

Capping of social housing rents and the impact on supported housing

Background briefing

On 25th November 2015 the Autumn Statement announced plans to cap Housing Benefit to the Local Housing Allowance (LHA) rate in the social sector. This would mean supported housing - which provides accommodation and support to vulnerable people - would only be able to receive rental income at the LHA rate.

Projections show this would threaten the viability of the majority of supported accommodation in England. This briefing is designed to give background to this issue and explain why this proposal would have such a significant impact. It covers:

1. What is supported housing?
2. Who lives in supported housing?
3. Why it is important?
4. The cost and funding of supported housing
5. Summary of the proposed changes
6. Evidence of impact
7. Is there a way to offset this shortfall?
8. What now?

1. What is supported housing?

Supported housing is an umbrella term which is applied to a whole range of housing based solutions for vulnerable people. According to [Sitra](#), “*supported housing can be described as any housing scheme where housing, support and sometimes care services are provided in an integrated package.*”¹ It encompasses a variety of schemes designed to provide housing and support to help vulnerable people. Some schemes are long-term for people who need support to live independently, others are short-term, designed to help people acquire the emotional and practical skills needed to move-on into more mainstream housing.

It encompasses a range of accommodation types, such as hostels for people experiencing homelessness, refuges for people fleeing domestic violence, housing for older people (sheltered or extra care housing), foyers for young people or accommodation for people with learning disabilities. Typically, support is provided alongside accommodation and will depend on an individual’s needs. It can include helping people deal with emotional issues: and support with health needs, including mental health and drug and alcohol issues; help with getting benefits; developing independent living skills and budgeting skills; and, assistance in taking up education, training and employment opportunities.

Sitra has identified the following aims that encapsulate the purpose of supported housing:

- The support enables service users to live as independently as possible in the community
- Service users are empowered to be socially included
- Support varies and relates to the nature of accommodation
- It is a finite and increasingly limited resource only available to those who are vulnerable.²

Supported housing may take the form of small residential units or larger properties. Some models are based around self-contained properties within a larger unit, or a communal setting with shared facilities.

Supported housing may be provided by housing associations, local authorities, voluntary sector providers or other forms of not-for-profit organisations but also private sector organisations.

Supported housing is distinct from general needs social housing because:

- There are higher staff levels due to support and care services being provided in addition to housing management.
- It is commonly arranged through partnerships between different organisations, including statutory sector bodies and voluntary sector organisations.
- It usually requires higher levels of funding that may be provided to statutory bodies, grant giving trusts, corporate giving, etc.

¹ www.sitra.org

² www.sitra.org

2. Who lives in supported housing?

Supported housing provides services for a wide range of groups with diverse needs who require different levels of support in a range of accommodation models. Often people in supported housing have complex multiple needs, for example individuals who are homeless with mental health and substance use issues. The groups of people who may require supported housing services include the following:

- people experiencing homelessness
- people experiencing substance use or who are in recovery from drug and alcohol use
- people with learning disabilities
- people with physical or sensory disability
- people experiencing mental health problems
- older people with support needs
- ex-offenders
- young people at risk
- women at risk of domestic violence.

Supported housing and the services which are provided to residents are critical to improve the lives of the most vulnerable people in our communities. Not only this, but supported housing brings a range of savings to other areas of public spending, particularly the NHS, social care, and the criminal justice system.

Supported housing meets the needs of a variety of vulnerable groups and examples include:

- working with homeless individuals with complex and multiple needs to help them make the transition from life on the street to a settled home, education training and/or employment
- helping older people to maintain their independence and active life in the community, reducing isolation and loneliness
- providing specialist accommodation and support to help people with mental health needs stabilise their lives, recover, maintain a tenancy and live more independently
- providing emergency refuge and support for victims of domestic violence to help them stabilise their life and engage with other services helping young parents to build stable lives and quality parenting skills
- supporting people with learning disabilities in the longer term to maximise their independence and exercise choice and control over their lives.

Examples of supported housing

Crisis houses can provide intensive short-term support if people are experiencing a mental health crisis. They are an alternative to hospital and usually provide accommodation for a certain amount of time for people with specific needs. They often run day services that give residents a chance to speak with other residents and staff.

Short-stay hostels for people experiencing homelessness: this may be temporary accommodation for people who have been sleeping on the streets. This may provide short term accommodation with intensive support from a range of specialist staff until a more

suitable permanent option can be found. Residents have their own room and sometimes share other facilities, with staff onsite 24/7.

