



## Westminster Hall Debate briefing: Future funding of supported housing Tuesday 10<sup>th</sup> October, 16:00

### Introduction

Homeless Link is the national membership charity for organisations working directly with people who become homeless and the wider supported housing sector. At any one time, over 600,000 people rely on the supported housing sector to provide a secure place to live and to offer appropriate care and support.<sup>1</sup> These services are a lifeline to some of the most vulnerable people in society, including people who are homeless, those living with mental illness or learning disabilities, people who have spent their childhood in care, are fleeing domestic violence or who are elderly and need extra support to live independently.

In September last year the Government announced that it was proposing a new model for funding these vital services from April 2019, based on the Local Housing Allowance rate.<sup>2</sup> Proposals went out to consultation earlier this year and there has been significant opposition to the plans from across the supported housing sector and from cross-party MPs. A White Paper is expected later this autumn and there are concerns about the extent to which the sector will have the opportunity to feed in to future iterations of the plans.

In their current form, these proposals are unworkable. They put supported housing schemes at serious risk of closure and vulnerable people at risk of losing this vital support. This is at a time when homelessness is rising, with a 16% increase in rough sleeping over the past year alone, and wider systems are already unable to meet need.<sup>3</sup> These proposals undermine the Government's commitment to end rough sleeping, as well as their aim to introduce a simple, transparent, sustainable system that offers security to the supported housing sector and their residents.

This briefing outlines the scope of the supported housing sector, the details of the Government's proposals and the key concerns. We hope it will be of use to parliamentarians ahead of the Westminster Hall debate on supported housing being led by Peter Aldous MP on 10<sup>th</sup> October. **We call on the Government to drop these damaging proposals and work collaboratively with supported housing schemes and their residents to find an alternative solution, not based on the Local Housing Allowance rate, which is fit for purpose.**

### What is supported housing?

Supported housing is *"any housing scheme where housing, support and sometimes care services are provided to help people to live as independently as possible"*.<sup>4</sup> It is an umbrella term applied to a wide range of accommodation, including homeless hostels, domestic violence refuges and sheltered or extra care housing for older people. It also covers accommodation for people with learning disabilities, physical disabilities and mental health problems and accommodation for people with an offending history.

Supported housing schemes are delivered by housing associations, charities, local authorities and other not-for profit organisations. They work with people for as long as they need support, whether that is a matter of days, months or years.

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<sup>1</sup> DWP and DCLG (2016) *Supported accommodation review: The scale, scope and cost of the supported housing sector*

<sup>2</sup> House of Commons (2016) *Housing Benefit: Written statement - HCWS154*

<sup>3</sup> Department of Communities and Local Government (2017) *Rough Sleeping Statistics Autumn 2016, England*

<sup>4</sup> 'What is supported housing?' at <http://www.sitra.org/about-us/what-is-supportedhousing/>

## Why is supported housing important?

Supported housing promotes social inclusion, plays a critical role in preventing ill health or the escalation of someone's support needs and empowers individuals to achieve their potential.<sup>5</sup> It improves people's health and independence and helps ease the pressure on other services, such as the NHS, social care and the criminal justice system. It supports people to maintain contact with other services and engage with education, employment and training. Supported housing services play a key role in helping people to stay well and preventing them from attending A&E or being admitted to hospital.

Without supported housing, there would also be significant costs to the individuals who need support, wider society and the public purse. The most comprehensive evaluation of a previous supported housing funding stream found that a £1.6 billion investment generated net savings of £3.4 billion to the public purse. This includes avoiding £315.2 million health costs, £413.6 million costs of crime and criminal justice and £96 million costs of homelessness.<sup>6</sup>

## How is supported housing funded?

Funding for supported housing has two components: housing costs (rent and eligible service charges) and the cost of the support provided, such as support staff, keyworkers, and day to day support activities. The Government's current proposals only relate to the housing costs in supported housing.

**Housing costs** are currently paid entirely through Housing Benefit, as supported housing is currently exempt from Universal Credit.<sup>7</sup> Housing costs in supported housing are higher than in other social housing, for reasons including the costs of maintaining communal spaces, higher levels of wear and tear or the need to have enhanced security measures in certain properties. This is currently recognised through an enhanced rate of Housing Benefit paid to people who live in supported housing. The total amount of Housing Benefit spent on supported housing is estimated at £4.12 billion per year.<sup>8</sup>

**Support costs** are usually funded through the local authority, with other sources including NHS or grant funding. In 2003, the Supporting People (SP) programme was introduced to fund support costs in supported housing. This was a central Government grant administered at a local authority level through a ring-fenced funding pot. However, the ring-fence was removed in 2009 and it has become difficult to track spending on support costs in supported housing, though estimates from the National Audit Office suggest funding for housing-related support (previously SP) reduced by 45% between 2010/11-14/15.<sup>9</sup>

