CIH submission to DWP/ DCLG Select Committee Inquiry into the future funding for supported housing

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1. Introduction

CIH welcomes the select committee's inquiry into the future funding for supported housing. Supported housing, including sheltered/ retirement housing for older people, provides a valuable home for people who need extra help and support in the long term to maintain independent living or short term to address crises, such as homelessness or fleeing domestic violence. It also provides significant benefits for the wider community and public services; research for the HCA identified a total net benefit from investment in supported housing ranging from £444 per person per year for older people to £6,764 per person per year for people with learning disabilities (Frontier Economics, Financial benefits of investment in specialist housing for vulnerable and older people, September 2010).

Increasingly supported housing schemes are developing services to support other public services to address significant challenges and pressures; CIH's and Skills for Care's forthcoming report looks at the role of housing in effective discharge from hospital for example, available soon from our website.

2. Summary of main points

- The new framework has to reflect the actual costs of providing supported housing, and be flexible to respond to the changing needs of the UK's population.
- It is vital that the funding framework, particularly the top up fund, is adequately sized and resourced to ensure that people do not fall into arrears on the transition to the new system.
- The proposed system does not fit the funding needs of crisis/ emergency schemes that provide very immediate short term support.
- The long term funding, distribution and protection of the top up fund will be critical to sustain existing schemes, and ensure new development. It will need to address the risk of significant regional disparities in the provision of, and access to, supported housing by those who need it.
- There will need to be careful consideration of and support for localities to develop strong and robust partnerships to ensure effective commissioning of future schemes, which understand the nature of and benefits from long term investment in supported housing.

3. Implications of the proposed structure (LHA cap and local top up funding)

As a principle we are concerned about the shift of a proportion of the funding relating to help for people with housing costs from the welfare system which provides a flexible and responsive mechanism to respond to needs (annually managed expenditure), to one that is periodically set and subject to limited or potentially no regular increase (under the departmental expenditure limit budget). We believe this limits the flexibility of the funding to respond to future changes, most notably the demographic impact of an ageing society.

CIH appreciates that a key purpose of the proposals is to bring funding for supported housing into the centrally administered universal credit system, to make it more simple, transparent and easy to administer. We also acknowledge that the government has stated that the changes proposed are not to reduce funding for supported housing and that it wants to see more supported housing developed. However, there are potential risks in the proposals that will need to be addressed as the details are developed, notably in terms of regional and local differences in the LHA rate and the levels and distribution of the top up funding required as a result.

The LHA is linked to market rents for general needs properties and therefore provides a poor comparator for the real costs of providing supported housing. The LHA no longer reflects the lowest 30th percentile of rents in many local areas, having been subjected to capped increases (first CPI and then 1 per cent or CPI if lower), and now frozen from April 2016 (some of the effects are explored in CIH's Mind the gap report). Use of the LHA cap will have a particular impact on the funding stream in those areas where the LHA level is particularly low, if the top up fund is not adequately funded and appropriately distributed. It risks introducing significant regional disparities in the provision of and access to supported housing, and does not reflect the additional costs of supported housing which government has recognised. For example the average 1 bed LHA rate in London and adjacent areas is £122.60 per week compared to only £60 per week in Blaenau Gwent.

Carol Matthews, CEO of Riverside (which provides schemes across the range of supported housing from services for young people and families to retirement living), highlights the £10 million shortfall potentially facing their residents if the top up fund does not address the LHA discrepancy. Modelling by Riverside and other supported housing providers indicates that in the North East of England 40 per cent of supported rents exceeds LHA, compared to 6 per cent in London (Inside Housing 31 January 2017).

The use of the LHA cap is also problematic for new development, given that the HCA is requiring affordable rents to be set in England, i.e. up to 80 per cent of market rates and therefore often above LHA rates. One way to address the potential shortfall in the long term, as well as creating a top up fund, is to review that requirement and reflect these pressures in increased capital grants for supported housing development.

4. Protecting existing tenants from April 2019 – the need for transitional arrangements

The funding framework is about actual housing costs – the core rent, set in accordance with national rules, and the service charge which reflects actual costs of providing facilities (such as lifts in retirement housing, communal furnishings, grounds maintenance etc.). Existing tenants have tenancy agreements that commit them to meeting costs for their housing either directly or by accessing help through housing benefit/ universal credit. In moving to the new system, there will need to be adequate provision to ensure that tenants do not fall into arrears resulting from a change in the funding system beyond their control.

