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# Briefing Paper:

## Responses to the Federation consultation on the future funding of housing costs in supported accommodation

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## 1. Introduction

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The future of how housing costs for supported accommodation should be paid is not yet decided. Currently these costs, including eligible service charges, are met through Housing Benefit, which is due to be abolished. The Department for Work and Pensions (DWP) has made clear that they see the future of this funding outside Universal Credit, possibly in a localised system. However there has been no further progress on how these costs should be paid since the consultation issued by DWP in 2011.

To help inform future discussions, in January this year the National Housing Federation published a discussion paper aimed at engaging members on the principles on which any future system for funding the housing costs for supported accommodation should be based. This was followed by a period of consultation meetings across the country seeking the input of members in different regions. There were also several written responses to the discussion paper.

This report brings together the responses from members and partner organisations to set out key principles for any future system of paying housing related costs in supported housing and outline the key common themes identified by the Federation's consultation. This report will be presented to DWP in order to assist them to design a new system for the funding of housing costs in supported housing on principles which are acceptable to the supported housing sector.

## 2. Key principles

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Throughout the consultation several key principles for the basis of any future system for the payment of housing costs in supported housing. These were:

- The system needs to be based on individual entitlement
- The system for funding housing costs must reflect the actual housing costs incurred in the provision of supported housing, but should remain treated separately from funding for support or care
- DWP should examine other options than devolving any funding pot to local authorities, such as examining alternative solutions delivered through national bodies such as the Homes and Communities Agency (HCA), or the Department of Health, delivered through Health and Well-being Boards (HWBs)
- If any localised system were to be devised it would be critical to ring-fence funding or at the very least develop a very strong incentive for the money to be used as intended, and not siphoned off to meet other pressures

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- Any proposed solution must be flexible enough to deal with the wide variety of client groups
- Transitional arrangements are hugely important in order to safeguard historic investment
- Any solution should give certainty for the longer term in order to ensure continued viability of existing schemes and investment in new schemes
- The rents charged by registered providers are already regulated via the HCA

### 3. Common themes

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Unsurprisingly for such a diverse sector providing a wide range of services to many different client groups responses varied accordingly. There were however some key principles which the great majority of members participating agreed on.

#### Extent of devolution & single stream funding

Local authorities are facing unprecedented budget pressures, with the Local Government Association stating that the reduction in funding for Councils is 43% of their budgets<sup>1</sup>, and many have sought to meet pressures by cutting the traditional “supporting people” (SP) budgets which funded support costs in supported housing. As an unringfenced budget, without a statutory duty attached, these budgets have seen disproportionately large cuts. The Guardian reported earlier this year that in Nottinghamshire a budget that stood at £27m in 2004, will amount to just £8m by 2017. Derbyshire County Council is consulting on making £9m worth of cuts, equivalent to 62%, over two years; Torbay council in Devon has proposed a 73% cut to its £4.4m budget; Oxfordshire faces a 38% cut to its £4m fund; Worcestershire has proposed a 50% cut in supported housing funding.<sup>2</sup> As a result of this high level of reduction in funding for support, providers were clear that the only reliable revenue stream within supported housing presently is the funding for housing costs.

Respondents were uniformly clear that any new system must provide a degree of certainty over future rents in the long-term. This is an absolutely crucial issue for the supported housing sector as in order for providers to raise the private finance to build new supported housing, a secure long term revenue stream is needed over a 25-30 year period. The current system of housing benefit based on individual entitlement provides this degree of certainty, but any new

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<sup>1</sup> [http://www.local.gov.uk/media-releases/-/journal\\_content/56/10180/5636691/NEWS](http://www.local.gov.uk/media-releases/-/journal_content/56/10180/5636691/NEWS)

<sup>2</sup> <http://www.theguardian.com/society/2014/feb/12/housing-services-cuts-supporting-people-fund>

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system that endangers this certainty will threaten capacity as new units will not be built and existing units will be lost as providers are no longer able to afford to run existing schemes. The impact of this on vulnerable people would be potentially catastrophic as without these supported housing services many would have no other place to go and no other support to help them live independently, with very likely increased levels of homelessness and severity of mental health problems for example. As a result many vulnerable people would end up in crisis, requiring much higher cost interventions from statutory services.

Additionally, remaining support funding is commissioned on a more short term basis, ie 3 years, than the lifetime of a building in which support and housing are provided. It is for this reason that many people believed that the issues of funding housing costs and support costs should be kept separate.

However it was equally important that it is recognised that housing costs include legitimate housing management costs, without which buildings could not be maintained effectively. Additionally many providers of support are not the landlords and vice versa, so it would be extremely challenging to devise a system which treated housing and support costs as the same.

Within the context of reduced SP funding outlined above many people understandably were concerned about any potential localisation. Whilst some providers saw potential for innovation, the vast majority felt that money would be used elsewhere by local authorities dealing with significant financial pressures. The point was made that many of these services are only surviving because providers are currently cross-subsidising from other parts of their business following SP cuts, which is a short-term solution unsustainable in the longer term for many providers. Any solution that endangered, or brought more uncertainty to, the rental element would lead to services closing, with historic Government capital investment lost and greater costs on other providers of acute services as a result.

