Consultation:

Funding supported and sheltered housing

The Federation is working with our members and stakeholders to propose the parameters and conditions for a secure, sustainable funding model for supported and sheltered housing. This paper seeks views from our members on this urgent and critically important topic to help form this proposition.
1. Introduction

Supported housing exists to ensure those with support needs can lead a healthy and fulfilling life within their own home and community. While the services range widely, they all play a crucial role in providing a safe and secure home with support for people to live independently. This includes:

- providing the support older people need to maintain their independence
- providing emergency refuge and support for victims of domestic violence, helping them to stabilise their lives and engage with other services
- working with homeless people with complex and multiple needs to help them make the transition from life on the street to a settled home, education, training or employment
- supporting people with mental health needs to stabilise their lives, recover and live more independently
- supporting ex-servicemen and women to find a stable home, including support for those with mental health and physical disability needs
- supporting people with learning disabilities in the longer term to maximise their independence and exercise choice and control over their lives.

The Department for Work and Pensions (DWP), in collaboration with the Department for Communities and Local Government (DCLG) and a number of other government departments, is currently looking at how supported housing is funded, ahead of the eventual abolition of Housing Benefit for working age people once Universal Credit is fully implemented. The importance of this funding review has been brought into sharp focus by the proposed extension of the Local Housing Allowance cap (LHA) to the social rented sector, including supported housing, announced in November 2015.

In response to this challenge, and the uncertainty that has been caused, the Federation is working with members to propose the parameters for what a sustainable funding model for supported and sheltered housing might look like. We have set up a member task and finish group and during May and June 2016 we are holding a number of consultation events to explore members’ views on a potential future model and the principles to underpin it.

To enable all housing associations and supported housing providers to feed in their views, we have produced this consultation document. Please send your answers to the questions set out in this document directly to supportedhousing@housing.org.uk by the end of the day on Thursday 16 June 2016.

The Federation will continue speaking to the Government, across departments, about the emerging thinking. The Government has stressed that it needs providers’ input to ensure that
any new funding model works effectively, so your feedback during this process is incredibly valuable.

2. Purpose and structure of this document

After setting out feedback from members so far and what we know of the Government’s priorities, this consultation document invites feedback from our members and stakeholders on the principles which must underpin any new funding model for supported housing. It then focuses on four themes around which there are many questions that will need to be resolved within any new model:

1. A secure future for services for vulnerable people
2. Universal Credit and the benefits system
3. Localism and the role of local authorities
4. Ensuring quality and value for money.

Within this document where we use the term ‘supported housing’ this should be seen as referring to both supported and sheltered housing unless otherwise stated.

3. Government’s objectives from any new model

The Government has committed to find a new model to fund supported housing following the eventual abolition of Housing Benefit for working age people once Universal Credit is fully introduced. The Government has previously stated that the new funding system for working age people within supported housing will be outside Universal Credit, possibly in a localised system. No equivalent statement of intent has been made about a system for older people.

We understand that the Government is keen to move to a funding mechanism that gives it more control over its spend on supported housing. It does not currently have this kind of control with the revenue funding provided on a demand-led basis through Housing Benefit, so to gain control may decide to shift spending into capped departmental budgets. It is also keen to address perceived issues around quality and value for money in the services that are currently funded via Housing Benefit where current benefit rules do not necessarily give the Government the assurance it would like that costs are sufficiently controlled. It is clear that within any new funding arrangement the Government needs to understand how the services it is paying for are successfully achieving its objectives and saving money for the public purse in the round. It is keen to ensure that any new approach protects vulnerable people and provides greater transparency, as well as driving quality and innovation. Ministers have given welcome assurance that those who live in supported accommodation and those who provide it will receive appropriate protections and we will hold them to account for this. However we remain
concerned about the potential impact the move to a new model might have on the supported housing sector.

The Government has commissioned research, now expected to be published later this year, to establish the size, scale and cost of the supported and sheltered housing sector. This research will provide a baseline to inform the Government’s decision on how supported housing should be funded in the future.

