

Summary of consultation feedback:

Future funding of supported housing

20 December 2017

Summary of key points:

This briefing summarises the feedback we have received from housing associations to date on the consultation on the future funding of supported housing.

We encourage all of our members to continue to share their views and draft responses with us throughout the consultation period.

This feedback will inform the National Housing Federation's final response to the consultation, which will be submitted by the deadline of 23 January.

In the main, housing associations have welcomed the proposals for sheltered and extra care housing but have expressed significant concerns about the local system put forward for short-term supported housing services.

On 31 October 2017, the Government announced future plans for the funding of housing costs for people living in supported and sheltered housing. Key elements of the announcement were:

- Funding for housing costs for long-term and sheltered housing services to remain within the benefits system
- A 'sheltered rent' for sheltered and extra care housing to keep rent and service charges at an appropriate level
- A new timetable, with the system starting from 2020
- A separate system for housing costs for short-term services to be commissioned and paid through local authorities
- Measures to ring-fence local funding and ensure local authorities assess local need
- Local Housing Allowance rates of benefit will not apply to supported housing nor to tenants living in the wider social rented sector.

[Full details of the proposal are on the Government website](#) and the consultation will run until **23 January 2018**.

The Government's statement presents a positive way forward for a large proportion of the sector and shows that the Government has listened to many of our concerns about the consequences of taking benefit entitlement away from a large number of supported and sheltered housing tenants. The proposals for short-term services represent a huge change from current arrangements and the Federation is concerned about the ability of the local system to give the long-term security of funding. We need to work with the Government to ensure that the system can deliver this security.

Following the publication of the proposals in October, the Federation has been engaging with members through roadshow events, one-to-one conversations, and with our Task and Finish group to understand how these proposals will impact on the supported housing homes and services the sector provides.

This briefing sets out what we have heard from members so far on the proposals for short-term and sheltered and extra care supported housing. It does not represent our final position, but is intended to provide an interim picture of the views of the sector and summarise the feedback we have received to date. It is intended to be read alongside our [briefing and discussion paper](#) which sets out the main aspects of the Government's proposals and offers further clarification on a number of important issues.

The Federation will continue to engage with members on the full detail of these proposals, to feed into our response to the consultation on behalf of the sector. We also encourage members to share their own responses with the Federation in order to inform our response.

Summary of views on consultation proposals on short-term services

In general:

Short-term services offer support and a home to some of the most marginalised people in our society. These services need funding security over the long term, which is currently provided by the housing benefit system. The National Housing Federation recognises that the monthly structure of Universal Credit causes problems for very short-stay residents, and that a solution is needed before the abolition of housing benefit in 2022. However, the consultation on short-term services signals a substantial change and many of our members have expressed significant concerns about what is proposed.

We have spoken to a number of housing associations who are nervous about the increased risk these proposals represent for them and the people who use these services. Many have questioned whether a local system will provide the necessary funding security in the long-term, both in terms of sustaining current provision and developing future stock. The potential negative impact on future development was a consistently strong theme throughout our consultation events. For a consultation that states its intention for securing supply, on the whole the sector is not confident that these proposals have the capacity to ensure the development that is so critical to solving the homelessness and housing crises.

Housing associations witnessed the impact that removing the ring fence on Supporting People Funding had across the country. They are worried the same thing will happen here. A hostel for homeless people or a transitional scheme for people with mental health difficulties is expensive to build and expensive to maintain over its lifetime. A number of housing associations have said they do not believe a local system will offer any certainty that housing costs will be covered in a way that will ensure this remains viable in the future. In addition, the diversity of this sector is one of its many strengths, yet the definition proposed has been seen by some as too rigid, which could discourage the flexibility that is at the heart of supporting the housing needs of vulnerable people.

Many housing associations already have experience of local authority commissioning. Inevitably, these arrangements work well in some places and less well in others. Some housing associations are worried that decisions taken through the assessment of need and commissioning arrangements may lead to some critical services no longer being commissioned, particularly where the local authority has no statutory duty.

A smaller number of providers of these services have commented that the proposed local system does provide an opportunity to bring together commissioning arrangements for support and housing costs at a local level, which could lead to efficiencies. They have also said the current housing benefit system is quite complex and the proposals could lead to streamlined arrangements for funding for housing costs for providers, and would remove the risk of rent arrears for both providers and tenants. Taking users of short-term services out of the benefit system could also provide additional work incentives, perhaps most notably for young people. Equally, a local system, with a stronger role for local authorities, could lead to improved oversight of the quality and value for money of these services.

Members have also expressed concerns that without any detail on the future model for long-term supported housing, it is very difficult to respond properly to the proposals for short-term services. These are often inextricably linked for the organisations providing these services and the people that use them, and many housing associations do not differentiate their services in this way.

Specific comments:

The local system

In the main, housing associations understood that Universal Credit could not cope with very short-stay residents, but did not think a local system would provide the long-term certainty required.

“The number one issue is to protect current and future supply. Local authority commissioning – particularly with its two year cycle – doesn’t give us the security to develop more stock.”

