

January 2017

## Research briefing: supported housing

### How much top-up funding will be required under the Government's proposed model, and what might a different cap look like?

#### Summary of key points

- The significant variation in the Local Housing Allowance (LHA) cap across the country means that the new system for funding supported and sheltered housing will operate very differently in different parts of the country.
- Rents and service charges for supported and sheltered housing are relatively consistent across the country for similar types of scheme.
- A higher LHA cap would reduce the numbers of people affected by the new system and allow local authorities to concentrate resources and more closely monitor high cost schemes.
- A relatively small increase in the LHA cap for older people living in sheltered housing would have a large impact in reducing the number of people reliant on the local top up and give older people on low incomes reassurance that their rent will continue to be covered by benefits.
- A higher LHA cap could go some way to simplifying the new system, cutting administrative costs and ensuring fair access to specialist housing for vulnerable people across the country.

## The background

On 15 September 2016, the Government announced details of its proposed direction of travel for how supported housing would be funded in the future. The key elements of the new proposal are:

- The Local Housing Allowance (LHA) cap will apply to all tenants in supported and sheltered housing from April 2019.
- Housing costs will continue to be paid through the benefit system up to LHA level
- No Shared Accommodation Rate – the one-bedroom LHA rate will be paid for all under 35s in supported housing.
- Local authority top up, with ring-fenced funds transferred across from the Department for Work and Pensions and allocated by the Department for Communities and Local Government.
- The Government believes a different system needs to be worked out for short-term transitional services and it will consult on this.
- The 1% rent cut will apply to supported and sheltered from April 2017 for the next three years – except refuges, alms houses and co-ops.

The LHA rates for an area can be found at <http://lha-direct.voa.gov.uk/Search.aspx>.

Further to this announcement, the Government published a formal consultation document on the future of supported housing on 21 November. The consultation covers:

- fair access to funding, including the detailed design of the ring fence and any additional protections that may be needed for particular client groups
- clarifying expectations for local roles and responsibilities
- confirming what future arrangements there should be to provide oversight and assurance for the Government and taxpayers around value for money and quality services
- the appropriate balance between local flexibility and provider certainty
- developing a funding model for short term accommodation, including hostels and refuges.

## The Federation's response to the announcement

We welcomed the promise that funding will be ring-fenced as well as the commitment not to use the Shared Accommodation Rate of LHA for people under 35. However, there remains a great deal of uncertainty for vulnerable people and it is not clear how the proposed system will ensure that funding is available to pay the housing costs for people with support needs.

Questions include:

- How we ensure that vulnerable tenants in areas where private sector rents are low are not disadvantaged by these changes and can still afford decent appropriate supported housing?
- How local authorities will prioritise how they spend their devolved funding. For example, what happens to people who cannot prove a local connection and may have little local political support?
- How the Government will ensure that local authorities get the right amount of money and that this funding will grow in line with future need?
- How the need for supported housing will be measured on an ongoing basis?
- How long the ring-fence around the money will last?
- How we ensure that services requiring a relatively small amount of additional funding, for example sheltered housing, are not caught up in complicated administration?
- How existing tenants will be protected in the transition from one system to another?

These issues will be explored in greater depth in the Federation's response to the Government's consultation.

The purpose of this paper is to examine the first bullet in detail – the variable impact of the LHA cap across different areas.

## Our approach

We have worked with The Riverside Group Ltd to undertake this analysis. Riverside provided the tool, and the Federation has collected and analysed data from 13 large housing associations. Collectively, they provided details on the rents and Housing Benefit eligible service charges for around 62,000 units of supported and sheltered housing spread across the country.

The tool allows us to compare the level of LHA with the actual rents and service charges of those 62,000 units. In the following analysis we have assumed a cap at the LHA rate matching the size of the property for the Broad Rental Market Area where the scheme is based. (LHA rates are based on the size of the household not the property however as the data does not include actual occupancy we have used the size of the property as a proxy). The great majority of supported and sheltered housing is one bed, bedsit or shared accommodation. The model allows us to vary the rate of cap applied.

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## Caveats/assumptions

We do not yet know the mechanism for measuring need and allocating funding within the proposed new system. We know only that the Government has pledged not to reduce the overall amount of funding going into the housing costs of supported housing. In the tables below we have set out a percentage of housing costs that will be met by the local authority top up. This is simply the total amount currently spent on rents and service charges minus the amount of housing benefit up to the LHA rate.