4. **Feedback from members to date**

The Federation undertook a consultation exercise with our members in early 2014 to help establish a series of principles on which any future funding model should be based. Earlier this year we undertook a number of one-to-one telephone conversations with members and our task and finish group has met twice. This consultation document offers us the opportunity to further test the ideas and understand members’ priorities for a new funding system in more detail.

We understand the very high level of concern our members have around the move to a new funding model. The current approach, while not perfect, does provide a long-term and secure funding stream to cover the housing costs of residents living within supported housing. This certainty gives residents confidence that their home is secure and enables providers to invest in new and existing services. Members recognise the risk that Local Housing Allowance (LHA) might form part of a future funding model and the existential threat to services presented by a crude cap alongside Discretionary Housing Payments or rudimentary percentage top ups. They have told us that the new funding model must reflect and meet the actual housing costs incurred in the provision of supported housing.

Funding must be responsive to changes in local need with the ability to commission new and different services as required by changing demographic, social or economic circumstances. Members have told us that they value local commissioning of care and support services. However recent experience of the removal of the Supporting People ring-fence is a significant cause for concern for members raising doubts about the security of any funding routed via local authorities. There is a strong view that any localised system should be ring-fenced in perpetuity.

In our conversations with members they recognise the need for any new model to address government imperatives around control over spend, quality and value for money.
5. Overarching principles within any future model

Based on the feedback we have received from our members so far, the Federation believes that there are three emerging principles that should guide the development of a new funding model. As a result of reforms to the funding of supported housing:

1. No-one with support needs should become homeless or end up in unsuitable accommodation.
2. The actual housing, care and support costs of delivering a quality service will be fully met and funding will be flexible enough to meet changing levels of demand.
3. Evidence of the quality and value for money of the services being funded will be clear to those who live in supported housing and to the taxpayer.

It is for the Government to develop a new funding model for supported housing and our intention is to work with our members to propose the parameters for what a sustainable funding model might look like. We are asking that the Government adopts the following approach in developing a new model:

- remove the threat of the LHA cap to give providers confidence to continue developing supported housing schemes while the funding system is reformed
- work closely with the supported housing sector in developing the principles of a new funding model
- focus on providing long-term security to providers, allowing them to continue to invest in new and existing supported housing services
- departments across the Government to work together and support the new funding model in order to provide a secure future for supported housing, reflecting the benefits it provides across the many arms of the Government.

Throughout this process the Federation commits to working with and alongside our members in the co-creation of any proposals around what a new approach to funding supported housing might look like.

We recognise it will be challenging to develop proposals that satisfy all of these requirements and our key role is to ensure that we put forward proposals that will work for our members within this changing environment. We have therefore shaped the remainder of this paper around the key themes around which there are many questions that will need to be resolved within any new model. The Federation needs your feedback and ideas so that we build the strongest case possible on behalf of the sector to safeguard its long-term security and that of the people it serves.
Consultation questions

a) To what extent do these principles meet the needs of service users, providers and the Government? Is there anything we should be adding? Is there anything that should be removed or changed?

6. A secure future for services for vulnerable people

The issue

Supported housing improves vulnerable people’s health and independence and helps ease the pressure on the NHS and care services. Investing in this type of accommodation delivers a net saving to taxpayers – estimated at around £940 per person, per year across all client groups1. Yet, despite this, there is a current shortfall of 15,640 supported housing placements for people of working age or 14% of supply. If current trends continue that shortfall will double by 2019/20.2

Because of the people we house, supported housing is different to general needs social housing and usually requires higher levels of funding. Some schemes have high costs linked to how development was funded. Any changes to the revenue stream for supported housing will 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 very slim.

Without a secure income stream housing associations will be unable to invest in new or existing services or attract the private sector funding required to enable them to deliver new homes. At present there are many new build supported housing schemes on hold or cancelled following the announcement that the LHA cap would be applied to the sector.3

Our view

We welcome the Government’s commitment to ensuring those who live in supported accommodation and those who provide it receive appropriate protections. This is an incredibly difficult and destabilising time for those providing supported housing and the Government needs to move swiftly to reassure the market. This could be done immediately by:

- removing the current threat of a crude LHA cap, and

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1 Frontier Economics, Financial benefits of investing in specialist housing for vulnerable and older people, September 2010
2 National Housing Federation, Supported housing understanding need and supply, December 2015
3 National Housing Federation research, January 2016
• assuring the sector that its goal is not to cut the overall level of public funding going into supported housing.

