultation risk creating a vacuum where there is no explicit responsibility for the housing costs of vulnerable people and a gap between what the DWP contributes and the real costs of providing this form of housing.**

### Key asks:

- Slow down – there is a real danger to the support of vulnerable people in moving too quickly on such fundamental changes
- A robust business case for the scrapping of the exempt accommodation rule is needed
- A detailed and collaborative consultation on service charges is needed
- As a bare minimum the housing benefit model for supported housing needs to be tiered, both for core rent and service charges
- A tiered model needs to take into account a range of variables including client needs, intensity of service, duration of service, location, and premises, as a minimum.
- The costs for RSLs and voluntary sector providers are the same, they should not be treated differently
- Impact assessments of any proposed new model are essential
- Any localised budgets must be ringfenced
- That the DWP works with Homeless Link and its members to develop an appropriate system

The risks in getting the supported housing funding system wrong are high. The consequences would include an increase in street and other forms of homelessness, increased crime and resultant negative impacts on communities, increased use of acute health services, police resources and prisons. Homeless Link is very concerned that there is simply no further capacity within homelessness services to have funding reduced and continue to provide services at current levels.

Any reduction or closure of homelessness services is likely to be felt first by the most vulnerable – those with higher needs, and whose supported housing therefore attracts greater costs. This would include people with offending behaviours, serious mental health needs, and people with drug and alcohol addictions, as services either close outright, or cut expenditure and thus the level of support that they are able to provide.

The central concerns of the consultation are not clearly justified:

- Why housing benefit for supported housing has to come under Universal Credit
- Why the exempt accommodation rule must be scrapped in its entirety

The DWP needs to make a clearer case for the need for such wide-ranging change to a system which is not failing its service users. The consultation acknowledges that supported housing costs more – the exempt accommodation rule formalised this in 1996. If the Government is truly committed to “supporting vulnerable, older and disabled people to lead independent and active lives in the community” then more work is needed before any changes are implemented.

Homelessness services are also under pressure from an increase in demand which they cannot meet – Homeless Link research shows a 45% increase 2009 – 2010 in the number of projects reporting that they had refused access to individuals seeking assistance because the project was full. The potential repercussions of rushing through changes to the funding of supported housing will be the loss of provision at critical time and increased homelessness.

## HOMELESSNESS SERVICES – THE WIDER CONTEXT

### **Significant cuts in funding as expenses increase**

Following the de-ringfencing of Supporting People budgets and funding cuts from local authorities after the Spending Review, homelessness services anticipate losing 16% of their bedspaces this year and an overall funding loss of 24.6% for the period 2011/2012.<sup>1</sup> Any further reduction in funding to homelessness services will cause vast numbers of services to close as they will no longer be able to provide a safe service for their clients.

Services have faced year-on-year pressure on contract pricing and real terms reductions since the 2007 Comprehensive Spending Review. This has significantly increased following the Spending Review in 2010. While costs for service providers have risen, there has tended to be little or no inflationary uplift offered by administering authorities. This has happened as costs for providers have risen. RPI inflation was 4.8% in 2010 and 5.2% at August 2011.<sup>2</sup> Staff costs are the most significant cost for providers of Supporting People services. Average wage increases in the public sector were 3.7% in 2008, 4.8% in 2009, and 3% in 2010.<sup>3</sup> This means intense pressures as contracts regularly fail to keep up with cost increases, often met by calling on fundraising or reserves to support the work.

“The most difficult thing for us is that for some years we have had no inflationary increase and yet are trying to offer the same service. At the same time people we are working with have higher and more complex needs and the threshold for getting help from other services is higher so it lands back on us.” [Service Provider]<sup>4</sup>

### **More research is needed**

We are concerned that much of the consultation and the suppositions it presents come from a recent research report published by the DWP which is based on a very small sample, particularly of homeless services, where less than 10 voluntary and non-registered providers appear to have been consulted. This research states that “some providers are charging high rents and service charges that are not always justified” but does not have the evidence to support this assertion. The research notes that the DWP cannot identify who these overcharging providers are or what they are claiming for because the data is so poor. Despite the lack of evidence the proposed solution to “some providers” overcharging is to re-write the rules for everyone.<sup>5</sup>

Accommodation for vulnerable people costs more, and the exempt accommodation rule reflects this. The Exempt Accommodation Rule links the additional amount of Housing Benefit to the *actual* cost of providing, maintaining and managing accommodation for a vulnerable person.

Our members’ experience is that there is intensive scrutiny of charges by the local authority. One member reports that there is ongoing debate with their local authority (LA) over whether or not sanitary bins and sharps bins are an eligible or ineligible charge. We do not understand how the DWP research found that some providers were overcharging – was this not addressed through LA scrutiny of rent and service charges?

### **Cost neutral for whom?**

We welcome the principle that help with the higher costs of providing supported housing should remain within HB. Whilst stating that a “cost neutral” solution is sought there is no definition for whom this will be cost neutral; unintended consequences could see significant impact on the budgets of the Ministry of Justice, Department of Health and the Department for Communities and Local Government. Unintended consequences of not meeting the needs of people who require supported housing will mean greater costs for the DWP over time in benefit payments to those who we have been unable to support into independent living.