It is unclear exactly how government will be setting the level of top up funding and how this will be distributed across the country, including to the devolved administrations of Scotland, Wales and Northern Ireland. There are concerns across the sector that the evidence review will frame the level of costs to be included in the top up fund devolved to local authorities. The authors of the report acknowledged the difficulty of obtaining a full response rate from housing benefit authorities and commissioners (197 responded to the survey).

There is particular concern that the review did not capture the size and cost of existing provision across local areas, including retirement housing and hostels provided by local authorities (i.e. those not falling within the definition of ‘exempt’ ‘specified’ accommodation) and other provision that has not been directly commissioned by local authorities but funded by other means (e.g. through health). In Scotland a higher level of provision is delivered by local authorities. It is therefore critical that the level of the top up fund and transitional arrangements are adequate and appropriate.

In addition the government’s consultation refers to meeting the level of funding at 2019/20 taking into account its policy on social rents – the 1 per cent per year rent reduction. However, this has not been introduced in Scotland and Wales, for example, and this too should be taken into consideration in the overall funding provided in the new framework.

There is a precedent in more accurately capturing costs, as was done for the supporting people programme, but we are concerned that the timeframe does not allow for this. Government should consider the potential to introduce regional floor levels to LHA payments, for those areas where there is a significant discrepancy between the LHA cap and real costs of existing services. This will mitigate the worst potential of a postcode lottery or North/South divide in the sustainability of existing and development of new supported housing schemes.

It should also consider some transitional arrangement such as a contingency fund to offset any shortfall in top up funding that might cause existing tenants to fall into arrears.

5. The localised top up funding pot

There appears to be a lack of understanding and appreciation in localities across some parts of government and partner public services, that the value of supported housing is that it is preventative and maintains quality of life. The dominant view is that best use of funding is to concentrate it on those with highest needs but this is actually wasteful of resources, and increases the uncertainties about ongoing funding amongst housing providers.

The supported housing sector has worked hard to manage the impacts of this loss of funding on its services (e.g. the reconfiguration of services shown in CIH’s sector showcase: sheltered housing, and New approaches to housing for older people). However, any shortfall to, or limited funding within, the proposed funding framework will be far less manageable, as it impacts on the actual costs of providing the scheme and its associated facilities and services. A survey by NHF of housing associations in England estimated that up to 156,000 supported homes could become financially unviable.

Research for the NHF identified a shortfall in England of 16,540 supported housing places for working age people, the equivalent of 14 per cent of existing supply (NHF/ Sitra, December 2015). However, providers are still concerned about taking forward development of much needed new schemes, due to lack of clarity about:

- the adequacy of the top up fund and its distribution
- whether/ how the top up fund will be increased to meet growing need over time
- how long the ring fence on the top up fund will be maintained overall and for specific supported schemes
  (The short term contracting of the previous supporting people programme is problematic to sustain schemes that are intended to provide long term homes for older people and people with learning difficulties, for example.)

6. Alternative funding models: short term services

Crisis or emergency access schemes, such as refuges and hostels, where the usual length of stay is very limited, is incompatible with payment of LHA through universal credit, due to:

- the seven day delay before an application is allowed
- the monthly assessment period (AP) process (whereby any changes falling within the month are implemented from the start of the AP and paid monthly in arrears) is incompatible with emergency accommodation. The resident will have often have moved before the payment is made and entitlement will be calculated on their (often lower cost) move-on accommodation
- direct payment is monthly in arrears
- delays in processing which has already been demonstrated to have led to increased arrears for households in long term/ permanent accommodation (the NFA/ ARCH survey revealed that in December 2015, 89 per cent of UC claimants had accumulated arrears from its roll out in April 2014).

Many of these schemes are delivered by small landlords, often specialising in such housing, and therefore without the capacity to absorb costs or make further efficiency savings. For accommodation in these cases, commissioning by a block grant according to places available, and including factors such as void rates or average length of stay, will be more appropriate. If commissioning for these schemes is to be at the local level, there also needs to be a clear national framework of expectations to ensure:

- access is not too narrowly defined through local connection – a particular issue for refuges as people are often housed outside their local area due to safety issues or the lack of available places locally
- appropriate cross authority working on needs assessment and provision
- monitoring and accountability on long term funding (e.g. by requiring local authorities to publish their investment of top up funding annually by scheme type and client group).

7. Distribution and administration of funding

CIH has consulted members in senior roles in England, and identified an overall preference for a national framework of standards and priorities that can have local flexibility but that also provides for some consistency across the country - this is not just a concern for larger providers with a national reach. In terms of the administration of the fund, responses are mixed as to whether it should lie with local districts (with homelessness and planning duties) because of the housing expertise, or with upper tier authorities due to the commissioning experience (although the level of remaining commissioning structures for the supporting people programme is variable). Again this is a particular issue for England rather than the devolved nations.