There was a very strong view that any localised “pot” needs to be ring-fenced or have a nationally agreed set of criteria to ensure services remained financially viable and not just targeted at those groups for whom a statutory responsibility exists. The key issue is devising a system where the body holding the funds is strongly incentivised to spend it on the purpose of the fund. Sizing such a pot would undoubtedly be challenging, and respondents were clear that this would need to be carefully done and be based on an accurate picture of the system operating on the ground, and on future projections of need.

Another key principle was that any proposed fund should be based on individual entitlement. By this we mean that any person admitted to supported housing is entitled to have their accommodation costs met. As DWP recognise in their recent HB Circular *‘The underlying*

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*assumption is that places in supported housing are in such short supply that someone with no need of their services would not be admitted.*’ (para 21 HB Circular A8/2014). Providers believed that breaking that link would lead to vulnerable people not being able to access high quality services which they needed.

The concept of packaging all elements together into a single fund produced a negative response, with the majority view that this would be far too complex, especially where different providers were responsible for different elements of care, support and housing. There were also concerns expressed about the impact of viability on existing schemes as money may be used for other services. Some also stated that a single stream may damage transparency as it would be difficult to clearly identify what was allocated for what purpose, and it would be easier for commissioners to reduce funds to unsustainable levels.

In the context of a localised system, providers considered whether a system based on Local Housing Allowance (LHA), plus a flexible top-up pot meeting the extra housing costs, would be a better solution than a full devolution of all the money to local authorities. However the major problem with this solution is that an LHA plus solution would break the link to the actual housing costs. In the current system rents and service charges relate directly to the cost of building and managing and maintaining a building. Rents are regulated by the HCA, guarding against excessive charges, and service charges must reflect actual costs. It was clear however that the option of a full devolution of funding to local authorities was not popular due to the concerns outlined above in the point about ring-fencing.

One potential solution was to examine moving any new system outside of DWP to an agency such as the HCA in England or another Government department, such as the Dept. of Health. The logic here was that these departments provide funding for the capital costs of building specialist and supported accommodation so bringing the two funds together would enable a more strategic and streamlined overview of what was provided. By more closely linking the capital funding with ongoing revenue funding, greater certainty would be provided, therefore encouraging new supply to be developed. In addition, particularly in relation to the Dept. of Health, many of the client groups living in supported housing would otherwise end up requiring costlier health interventions at a crisis point so the financial incentive to continue investing in the sector effectively would be strong.

One model discussed was to hold the money in the Dept. of Health and distribute it under a national framework via a ring-fenced pot to Clinical Commissioning Groups (CCGs) or Health and Well-being Boards (HWBs). Members took the view that this model would work better under HWBs as they bring together health and LAs, and offer some local strategic oversight. Nevertheless there were risks associated with this proposal, not least the concerns over the

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priority it would be given within the context of such a large organisation as the NHS with its own significant financial pressure. There were also concerns expressed over the impact on the existing stock if the NHS just looked to fund projects that met certain specific clinical targets. These risks were of particular concern when considering giving funding to CCGs. There were also concerns expressed over the level of expertise and infrastructure that HWBs would need to quickly develop. If this solution were to be investigated further these concerns would need to be addressed, and it would be prudent to look to HWBs first.

An HCA model was favoured by some as it was felt that the HCA offered some independence whilst still linking in to the capital provision, and was unlikely to use the money for another purpose. The previous HCA administered scheme was generally felt to have worked well.

The importance of transitional arrangements in a move to any new system was underlined to avoid provision being withdrawn suddenly and services closing. It was also stated that any new system must provide for a smooth transition to other benefits for tenants when they entered work or changed their living circumstances. A system based on national entitlement, rather than a localised funding pot, may offer an easier transition to benefits such as Universal Credit.

### Commissioners

There was a clear view that the new NHS structures in particular offered a real opportunity. Many providers saw the potential for greater integration between LAs, CCGs and HWBs working with RPs to strengthen preventative services locally. Suggestions included developing joint prevention strategies and supported housing panels.

Engaging new commissioners was seen as crucial to ensure capital investment was not squandered by a lack of revenue funding. The changing landscape of commissioners in part informed the ideas put forwards for funding to be based within the Department of Health.

One crucial point was that commissioning needed to take a long term approach. In the current context within LAs decisions were often being taken to deal with the immediate scenario of reduced resources. This leads to short-term decision making, which does not allow for adequate investment in preventative services. Many LA commissioners are also looking at fixed rate contracts, meaning that providing supported housing is even more financially challenging. It is important that any system for paying housing costs in supported housing is linked to inflation in order to reflect the actual cost of providing services.

Concerns were also expressed that if links were not built effectively and health commissioners were only willing to fund services that meet immediate health needs then the traditional

preventative role of supported housing, such as preventing homelessness, and preventing reoffending, for example, would be lost.

