

BRIEFING: HOUSING BENEFIT REFORM – SUPPORTED HOUSING

A briefing on the proposals in the government’s consultation to change the way housing benefit assists with rent for people living in supported housing within the social and voluntary sector (i.e. changes to Exempt Accommodation).

THE CURRENT SITUATION

The majority of accommodation based services for homeless people where housing benefit (HB) is used to pay for rent and other housing related services are classified as ‘Exempt Accommodation’. As such, the Housing Benefit Regulations that limit rents to defined local levels do not apply to these services. Accommodation for vulnerable people costs more, and the exempt accommodation status reflects this.

WHY THE DEPARTMENT FOR WORK AND PENSIONS WANTS TO CHANGE EXEMPT ACCOMMODATION

In the fifteen years since housing benefit regulations introduced ‘exempt accommodation status’ the system of setting rent limits to providers has become extraordinarily complex. In the first instance the Department for Work and Pensions (DWP) is seeking to massively simplify this system. It is worth keeping in mind that exempt accommodation includes a very wide range of providers and client types, from services that have move-on as an aim, to those that care for people over a lifetime.

The impetus to simplify arises particularly from the current welfare reform processes and the implementation of Universal Credit (UC) in 2013. Under UC there will be a single payment made to claimants, which will include their housing benefit. Any changes made to the way supported accommodation is funded will therefore need to be compatible with UC.

THE CONSULTATION PROPOSALS

In principle the consultation supports the idea that help with the higher costs of providing supported housing should remain within HB. Two models are suggested:

1. Fully centralised payment, whereby the HB component is included in UC, as well the additional costs for supported accommodation which are based on a flat rate, with potential for some regional variation.
2. The HB component is paid as a part of UC but the additional costs for supported accommodation are separated out and administered at a local level.

The consultation document does not set out concrete proposals for what a reformed model will be, but rather a range of areas they want to look at and what the approximate end goal needs to be. The DWP states that they are looking for a “cost neutral” solution, which means they intend to maintain funding levels, but also need a system that will not be expensive to implement.

The consultation divides supported accommodation into two broad groups. The first group is identified by housing type and which they are calling “conventional supported housing”. This includes homelessness hostels, Foyers, refuges and sheltered accommodation. For all, except

sheltered accommodation, there is the expectation that service users will move on. Sheltered accommodation is included in this group because of similar and consistent costs.

The second group are defined by the individual's needs. They represent a much smaller group of clients, but with highly complex support and housing issues. This group would include people with severe disability who require lifelong support.

We have had an initial conversation with the DWP about the consultation, and we asked about which proposals applied to which groups. We were advised that this is to be determined as part of the consultation process. Please note the references made to personalised budgets are applicable to the second category defined in the document ('People with more specific needs') rather than the first category – 'conventional supported housing'.

There is a strong proposal to link rent levels to Local Housing Allowance (LHA) but no clarity as yet on which rate specifically (e.g. Shared Accommodation Rate levels or one bed level, or a new rate altogether):

We propose that this supported accommodation [conventional supported housing] should have Housing Benefit based on the Local Housing Allowance with an addition that recognises the higher housing costs appropriate to this sort of accommodation. Help would be given with the full eligible rent up to the total amount of the appropriate Local Housing Allowance rate plus the addition.¹

We have also asked the DWP about the LHA link and there is awareness that in determining the LHA rate, supported accommodation should be compared with appropriate alternative accommodation, that is, other supported accommodation. The DWP acknowledged that the model used by Local Authorities to *restrict* rent payments to a "reasonable level" does not work for supported housing, as low supply can mean there is no appropriate alternative to measure against; thus the Broad Rental Market Area calculations could not apply or would need a different model for this purpose. The DWP suggests that there may need to be more than one rate for different types of accommodation.

In terms of the 'addition' to LHA the DWP does not yet know how this will be calculated. There is mention of working with providers to base the addition on extra costs, but that doing so may be more complex than the system will be able to support.

The consultation also seeks to identify exactly who and what constitutes 'supported accommodation' and precisely what is an acceptable additional cost. They aim to provide "a reasonable amount towards certain additional costs" – costs or activities outside of this as yet to be decided definition would have to be met elsewhere.

The DWP wants to understand why there has been a trend of rising service charges, yet steady rents. One option they are considering is the regulation of service charges, as opposed to the current system, which provides only guidance.

OUR VIEWS

- Whilst pleased that the consultation recognises the additional costs of providing supported housing and intends to continue with this, we are worried that another source of funding for essential services for homeless people could be undermined at a time when many projects are facing cuts across the board.
- The potential redefinition of what constitutes supported housing, and the introduction of caps and flat rates for additional costs, could lead to one-size-fits all services that are unable to help homeless people with the most complex problems.