This would give confidence to providers enabling them to continue to invest in new and existing services. Our work to develop the parameters of a new funding model with members and the Government would continue and current provision would be safeguarded until a new model was finalised. The ambition to work with our members to create a new model will remain a top strategic priority for the Federation.

We recognise the supported housing sector is hugely complex with many different services and accommodation options being offered to a wide range of client groups. The provider market is equally diverse and any new model will need to work across this difference giving providers, including managing agents, the certainty they need to remain in this market.

Consultation questions

b) In reviewing the funding of supported housing, what considerations are needed to ensure housing associations and lenders have the certainty they need to continue to deliver and develop supported housing?

c) What is needed to ensure the new model works in situations where the landlord and support provider are different organisations?

d) To what extent can alternative funding streams outside of the public sector, for example cross-subsidy, self-funding or private finance, play a greater role in helping meet the cost of supported housing?

7. Universal Credit and the benefit system

The issue

As part of the savings attributed to Universal Credit local housing benefit teams will eventually disappear. This removes the current administrative and verification mechanism for housing costs within supported accommodation. The new approach will operate without these expert local teams and is likely to need to be more streamlined and simple to administer. Without the local knowledge that exists in Housing Benefit, the Government cannot just import supported housing funding in Universal Credit.

While many sheltered housing residents self-fund some or all of their housing costs this is not the case among those living in supported housing who are generally reliant on Housing Benefit to meet their eligible housing costs. Funding via the benefits bill is long-term, secure and linked to individual entitlement. It gives providers and funders certainty about the long-term security of any investment. There is a strong desire among members to protect the benefits entitlements which support vulnerable people to live independently in supported housing.
settings. However at the same time the Government wishes to put in place arrangements to ensure that spending on supported housing is controlled and to limit overall benefit spending in line with the welfare cap.

In November 2015, the Chancellor announced that from April 2018 the level of Housing Benefit payable to new tenants in the social rented sector would be limited to the applicable LHA rate. The cap will apply to all new and renewed tenancies from 1 April 2016. The Government has since announced the cap will apply to supported housing tenancies that start or are renewed after 1 April 2017.

The LHA cap is, at present, due to be implemented. However, there are a number of other approaches the Government might take to control spending via the benefits bill. These could include:

1. Targeting of benefit spending by making some provider costs that are currently met by Housing Benefit ineligible for welfare spending
2. Removing some types of accommodation or provider from eligibility for enhanced benefit spend and therefore applying the same approach to these properties as is used for general needs housing
3. Removing some types of accommodation from eligibility for benefits altogether as happens in, for example, residential care
4. Applying other controls to limit the amount of benefit funding available.

Our view

We believe that the Government should move swiftly to remove the current threat of a crude LHA cap, which poses a clear threat to the supported housing sector. This would enable providers to continue to invest in new and existing services while a new funding system is developed.

We recognise the benefits system currently provides housing associations with a long-term and secure funding stream, which has enabled them to very successfully leverage private finance to deliver new homes. Housing Benefit has also kept many valuable schemes open as local care and support funding has been drastically cut. At present it is the most secure form of funding coming into supported housing and we share our members’ desire to maintain as much of the current level of funding coming into the sector via benefits as possible.
We are inviting members’ views on what safeguards are necessary to protect the sector if any of the above options for controlling benefit spend were to be introduced as a potential alternative to the Local Housing Allowance cap. We also welcome suggestions for other approaches which might give the Government the reassurance it seeks around controlling this budget in the future.

We are calling on the Government to give an assurance that it is not seeking to cut the current overall level of public funding going into supported housing. Should the Government act to reduce the amount of funding available to supported housing providers via the benefits bill, it is essential providers can access sustainable funding via another route, for example departmental spending, to meet the remainder of their legitimate costs. This means that we cannot consider limitations on benefit spending without also looking at the other aspects of a funding mechanism. How a localised funding pot might work is discussed in the next section.