It was also stated that commissioners need to understand the importance of having a building to provide housing and support in. Current buildings only have use as supported housing via a commissioned service, and a failure to recognise the importance of this would lead to services being lost and buildings being turned into general needs properties despite the historic investment by Government. This is particularly relevant in the current environment where developing new supply is already challenging both due to financial challenges, and due to the opposition encountered from local communities in the planning process.

### Personalisation agenda

The majority of respondents expressed concern about using a similar approach to personal budgets for the funding of housing costs for supported housing. Reasons for this included the fact that local authorities across the country have differed significantly in the extent to which it had been taken up, and that this could endanger revenue streams necessary to keep schemes open. There were also concerns expressed about how a personal budget would reflect the housing costs in a particular local area. It was also pointed out that personal budgets need to be flexible to meet changing care needs and sometimes need to be moderated up to accommodate increases in care packages. Rents however are set annually and then remain constant for that 12 month period so are not subject to the same fluctuations.

However some did express the view that, particularly for older people, a single fund wrapped up in a personal budget may streamline the process and increase choice and control for residents. There was also a suggestion that registered providers could assess the need for personal budgets for clients.

Concerns were also expressed around the level of choice available. In many areas there were insufficient options to enable real and meaningful choice and control, and any system that endangered existing provision would reduce that choice further.

Several respondents also pointed out that an approach based on a personal budget would in effect work in the same way as a universal credit payment, and therefore would encounter the same sorts of problems as having a system within Universal Credit, such as the impact of direct monthly payments on the certainty of rental income and thus scheme viability.

### Outcomes

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Most respondents felt strongly that outcomes should not be linked to the provision of funding for housing costs as this is already covered under funding for support. Concerns were also expressed that, whilst it was important outcomes in supported housing were monitored, any system for doing this should not be too onerous on providers who were working with limited resources and should not duplicate existing monitoring systems, such as those reporting back to commissioners of support on outcomes. Linking both support and housing costs to outcomes frameworks would duplicate effort and endanger the rental element, adding uncertainty and therefore endangering future investment and viability.

On the specific issue of whether or not a system to fund housing costs should incentivise work, the majority of respondents felt this was inappropriate within the payment of housing costs and was the job of other benefits claimed such as JSA/ESA and Universal Credit in the future, for those residents of supported housing who are out of work.

With a wider range of commissioners, providers were clear that outcomes related to support needed to be captured effectively. There was some support for new tools to be designed nationally, involving providers, commissioners, and Government. It is important that outcomes are appropriate to the role of supported housing as well as the needs of differing commissioners. Relevant housing related outcomes could include the need to ensure the quality of accommodation, and sustaining a tenancy in order to prevent people going into a cycle of repeat homelessness.

### Diversity of schemes

Respondents pointed out that the sector is extremely diverse and serves many different client groups, each with their own levels of need for support. It was felt that sheltered housing was a separate product, requiring a different funding solution. Any new system must be able to be flexible to respond to the vast array of different services provided.

On the issue of differing scheme costs providers strongly stated that these were legitimate costs and were influenced by a wide range of factors, such as the historic level of grant in building a property, the cost of building the scheme, and the size of the scheme (which in turn was influenced factors such as the location and client group). Due to the variety of factors that impacting on scheme building costs, as well as the higher maintenance costs for many client groups, there was a clear and compelling argument for why costs varied from scheme to scheme. For regulated providers a funding scheme based on benefit paying individual rents was an effective means to both control costs and ensure they were targeted.

There was a strong concern put forwards that many existing schemes would not be able to continue without the housing element being paid, and that if they closed the stock would not be re-utilised as supported housing, but instead would end up as general needs, meaning that historic government investment would be lost.

There were differing views on the issue of whether registered providers should retain privileged access to funding, alongside the voluntary sector. Some respondents believed that the issue was more about ensuring a focus on quality of services provided and maximising social return on investment. However the majority took the view that registered providers provided a unique service and reinvested funds in order to achieve social aims unlike the private rented sector, so therefore should be able to access this funding. Points in favour of retaining a special status also included the fact the sector is regulated, ensuring the quality of provider and levels of rent, and that providers are subject to equalities duties when carrying out a “public service”.

#### Value for money

There was a very strong view that in any value for money exercise the costs of these additional housing costs should be weighed against the higher costs of interventions at crisis point and statutory services. It was also viewed as critical that any value for money monitoring system captured the “social value” as the main reason supported housing is provided is to enable people to lead healthy and productive lives and to reduce calls on other state funded services such as NHS, police, Adult Social Care etc.

Providers again stressed that it is critical that the legitimate costs of providing housing to vulnerable clients groups were recognised in any new system. Checks already existed within the system for registered providers through the regulation of rents.

Similarly to the discussions around outcomes, there was a recognition that a new approach or tool to capture the complexity of what the sector is delivering and the savings that the sector provided throughout the system needs to be developed.

It was also pointed out that any localised system would require a local bureaucracy to be developed in order to deliver any local pot. This would add costs, potentially providing poorer value for money than a system with a national basis.