## What are the Government's plans for funding supported housing in future?

From April 2019, the Government proposes that rents and service charges in supported housing will be paid via Universal Credit (or Housing Benefit depending on Universal Credit roll-out), up to the one-bedroom Local Housing Allowance (LHA) rate only. The LHA rate is linked to the local private rental market and is capped at the 30<sup>th</sup> percentile of rental costs. This rate varies from £69.73 per week in Hull and East Riding to £260.64 per week in Inner North London.<sup>10</sup> The average cost of supported housing is £173 a week, although this varies significantly by type of service and resident group.<sup>11</sup>

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<sup>5</sup> St Andrew's University (2009/10) *Supporting People Outcomes Annual Report*

<sup>6</sup> DCLG (2009) *Research into the financial benefits of the Supporting People programme*

<sup>7</sup> Supported housing is also sometimes referred to as 'exempt accommodation' or 'specified accommodation' for Housing Benefit purposes

<sup>8</sup> DWP and DCLG (2016) *Supported accommodation review: The scale, scope and cost of the supported housing sector*

<sup>9</sup> National Audit Office (2014) *The Impact of Funding Reductions on Local Authorities*

<sup>10</sup> Valuation Office Agency (2016) *Local Housing Allowance (LHA) rates applicable from April 2017 – March 2018* – the LHA cap is being introduced at the one bedroom rate i.e. the 30<sup>th</sup> percentile of rents for a one-bedroomed flat rate in the area

<sup>11</sup> DWP and DCLG (2016) *Supported accommodation review: The scale, scope and cost of the supported housing sector*

It is proposed that any shortfall between the LHA rate and the housing costs, which will vary hugely between different areas and different types of service, will be met from a local ring-fenced top-up fund, administered by local authorities. The proposals also hope to introduce greater oversight of supported housing schemes by local authorities. The proposals do not propose any changes to how support costs are funded.

### Key issues and concerns

#### Universal Credit and the Local Housing Allowance

Universal Credit in its current form is incompatible with the supported housing sector and the use of the Local Housing Allowance (LHA) as a basis for the system is completely inappropriate. The LHA rate was designed for the private rental sector and bears no relation to costs in the supported housing sector. It also introduces levels of variation in funding through the benefits system across the country which are greater than the variation in costs in delivering supported housing. This leaves parts of the country particularly exposed and could skew development to areas with higher funding, not highest need.

The inflexible design and wider administration issues of Universal Credit system, such as the monthly payment schedules, direct payments to landlords and payment in arrears is ill-suited to the needs of residents in supported housing and the wider sector.

There are also other elements of welfare reform that will impact on vulnerable groups in supported housing that need to be considered alongside these proposals. These include the wider concerns about Universal Credit and arrears,<sup>12</sup> changes to automatic housing costs entitlement for 18-21 year olds, the impact of benefit sanctions and the 1% rent reduction. The changes to supported housing funding cannot be seen in isolation from these issues.

#### Short-term accommodation

Universal Credit poses a particular challenge to short-term supported accommodation, such as hostels and refuges, as it is paid on a monthly basis, so is not set up to cover the costs of stays of fewer than 28 days. The Government has acknowledged that short-term services, therefore, need a different funding model and are consulting on possible proposals.

There are still a number of outstanding questions about the Government's plans for short-term accommodation. One of the key issues is the complexity of the sector and the ability of any funding system to be able to respond to that. Many supported housing projects may contain a range of different types of provision, from crisis beds through to longer term accommodation to support a transition to independent living. Any new funding system needs to be able to cope with a range of different lengths of stays within any one scheme. There also needs to be greater consideration of how any funding system for short-term accommodation supports people to move on and does not inadvertently create cliff edges in support or administrative delays.

Many of our members are concerned that the complexities of Universal Credit and its inability to respond to stays of under a month will lead to a large number of schemes being taken out of the benefits system entirely. If residents and schemes are dependent on local funding rather than benefit entitlement to meet housing costs, there are concerns this could lead to gaps in provision based on local priorities. Some of our members have offered to pilot alternative localised funding models for short-term accommodation, but until these have been fully tested, the preference among the majority of our members is for as many people as possible to retain benefit entitlement. This not only provides security for people regarding their housing costs, but can also better support people to work towards managing tenancies independently.

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<sup>12</sup> The Guardian (2017) [Universal credit issues driving tenants into debt, ex-minister admits](#)

## Levels of funding

There are significant concerns in the sector about how the level of funding will be calculated and allocated to local areas. The current estimate of £4.12 billion from a Government-commissioned evidence review has been questioned given the 48% response rate to the review,<sup>13</sup> and a more robust assessment of the funding is required before any new system is introduced. There are also concerns about assessing the size of the pot based on current provision as research indicates there is already a shortfall of 16,692 supported housing units. This shortfall resulted in a cost to the public purse of £361 million in 2015/16. By 2020/21, if no action is taken, this gap in provision is expected to have more than doubled to 35,166 places, with an expected cost to the taxpayer of £668m.<sup>14</sup>

The Government's current proposals also only relate to the housing costs in supported housing. However, to ensure the sustainability of the sector, funding for supported housing needs to be considered in the round to ensure that appropriate levels of support funding is also in place. Our members report that funding for support costs in supported housing continues to be squeezed and the National Audit Office estimates that planned expenditure on one of the funding streams for support in supported housing reduced by 45.3% between 2010/11-2015/16.<sup>15</sup>

## Access to funding

The introduction of a ring-fenced, discretionary pot inherently brings with it a risk that local authorities will be forced to make difficult decisions locally, and prioritise certain groups for funding. This is of particular concern for groups that may be considered politically unpopular, such as people who are homeless, people leaving prison or people receiving treatment for drug and alcohol use. It is also unclear how long the ring-fence will be in place for. Previous experience of local ring-fenced funding, such as the Supporting People programme, which funded the support elements of supported housing. Once the ring-fence for this funding was removed, the funding was no longer protected against cuts and it became difficult to track spending locally.