### **Exempt Accommodation is not broken**

The proposal to end the exempt accommodation rule is not supported by a robust business case as to the need for this or the advantages it aims to achieve in doing so. None of the reasons provided in the consultation prompt the creation of a completely new system. The DWP states that the current HB scheme for people in supported housing “no longer works” and goes on to describe difficulties with the system, but does not show that vast numbers of people in need of supported housing are not receiving the assistance they require, which would surely be the mark of a failed supported housing system? The end of Exempt Accommodation needs a more convincing rationale than ‘it’s time to look at this again’.

Homeless Link appreciates the enormity of the task ahead of the DWP in implementing Universal Credit (UC) in 2013. We understand that housing benefit and the many specific needs to which it is put will need to align with UC in the near future but we are not convinced that housing benefit for supported housing should be included in this system. We would be pleased to work collaboratively with the DWP to develop a supported housing system that meets the key aims of the consultation and the needs of vulnerable people.

## **Defining the charges and the support**

Throughout the consultation document the terms 'extra costs', 'additional costs', 'service charges' and 'eligible charges' seem to be used interchangeably. For clarity, by eligible charge we mean those costs currently covered by housing benefit in supported housing that reflect the higher costs incurred in providing this kind of service. What can be included in eligible charges are currently negotiated with the local authority, with some charges classed as ineligible for housing benefit. The collective term for eligible and ineligible charges is 'service charges'. Charges deemed ineligible are paid by the service user, often a significant percentage of their benefit payment.

In situations where the local authority and the service provider are unable to reach agreement about a charge, a decision about eligibility may be referred to a tribunal. There are numerous examples of tribunals making such decisions over the years, and thus the resultant case law provides some very clear examples of what and why particular charges are eligible under the exempt accommodation rule. We emphasise the intensive examination of service charges before they are deemed eligible.

In this response we refer to housing related support and adult social care based on the following definitions:

- **Adult Social Care:** support that includes personal care (bathing, toileting); housework; occupational therapy; ongoing support with shopping and cooking; financial management; potentially lifelong support required etc.
- **Housing related support:** support that includes intensive housing management, regular keywork sessions to address mental health, substance use needs and access to services; life skills training and support; employment, education and training support; aims to move service users to independent living, etc.

The whole system of classification (and inclusion or exclusion) of providers by type of organisation (Registered Social Landlord, charities, voluntary sector, private sector) in the current and proposed models does not reflect the reality of how services actually operate. There are a wide variety of building owners and managing agents, some are one in the same, and some are not. In some cases charities or voluntary sector organisations own the property and lease it to an RSL, or an RSL owns the property and leases it to another RSL, or a charity or voluntary sector organisation. We are also aware of examples among our members where the premises are leased from a private landlord as there was no other way to obtain a site to provide the service.

There are reports of private landlords setting up as voluntary sector landlords in order to pay off mortgages quickly, as noted in the DWP's own research.<sup>6</sup> Whilst we do not wish to see any avenue of supply of services closed off, and we are keen to ensure the scope for abuse of the system is minimised, the definitions of who can and cannot be eligible for exempt status and the relationship between owners and managing agents require more thought, as does the role of the private sector in supported housing.

# CONSULTATION QUESTIONS

## CONVENTIONAL SUPPORTED HOUSING

**Question 1. What types of supported housing are available and how do you suggest they should be identified and grouped?**

- **Oversimplification of supported housing will lead to gaps in provision**
- **Single projects often work with people with very different levels of need to each other**
- **Costs are incurred for a wide range of reasons and not just by the type of support offered**

Homeless Link members provide a wide range of services across the supported housing spectrum, from high intensity short term support, to longer term often lower intensity assistance to remain in the community. The key complication is that our members work with people, with all their complex and multiple needs, and that makes simple classification quite difficult.

In homelessness services in particular some hostels will work with a range of clients of varying support needs, where some will require a higher degree of support than others, and thus have a greater impact on the cost of the housing and housing related support.

For example:

- A large hostel in central London supports people with complex needs including: ex-rough sleepers, people with mental health needs, ex-offenders and people with substance use problems (often several of these issues are concurrent in individuals). Service user turnover is high. In supporting such high needs and providing a safe environment to service users and staff extra, costs are incurred in 24-hour staffing, door entry systems, CCTV, maintaining common areas and service user's rooms and furnishings. The size of the hostel incurs particular costs for this type of building, such as lift maintenance and sophisticated fire safety systems.
- A small project in North West England houses people with low support needs. Staff time on housing management is reduced as clients have their own door keys and do not require 24-hour staffing. Clients stay for up to two years and thus wear and tear on fixtures and fittings is lower. Insurance costs are lower per unit due to the small size of the project and its client group.

In any classification model the support needs of the client should be placed at the centre. Supported housing types cannot be assumed to be low support because they are short term, nor is the reverse necessarily true. There are, of course, services which are short term and low support and those that are high support and long term. As such, any way of identifying or grouping supported housing will require a matrix which maps the level of intensity of support, whether the support is adult social care or housing related support in nature, and the duration of the provision.

