



BRIEFING PAPER

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Paying for supported housing

By Wendy Wilson

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Summary

What is supported housing?

Supported housing covers a range of different housing types, including group homes, hostels, refuges, supported living complexes and sheltered housing. Rent levels in supported housing tend to be higher than those charged for similar accommodation in the private sector.

Housing Benefit entitlement in supported housing

For those residents who are eligible to receive Housing Benefit, it can help with all or part of their rent payments. Supported housing that meets certain criteria is treated as 'exempt accommodation' for Housing Benefit purposes. As such, the Housing Benefit regulations, which limit rents to defined local levels, do not apply to accommodation where the landlord (housing association or voluntary organisation) provides "care, support or supervision."

The Government's [Supported Accommodation Review, November 2016](#) estimated that around 260,500 residents of supported accommodation were claiming Housing Benefit in 2015. The estimated total cost of these claims was £4.1 billion across Great Britain. The review also "conservatively" estimated that the additional annualised spend on support and care services (that is in addition to Housing Benefit spend) at the end of 2015 was around £2.1 billion.

Housing Benefit review 2011

In July 2011 the Coalition Government published [Housing Benefit Reform – Supported Housing](#) in which it set out proposals to reform the way in which Housing Benefit is treated for claimants living in certain types of supported housing. The Government argued that reform was necessary because of: the complexity of the system; rising expenditure; and also the introduction of Universal Credit. Consultation closed on 9 October 2011. In September 2012 the Government said that help toward housing costs for those living in supported 'exempt' accommodation would be provided outside of Universal Credit. No other changes to Housing Benefit entitlement were made at that time.

Annual rent reductions up to 2019

The [Summer Budget 2015](#) saw the announcement of rent reductions for social housing landlords. Measures included in the *Welfare Reform and Work Act 2016* require these landlords to reduce their rents by 1% in each year for four years from April 2016. The 2015 Government subsequently announced a one-year exemption for the supported housing sector from the 1% rent reduction. On 15 September 2016 the Secretary of State [announced](#) that the deferral of the 1% rent reductions would end. Annual rent reductions are being applied from April 2017 to supported housing schemes so that rents for these properties will decrease by 1% a year for 3 years, up to and including 2019/20. The exemption for specialised supported housing remains in place over the period and has been extended to include fully mutuals/co-operatives, almshouses and Community Land Trusts and refuges.

Local Housing Allowance Caps

During the [Spending Review and Autumn Statement 2015](#) the Chancellor announced an intention to cap, with effect from 2018, the amount of rent that Housing Benefit would

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cover in the social rented sector to the relevant Local Housing Allowance (LHA) level, which is the rate applied to most private renters on Housing Benefit. Providers of supported housing argued that, given their higher rent levels and slim operating margins, the measures would have a particularly detrimental impact on revenue streams and would threaten the viability of existing and future schemes. The sector called for an exemption for supported housing from both the LHA caps and rent reductions, arguing that supported housing delivers average net savings to the public purse of around £940 per resident per year and that demand for this type of accommodation is growing.

The application of LHA caps in the supported housing sector was delayed for one year. The DWP and DCLG jointly commissioned an evidence review to look at the size and scope of the supported housing sector.

On 15 September 2016 the Secretary of State [announced](#) a further delay in applying LHA rates in the supported housing sector to 2019/20. This announcement included a commitment to introduce a new funding model under which local authorities in England would receive ring-fenced funding to meet the shortfall between the LHA rates and the cost of provision. There was reference to developing a separate funding model for short-term accommodation such as refuges and hostels.

The [report](#) arising from the evidence review was published on 21 November 2016 together with a consultation document, [Funding for supported housing](#). The consultation process took 592 submissions up to 13 February 2017. Views were sought on how the new funding model should work in England.

Funding announcement 31 October 2017

During Prime Minister's Questions on 25 October 2017, Theresa May announced that LHA rates would **not be applied to supported housing, nor would they be applied to general needs social housing**. This was confirmed in a further [consultation paper](#) published on 31 October 2017. The Minister, Marcus Jones, announced that a "flexible funding model" would be brought forward for the sector. In summary, the Government intends that **all long-term supported housing will remain within the welfare system**. There will be three broad funding groups:

- A 'sheltered rent' for sheltered and extra care housing will be devised and will act as an overall limit on the amount that providers can charge, including service charges, for each unit. Annual increases will be limited. This model will be introduced in 2020.
- Supported housing for those with learning or physical disabilities or mental ill health. 100% of housing costs will be funded through the welfare system subject to the application of existing Housing Benefit/Universal Credit rules). The Government intends to work with the sector to develop and deliver improvements to cost control, quality and outcomes.
- Short-term and transitional supported housing – typically homeless hostels, refuges for those at risk of domestic violence and those receiving support for drug/alcohol abuse. The proposal is that, from 2020, 100% of this provision will be commissioned at the local level and funded through a ring-fenced grant administered by local authorities. The funding previously applied to Housing Benefit will be allocated to authorities to fund services to meet local needs. Therefore, short-term accommodation will be taken out of the welfare system, although an individual's entitlement to assistance with housing costs will remain unchanged.