- The paper also proposes further opening up of supported accommodation to the private sector. Where private landlords are currently excluded from exempt status, they are still able to be the landlord and contract in a not for profit service to deliver support. The consultation proposes they the private sector should also be able to provide the support service. We have concerns that if the private sector is allowed to be both landlord and service provider that quality will be drastically affected – the voluntary sector has worked hard to create and adhere to quality standards in terms of both service provision and properties.
- The money currently spent on exempt accommodation must be ringfenced – or there is significant risk that the funding will be too widely dispersed to be effective, especially in local authorities that have had large cuts to their formula grant. Should the government decide to give the funding for additional costs to local authorities then a ringfence is crucial.
- In the document there is consideration to what would happen if certain additional funding was withdrawn should it be found that there are additional costs in HB payments that are not directly related to housing. There is not a direct consultation question on this issue.
- The removal of the ringfence on Supporting People funding has already put a great deal of pressure on services to deliver quality provision that does more than just house vulnerable people. We are concerned that should this fund not be ringfenced then there may be motivation locally to push costs down.
- The proposal is aiming to be ‘cost neutral’– but does not mean that the potential reallocation of funds within the supported housing sector won’t lead to reduced funding for homelessness services.
- We are yet to understand what the linking of rental limits to LHA will mean in terms of the cap at the 30th percentile of local rental rates.
- At this time, Homeless Link is inclined towards a centralised system with a specific LHA rate for supported accommodation. Hostels are neither shared accommodation nor are they self-contained, and thus should not be linked to Shared Accommodation or One Bedroom Rates – these are not ‘appropriate alternatives’.
- We do not support the concept of local administration of funds for additional costs because we are concerned that local authorities already pressure will struggle to administer this, and more importantly that should be the fund not be ringfenced, it could be used for other needs.
- We know that there are a wide range of factors affecting rent levels: projects that own their buildings; those that rent at a peppercorn rate; others that reflect RSL partner charges; structure of the staff team; and how Supporting People eligible costs were interpreted when that funding stream commenced. Any kind of simplification to meet the aims of UC will be challenging. However, this is an opportunity to influence the new system and to ensure that what is developed works for the homelessness sector. In addition to highlighting concerns we are also very keen to identify positive alternative approaches and solutions.
- We intend to provide a viable model to the DWP that meets the needs of services and their clients, and also meets their aims of simplification of the system.

Do you agree with our viewpoint? Are we taking the right stance? What concerns do you have?

OUR QUESTIONS FOR SERVICE PROVIDERS:

1. We know that there are a wide range of factors affecting your rent levels. Before we can suggest any simplification to the DWP we need to show them the many different rates and charges that are in use across the country.
 - a) We want to understand the multiple elements of your rental charges and the different elements that various local authorities have defined as eligible or ineligible: Please provide any details you can about your rental breakdown (including eligible and ineligible charges).

- b) We want to understand the complexity of your individual situation, and across the sector as a whole:
What are your landlord / rental obligations or situation? Eg, do you own the property, rent the premises, pay peppercorn rent, etc.

This information will be treated confidentially.

2. There is a strong proposal to link rent levels to Local Housing Allowance (LHA) but no clarity as yet on which rate specifically (e.g. Shared Accommodation Rate levels or one bed level, or a new rate altogether):

- a) How far would current LHA rates in your area cover your rent?
- b) What impact would a move to shared accommodation rate LHA as a rental figure have on the financial stability of your services?
- c) Should supported accommodation have its own LHA rate? What would this look like?

3. The DWP is trying to understand exactly what supported accommodation is and what types of services can be grouped together.

What types of housing does your organisation provide and what makes this different or similar to other types of supported accommodation?

4. Based on your responses we aim to provide the DWP with a viable solution to their consultation that is compatible with supporting your clients.

What model of housing benefit would you suggest to the DWP that will simplify the current system and allow you to continue to provide a quality service?

Please include the benefits of your suggestion

(e.g. a specialised LHA rate plus a percentage for additional costs?; differing rates based on geographical variations?)

5. The DWP would like to simplify and standardise the system for determining the additional costs that apply to supported accommodation.

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.

CONTRIBUTING YOUR VIEWS

As we develop our response to the consultation Homeless Link will be working with members to fully understand the potential impact of changes to exempt accommodation on their clients and organisations. Understanding the depth and breadth of rents charged by a wide range of providers, what drives these charges and how it meets the needs of their clients is a key aim.

We want to hear from you about your concerns, any case studies you can provide, as well as suggested ways forward so that we can develop a strong evidence base for the DWP to help inform them of what will and will not work for homeless people.

Two ways to give us your thoughts:

Please complete our online survey http://www.surveymonkey.com/s/HL_Exempt_Acc

or

Please contact Kathleen Caper, Policy Projects Coordinator: kathleen.caper@homelesslink.co.uk
020 7840 4481

DEADLINES

We will continue to update members on this work ahead of the submission date.

Please send us your contribution to be included in our response:

Homeless Link Deadline: 20 September 2011

The DWP consultation documents can be found here:

<http://www.dwp.gov.uk/consultations/2011/supported-housing.shtml>

DWP Deadline: 9 October 2011

**Homeless Link
July 2011**

¹ Department for Work and Pensions 'Housing Benefit Reform – Supported Housing' July 2011 <http://www.dwp.gov.uk/docs/consult-supported-housing.pdf>