Examples of cases and how they might be mapped onto this matrix shows how needs of clients cannot easily be distilled into service types and levels of intensity of support:

- A 32 year old single homeless man with alcohol dependency and uncontrolled epilepsy may need high intensity housing related support and adult social care short term followed by low intensity housing related support in the longer term
- A 61 year old woman with paraplegia, living in sheltered accommodation, low to medium intensity long term adult social care

- A 40 year old man with a history of entrenched rough sleeping and schizophrenia may need long term medium intensity housing related support
- A 29 year old woman fleeing domestic violence short term medium intensity housing related support

Services are more likely to lean in the direction of housing related support or adult social care, but will have many shared elements as well, and many clients who have needs in both may fall through the cracks if there is arbitrary demarcation between ‘types’ of supported housing.

**Question 2. Should there be different geographical rates for each type of mainstream supported housing, such as hostels, sheltered housing or refuges or should a single rate be applied?**

- Different geographic rates are not the whole picture of different costs
- Client needs are a greater driver of costs than location of service

**Different geographic rates are not the whole picture of different costs**

Neither a geographical rate nor a single rate adequately reflects the costs incurred in providing supported housing. Costs are driven by the client needs, the premises and development costs, as much as geographic differences.

**Client needs are a greater driver of costs than location of service**

Table 1 (below) shows that regional variation does not solve the difficulty of variation in costs. For example, the rent of one project in Kensington and Chelsea is £94.66 per week, whereas a much higher support service in Lancashire costs £306.19 per week, the opposite of what one might expect based on their locations. This reflects significant differences in the needs of their respective clients; the Lancashire project is a hostel which supports young homeless people aged 16-19 with complex and high support needs (many have been in care and have offending histories), whereas the Kensington and Chelsea service is a low support project of self-contained accommodation for single homeless young adults up to 25 years.

**Table 1: Supported Housing Weekly Rental Costs and LHA<sup>7</sup>**

Area	TOTAL RENT	LHA SAR £	LHA 1 bed £	Difference between LHA and actual rent	
				SAR £	1 bed rate £
Bradford	117.8	53.50	80.77	-64.30	-37.03
Brent	112.23	92.31	250.00	-19.92	137.77
Brent	206.82	92.31	250.00	-114.51	43.18
Brent	189.84	92.31	250.00	-97.53	60.16
Brent	160.06	92.31	250.00	-67.75	89.94
Camden	155.38	92.31	250.00	-63.07	94.62
Camden	202.14	92.31	250.00	-109.83	47.86
Gravesham	158.79	68.50	114.23	-90.29	-44.56
K&C	94.66	123.50	250.00	28.84	155.34
Lambeth	152.77	85.00	225.00	-67.77	72.23
Lambeth	168.57	85.00	225.00	-83.57	56.43
Lancashire	306.19	54.00	86.54	-252.19	-219.65
Lewisham	126.30	85.00	184.62	-41.30	58.32

Manchester	194.04	60.00	92.31	-134.04	-101.73
Manchester	129.72	60.00	92.31	-69.72	-37.41
N Tyneside	160.03	59.00	91.25	-101.03	-68.78
N Tyneside	64.00	59.00	91.15	-5.00	27.15
N Tyneside	76.85	59.00	91.15	-17.85	14.30
N Tyneside	78.85	59.00	91.15	-19.85	12.30
Newcastle	193.69	59.00	91.15	-134.69	-102.54
Oldham	191.29	54.00	86.54	-137.29	-104.75
Oxfordshire	272.04	78.46	150.00	-193.48	-122.04
Westminster	185.75	123.5	250.00	-62.25	64.25
Westminster	177.47	123.50	250.00	-53.97	72.53
Westminster	217.00	123.50	250.00	-94.00	33.00

**Question 3. What types of additional activities or resources are typical of supported housing and how should these be quantified into a weekly amount per unit?**

**Question 4. Should an amount for the additional help be worked out using a flat rate addition representing typical additional costs or should a different method be used? Please tell us what you think are the advantages of your preferred option.**

**More time is needed to consider this in greater detail and for the DWP to work with providers and commissioners to ensure the model(s) adopted are effective, efficient and truly represent the costs of providing supported accommodation.**

- **A comprehensive consultation on service charges is needed**
- **Oversimplification leads to over and under-funding**
- **The level of service charges varies widely both within and between client groups**
- **Flat rates or percentage of core rent = inverse relationship between funding and level of need**
- **Small changes in eligible charges have huge impacts**
- **Regulation of service charges is a good idea – with the right data**
- **Funding has changed, but the costs have not**
- **Many costs are not fixed or controlled by the provider**
- **Service users cannot contribute more from their own pocket**

#### **Comprehensive consultation on service charges is needed**

We are very concerned that this extremely important aspect of the funding of supported housing is not being given sufficient thought. It requires a comprehensive consultation in its own right and cannot be a small part of the current consultative process.

#### **Oversimplification leads to over and under-funding**

Different client groups impact on eligible costs, as does the turnover of clients in a service and the age and size of a building. For example, maintenance of common areas and replacement of furniture is higher in high support services with high turnover such as hostels for people with complex needs than compared to a low support service where a client may reside for two years. As such, cost per unit is unlikely to be efficient, in some instances it would pay more than the outgoings and in other cases it would dramatically underfund.

Below is an example of the eligible and ineligible charges in a 'typical' homelessness project.