The Government's announcement was widely welcomed within the sector in relation to long-term supported housing. However, the proposals for short-term supported housing

are viewed as a threat to the long-term security of funding and, therefore, provision. Responses to the [consultation paper](#) were accepted up to 23 January 2018.

On 1 April 2018 the Ministry of Housing, Communities and Local Government (MHCLG, previously DCLG) published an [update on the consultation process](#). 738 responses were received to the two consultation exercises – these are under consideration and a full formal response, including more details of the policy, will be published in the summer.

This paper explains the Government's proposals and references responses from the sector.

1. Background

1.1 What is supported housing?

Supported housing covers a range of different housing types, including group homes, hostels, refuges, supported living complexes and sheltered housing. Residents of supported housing generally require a level of personal care, support or supervision. The cost of meeting this non-housing-related support is met separately from Housing Benefit. Residents of supported housing typically include the elderly, people with mental, physical and learning disabilities, and substance abusers.

An overview of the role of supported housing and an assessment of issues influencing its supply can be found in the National Housing Federation's paper, [Supported housing: understanding need and supply](#) (2015).

Providers argue that there is growing demand for specialist and supported housing and that it delivers overall savings for the public purse:

Supported housing makes good economic sense. It delivers average net savings to the public purse of around £940 per resident per year. Depending on the type of scheme, the level of savings can be even greater; for example for people with learning disabilities the saving is £6,764 per resident per year. Research undertaken in 2009 showed a net financial benefit of the Supporting People programme of £3.41bn per year against an overall investment of £1.61bn. A new, sustainable approach to funding supported housing is needed to ensure the benefits of supported housing are maximised and positive outcomes for the people that live in it continue to be delivered.

The availability of specialist and supported housing is failing to keep up with existing and increasing future demand. This leaves older and vulnerable people in housing that does not suit their needs and which does not deliver the integrated care and support which is so vital for their independence. It is estimated that around 16,000 more specialist homes are needed every year for older people alone to close this gap by 2030. This does not include the extra homes required for the thousands of others with support needs such as those with learning disabilities or mental health problems.¹

Additional information on the size and shape of the sector was gathered as part of the Government's 2016 evidence review. More information on the review's findings can be found in section **3.6** of this paper.

1.2 Housing Benefit for residents of supported housing

For those residents who are eligible to receive Housing Benefit, it can help with all or part of their rent payments. Rent levels in supported housing tend to be higher than those charged for similar

¹ NHF, [Proposal for a strong and sustainable future for supported and sheltered housing](#), 27 June 2016

accommodation in the private sector. The Coalition Government's 2011 consultation paper, [Housing Benefit Reform – Supported Housing](#), identified some reasons for this:

Supported housing is often of higher quality than mainstream housing. This is because the units of accommodation are purpose built to enable residents to lead more independent lives, with greater accessibility, more space or specific adaptations included. It may also be important for residents to be situated closer to amenities, public transport routes, or in relatively quiet neighbourhoods. As a result, supported housing is often acquired in more expensive areas or attracts higher development costs.

Certain housing types, such as bungalows or detached properties, needed because of access or behavioural difficulties, may be more expensive. Properties tend to be developed and provided in response to demand, often commissioned by adult social care departments or in response to local authority housing needs surveys, which typically specify a lack of purpose built accommodation or particular adaptations required to improve access and provide suitable facilities.

There can also be additional housing management costs through heavier wear and tear. There is not only the cost of replacing or repairing expensive household equipment, such as fridges, washing machines or furniture but also training of repairs and maintenance staff in understanding the importance of taking extra care with tools and equipment and how to respond to unexpected behaviour.