Many people expressed concerns about whether the pot/grant would be sufficient every year to cover housing costs. A finite grant, even if it changes every year to reflect increased costs and need, cannot provide the same assurances that the current housing benefit system can that housing costs will be covered.

Some thought the local system could provide opportunities for oversight and cost control, but others did not think local authorities were well placed to play this role.

The definition

Significant numbers of people did not understand why a definition for two years for short-term services had been proposed, when Universal Credit could work for anyone with a stay of over a month or two. Across both consultations, housing associations felt that the definitions proposed do not capture the diversity of the sector and the services it provides, nor the necessity for flexibility to support individuals through their unique housing pathway.

“The definition does not capture the massive variation in services. There is a huge difference between, for example, refugees and teenage mother and baby units – particularly in terms of time spent there.”

Long-term certainty

Nearly all of the housing associations we’ve spoken to or who have commented so far are worried about the long-term certainty provided by a local system, and particularly how this would impact on their ability to develop new schemes to meet increasing need.

Where services are owned by one landlord but managed by another, concern is particularly high. Managing agents, who commonly provide refuge services, would be at considerable risk as owning agents may decide to exit this market due to the lack of certainty.

Even people who were generally supportive of a local system where services are commissioned by the local authority were worried about the strength of a ring fence given the experience of Supporting People.

Local commissioning arrangements

Many housing associations were very concerned about relying on local commissioning arrangements to fund housing costs for short-term services. Concerns centred on the relatively short-term commissioning cycle, which is often two years, and the uncertainty this would bring for schemes, users and staff, and what would happen if particular schemes were not seen as a local priority. They were concerned this would lead to the decommissioning of some services for vulnerable people. While the support side of these services is already commissioned and subject to these risks, many

housing associations said they could bear this risk as they knew housing costs were secure, or they often subsidised support costs themselves.

A significant number of housing associations work across multiple local authorities. There is concern that housing associations would have to negotiate multiple contracts across multiple local authorities, each with different arrangements. This would be a large and complex administrative burden for the sector.

Many people thought that even if the ring fence holds for the long term, local authorities will still have discretion over what to spend money on within the ring fence and will have to make difficult decisions about what to prioritise. This could have a particularly marked impact on non-statutory groups.

Other housing associations saw the benefit in bringing together support costs and housing costs and both of these being commissioned by local authorities. They thought this could lead to a more strategic conversation about these services, and how they are paid for, and could be more straightforward to manage from a business perspective.

Some housing associations were confident their local authority partners would have the skills and capacity to play this role and were confident services currently provided would continue to be commissioned over the long term. A greater number of people raised concerns about this, saying they thought local authorities had not sought this responsibility and were worried about this resting with them.

Our members who provide refuge services raised particular concerns about the ability of local authorities to plan for the needs of refuges, due to the lack of local connection which commonly occurs where individuals or families must leave their local area in order to escape the perpetrator(s) of domestic abuse.

In addition to concerns from the refuge sector, some members are worried that client groups such as ex-offenders or those with substance misuse may become further marginalised under local authority commissioning processes, which may prioritise other groups.

Two-tier areas

Many people were worried about how commissioning these services would work in two-tier areas and thought services for vulnerable people could get caught up in a conversation between districts and counties about what the funding should be used for.

Some thought the responsibility for administering the local grant should rest with the districts, given their housing role, but others thought counties would be better placed to take a strategic view of need in the area.

Automatic entitlement to benefit

Many people were worried about effectively removing benefit entitlement from individual tenants and the implications for the future. Tenants will now have to rely on housing costs being covered by these new commissioning arrangements to ensure their needs are met. Some

“Short-term services aim to promote independent living skills – not having to pay rent for up to two years does not support this aim.”

thought taking vulnerable people out of the benefit system set a worrying precedent for the future.

A number of housing associations have raised concerns that the proposals remove an opportunity for tenants to develop independent living skills through managing rent. This proposal has the potential to undermine the personal independence that is central to other Government policy, notably Universal Credit.

A smaller number of housing associations were encouraged by the proposals, saying they thought that removing the complexity of having to apply for benefit to ensure your housing cost was covered was a positive change and would encourage more people into work, particularly young people.

Summary of views on consultation proposals on sheltered housing

In general:

Sheltered, retirement and extra care housing for older people represents over 70% of the supported housing stock in England. The sector welcomed the commitment from the Government to continue to allow people on low incomes to claim benefit to cover the full housing costs within schemes. This gives greater certainty in the longer term for tenants, landlords and investors.

Members wanted to see a system that enables housing associations to take long-term decisions on investing in new and existing schemes to better meet the needs of an ageing population. Any new system should have the flexibility to deal with changing needs, advances in technology and design, as well as deal with existing costs.

A number of questions were raised about the proposed application of the new system. The parameters of the new system are only described in broad terms in the consultation and people were unclear on how far the system for new schemes would differ from that for existing schemes and whether the cap would apply to the gross rent or just the service charge element.