Consultation questions

**e)** In a new funding system, how should the housing costs of supported housing be met within the context of the phasing out of Housing Benefit? Who is best placed to administer any new system?

**f)** Which supported housing costs currently paid by Housing Benefit could or should be met via another non-benefit funding route?

**g)** What criteria should be used to determine which accommodation should be eligible for enhanced benefit funding over and above general needs support? What criteria should be used to determine eligibility for individuals?

**h)** Which types of services might it be more appropriate to move out of the benefits system altogether and into another, potentially entirely local or national, funding approach?

8. Localism and the role of local authorities

The issue

If there is to be any reduction in the proportion of funding via benefit spending, then supported housing providers will need an alternative route to access the funding required to meet their costs. In 2011 when the Government first began considering a new way of funding supported housing they were keen to explore a more localised model and we believe that they remain interested in looking at such an approach although the devolution agenda has moved on significantly since this first consultation.

The members we have spoken with so far wish to retain local commissioning of care and support services for almost all services and client groups. However, it is clear they are very...
concerned about any increase in the proportion of funding for supported housing that might come via local government. This is in part due to the experience of Supporting People which saw significant cuts in spend once the ring-fence was removed. It is also because of the short-term nature of much local expenditure, the uncertainty that surrounds it and the enormous pressure that local authorities are under.

With the devolution agenda continuing to unfold, any decision about localised spending for supported housing comes with a level of uncertainty linked to an evolving agenda. Revenue Support Grants from national to local government will be phased out and local authorities will retain 100% of business rate revenue instead. To ensure this is cost neutral, the Government is currently considering what additional responsibilities might be devolved to local authorities at the same time.

Even if it had access to more resources, it is not clear local government would be able to fund a larger proportion of the costs associated with supported housing. There is a widespread crisis within social care across the country with many areas struggling to fund their statutory duties. While many authorities recognise that supported housing delivers a clear saving to the taxpayer, they are not always able to provide the funding required by these services. There are also particular challenges in two-tier areas with different responsibilities falling onto the different tiers of local government.

Our view

Our members have told us they value the role of local authorities in commissioning services and ensuring they meet local need. However we are concerned about any increased share of funding for supported housing coming from local government without considerable safeguards to give service users reassurance about their entitlement and providers certainty around their future incomes.

The amount to which local government might be called upon to ‘top-up’ any reductions in welfare spending will depend on the decisions government chooses to make around limiting benefit spending. It is therefore very difficult to explore what such a ‘top-up’ might look like and how it might operate. However we are absolutely clear that Discretionary Housing Payments are an inappropriate mechanism to fund the long-term provision of supported housing given the diversity of the sector and the uncertainty this would bring to residents and providers about existing and future developments.

The Federation has previously explored and promoted an outcomes-focused approach to funding the care and support element of support services. Within this funding from various national government departments would be pooled together with investment from local
government specifically to fund preventative services through supported housing. Levering in additional resources from across different government departments via an outcomes model would reflect the breadth of the contribution supported housing makes to these departments’ priorities and the savings it can generate on their behalf. It may also enable national government to more tightly prescribe how such funds might be used at a local level. A focus on outcomes could open up increased opportunity for innovation, facilitate greater social investment for social impact bonds, encourage working and investment across current local authority boundaries and draw in funding from across government departments. However we recognise that this may not be appropriate for all types of provision or client groups.

Consultation questions

i) What arrangements would be needed to give providers security and certainty around a localised funding stream for supported housing?

j) Who should be responsible for any local pot? Is there a role for health and wellbeing boards? Should care and support funding be treated separately to any housing ‘top-up’?

k) To what extent should any localised system be nationally prescribed and what might be left to local discretion?

l) How might outcomes be best integrated within any new funding system?

