

HOMELESS LINK

February 2012



RESPONSE TO SHELTERED ACCOMMODATION – QUICK SURVEY IN DWP HB/CTB G1-2012

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, whose views and evidence were sought through our National Advisory Council, Homeless Link's social media activities, and a direct e-mailing to all member organisations. Our comments and examples refer to the types of services our members provide to clients, largely accommodation based services for homeless people.

Whilst we understand the intent of the DWP is to clarify the legislation with regard to eligible charges and definitions of housing types in Housing Benefit, we have significant concerns about the potentially wide-ranging impacts and unintended consequences of changing the legislation too quickly and in a piecemeal manner. This is a substantive change to the legislation and we would urge the Social Security Advisory Committee to refer this to a full formal consultative process.

Although the DWP has advised that hostels would not be affected by this proposed change in legislation, we do not agree that the current definition of a hostel would provide immunity or exemption, particularly as the point in the legislation relates to the definition (or lack thereof) of sheltered accommodation, and it is this definition which determines whether service charges for utilities and housekeeping of rooms of common use are eligible rent. To remove the eligibility of these service charges would adversely impact a wide range of clients and types of supported housing.

It is important to note that the vast majority of bedspaces in homelessness services in England are not in hostel provision, but in supported housing. There are 32,200 bedspaces in supported housing (often called 'second stage accommodation') and 9200 bedspaces in hostel accommodation.¹

The shared accommodation that is provided by our members is, in this respect, not akin to shared accommodation for the general population. It is a different type of housing, and we do not think it inappropriate to have one rule for eligible service charges that applies to "any form of shared housing". Some of the key differences are that residents in our members' services are

¹ Information derived from data held on Homeless UK – Homeless Link's directory of advice and support services. See <http://www.homelessuk.org>

there to receive support and assistance, they do not choose the property (and thus the costs associated with the communal spaces) and they do not choose the other residents who share the property. These properties have more in common with sheltered accommodation than a shared house in unsupported general housing. This is reflected in local authorities' assessment of housing benefit claims for these kinds of properties. We would ask for consistency of treatment in eligible service charge rules between analogous housing types, rather than conflating all forms of shared housing into one rule.

Living expenses incurred here are not something that can be controlled or chosen by the resident. For example, the resident does not have a choice over the other people living in the property and is unable to influence how they use utilities in common rooms.

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 and closure of homelessness services. Homeless Link is very concerned that there is simply no further capacity within homelessness services absorb any further cuts to cost coverage and continue to provide services at current levels.

KEY ASKS:

- That a full formal consultation is undertaken by the DWP before any decision is taken or change is made to the legislation
- That there is a thorough impact assessment of any proposed new legislation prior to implementation
- That legislation supports local practice – local authorities treat much supported housing as sheltered accommodation for housing benefit purposes, thus the definition should be broadened to reflect this

MEMBER EXPERIENCE

Our members' experience of the application of eligible service charge rules to date

Our members indicate that local authorities treat hostels as sheltered accommodation for the purposes of housing benefit and accept as eligible service charges the cost of utilities and housekeeping of rooms of common use ('communal space'). This has been common practice since the introduction of the exempt accommodation rule in 1996. The proposed change in legislation is then at variance with understood local practice. In practice, the term 'hostel' means much more than the current though perhaps outdated definition in the legislation, particularly given the recent investment in supported housing through the Places of Change and Homelessness Change Programmes. In assessing housing benefit claims local authorities have used more contemporary understanding of hostels and the supportive role they play in assisting individuals in their recovery from homelessness.

Our members tell us that their housing benefit charges are scrutinised and agreed by their local authorities and the eligibility of heating, lighting and cleaning of communal space is legal and fulfills key aspects of regulations, in that:

"Some service charges may be included as part of your eligible rent if:

- you have to pay them to occupy your home
- and the council accepts that the service charges are not excessive

- and they are related to the provision of adequate accommodation.”²

As a result of 15 years of local authorities treating much supported housing as sheltered accommodation with regard to the assessment of eligible service charges, providers understandably include this in their fiscal planning. This practice is further supported and reviewed by the ongoing scrutiny of housing benefit claims local authority scrutiny and agreed as acceptable.