Sheltered housing for people with learning disabilities typically would provide accommodation alongside communal facilities to support people to live as independently as possible. People may live in their own block or a group of flats, which are serviced by a warden and sometimes have additional support staff onsite depending on the intensity of support required by residents.

3. Why is it important?

Supported housing achieves a whole range of positive outcomes for vulnerable individuals and contributes to safer, stronger communities. It improves vulnerable people's health and independence and helps ease the pressure on other mainstream services including the NHS, social care and criminal justice services. As identified by a Housing LIN briefing:

What makes supported housing valuable is that it drops into the gaps between other services and makes them work for vulnerable people. There are many success stories; people who would otherwise have 'fallen through the net' have instead had good outcomes that have helped them stay independent.

Outcomes achieved by individuals who had been in short-term supported housing projects funded by Supporting People included:

- 85% of people established contact with external services
- 80% better managed their physical health
- 72% maintained their accommodation and avoided eviction
- 61% accessed their desired training or education needs.³

Investment in housing-related support delivers significant economic benefits for the public purse. Supported housing projects deliver these cost savings through:

- Preventative services that intervene early to avoid service users accessing costlier acute services later on.
- Individually tailored packages of support that co-ordinate interventions across traditional service boundaries to more effectively and efficiently meet individuals' needs.
- Reducing admissions to acute services and enabling quicker discharge from institutional or acute care. Housing with support generally costs less than institutional care. Support can be reduced over time for individuals who can make gains in skill for independent living.

Without supported housing services to support the most vulnerable there would be significant costs for the individuals who need support, for wider society and the public purse. Supported housing for vulnerable people offers significant economic benefits.

- The most comprehensive evaluation of housing-related support services estimated that £1.6 billion investment generated net savings of £3.4 billion to public spending. This

³ St Andrew's University, Supporting People Outcomes Annual Report 2009/10.

includes avoiding £315.2 million health costs, £413.6 million costs of crime and criminal justice and £96 million costs of homelessness.⁴

- According to the National Housing Federation investing in supported housing delivers a net saving to taxpayers – estimated at around £640m a year across all client groups.⁵
- For every £1 spent on providing support for vulnerable people nearly £2 is saved in reduced costs of health services, tenancy failures, crime and residential care.
- Having stable accommodation reduces the risk of re-offending by a fifth.
- Providing supported housing to homeless people with psychiatric and substance use issues considerably reduced their use of costly hospital emergency department and in-patient services, reducing visits to emergency departments by 56%.

But to achieve these savings and benefits, there needs to be a viable and sustainable stock of supported housing into the future. Research published by the National Housing Federation found that in 2015/16 there is a shortfall of 15,600 available places in supported housing for people of working age, representing over 14% of existing supply. In four years this is expected to grow to a shortfall of almost 30,000 available spaces.⁶ The research concludes that the availability of supported housing is failing to keep up with existing and future demand.

4. The cost and funding of supported housing

Broadly speaking, the resourcing of supported housing covers two areas:

- rents and the running of the property (Core Rent and eligible service charges, such as housing management)
- support costs, for example onsite staff support, key workers, activities to support people on a day to day basis.

Over the last 20 years or so various methods have been used to fund supported housing. The current arrangement is rents and running costs being met through Housing Benefit whilst support is funded separately. Between 2003-2009 support costs were funded via a ring-fenced Government grant to local authorities called Supporting People. Since the ring-fence for Supporting People funding was removed in 2009, funding for housing-related support has significantly reduced, with the National Audit Office estimating that it has reduced by 45% between 2010-14. This means that supported housing has lost a significant amount of investment over this period. As the National Housing Federation found “*this lack of revenue funding is putting the very existence of supported housing at risk*”.⁷

Currently the rents and day-to-day running of supported housing, are set in agreement with the Homes and Community Agency and/or local authorities. Rents in supported housing tend to be at a higher level than other rental accommodation (either social rented or private rented) as there are additional costs involved in running these services and in ensuring the vulnerable tenants are safe and secure.

⁴ Capgemini, *Research into the Financial Benefits of the Supporting People Programme*, CLG, 2009.

⁵ Supported Housing: Understanding Need and Supply, National Housing Federation, 2015

⁶ Ibid

⁷ Ibid, p.7

Examples of these costs include:

- Providing 24 hour housing staffing and management
- Providing extra CCTV and security services
- Organising more frequent repairs or refurbishment due to the higher turnover of tenants. Projects such as refuges or hostels are often set up to provide emergency accommodation.
- Complexity of residents' needs can cause additional costs due to damage, maintenance, need for additional concierge services, etc.