## Findings

First, we looked at the impact of increasing the overall cap by a range of percentages, and two flat rate increases of £10 and £20 respectively. Table 1 is based on rents and Housing Benefit eligible service charges for supported and sheltered housing in England. The average amount that the cap exceeds the LHA rate does not vary by much as the LHA cap is increased. This is because costs in some specialist housing are significantly higher than the cap in all part of the country. This is illustrated by Chart 1 at the end of this paper which shows average specialist housing rents and eligible service charges by Broad Market Rental Area (BMRA).

Table 1 shows that the most significant impact of raising the LHA cap is to reduce the numbers of people affected by the new scheme and to reduce the percentage of the rent roll affected. The percentage of the rent roll affected is very important to the housing association as it impacts on their ability to borrow money to fund future developments and manage the risks involved in continuing to run specialist housing schemes.

The figures on the percentage of total rent and service charge met by Housing Benefit (HB) show that under existing LHA levels three quarters is met by the benefits system. At LHA level, around one-quarter of housing costs are met via the proposed new top-up fund. The rise in this percentage of funding coming via the benefits system as the LHA cap is increased gives an indication of the potential impact on the overall benefits budget of increasing the cap.

	LHA	LHA + 5%	LHA + 10%	LHA + 15%	LHA + 20%	LHA + 25%	LHA + 30%	LHA + £10	LHA + £20
Av. weekly amount over cap (among those affected)	£43.08	£41.63	£40.42	£40.20	£40.83	£41.79	£43.14	£40.16	£41.32
% of households affected	77	71	65	58	51	45	39	64	49
% of rent roll affected	25	22	20	17	16	14	12	19	15
% of total rent and service charge met by HB	75.4	78.0	80.4	82.6	84.5	86.1	87.6	80.7	84.9
% of housing costs met by LA top up	25.6	22.0	19.6	17.4	15.5	13.9	12.4	19.3	15.1

*Table 1*

**What are the differences in the new system for sheltered housing and supported housing for people of working age?**

Sheltered and extra care housing is designated for older people and all registered providers of social housing produce statistical data returns to the Homes and Communities Agency using the split between supported housing and older people's housing. It is therefore possible to split the data between sheltered housing for older people and supported housing for people of working age.

Rents and service charges for sheltered housing tend to be below the LHA cap or not far above it. This contrasts to costs in supported housing where rents tend to exceed the cap and by much larger amounts. Many older people pay their rent without recourse to the benefits system: we have not been able to factor these self-payers into this analysis but it is important to acknowledge the contribution of individuals to the overall funding for sheltered housing.

Table 2 shows the impact of keeping the cap at the LHA rate for working age supported housing, and varying it for older people only. Increasing the cap for older people only means that it is still possible to take a significant number of people out of the new system: for example, an increase in the LHA cap by only £20 brings down the total number of people affected from 76% to 43%.

	LHA	LHA + 5%	LHA + 10%	LHA + 15%	LHA + 20%	LHA + 25%	LHA + 30%	LHA + £10	LHA + £20
Av. weekly amount over cap (among those affected)	£28.08	£25.85	£23.80	£22.29	£21.29	£20.35	£19.68	£23.35	£21.18
% of households affected – older people	76	69	62	54	46	39	32	61	43
% of rent roll affected	18	15	12	10	8	7	5	12	8
% of total rent and service charge met by HB – older people	82.4	85.2	87.7	89.9	91.9	93.5	94.8	88.1	92.4
% of housing costs met by LHA cap – older people	17.6	14.8	12.3	10.1	8.1	6.5	5.2	11.9	7.6
% of total rent and service charge met by Housing Benefit – overall	75.4	77.4	79.2	80.8	82.2	83.4	84.3	79.5	82.6
% of housing costs met by local authority top up - overall	24.6	22.6	20.8	19.2	17.8	16.6	15.6	20.5	17.4

*Table 2*

Table 3 shows the impact of keeping the cap at the LHA rate for older people, and varying it for working age people in supported housing:

	LHA	LHA + 5%	LHA + 10%	LHA + 15%	LHA + 20%	LHA + 25%	LHA + 30%	LHA + £10	LHA + £20	LHA + £50
Av. weekly amount over cap (among those affected)	£98.77	£96.99	£94.18	£92.92	£91.35	£90.25	£88.08	£93.35	£88.80	£80.68
% of households affected	81	78	76	73	71	68	66	77	72	56
% of rent roll affected	42	40	38	36	34	32	31	38	34	24
% of total rent and service charge met by Housing Benefit – supported	57.8	59.9	62.0	63.9	65.8	67.6	69.2	61.9	65.9	76.1
% of housing costs met by LHA cap (supported)	42.2	40.1	38.0	36.1	34.2	32.4	30.8	38.1	34.1	23.9
% of total rent and service charge met by Housing Benefit – overall	75.4	76.0	76.6	77.2	77.7	78.2	78.7	76.6	77.7	80.6
% of housing costs met by LHA cap – overall	24.6	24.0	23.4	22.8	22.3	21.8	21.3	23.4	22.3	19.4

*Table 3*

### Regional variation

Tables 4 to 8 show the impact of the LHA cap and then increases in the cap by English region. If existing rates of LHA are used (Table 4) then the number of sheltered and supported properties affected ranges from 15% in London to 96% in the North East. Increasing the cap by £20 reduces the number of properties affected down to 50%. So a relatively small increase in the cap would go some way to evening out the regional differences and reducing reliance on the local pot.

We have produced this range of regional information to illustrate the extent and nature of the local variation in the roll and size of the local fund for supported housing costs. Regional caps could be varied in a range of ways other than those illustrated here: for example, raising the cap outside London has a much greater impact than raising it in London where it is already relatively high.

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Table 4

LHA	East	East Midlands	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber
Av weekly amount over cap (£)	43.62	59.28	55.67	39.78	36.38	36.72	35.26	42.08	52.62
% of properties affected	74%	95%	15%	96%	89%	49%	77%	88%	89%
% of rent roll affected	24%	39%	5%	30%	27%	13%	20%	28%	35%
% of total rent and service charge met by capped housing benefit	76.11%	60.96%	94.67%	69.60%	73.42%	86.68%	79.64%	72.28%	65%
% for local authority top up	23.89%	39.04%	5.33%	30.40%	26.58%	13.32%	20.36%	27.72%	35%

Table 5

LHA + 10%	East	East Midlands	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber
Av weekly amount over cap (£)	41.63	54.21	45.84	36.71	33.27	37.57	36.06	36.92	50.93
% of properties affected	61%	89%	13%	83%	76%	35%	56%	79%	78%
% of rent roll affected	19%	33%	4%	24%	21%	10%	15%	22%	30%
% of total rent and service charge met by capped housing benefit	81.03%	66.57%	96.42%	75.95%	79.40%	90.24%	84.91%	78.26%	70.27%
% for local authority top up	18.97%	33.43%	3.58%	24.05%	20.60%	9.76%	15.09%	21.74%	29.73%

Table 6

LHA + 20%	East	East Midlands	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber
Av weekly amount over cap (£)	42.81	58.81	37.84	42.21	32.37	34.89	34.95	35.11	50.36
% of properties affected	47%	70%	10%	57%	59%	28%	43%	64%	67%
% of rent roll affected	15%	29%	2%	19%	16%	7%	11%	17%	25%
% of total rent and service charge met by capped Housing Benefit	84.98%	71.35%	97.73%	80.84%	84.27%	92.86%	88.80%	83.35%	74.75%
% for local authority top up	15.02%	28.65%	2.27%	19.16%	15.73%	7.14%	11.20%	16.65%	25.25%

Table 7

LHA + £10	East	East Midlands	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber
Av weekly amount over cap (£)	41.43	52.97	53.49	36.98	33.01	36.92	35.8	36.34	50.44
% of properties affected	62%	89%	13%	79%	73%	37%	57%	79%	76%
% of rent roll affected	19%	33%	4%	23%	20%	10%	15%	21%	29%
% of total rent and service charge met by capped Housing	81.06%	67.36%	95.56%	76.76%	80.12%	89.85%	84.69%	78.51%	71.19%

