

# CIH submission to DCLG/DWP consultation on the future funding framework for supported housing



## **About CIH**

Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

Further information is available at: [www.cih.org](http://www.cih.org)

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# CIH submission to DCLG/DWP consultation on the future funding framework for supported housing



## 1. Introduction

CIH welcomes the opportunity to respond to this consultation. We are a UK-wide organisation, and there are aspects of this consultation that impact across England, Scotland, Wales and Northern Ireland, notably:

- the level of funding in the new framework, how this will be calculated and how it will be increased in the future
- how the transition to the new framework will operate, ensuring that no-one falls into arrears
- how short term and emergency schemes will be funded.

The questions concerned with what tier of local government should hold the devolved top-up fund, and how it could operate with other public sector partners, are more specifically questions for England, and our responses reflect that focus.

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](#). So the ambition to increase the effective integration of services to maximise the positive impact in meeting identified local needs is one that the housing sector understands and supports. However, this is being driven forward at a time when all the partners are facing significant financial and resource pressures.

There is real concern that supported housing is still not widely understood by all of these partners with particular risks from a short term commissioning approach on the ability of providers to commit to the development of long term new development, and the loss of funding to the growing numbers of statutory client groups

The supported housing sector has worked hard to manage the impacts of previous 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.

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## 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.
- Older people to date have been excluded from welfare changes and there is an argument that, until the full roll out of UC, they should continue to be so, to allow for discussion and debate about how housing costs should be covered (through pension credit or other mechanism), given that they have a fixed income and more limited ability to meet increased costs.

## 3. General comment on the proposed structure

As a principle we are concerned about the shift of a proportion of the funding to provide help 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 30<sup>th</sup> 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](#)).

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It is currently also unclear what the government's future policy will be in relation to increases to LHA rates.

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.

That includes additional facilities and services, for which the costs of provision are relatively consistent across the country (e.g. provision of and servicing of lifts, door entry systems, CCTV, labour costs etc.). However, in comparison market rents vary considerably with supply and demand, and this is reflected in LHA rates (although this link is reduced further by the freeze on LHA rates, as we indicate above). This means the top up fund required will be minimal in those areas of high rental prices, but may make up the bulk of the funding required for supported housing schemes in areas with low rents. 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, and below £76 per week across North Nottingham and most of Lincolnshire.

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 where the rent is set at affordable rent rates (which can be up to 80 per cent of market rents). In some areas this may be above LHA rates, limiting those who could afford the tenancy when this new system is introduced from 2019. One way to address the potential shortfall in the long term is to review the requirement for affordable rent and address the rent levels required through increased capital grants for supported housing development.

CIH is modelling how an enhanced rate of LHA (a local supported housing allowance) may operate alongside a smaller top-up fund to provide the balance of certainty, control and flexibility for government, authorities and providers. We believe this could help to address the concerns raised by the framework as it currently stands, such as risks of significant regional disparities and access to supported housing. We would be pleased to explore this further with you. (Lead contact: [Domini Gunn, director of health and wellbeing](#) )

## 4. Response to consultation questions

Below is CIH's response to a number of the specific questions set out in the consultation paper

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*Q1. The local top-up will be devolved to local authorities. Who should hold the funding, and in two tier areas, should the upper tier authority hold the funding?*

CIH conducted an online survey with senior members in England, and a roundtable, to inform our response to this. Overall, in terms of the administration of the fund, responses are mixed as to whether it should lie with local districts (with statutory 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 from the supporting people programme is variable).

The capacity and resources of local government at all levels to manage this new fund is significantly reduced as a result of severe financial reductions over a number of years. Local government will require help (including funding) to take on these responsibilities, to engage with other public agencies, to make this system work.

If funding is devolved to upper tier authorities (because of their commissioning experience) there must be a requirement that these bodies work in partnership with district housing authorities to develop appropriate commissioning approaches and criteria for decision making. This should be in addition to the ring fence on the devolved fund itself.

*Q2. How should the funding model be designed to maximise the opportunities for local agencies to collaborate, encourage planning and commissioning across service boundaries, and ensure that different local commissioning bodies can have fair access to funding?*

There are structures, such as the health and wellbeing boards, that could be developed to support a stronger strategic understanding of, and approach to sustaining/ commissioning supported housing, bringing together the range of assessments and strategies setting the context for such development.

However, the level of active engagement of key partners, such as district housing authorities, is variable, and the effectiveness overall is hampered by lack of resources and ability to require partners to take full account of the board's strategic framework and priorities in their own respective action plans. A few boards have active engagement with housing providers in a health and housing sub group. More of these structures would be an important way forward to support the government's vision for a joined up and well planned local approach to the provision of more supported housing.

Significant resources in terms of time, people and funding are needed to make these effective across all local areas, at a time when all of the partners are under considerable financial and resource pressures. Government should look to provide resources to local authority partners to achieve this.

*Q3. How can we ensure that local allocation of funding by local authorities matches local need for supported housing across all client groups?*

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There could be a requirement for regular publication of both the outcome of local needs assessments across partner agencies in the locality and an assessment of how funding is allocated across client groups in response to those identified needs.

In respect of some client groups where local needs levels are low and where the best response would be to consider cross authority boundary cooperation to provide supported housing, there should be a clear requirement from government on this, potentially linking into a national statement of expectation/ outcomes framework.