KEY CONCERNS RAISED BY THE “QUICK SURVEY” IN DWP G1-2012

There are two points in the Bulletin which suggest that a very wide range of supported housing, including hostels, will be affected by this change:

- Paragraph 6 “... we plan to amend the legislation *to clarify what is meant by sheltered accommodation* when looking at helping with the heating, lighting and cleaning of the rooms of common use.” [emphasis added]
- Paragraph 8 “The planned legislative change will mean that a dwelling with *exclusive use of a bedroom only cannot be sheltered accommodation*, in this context.” [emphasis added]³

This would indicate that it is intended that the change in legislation will significantly narrow what is an eligible service charge in supported accommodation. The outcome for the DWP would be a cost saving in the short term, but in the long term costs would increase across DWP and other ministerial budgets as support services are unable to meet need and people thus access more acute and expensive services. Removing the funding or not getting the change right will not remove the cost, but it could remove the provision outright.

In autumn 2011 the DWP undertook a consultation on exempt accommodation in which one aspect was eligible service charges. The DWP was at the time unable to provide a model for service charges under universal credit. In our response we stated that this was an extremely complex area and it would be disastrous for vulnerable clients if eligible service charges were not given proper attention.

At the time we said that we were deeply concerned that eligible service charges were not being given sufficient thought. It requires a comprehensive consultation in its own right and could not be just a small part of the current consultative process. We hope that the current survey is not a replacement for the more formal process a change of this size necessitates.

Contradictory government policy

We understand that the DWP position is that in “traditional” sheltered accommodation communal space is an external common room for activities, but in supported housing the shared rooms take the place of the claimant’s own living room, and therefore costs associated with it must be considered living expenses and be met by the claimant from their own resources.

We do not feel this is a position which reflects current use of supported housing or which is in the spirit of the legislation. Since 2005 when the Hostels Capital Investment Programme (then Places of Change Programme, now Homelessness Change Programme) was initiated by the

² <http://www.dwp.gov.uk/publications/specialist-guides/technical-guidance/rr2-a-guide-to-housing-benefit/what-you-can-claim-for/>

³ DWP Housing Benefit and Council Tax Benefit General Information Bulletin (HB/CTB G1/2012) “5 January 2012

Office of the Deputy Prime Minister (then through the Department for Communities and Local Government) there has been an emphasis on development of communal space in hostels. This space is often multi-use, being partly for ordinary living room type use by residents, as well as for activities for residents (meaningful recreational and ETE support), for staff development and in a number of services it is also available as community space. It is rarely wholly dedicated to being the claimant's "own living room".

The legislation needs to be based on contemporary, not traditional, uses of space in services, and reflect the developments and changes that have occurred in the sector since 1996.

IMPACT ON SERVICES OF THE PROPOSED CHANGE IN LEGISLATION

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 2011/2012.⁴ 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 2011.⁵ 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 2010.⁶ 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.

On average moving communal charges to personal charges will double residents weekly charges to around £25. This is a very large amount out of someone's benefits, and is likely to lead to significant increase in arrears for providers, and the inevitable increase in evictions. Homeless Link Member

Small changes in eligible charges have huge impacts

As our members have informed us, apparently small changes in what is funded as an eligible charge will make enormous differences to the type of service that is available. The financial viability of services will be seriously impaired and we cannot envisage that the contraction of bedspaces will not be accelerated. These costs cannot be met from other budgets, if they could then they would be already.

Some savings may be achieved 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. Furthermore, it will significantly reduce a homeless person's ability to comply with conditions and sanctions placed on them by Job CentrePlus and their ability to enter employment.