**Table 2: Examples of eligible charges as provided by Homeless Link members:**

<b>INELIGIBLE CHARGES</b>
non-communal utilities (gas, electricity, water); non-housing related support services; personal cleaning; provision of food; management of ineligible services; TV licence
<b>ELIGIBLE SERVICE CHARGES</b>
Housing management and intensive housing management/housing services management/admin; provision of white goods, communal furnishings; furniture/equipment tenant own area; laundry equipment; fire-fighting equipment; gardening/grounds maintenance; flooring and curtains; repairs and maintenance communal areas; maintenance/servicing contracts on fire-fighting equipment; maintenance/servicing contracts on heating/electrical system; maintenance/servicing contracts on property equipment; refuse disposal and pest control; grounds maintenance; door entry and CCTV security systems; night security; communal utilities; provision of communal telephone; eligible portion of food charge; cleaning materials and services

This list shows that the services charges deemed eligible, each of which has been scrutinised by a local authority, are by and large out of the control of the provider.

**The level of service charges varies widely both within and between client groups**

The level of this cost varies widely both within and between client groups – hence the need for a flexible rule based on the actual expenditure incurred rather than a super-imposed ‘flat rate’. Clearly, if a flat or weighted rate is used (eg. Local Housing Allowance enhanced by a percentage or a weighted average as described in the consultation) it may fail to meet the actual cost of housing some people. These are likely to be the people who need the most intensive management – people with acute mental health problems, substance-related problems, profound learning disabilities and complex needs.

The population of current and former rough sleepers contains a high proportion of people who fall into one or more of these categories. The supported housing that these people receive is typically defined as ‘short term’. But the nature of the intervention required is high level, and often required for an extended period.

**Flat rates or percentage of core rent = inverse relationship between funding and level of need**

Potentially there are number of unintended consequences of a funding system that is rent plus a percentage of this figure. One such unintended consequence is that it would lead to an inverse relationship between funding and intensity of support

For example: a hostel space may be cheaper than a self-contained property in rent terms, but incur much higher additional costs as a result of the very high levels of support required and wear and tear on the premises in such environments. A client may move on from this hostel to self-contained supported housing, which has a higher per unit rent cost than the hostel and thus attracts higher additional costs funding even though the intensity of support is greatly reduced.

“Danger of flat rate addition is that there will be anomalies which will put some services outside of the norm. So, taking this to the logical next step - there must be a way of calculating additional costs which takes a wide range of factors into account - which, inevitably, could result in something as complex as the current system! So, as our finance manager suggests, why not use current system as a starting point and review, refine and simplify the categories that are currently used - and ensure that they are applied consistently in all authorities.” [Supported housing provider]<sup>8</sup>

### **Small changes in eligible charges have huge impacts**

Apparently small changes in what is funded as an eligible charge will make enormous differences to the type of service that is available. Night security or night concierges are currently considered an eligible charge in services where clients with higher support needs require 24-hour staff cover. The loss of funding for this aspect of a service would immediately reduce the level of support needs of clients that the service will be able to cater for. Higher support, more complex clients would no longer be accommodated in services that lose 24 hour cover. In general, reduction in funding means that the amount of provision for people with low-level support needs increases whilst amount of provision for people with higher, more complex support needs is markedly and rapidly reduced. Some savings may be affected in the short term, but higher costs will be incurred by these service users across a wide range of health, justice, welfare and housing budgets when there is no appropriate support in the community.

### **Regulation of service charges is a good idea – with the right data**

One option the DWP is considering is the regulation of service charges, as opposed to the current system, which provides only guidance. Homeless Link supports this, but only with a detailed consultative process. We are willing to work in collaboration with the sector to determine regulations. A tiered model related to the client needs and regulation of eligible charges should offer the DWP a start in reducing the complexity and potential abuses in the current system.

### **Funding has changed, but the costs have not**

Supporting People funding previously kept costs artificially low by subsidising housing management costs. Since the de-ringfencing of SP funds these costs, and what drives them, have not lowered. The subsidy once delivered by SP funding has been allocated elsewhere or overall cuts to SP budgets have reduced the availability of funds. These housing management costs still have to be met. To date, no other budget or department has taken responsibility for these costs. Any increase to housing benefit has only included relevant charges and is put under the microscope by local authorities.

Providers and local authorities may have used the term “cost shunting” to describe the increases in housing management costs, but it is important to note that ineligible charges cannot be included in housing management charges.

Removing the funding or not getting the change right will not remove the cost, but it could remove the provision outright.

### **Many costs are not fixed or controlled by the provider**

Any model the DWP suggests will have to take into account that costs rise regularly and that service providers are not able to control this. The DWP will be aware of the impact of very large increases in gas and electricity in the last two years. Providers are largely unable to control cost-of-living pay increases or other inflationary increases to essential aspects of the service. Other factors outside of the control of providers are the costs associated with the particular premises, for example, the only appropriate building locally may be Victorian and it simply costs more to run than a new build.

### **Service users cannot contribute more from their own pocket**

It would be dangerous to assume that the costs of reducing the activities defined as eligible, or the amount of funding available, will be met by the service user. Most service users in homelessness projects already pay a significant percentage of their benefit for the housing benefit ineligible service charges. Service charges which are too high can be counter-productive, as there is a relationship

between service charges at higher levels and increased levels of service user evictions and abandonments.<sup>9</sup>

## **SPECIALIST INDIVIDUAL HOUSING**

**Question 5. What types of supported housing would fall into this group and how do you suggest they should be identified?**

As explained above, the categories being used are much too simplistic. What is needed is a continuum of provision to meet the wide ranging needs of individuals, ranging from those who can live independently with additional housing management and (perhaps temporary or ‘floating’ support), to direct access hostels and other high support settings that can’t operate safely or effectively without 24-hour staff cover. Supported housing encompasses a wide range of different types of services.