We would prefer housing costs for supported housing to remain within the benefit system, retaining the principle of individual entitlement, rather than having an element of discretionary funding introduced.

## Timeframe for implementation

There are serious concerns about the timeframe for implementation of these proposals and whether there is enough scope to fully pilot and test the models. The Government is currently proposing a shadow year from April 2018 ahead of full implementation from April 2019. However, the sector feels strongly it will not be possible to get all the information needed, most critically the amount of funding needed, to develop a robust system in this timeframe. Without this, there is widespread scepticism that the shadow year will achieve anything meaningful as there are significant differences between a shadow system and running a system live. Given that the original consultation process is now behind schedule, which makes the April 2019 date even more challenging, some clarity for the sector about any amended timetable would be welcome.

## Joint Select Committee findings

The Communities and Local Government and Work and Pensions select committees published a joint report on the supported housing funding proposals in May 2017.<sup>16</sup> The report reflected many of the sector's wider concerns about the funding proposals and echoes many of the recommendations Homeless Link made in our submission to the Government consultation.

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<sup>13</sup> DWP and DCLG (2016) *Supported accommodation review: The scale, scope and cost of the supported housing sector*

<sup>14</sup> National Housing Federation/Sitra (2017) *Strengthening the case for supported housing: the cost consequences*

<sup>15</sup> National Audit Office (2014) *The Impact of Funding Reductions on Local Authorities*

<sup>16</sup> Communities and Local Government and Work and Pensions Committees (2017) *1st Joint Report of the Communities and Local Government and Work and Pensions Committees - Future of supported housing*

The report is clear on the value of supported housing and the contribution it makes to both individuals and wider society. It recognises the Government's stated ambition to develop a sustainable, long-term solution but argues that the proposals undermine this ambition. It strongly opposes the Local Housing Allowance (LHA) rate as a basis for the model. Instead the committees recommend a Supported Housing Allowance, banded for different types of provision, to better reflect the costs of supported housing. This would mean access to any local top-up fund would therefore be the exception, and not the rule.

The committees further recommend that the Government guarantees the ring-fence for the duration of this Parliament and regularly reviews the level of funding should be reviewed regularly to ensure it matches costs and demand. Any new model should be piloted ahead of a phased implementation and the report acknowledges that local authorities will also need time and resources to gather the necessary data to review current and future need in their areas.

While the committees do not have an explicit view on defining short-term accommodation, acknowledging varying views within the sector. They do recommend that for very short-term, emergency accommodation, the Government should consider a system of grants to local authorities so they can commission emergency accommodation in their area and pay providers directly.

The report also discusses the interaction with the wider welfare system, including work incentives and how the benefits system can be a barrier to people moving on from supported housing. Recommendations include extending the Shared Accommodation Rate exemption to younger tenants looking to leave supported housing and clear guidance on how 18-21 year olds leaving supported housing will be assessed under existing exemptions.

## Conclusion

We are at a critical juncture for supported housing. It is no exaggeration to say that decisions taken over the next few months and years will be crucial in shaping the provision of supported housing for decades to come. **We urge MPs to support the sector by raising these concerns and calling on Government to drop the introduction of the LHA rate for the supported housing sector. We encourage MPs to attend the Westminster Hall debate on supported housing funding being led by Peter Aldous MP on Tuesday 10<sup>th</sup> October at 16:00.**

## Who we are

Homeless Link is the national membership charity for organisations working directly with people who become homeless and the wider supported housing sector. With over 700 members, we work to make services better through training and consultancy and campaign on a national level for policy change. Together we believe we can end homelessness and ensure that everyone has a place to call home and the support they need to keep it. We also run the Supported Housing Alliance, a dedicated policy programme on supported housing.

We have been actively involved in the consultation on these proposals to date. We submitted a response to the consultation based on the expertise and experience of our members, and attend two of the four task and finish groups convened to inform the development of these proposals. Earlier this year, we also published a report outlining the principles that we, in consultation with our members, believe are critical to a sustainable supported housing funding system.<sup>17</sup>

**For more information, or to request a meeting, please contact Paula Reid, Policy Manager at Homeless Link, on [paula.reid@homelesslink.org.uk](mailto:paula.reid@homelesslink.org.uk)**

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<sup>17</sup> Homeless Link (2017) *Future Focus: A framework to shape the funding of sustainable supported housing services*