In recognition of these higher costs, supported housing is able to secure Housing Benefit rates at a higher level than for other social and/or private rented properties in the same area. This is because supported housing sits in a particular category of Housing Benefit known as "Specified Accommodation". Rents in this accommodation are not currently capped by Local Housing Allowance. However, this specified status is only available in not-for-profit accommodation where housing care, support or supervision rents are provided. Furthermore, rent levels for each accommodation service do have to be agreed with the Homes and Communities Agency and/or local authority Housing Benefit teams to ensure they reflect genuine core rent and housing management costs.

There has been a recurring discussion about how supported housing is best funded and, according to a briefing published by the Housing LIN:

*"There is some logic in revenue funding coming from the same source as housing money because supported housing is dependent on both capital and revenue streams and will not work without both being in place. There is an equally good argument that the part of government that benefits from effective supported housing should support the services, for example, health and social care."*⁸

As identified by the National Housing Federation:

*"Any changes to the revenue stream for supported housing can have a significant impact on the viability of existing and future schemes because the cost of providing supported housing is higher, and because operating margins for these schemes are already slim."*⁹

5. Summary of the proposed changes

As part of the Spending Review announcement on 25th November 2015, the Government outlined plans to restrict social housing rates of Housing Benefit to Local Housing Allowance levels.

‘[1.125 The government will] cap the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance, which is the rate paid to private renters on Housing Benefit. This will include the Shared Accommodation Rate for single claimants under 35 who do not have dependent children. This reform will mean that Housing Benefit will no longer fully subsidise families to live in social houses that many working families cannot afford, and will better align the rules in the private and social rented sectors. It will also ensure that Housing Benefit costs are better controlled and will help

⁸ What is the future of supported housing, Housing LIN, Viewpoint 51, 2013 www.housinglin.org.uk

⁹ Supported Housing: Understanding need and supply, Housing Federation, 2015, p.2.

*prevent social landlords from charging inflated rent for their properties. This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards*¹⁰.

This change would see rental income for supported accommodation limited to Local Housing Allowance (LHA) rates,¹¹ which would leave a significant shortfall for many services.

The way LHA is calculated has changed in recent years. It was previously calculated at the basis of median rents in an area. This was reduced to the 30th percentile in 2011. Furthermore, prior to April 2013 the annual uprating of LHA was linked to the Retail Price Index. In 2013 this reduced to the Consumer Price Index and then from April 2014 uprating was capped at 1% per annum. The Government has confirmed that for the next four years LHA will be frozen regardless of rental inflation. This means rates of LHA have decreased markedly in real terms and have increasingly diverged from actual cost of renting in the private sector. This is particularly the case for Shared Accommodation Rate (the rate for those aged under 35).¹²

To put LHA rates in context, the average national rent in a homeless hostel is around £180 per week. The LHA rates in Birmingham, one of the biggest cities with a high rate of homelessness, demonstrate how distant LHA is from this figure:

| | Room (in shared house) | 1 Bed |
|------------|---------------------------------------|--------------|
| Birmingham | £57.34 | £98.87 |

At the moment, because of lack of detail on the proposal, it is not clear whether residents of a homeless hostel or other forms of supported housing would receive the LHA rate for a one-bedroom flat or the SAR level for a room in a shared house.

The initial feedback we have received shows few, if any, homeless hostels working with people who have slept rough could survive on housing benefit payments set at either the LHA or SAR level. Nor could other supported housing services that provide accommodation to victims of domestic violence, young vulnerable people, those with complex needs, ex-offenders, recovering addicts or those with learning disabilities, to name just a few of the issues that people need support with.

¹⁰ HM Treasury Spending Review and Autumn Statement 2015
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU186_5_Web_Accessible.pdf

¹¹ Local Housing Allowance is housing benefit for people who rent a home from a private landlord and the Government is proposing to apply this rate of Housing Benefit to the social rented sector including supported housing.

¹² Shared Accommodation Rate – this is the level of Housing Benefit that applies to single people in the private rented sector who are aged under 35 years old. With the Shared Accommodation rate the maximum Housing Benefit you can get is the rate for renting a room in a shared housing.

6. Evidence of Impact

The shortfall is projected to be significant because rents in these accommodation types do not mirror Broad Market Rental Area rates (the mechanism by which LHA rates are set). Rent levels are already set to very tight margins and subject to agreement with the Homes and Community Agency and/or local authorities, while many of the costs they have to cover are fixed or rising.