We are especially concerned about how these proposals will affect those at the ‘high needs’ end of this continuum. This group may include a minority of people who have had their homes specifically adapted for personal use, but this is not their defining characteristic. What they have in common is the requirement for decent, well maintained housing with intensive housing management to assure the safety and effectiveness of the service being delivered.

**Question 8. Which tier of local government should have responsibility for deciding how extra help should be allocated? And, which department within a local authority do you think is best placed to manage the allocation of this funding?**

- **Any localised funding must be ringfenced**

We answer this question from the perspective of all supported housing and not merely in the context of the classification of “specialist individual housing”. Any localised funding for supported housing must be ringfenced – or there is significant risk that the funding will be too widely dispersed to be effective, or be disproportionately directed at particular service user groups. Should the government decide to give the funding for additional costs to local authorities then a ringfence is crucial.

County Council/Unitary authorities, in conjunction with Supporting People teams and social services, would be best placed to understand these issues and allocate funding. However, our experience is that much Supporting People funding has moved away from homelessness services (see Chart 1 below). The dissolution of many Supporting People teams means that the detailed knowledge and understanding of homelessness has been lost. Without such knowledge there is no protection for less ‘popular’ client groups, such as single homeless people.

**Question 9. Should a different method be used? If so please explain.**

- **Centralised payment of benefit entitlements is fairer**

As housing benefit moves into UC it would make sense to have the “extra help” also centrally administered. Throughout this response we suggest that a simplified exempt accommodation model to sit alongside UC is achievable, but it requires further research and consultation. The expertise in

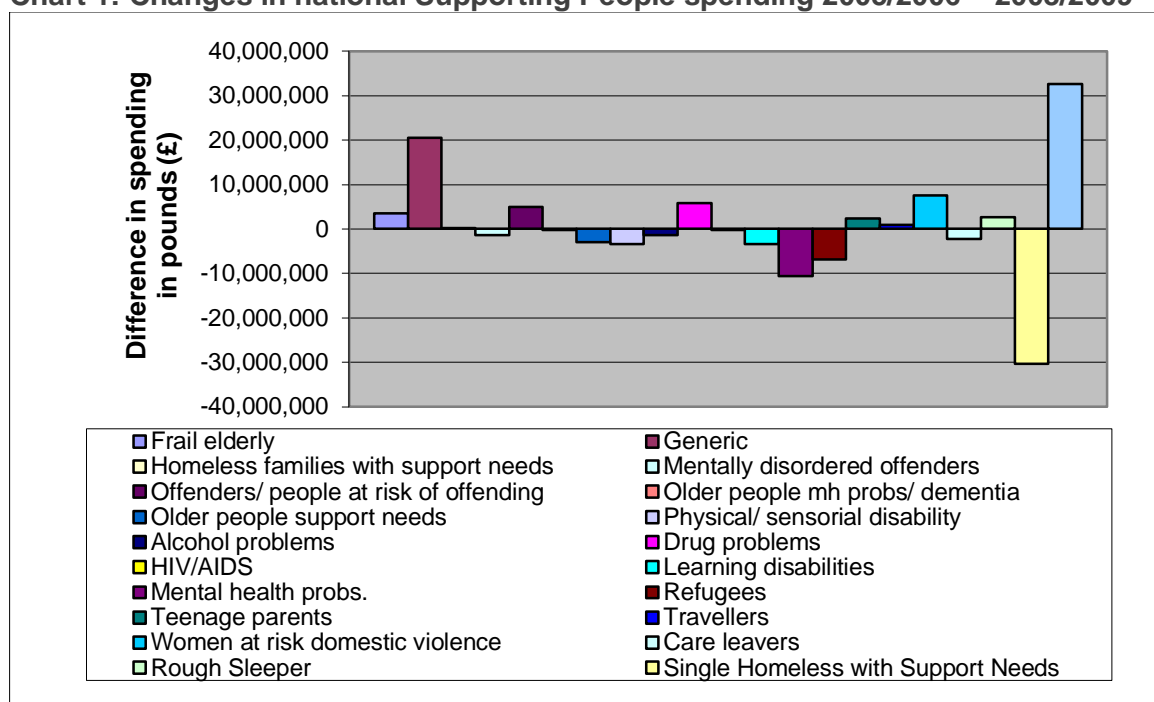
the administrative team that assesses claims needs to be high; housing benefit for supported housing system can be made simpler but it should never become a purely mechanical decision making process.

If such funding is administered locally it quickly changes from being an entitlement enshrined under law to a discretionary payment that varies dramatically between service users and locations. Centralised payment of benefit entitlements is fairer, where both claimant and providers are subject to the same rules and allowances, regardless of which LA and service user group they are in.