9. Ensuring quality and value for money

The issue

Locally commissioned care and support services are subject to high levels of scrutiny in terms of their ability to provide a quality, value for money solution to a local need. However this is not the case with the Housing Benefit element of any funding package. This is currently paid at an enhanced rate to qualifying services on the basis that their costs are reasonable and eligible. The Government is concerned about the absence of controls around this and requires greater assurance that any services funded via an enhanced level of welfare spending deliver value for money, quality and meet local need.

Our view

If we are to protect the welfare benefits which support vulnerable people to live within supported housing the sector must develop stronger mechanisms to assure the Government that provision funded by the benefit system is needed, is of high quality and provides value for money. We want to explore how the sector can take a lead on demonstrating value for money in our services. We believe any approach must be administratively simple and straightforward and led by providers rather than local or national government.
Many of our members already embrace and comply with a number of quality frameworks. Many are regulated by the Homes and Communities Agency and already publish annual value for money self-assessments. Some providers are monitored by the Care Quality Commission and services in receipt of care and support funding receive scrutiny by their commissioners. We recognise that this may mean that, quite rightly, all services will not be comparable on a “like for like basis” but rather than creating an overly burdensome approach for the vast majority of providers, government action should focus on services that are not already subject to scrutiny elsewhere. In particular the Government should act to tackle the very tiny minority of providers who may be operating fraudulently.

The personalisation agenda is a clear direction of travel for several client groups with personal budgets used to increase choice and control for customers. While this can work effectively to facilitate a market in the provision of care and support it is harder to see how this might apply to costs more directly tied to accommodation. We are keen to hear members’ views on how personalisation might play a part in any future model.

Consultation questions

m) How might the Government more strongly address inadequate services which aren’t meeting local need? What safeguards for service users might need to be in place?

n) How can we consistently demonstrate value for money and quality within any new model?
   What can we learn or retain from any existing or previous monitoring systems? Is there a place for greater regulation of the supported housing sector?

o) How might a provider-led value for money benchmarking system operate? What should be the focus of such an approach?

p) What role might personalisation play within any future model? Is this an effective mechanism to deliver greater value for money? Which client groups are best suited to this kind of approach?

10. How to respond

Please send your responses to the questions set out in this document directly to supportedhousing@housing.org.uk by the end of the day on Thursday 16 June 2016.

The questions in this document are set out below for ease of reference:

a) To what extent do the principles listed in section 5 above meet the needs of service users, providers and the Government? Is there anything we should be adding? Is there anything that should be removed or changed?
b) In reviewing the funding of supported housing, what considerations are needed to ensure housing associations and lenders have the certainty they need to continue to deliver and develop supported housing?

c) What is needed to ensure the new model works in situations where the landlord and support provider are different organisations?

d) To what extent can alternative funding streams outside of the public sector, for example cross-subsidy, self-funding or private finance, play a greater role in helping meet the cost of supported housing?

e) In a new funding system, how should the housing costs of supported housing be met within the context of the phasing out of Housing Benefit? Who is best placed to administer any new system?

f) Which supported housing costs currently paid by Housing Benefit could or should be met via another non-benefit funding route?

g) What criteria could be used to determine which accommodation should be eligible for enhanced benefit funding over and above general needs support? What criteria should be used to determine eligibility for individuals?

h) Are there any types of services which could be moved out of the benefits system altogether and into another, potentially entirely local or national, funding approach?

i) What arrangements would be needed to give providers security and certainty around a localised funding stream for supported housing?

j) Who should be responsible for any local pot? Is there a role for health and wellbeing boards? Should care and support funding be treated separately to any housing 'top-up'? What might work best within two tier authorities?

k) To what extent should any localised system be nationally prescribed and what might be left to local discretion?

l) How might outcomes be best integrated within any new funding system?

m) How might the Government more strongly address inadequate services which aren’t meeting local need? What safeguards for service users might need to be in place?

n) How can we consistently demonstrate value for money and quality within any new model? What can we learn or retain from any existing or previous monitoring systems? Is there a place for greater regulation of the supported housing sector?

o) How might a provider-led value for money benchmarking system operate? What should be the focus of such an approach?

p) What role might personalisation play within any future model? Is this an effective mechanism to deliver greater value for money? Which client groups are best suited to this kind of approach?