The value of supported housing in delivering outcomes for wider public services such as health, care and justice, are well known in the sector, and the involvement of these funders in the wider commissioning process would be welcomed. There is real concern that supported housing is still not widely understood by all of these partners with particular risks for any short term commissioning approach on the ability of providers to commit to the development of new long term schemes. There are structures that potentially could be developed to support a stronger strategic understanding and approach, bringing together the range of assessments and strategies setting the context for such development, such as health and wellbeing boards but significant resources in terms of time and people are needed to make these effective at a time when all the of the partners are under considerable financial and resource pressures.

8. The impact for older people

Schemes for older people, including sheltered/ retirement housing and housing with care, were identified in the evidence review commissioned by DCLG and DWP as comprising the largest element of supported housing provision – an estimated 71 per cent. However, the level of housing benefit spend is higher in supported schemes for people of working age, 29 per cent of the stock but 42 per cent of overall spend.

Given the ageing of the UK's population overall, and the incidence of long term and multiple health conditions experienced within that population, the shortfall of supported housing models for older people has a significant impact on wider public services, notably health and social care. 17.7 per cent of the UK's population was over 65 in 2014 and this is set to increase by a further 6.6 per cent by 2039 (ONS Overview of the UK population, February 2016). Healthy life expectancy has not kept pace with increased longevity resulting in an increase in morbidity; at 65, 8.2 years of men's increased 18.8 years of life would not be in good health, whilst for women it is 9.7 years of their additional 21.2 years (ONS Healthy life expectancy at birth and age 65 by upper tier local authority and area deprivations, England, 2012-2014 March 2016).

Retirement and housing with care homes for older people have played a significant part in supporting people's health and wellbeing. For example, a longitudinal evaluation of the ExtraCare Charitable Trust's schemes illustrated the significant benefits from their services for individuals but also for the public purse. Those included average savings for local authority social care commissioners of between 17.8 percent (£1,222 reduced spend per person per year) and 26 per cent (£4,556 per person per year) (ExtraCare Charitable Trust, Better Lives, healthy futures, June 2015). Supported housing was recognised by the Department of Health in playing a significant role in their aims under the Care Act 2014, to achieve a shift in focus from high cost acute health and care interventions to a more preventative approach.

Savills have estimated the need for 725,000 housing with care homes by 2025 to meet the needs of the UK's growing ageing population; Jones Lang LaSalle estimated a minimum of 11,000 of these homes a year are necessary simply to keep pace with the projected annual increase in over 65s of 2 per cent per year (as quoted in APPG for housing and care for older people's report, HAPPI3; Making retirement living a positive choice, June 2016)

However, the three largest specialist providers of housing for older people (Anchor, Hanover and Housing and Care 21) estimate the gap between LHA and actual costs at £64 million across 38,600 homes, with particular issues for sustaining homes, and therefore also any new development, in the North and Midlands. Seventy per cent of their tenants receive housing benefit and the risk to rental income would potentially result in a review of services across all schemes, impacting on self funders as well as those in receipt of housing benefit.

There is an argument for excluding supported housing for older people from the proposed framework at this stage. Older people to date have not been included in previous welfare changes, and there has not yet been any discussion or debate about how housing costs for older people should be managed in pension credit or through other mechanisms. Including older people in this framework from the beginning risks pre-empting that decision and potentially having a negative impact of existing and future schemes where significant shortfall has been identified. CIH would support an approach that excluded supported housing for older people until 2022 or later, after the full roll out of Universal Credit has been achieved. We believe this would:

- enable national and local government, and providers to focus efforts on getting the framework right for schemes that support people of working age and make up a significant percentage of the overall spend
- allow for a proper debate and decisions around how housing costs should be managed within pension credit
- recognise that one of the features of UC is to encourage engagement with work, but this is not applicable for all older people, so the issue and purpose of pension credit is fundamentally different
- recognise that the majority of older people are on fixed incomes and do not have the same capacity as others to increase their incomes to make up any shortfall that the new funding framework may cause.

Should existing retirement and housing with care schemes become unviable, or new schemes not be developed, the growing number of older people, and people ageing with long term conditions will lack suitable alternative housing that is safe and fit for ageing. This will have implications for other service demands including residential care, social care and health services; areas already under significant financial and resource pressures.