“Our position is not one of trying to maximise this income stream, rather of just trying to maintain previous levels of funding. In short the implications for what is an eligible service charge needs to be fully considered before exempt status is withdrawn – else it opens the flood gates for local authorities to try and cut costs.” [Supported Housing Provider]<sup>10</sup>

Recent analysis shows that single homeless people are the group where there have been very large reductions in spending, more than any other SP client group. There was a drop of £30,278,000 (12%) in cash terms or £55,364,000 (22%) in real terms in spending between 2005/2006 and 2008/2009.<sup>11</sup>

**Chart 1: Changes in national Supporting People spending 2005/2006 – 2008/2009**



**Question 10. How can funding be made sufficiently flexible to changing caseloads and demands without being unlimited or increasing unit costs compared to the existing system?**

- **A tiered system is needed to provide flexibility**

A tiered system based on the clients’ needs should be the starting point for the DWP. There is a need for services to have the flexibility to move across a tiered system to reflect local requirements and variations in support needs within a service; many homelessness accommodation projects have multiple levels of support need/intensities within the one project. This, coupled with regulating eligible charges, should provide the flexibility and cost management the DWP requires. The matrix

for identifying and grouping service types (Question 1) would form a part of the structure of such a tiered system.

Homeless Link is able to work with the DWP to develop a model which is flexible and limits potential abuse.

## **WIDER REFORM**

**Question 11. Is there a case for considering housing costs more fundamentally within a wider context by having the additional costs associated with supported housing taken out of Housing Benefit altogether and administered locally in the same way as *Personal Budgets*?**

- **Personal budgets may not always be appropriate for homeless service users**

Based on Homeless Link research, only 12.4% of homelessness accommodation projects have any clients eligible for and receiving community care packages. As such, few clients of homelessness services are currently eligible for personalised/individual budgets.

Personalisation as an approach to service delivery has been advocated in homelessness projects in recent years. Practical applications include service users choosing their keyworker, and decisions on how some parts of the budget will be spent made by group consensus or individual choice. Personal budgets have been used to great effect with some entrenched rough sleepers, but the client has received significant support throughout. Such approaches have been successful in terms of their impact both on clients and services.

Having high housing related support needs can be an indicator that personal budgets may not be appropriate, as financial management is often a life skill that needs particular support when people enter homelessness services. Further to this, personal budgets can lead to spot purchasing of support, which is not commensurate with providing a continuous professional service. For homeless people, the consequences of inappropriate personal budgets can be rent arrears, which lead to eviction and/or an inability to move on to independent living as arrears are one of the reasons housing applications are rejected. High rent arrears can also make services financial unstable. The use of personal budgets with homeless people requires appropriate targeting and individual support for service users.

Moving large numbers of people onto a personal budgets model that is administered locally shifts complexity from the DWP, but adds a huge amount to LAs. We would be concerned that LAs will not have the capacity to do this in the time frame available. This is another proposal that needs more time for greater consideration, along with other options.

## **SUPPORTED HOUSING OF REGISTERED PROVIDERS AND SOCIAL LANDLORDS**

**Question 13. Should the supported housing of registered providers be treated in the same way, for Housing Benefit purposes, as their mainstream housing?**

- **Supported housing is not comparable to mainstream social housing**
- **Rents set for mainstream social (or affordable) lettings would not cover the additional cost of supported housing**

The DWP believes most claims related to supported housing from RPs/RSLs are assessed in the same way as their mainstream social housing and thus removing exempt status from RPs/RSLs merely formalises what is already happening. We do not believe this to be the case. The reality is that most local authorities do assess HB claims from RP/RSL supported housing tenants in accordance with the exempt accommodation rules.

It is unclear if the government thinks supported housing provided by RPs/RSLs counts as exempt accommodation. The regulations suggest that it does. The cost drivers for RPs/RSLs are the same as those for the voluntary sector, and it would be unlikely that the rents set for mainstream social (or affordable) lettings would cover the additional cost of supported housing.

The exempt accommodation rules are necessary because the cost of developing, maintaining and managing supported accommodation is significantly higher than that for mainstream social or private housing. This is true whether the developer is a social landlord (RSL/RP) or a voluntary organisation. The former may have some capital grant but the availability of such grants is reducing and their size is shrinking. In any case, a 'one-off' capital grant has no enduring impact on the primary driver of additional revenue costs – the need for sufficient staff on the ground to sustain a safe and effective environment with adequate supervision.

The cost of supported housing is core rent plus service charges, the cost of social housing is core rent – we do not see how treating the supported housing of registered providers in the same way, for Housing Benefit purposes, as their mainstream housing can work. Treating these very different types of housing as the same will lead to:

- large numbers of rent officer referrals because charges in supported housing will be much higher than mainstream housing
- large shortfalls for providers in the funding of eligible parts of the service charge.

**Question 14. What do you think of the proposed categorisation of supported housing; is there a sound basis for treating these three types of supported housing differently? (registered providers, those who can be identified by their accommodation type and those with more intense, individual needs)**

- **These three categories are fundamentally flawed**
- **Short term does not equal low intensity**
- **Removing inconsistencies in exempt status will simplify the system**
- **Classification by provider is arbitrary, biased and adds to the complexity of the system**
- **LHA won't work for 'those who can be identified by their accommodation type'**

#### **These three categories are fundamentally flawed**

These classifications do not describe three 'types' of supported housing. They are neither discrete nor like-for-like. Any set of proposals based on these three categories would be fundamentally flawed.