Please also see section 5 below where we raise the issue of specific impact for older people and specialist retirement/ housing with care schemes.

*Q4. Do you think that other funding protections for vulnerable groups, beyond the ring-fence, are needed to provide fair access to funding for all client groups, including those without existing statutory duties (including the case for new statutory duties or any other statutory provision)?*

There are concerns across the sector about the level of the top up fund and the length of time that the ring-fence will be in place; these are critical factors in giving confidence to deliver supported housing across the spectrum of client needs. In addition, as a minimum, a national framework or statement of expectations, and a requirement for local authorities to publish its funding allocations in line with that framework, and against the assessment of identified needs, would strengthen accountability in terms of how well the authority is addressing real housing and support needs across all client groups.

*Q5. What expectations should there be for local roles and responsibilities? What planning, commissioning and partnership and monitoring arrangements might be necessary, both nationally and locally?*

Local government and other public services are already responsible for undertaking assessments of needs (local housing needs, joint strategic needs assessments) to inform the local plan and other strategies. In England, the health and wellbeing boards are where these assessments and strategies should be able to connect, although there are concerns about how well this is operating overall. Many respondents felt the need for these assessments to be strengthened to ensure the inclusion of needs for supported housing. Guidance from government on methodology to ensure a robust and consistent approach may be helpful, and would be in line with the recent announcement of government's intention to develop a shared assessment methodology for housing needs, and addressing the particular requirements of older and disabled people. This could be extended to address the housing needs of all supported housing client groups.

Some of the devolution deals may also provide a structure for greater integrated planning for services, notably Greater Manchester. However, the level to which all partners are engaged across all devolution deals varies, and we have already identified above the risk for a focus on respective statutory functions at the expense of some of the lower level preventative services that supported housing delivers.

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(See also our response to questions 4, 9 and 12 in respect of local roles and responsibilities).

*Q6. For local authority respondents, what administrative impact and specific tasks might this new role involve for your local authority?*

The structures that were previously in place under the supporting people programme no longer exist in all local areas, and other structures are variable in how well all the desired partners are involved, particularly housing authorities. To enable an effective partnership approach to commissioning services will require investment of time and people across localities. The financial resources to support this, and to administer the fund, should be provided separately not from the top up fund, which should be used only for funding supported housing.

*Q7. We welcome your views on what features the new model should include to provide greater oversight and assurance to tax payers that supported housing services are providing value for money, are of good quality and are delivering outcomes for individual tenants?*

There are a number of tools that could be used to demonstrate outcomes achieved and value for money, including the [Service Quality Tool](#) developed by CIH. These could be used by authorities to assess their performance against the national framework, alongside the requirement that the assessments are published regularly to strengthen accountability. However, these requirements must be proportionate, and take into account that frequently, these schemes are provided and run by organisations that are already regulated/ inspected (for example; by the Homes and Community Agency).

*Q8. We are interested in your views on how to strike a balance between local flexibility and provider / developer certainty and simplicity. What features should the funding model have to provide greater certainty to providers and, in particular, developers of new supply?*

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.)

Therefore the new framework needs to reflect the long term nature of much supported housing and look at how the structure can effectively support a co-operative local approach to identifying needs and maintaining existing/ developing new appropriate

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supported housing schemes in response, addressing the concerns over the level of funding available in the long term.

*Q9. Should there be a national statement of expectations or national commissioning framework within which local areas tailor their funding? How should this work with existing commissioning arrangements, for example; across health and social care, and how should we ensure that it was followed?*

In our consultation with members in senior roles in England, responses indicated 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.

See also response to Q12 in respect of commissioning for short term emergency/ crisis accommodation

*Q10. The government wants a smooth transition to the new funding arrangement on 1 April 2019. What transitional arrangements might be helpful in supporting the transition to the new regime?*

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, door entry systems, laundry facilities, 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 (48 per cent of local authorities 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,

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and this too should be taken into consideration to ensure that adequate funding is 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 some additional transitional arrangement such as a contingency fund to offset any shortfall in top up funding that might cause existing tenants to fall into arrears.

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.

Clarity is also required on how the top-up fund will be administered in terms of a block payment to providers or whether individual tenants need to apply; both systems are potentially problematic and involve administrative burdens for providers, authorities and possibly also tenants, should they be required to apply themselves to the local authority for additional funding to address the rental shortfall.

*Q12. We welcome your views on how emergency and short term accommodation should be defined and how funding should be provided outside Universal Credit. How should funding be provided for tenants in these situations?*

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). 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, which 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 clear national expectations to ensure:

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- access is not too narrowly defined through local connection – a particular issue for refugees 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).

## 5. The impact of the new framework 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 longevity 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 per cent (£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 as playing a significant role in their aims under the Care Act 2014, to achieve a shift in focus from high costs acute health and care interventions to a more preventative approach.

CIH consultancy's recent project, working together to create the next generation of sheltered housing, involved the collaboration of thirteen providers from across the UK. The findings from this work illustrate the increasingly complex needs of sheltered housing residents. This was particularly concentrated on older people with a wide range of mental health conditions who require intensive support to enable them to maintain their independence, avoid hospital admission and stay connected to friends and family.

Savills have estimated the need for 725,000 housing with care units 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

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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 on existing and future schemes where significant shortfall has already 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 Universal Credit 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 without any capacity 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 more fit for purpose. This will have implications for other service demands including residential care, social care and health services; areas already under significant financial and resource pressures.