⁴ Homeless Link Cuts Monitoring Research 2010 – 2011 at <http://homeless.org.uk/cuts-monitoring>

⁵ Office for National Statistics, Headline RPI figures

⁶ Office for National Statistics, Annual Survey of Hours and Earnings

As a small to medium sized charity operating in a very challenging financial climate when the call for our services is increasing, such a cut to our revenue would be unsustainable and render most services unviable. Homeless Link Member

Service users cannot contribute more from their own pocket

It would be dangerous to assume that the costs of reducing the costs defined as eligible 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.⁷ Again we predict that this will have an impact on anti-social behaviour, acquisitive survival crime and use of emergency health services by those individuals as they fall out from support services.

The impact would be that it would be unlikely that the vast majority of clients would be able to afford to live in our units. Homeless Link Member

Detailed examples from members on the impact the removal of utilities and housekeeping costs for areas of common use from eligible service charges:

Example 1:

A direct access hostel in Yorkshire & Humber has 54 units for clients. The current personal service charge for residents is £18.28 per week.

- If the cost of cleaning, heating and lighting of communal spaces were no longer deemed eligible for housing benefit the personal service charge would increase to £40.64, a 122% increase.
- Current personal service charges account for 27% of a resident's income (based on JSA of £67.50 per week), if increased to £40.64 this would be 60% of income.
- If the provider were to 'absorb' this cost it would be an increase in costs of £1207 per week / £62,787 per year, or the equivalent of 3 full time frontline staff posts.
- Decreased staffing means that the service can only accommodate clients with lower support needs.

Example 2

A provider of support services for homeless young people has just over 400 accommodation units in London. The current average personal service charge for residents is just over £10.00 per week.

- If the cost of cleaning, heating and lighting of communal spaces were no longer deemed eligible for housing benefit the personal service charge would increase by £16.96, to £27.96, an increase of 170%.
- Current personal service charges account for 19% of a resident's income (based on young person's JSA of £53.45 per week), if increased to £27.96 this would be 52% of their income.
- The provider would be unable to 'absorb' the cost due to the scale of potential loss, minus £7087 per week, or nearly £370,000 per year
- Potential impacts include staff redundancies, closure of services, reduced client numbers and reduced complexity of support needs that can be met.

⁷ <http://www.homeless.org.uk/connect/articles/staying-in>

Example 3

A provider of accommodation based support in the North East has just over 300 accommodation units, the majority in shared houses and a smaller number as hostel units. The current personal service charge for residents is currently approximately £35.00 per week for full board and £10.00 per week in self-catered units.

If the cost of cleaning, heating and lighting of communal were no longer deemed eligible for housing benefit the personal service charge would increase by 26% at full board properties rise by about (or 26%) and by 27% in self-catering properties.

Example 4

A national provider of support services for homeless people has just over 100 units of hostel accommodation. The current average personal service charge for residents is £14.08 per week.

If the cost of cleaning, heating and lighting of communal spaces were no longer deemed eligible for housing benefit the personal service charge would increase by just over 20%.

Example 5

Vulnerable people who are living in our schemes, already struggle to manage financially on a low income. They already pay £13.93 a week ineligible service charge from their own pocket. Adding the £7.73 would mean a total of £21.66. Therefore this higher amount would mean that they are paying a high percentage of their income for living costs, before food:

- 32% of their income (over 25) or
- 40.5% of their income (25 or under).

CONCLUSION

A change of this magnitude requires a full formal consultation prior to any decision or change to the legislation. As the proposed change would affect many people living in a range of different types of supported accommodation there is a need for a thorough impact assessment.

Local authorities and providers have negotiated their way through the legislation since 1996 and the result has been that in practice local authorities treat supported housing as sheltered accommodation for the purpose of determining eligible service charges for rooms of common use. Any change in the legislation should support this practice.

Homeless Link supports a review of eligible charges, but only with a detailed consultative process. We are willing to work in collaboration with the sector to propose appropriate regulations and changes to legislation.

Homeless Link February 2012

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