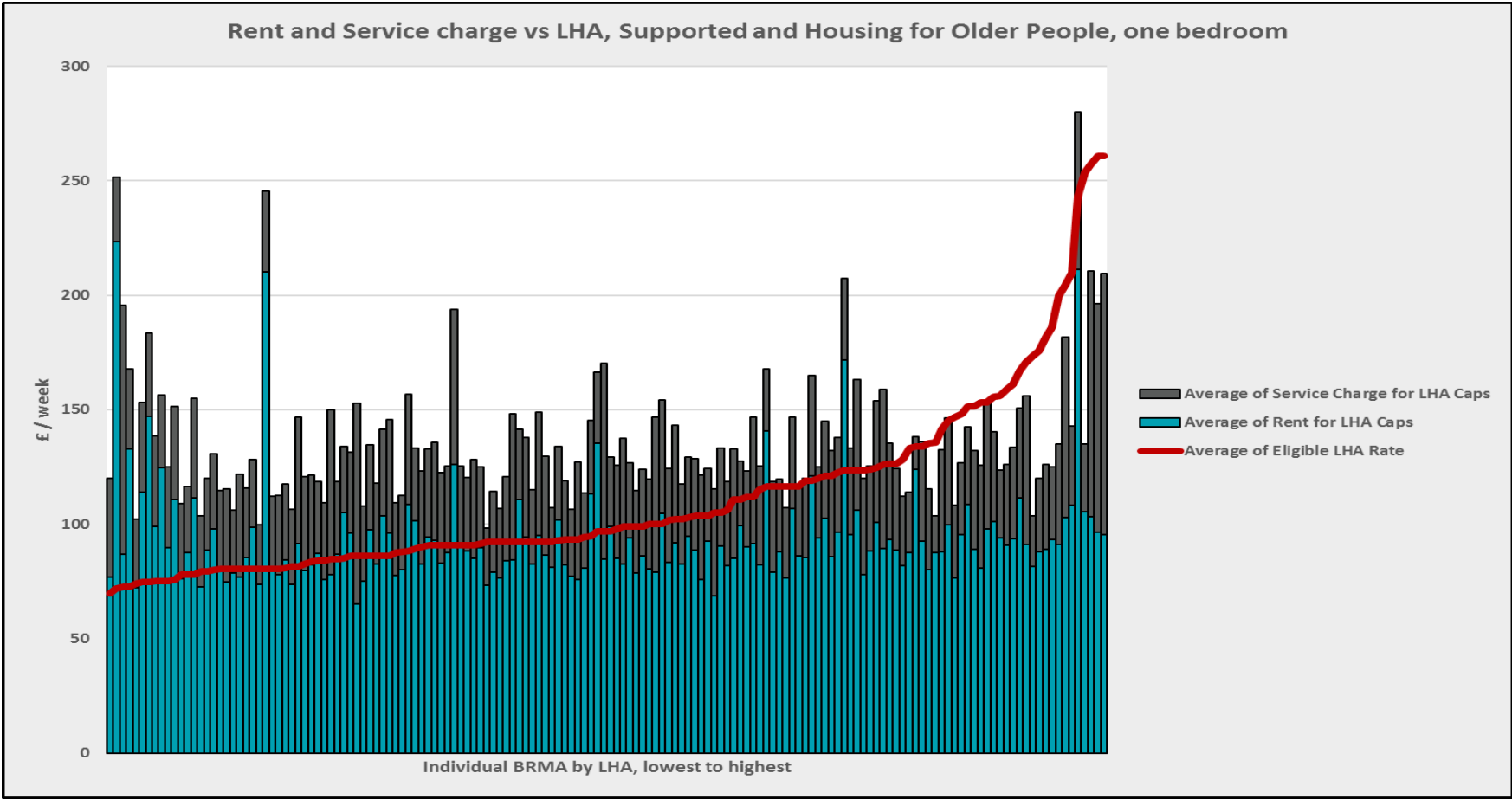
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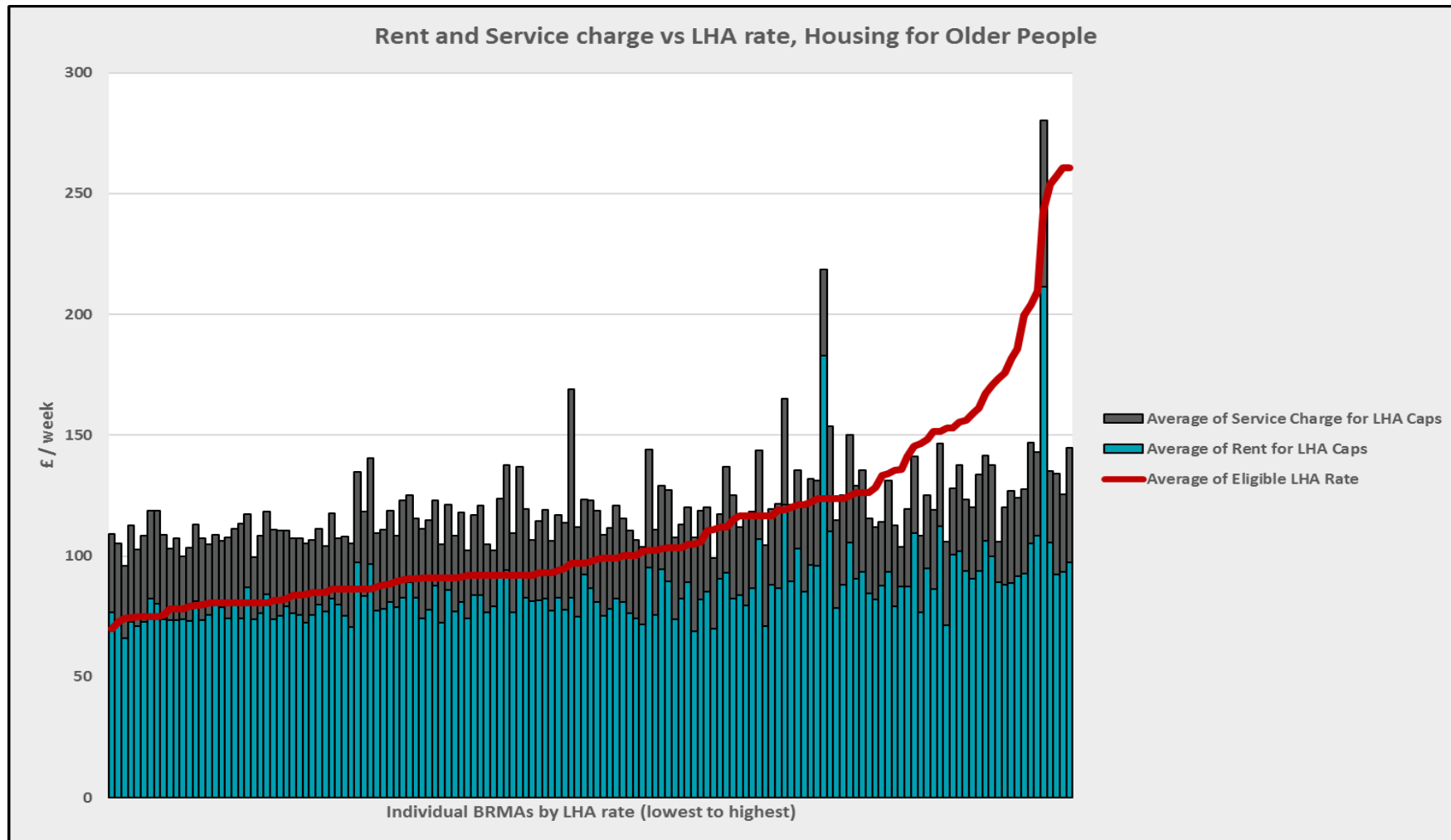


Benefit									
% for local authority top up	18.94%	32.64%	4.44%	23.24%	19.88%	10.15%	15.31%	21.49%	28.81%

*Table 8*

LHA + £20	East	East Midlands	London	North East	North West	South East	South West	West Midlands	Yorkshire & Humber
Av weekly amount over cap (£)	42.84	58.29	46.57	45.49	32.95	35.38	34.85	34.9	49.78
% of properties affected	47%	68%	13%	50%	54%	30%	45%	62%	63%
% of rent roll affected	15%	27%	4%	18%	15%	8%	12%	16%	24%
% of total rent and service charge met by capped Housing Benefit	85.03%	72.62%	96.36%	81.96%	85.41%	92.29%	88.41%	83.80%	76.37%
% for local authority top up	14.97%	27.38%	3.64%	18.04%	14.59%	7.71%	11.59%	16.20%	23.63%





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