As the membership body for the homelessness sector, Homeless Link is gathering evidence to understand exactly what this shortfall would be. We have gathered some initial evidence and here are three examples:

- Organisation A has modelled the impact on the 26 supported housing services they run which provide 550 beds to homeless people. If the change is implemented 25 of these services will fall into deficit in year one. The amounts will vary between £4,000 and £400,000. The total deficit versus current income in year one will be £3 million per year.
- Organisation B has estimated this would lead to a reduction of just under 65% of housing benefit payments which would mean them closing up to 20 supported accommodation buildings including support for people who are homeless and for those recovering from substance addiction. They currently accommodate 1,400 clients per year.
- Organisation C, a Housing Association which has a supported housing arm accommodating 3,500 people on Housing Benefit estimates that the shortfall per bed-space against previous income will be over £50 per week (so at least £175,000 per week)

It is worth remembering the scale of this impact. There are currently around 36,500 bed-spaces in hostels and supported housing accommodating around 100,000 single homeless people per year. The recorded support needs of residents of this accommodation include:

- 8% have a learning disability
- 13% have physical health problems
- 19% have recently slept rough
- 22% have a history of offending
- 23% have alcohol problems
- 30% have drug problems
- 32% have mental health problems.

Over half of people in homelessness residential services are under-35¹³ so they will only be entitled to LHA set at the cost of a room in a shared house (SAR). It is likely a large

¹³ <http://www.homeless.org.uk/sites/default/files/site-attachments/Full%20report%20-%20Single%20homelessness%20support%20in%20England%202015.pdf>

proportion of younger people will also be reflected in other types of supported housing working with vulnerable client groups.

7. Is there a way to off-set this shortfall?

The Government has pledged to “to protect the most vulnerable including those in supported accommodation”¹⁴ by increasing Discretionary Housing Payments (DHP). The figures from one medium sized-agency show that the amounts of DHP needed will be high. The current 2015-16 nationwide allocation of DHP is £125 million.

The Government do not know how much Housing Benefit is spent in each local authority on supported housing so it is unclear how individual allocation of DHPs would be calculated.

There is also no obligation for DHP to be spent on addressing the shortfall to supported housing, as opposed to the many other demands on this money such as those affected by the Benefit Cap or Under-Occupancy Subsidy (Bedroom Tax) to whom councils might otherwise owe a statutory duty to if they were to become homeless.

Unless the entitlement to DHP top-up is seen as a right for people in hostels and supported housing (as opposed to the discretionary nature of DHP and the Government’s ambitions for localism) then supported housing agencies will be unable to make secure financial projections as to their income in the future.

These projections are made even more difficult because the amount of Housing Benefit that a person can receive will depend on their age. Hence the amount of DHP services will require will vary according to the future (as yet unknown) age profile of their clients. Because there is an exemption for people aged 25-34 from SAR who have lived in homeless hostels for three months a client’s entitlement rate to Housing Benefit might change a few months into their stay as well.

The limited information that has been produced so far suggests the Government are planning an additional £70 million for DHP for the first two years of the change. However, to put this figure in context, one of the organisations in our case studies (Organisation A) is projected to lose £6 million over that period. Given these challenges and current projections it is highly unlikely the proposed level of DHP would compensate for the level of loss.

8. So what now?

As identified by the National Housing Federation,

“Despite the many benefits of supported housing it is facing a growing crisis to which reduced revenue funding, challenging commissioning and partnering structures and the wider housing crisis all contribute.”¹⁵

Homeless Link’s position is that this proposed change to cap rents for supported housing at the LHA rates will be extremely damaging and puts at risk the future viability of homeless

¹⁴https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU18_65_Web_Accessible.pdf

¹⁵ Supported Housing: Understanding need and supply, National Housing Federation, 2015, p2.

supported housing services, as well as other forms of supported housing. This proposal should not apply to supported housing.

This proposed change also needs to be seen in the context of the current Government commissioned research looking at the Housing Benefit costs of supported housing. This research is still being undertaken. We believe no decision should be made about LHA caps until the outcome of this review is forthcoming. The intention is that this research is used to inform a policy solution to funding which puts supported housing on a long-term sustainable footing.

We will be working with our members to gather evidence of the impact of these proposals on supported housing and with Government to try and achieve a solution that ensures the future viability and funding of supported housing. We believe that the logical approach is to exempt Specified Accommodation (which includes most supported housing) from the new rules. But there is also a need for a wider debate and the development of sustainable solutions that can ensure the long term future funding and provision of supported housing.

More Information.

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