The consultation divides supported accommodation into three broad groups. These groups are crude, and clients and services do not fit neatly into these categories – they are often straddling all three. The arrangements to help vulnerable people with their housing costs must have the flexibility to respond to a diversity of needs. As shown in Question 1, simple classification of service types does not reflect the needs of the clients nor the cost drivers. The cost drivers for RPs/RSLs and

voluntary sector organisations providing the same service are the same and thus to fund one and not the other is arbitrary and discriminatory.

### **Short term does not equal low intensity**

The assumptions made in the consultation paper about the relationship between the style of the accommodation and the level of support needed by service users is incorrect. As noted above, the exempt accommodation rule helps a wide range of people (homeless, rough sleepers, people with substance use and alcohol problems, people with mental health needs and learning disabilities, care leavers, ex-offenders, victims of domestic violence and many more). The differences within these groups are as great as those between them. The exempt accommodation rule has allowed services to be developed that are tailored to specific local and client needs.

### **Removing inconsistencies in exempt status will simplify the system**

There is inconsistency in eligibility for exempt status, and this may lead to some providers working around the classifications in order to gain this status. The inconsistency of eligibility arises predominantly around the 'Turnbull Judgment'. The Turnbull Judgment (2006) affects whether the accommodation is classed as exempt. Overturning the Turnbull Judgment would remove a great deal of inconsistency in the application of exempt status; if exempt status is based on the service and not the provider, coupled with regulation of service charges, there would be more investment in this type of housing and less potential for abuse by unscrupulous organisations.

### **Classification by provider is arbitrary, biased and adds to the complexity of the system**

These classifications create differences and discrepancies where there were none before. For example, of 40 direct access hostels contacted in a Homeless Link telephone survey, 22 own their own buildings. Out of the 18 that do not own their buildings, almost all (16 projects) act as the managing agent of the buildings.<sup>12</sup> It is likely that the differences in ownership / managing agent status, coupled with RSL or non-RSL status of the managing agent mean that, for example, across two very similar services one may be subject to LHA restrictions and the other have their full contractual rent paid.

[LHA proposal] would affect our ability to work with our existing client group and would seem to favour large landlords with economies of scale. The additional problem is that with further massive cuts to SP expected next year it is difficult to see how we could afford to provide enough staff cover to deliver a service. [Supported housing service provider]<sup>13</sup>

### **LHA won't work for 'those who can be identified by their accommodation type'**

Table 1 (above) shows that using the current LHA rates is not practicable; the SAR underfunds in the vast majority of services, and the one-bed rate is extraordinarily hit-and-miss, apparently randomly underfunding or overfunding. Using either the SAR or the 1 bed rates of LHA would either destroy services overnight or create a system that is highly inefficient and funds services in a way unrelated to the needs of clients. As shown in Question 2, a geographical link does not give the full picture as it is only one aspect that drives costs.

Members who responded to our survey indicated that they calculate a shortfall of 46% on average (range 25% - 66%) in relation to their costs and LHA.

We are maintaining services and back office staff through organisational reserves any further cuts would probably result in immediate back office and front line redundancies. [Service provider]<sup>14</sup>

The consultation also suggests a completely new LHA rate specific to supported housing. Given the extremely poor fit of the SAR and 1 bed rates we do not see how another rate will improve the situation as LHA is fundamentally tied to a geographic base, which is not in any way aligned with the costs of supported housing.

Again, this division of services by landlord type is arbitrary and does not take into account the multiplicity of arrangements that exist on the ground. It will create more difficulties and complexities than it solves.

### **Poor fit with other housing and welfare policies**

The proposal does not fit well with other policies on housing, for example affordable rents under the new HCA regime could be above LHA, overall benefit caps and the reduction of choice for HB claimants to the lowest 30<sup>th</sup> percentile of the local rental market.

The implementation of benefit caps will negatively impact those with the highest needs. Our members report that very high support services are expensive, and costs over £250 per week in total rent are not uncommon. These costs have been worked through with the local authority, measured against the cost of not providing these services and assessed on their success in the outcomes they achieve with their clients. They are cost effective, necessary and important services for people who have multiple and complex needs. As benefit caps do not take into account individual need or circumstances, the blanket application of this rule discriminates against people with high support needs.

### **Young vulnerable people are likely to lose the most**

In particular, young vulnerable people are likely to lose the most as a range of welfare benefit restrictions apply to them. If LHA and other caps are also applied in the context of supported housing the intensive services they require will be unachievable at this level of funding. In working with young people it is clear that the intense interventions they need are expensive (note the Lancashire high support project for young people highlighted in Question 2) but deliver enormous savings, to the client and the community, in saving such young people from becoming enmeshed in a lifetime of offending, substance use and welfare needs.

The cost of most services is dictated by the level of service offered to the client as well as a complexity of factors over which the provider has no control – how much the property cost, the level of investment required to bring into and keep in use, the level of private finance involved, and the levels of public investment.

**Question 15 Is the process of rent-officer referral sufficient to ensure that only ‘reasonable’ supported accommodation costs are met in the registered provider sector? Are there ways in which the rent referral process could be improved?**

- **Rent officer referral process is making homelessness services financially unviable**

The rent officer referral system is not working for homelessness services, leaving some projects in danger of closure whilst they await a decision. One of Homeless Link’s members reports that for one of their hostels, the HB office are currently paying LHA rate, with the service receiving £102 against costs of £179 per week. This is ongoing while they wait for the officer to make a decision.