- From 2020, the regulator will regulate gross rents (rent inclusive of eligible service charges). The regulated gross rent (or 'Sheltered Rent') for each unit will be the total of formula rent (the existing system to set social rents) and eligible service charges up to a defined level (level to be decided in consultation with the sector). So this is not an attempt to bring schemes under an overall cap in charges – rents across different schemes will still differ as formula rents differ. The new level of control will come through the defined maximum for service charges
- Existing provision will enter the system at their existing levels.
- The Sheltered Rent will not apply to Affordable Rents
- Specialist Supported Housing currently sits outside the Rent Standard and schemes for older people will be included in the new system for long term supported housing rather than come under the Sheltered Rent

There was consensus that any new system should recognise that there are already controls on rents and service charges that serve to limit the overall amount charged to tenants and ensure that charges accurately reflect actual costs. Many people mentioned the powerful pressure to keep charges down for those who pay the charges out of their own income or savings. Many also felt that the sector was already transparent about the recovery of actual costs through service charges and that the requirement to do this is clearly set out in legislation. This led some people to question the need for

actual defined caps within the system. There was a strong desire for the new system to concentrate on dealing with tackling cost outliers rather than placing constraints on charges across the board.

Specific comments:

Sheltered housing definition

- Some felt that the definitions did not reflect the range of provision now and aspiration to improve and innovate. People saw the access to a 24-hour care team as key service available within extra care but any definition needs to recognise that this can be commissioned in a variety of ways and a care team may not be on site 24 hours.
- Some people raised that it is not always possible to create a clear distinction between extra care and sheltered care with enhanced services and people did not want to see artificial distinctions or overly prescriptive definitions constraining future service design.
- People favoured a flexible broad outcome focussed definition and/or the ability of providers to designate housing for older people.
- Many felt that definitions based on broad categories of types of building or services provided cannot be used as accurate indicators of housing costs – see below on cost variation.
- Any role for the regulator much be proportionate and outcome focussed in line with the principles of regulation
- Many people raised the issue of how any definitions might be used in the future to determine eligibility rules for benefit.

“Previous needs, funding and political regimes have led us to where we are and the stock we have. The new funding landscape needs to account for the existing stock, protecting and investing in that, as well as new development.”

Variations in rents and service charges

- Variations in rents are determined by age of the scheme, target rents, level of grant funding, design of the building and property size.
- There are existing checks in the service charge system and many people felt that their organisation already contained costs as far as possible – for example, by downward pressure on cleaning or grounds maintenance contracts.
- Examples that people gave on cost variation between schemes included: design of the building, extent of communal areas, age of the building, need for security, listed buildings, higher staff costs in London, number and age of lifts.
- Many people described how elements of the service charge costs might increase outside the housing association control: utility costs, minimum wage, fire safety requirements, maintenance costs.

“The value of the community aspect is very important as that is what gives people quality of life.”

- Larger schemes can achieve economies of scale over service charge costs: these are not possible for smaller schemes.
- Many people were concerned about how any cap in overall service charge or increase in service charge would impact their ability to recover actual costs of services provided in line with requirements set out in the tenancy.

“If there is a cap, and service charge exceeds it, then that just diminishes rent, given true service charges cover actual cost.”

The costs of services will vary from year to year and in some years charges will go down. This would then cause a problem in future years if there is a cap on the amount by which the charge can increase.

- Some providers still operate rent pooling, in that they do not seek to recover the full cost of services provided to sheltered tenants. Any new system should not prevent organisations from de-pooling services in the future.
- People wanted to ensure that any future system could deal with the unforeseen – the requirements for flats and complex buildings that will come out of the Grenfell enquiry were often mentioned as an example of issues that landlords may have not planned for at the beginning of the year.

“Providers are already pulling back from sector and development. Years of shifting views has undermined confidence within the sector. Need guarantee that actual costs will be covered.”

Future supply

- Many people mentioned that future supply is about the use of existing stock as well as building new homes and so any system needs to give providers confidence that the housing costs within existing schemes can be recovered as well as ensure investment in new supply.
- Some people were concerned about the ability to develop at social rent levels in low value arrears.
- Many people expressed the view that the regulation of future sheltered rents needed to be proportionate and flexible; for example providers should be asked to explain why a charge exceeded any cap and the regulator would be able to take a view on whether this was justified rather than apply a set of rigid rules
- Given that many of the costs in existing schemes are fixed and are set within a system that has checks and balances, people felt that any new system should be designed to only deal with the small number of schemes where costs are true outliers.
- Many people called for clarity on the future system as soon as possible as the sector had lived with uncertainty in this area for many years
- There is a need for a level playing field across different types of provider so that registered housing associations can compete with other types of provider in this market

“It will be impossible to build in a buffer for unexpected costs unless you bring in standard accounting across all of the sector.”

“Many services are locked into lengthy contracts (for VfM purposes) which will be problematic and expensive to manoeuvre around. Client/tenant consultation is absolutely crucial.”

Partnership working and the National Statement of Expectation

- Respondents welcome the intention behind better partnership working and more focus at a strategic level across health, housing, social care and planning on the role of sheltered and extra care housing.
- Concern was expressed on the capacity of local authorities to plan and coordinate this work.

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Supportedhousing@housing.org.uk