At a supported housing project £115 was awarded against costs of £170 per week, the HB office feeling that the service charge was too high and not consistent with other housing costs in the local

area (a London borough with some of the most expensive real estate in the country). In both cases the organisation is currently paying the shortfall from their reserves because the costs remain despite the rent officer's opinion, but this is clearly unsustainable. The rent officer evaluation is further complicated in that only the service users can appeal a decision, which adds a further degree of difficulty for the organisation in addressing this with the LAs involved.

## **TRANSITIONAL ARRANGEMENTS**

### **Question 16. How do you think the new rules should be introduced?**

The deadline for the DWP to complete and implement any changes is less than 18 months, based on the planned introduction of UC. Without a firm proposal that has been modeled and impact assessed, a viable transitional model cannot be proposed. The complexity of the implementation of the exempt accommodation rule and of Supporting People serve as reminders as to the detail and time required to complete such a system change.

Several of our members have flagged up that a model which changes clients onto a new system as each new client moves into a service could create an unknown 'tipping point' where the two models do not align and the service becomes financially untenable.

## **PRIVATE LANDLORDS**

The consultation paper suggests that the existing system is unfair to private landlords (and their tenants) because they fall outside the scope of exempt accommodation rule. The real reason why private landlords are so inactive in this market is that there is little or no scope for private profit unless the system is abused. The proposals in the consultation document could open a window for abuse – by landlords housing people who receive the flat rate enhancement while receiving little or nothing in the way of a more suitable home, better housing management or regular supervision. One risk inherent in these proposals is a shift of resources away from people who need them towards people who don't. The pursuit of private profit is one of the mechanisms by which this could happen.

## **COSTS AND THEIR DEFINITIONS IN SUPPORTED HOUSING – HOMELESSNESS SERVICES**

For clarity we include this brief appendix on the make-up of costs in the supported housing of homelessness organisations. This information was provided by our members. There is not a significant different in the make-up of costs between RSLs/RP and voluntary sector organisations.

There are three main elements in the rent charges of supported housing:

- core rent
- eligible charges
- ineligible charges

All three together are 'contractual rent'.

Core rent is influenced by the target rents of the Homes and Communities Agency and policies such as affordable rent. Mortgage costs, rent set by owner of premises (usually an RSL), how much the property cost, the level of investment required to bring into use, the level of private finance involved, and the levels of public investment are among the factors that contribute to the level of core rent.

Service charges are all the elements that make supported housing different and more expensive than mainstream housing. These costs are generally out of the control of the provider, and include but are not limited to utilities, safety equipment (eg fire prevention and detection), staff to manage the building, maintenance, cleaning, replacement of fixtures and fittings

Eligible charges are those which have been scrutinised by the local authority and agreed as acceptable housing related support.

Ineligible charges are those costs not approved by the local authority and include expenses that are considered personal, such as food, personal cleaning, personal utilities and TV licence. These expenses are paid by the service user, generally a significant percentage of their welfare benefits.

**For further information or to meet with Homeless Link to discuss this response and its proposals please contact:**

**Kathleen Caper**  
**Policy Projects Co-ordinator**  
[kathleen.caper@homelesslink.org.uk](mailto:kathleen.caper@homelesslink.org.uk)  
**Tel: 020 7840 4481**

**Homeless Link, Gateway House, Milverton Street, London SE11 4AP**

**+44 (0) 20 7840 4430 | [info@homelesslink.org.uk](mailto:info@homelesslink.org.uk) | [www.homeless.org.uk](http://www.homeless.org.uk)**

Chief Executive: Jenny Edwards | Chair: Ann Skinner | Charity Registration No. 1089173 Company Registration No. 4313826

<sup>1</sup> Homeless Link Cuts Monitoring Research 2010 – 2011 at <http://homeless.org.uk/cuts-monitoring>

<sup>2</sup> Office for National Statistics, Headline RPI figures

<sup>3</sup> Office for National Statistics, Annual Survey of Hours and Earnings

<sup>4</sup> Homeless Link Cuts Monitoring Survey June 2011

<sup>5</sup> DWP *'Exempt' and supported accommodation* Department for Work and Pensions Research Report 714, 2010. p.24, 32, 74 (available at <http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep714.pdf>)

<sup>6</sup> Ibid. p.37

<sup>7</sup> Supported Housing rents provided by Homeless Link members in September 2011, LHA figures from Directgov - <https://lha-direct.voa.gov.uk/search.aspx>

<sup>8</sup> Homeless Link Supported Housing Survey for members September 2011

<sup>9</sup> Homeless Link internal research June 2010

<sup>10</sup> Homeless Link Supported Housing Survey for members September 2011

<sup>11</sup> Homeless Link analysis of Supporting People figures by region

<sup>12</sup> Homeless Link Survey of Needs and Provision 2008 see <http://www.homeless.org.uk/snap>

<sup>13</sup> Homeless Link Supported Housing Survey for members September 2011

<sup>14</sup> Homeless Link Cuts Monitoring Survey June 2011