Staffing costs can also be higher due to more time spent on housing management and extra security because of residents' mental disabilities or chaotic lifestyles. There are a wide variety of services provided that help individuals live independently. The research notes over 400 different types of charges made in addition to the core rent. The main ones centre around:

1. providing 24 hour housing management cover
2. providing more housing related support than in mainstream housing
3. organising more frequent repairs or refurbishment
4. providing more frequent mediating between tenants; and
5. providing extra CCTV and security services²

Analysis conducted by the Homes and Communities Agency (HCA) in 2016 confirmed that unit costs in supported housing tend to be 'significantly higher' than those in general needs housing. Reasons for this included: higher maintenance; repairs and renewal costs; the provision of communal facilities; security; health and safety measures; higher housing management costs; and the nature of capital funding arrangements for some schemes.³

² DWP, [Housing Benefit Reform – Supported Housing](#), July 2011

³ HCA, *Delivering Better Value for Money: Understanding Differences in Unit Costs*, June 2016

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Residents in supported housing owned and managed by a local authority normally have their rent met in full by Housing Benefit.⁴ Supported housing residents whose landlord is a housing association, registered charity, voluntary organisation or county council have their Housing Benefit “based on more generous rules than those living in mainstream accommodation.”⁵

Essentially, supported housing that meets certain criteria is treated as ‘exempt accommodation’ for Housing Benefit purposes. As such, the Housing Benefit Regulations, which limit rents to defined local levels, have not applied to accommodation where the housing association or voluntary organisation provides care, support or supervision. In 2014 the DWP introduced a new category of “specified accommodation”⁶ in an attempt to resolve concerns amongst providers of supported housing, who argued that the existing definition of ‘exempt accommodation’ would not protect residents of supported housing from welfare reform policies, such as direct payments, the under-occupation deduction, and the benefit cap. The National Housing Federation published an [explanatory note](#) on the *Housing Benefit and Universal Credit (Supported Housing) (Amendment) Regulations 2014* which explains the definition of ‘specified accommodation.’

The DWP published research into exempt and supported accommodation in December 2010. This research was commissioned to assess the extent and cost of ‘exempt accommodation’ within local authorities and to identify underlying reasons for increased expenditure.

The main findings included:

- Different claimant groups have different needs in terms of time for which they require supported housing. The types and levels of support also differ; they can range from two carers to one individual (24 hour permanent assistance) to low level support on a temporary basis (for vulnerable young people).
- It is estimated that there are around 130,000 claimants in registered social landlord accommodation and a further 40,000 in other accommodation (although there is some uncertainty around these figures).
- The cost of non-registered social landlord ‘exempt accommodation’ claims is estimated at between £70m and £130m above rent officer determinations (there is considerable uncertainty around these figures). The average additional housing costs appear to have increased by 85 per cent from 2003/04 to 2009/10.
- The lack of effective rent restriction by most local authorities reflects the belief that there is no basis to restrict even where rents are considered high, generally because there is no suitable alternative accommodation available for a meaningful rental comparison.

⁴ Where they are eligible for Housing Benefit – Housing Benefit is means tested.

⁵ DWP, [Housing Benefit Reform – Supported Housing](#), July 2011, para 21

⁶ *Housing Benefit and Universal Credit (Supported Housing) (Amendment) Regulations 2014*

- The findings support anecdotal evidence that there has been an increase in both the cost and the number of claims from those in 'exempt accommodation'.
- While the regulations are straightforward their interpretation has become increasingly complex, difficult to administer and lead to significant uncertainty.⁷

⁷ DWP Research Report 714 – [Exempt and Supported Accommodation](#), December 2010

2. The Coalition Government's proposals (July 2011)

The Coalition Government published [Housing Benefit Reform – Supported Housing](#) in July 2011. The consultation period closed on 9 October 2011. The paper set out proposals to change Housing Benefit for those living in supported housing within the social and voluntary sectors. The proposed reforms were not, the consultation paper said, “looking to cut expenditure” but were aimed at better directing it such that “any changes will need to be cost neutral overall.”

2.1 The need for reform

In [Housing Benefit Reform – Supported Housing](#) the Government said that the Housing Benefit system for people in supported housing “no longer works” and listed the following points in support of this claim:

- The processing of these benefit claims has become too complicated often resulting in time consuming and intrusive investigation of a person's care and support needs, as well as the provider's status and how the care and support is delivered.
- It is incompatible with other government policies as linking housing with care provision in legislation mirrors that for care homes where residents are ineligible for Housing Benefit. It does not fit with the Government's wider objective of personal budgets, where individuals are enabled to exercise choice in commissioning their own care.
- It can be unfair in that it does not provide extra help to those requiring personal care or support whose landlord is not one of the prescribed types, but who have additional housing costs because of their condition. These claimants currently face the same rent restriction rules as other private sector tenants in mainstream housing.
- It creates unnecessary risk as specialist housing providers are said to be reluctant to invest in this housing sector due to uncertainty around how help with their rents will be determined. There is the potential for schemes to become financially unviable, which would leave vulnerable people without the specialist provision they need.
- It is costly to many local authorities who often have to meet some of the Housing Benefit costs for expensive properties themselves.⁸

2.2 Reform objectives

Any reformed scheme to provide help for people living in supported housing should, according to [Housing Benefit Reform – Supported Housing](#):

1. recognise that supported housing carries higher costs;

⁸ DWP, [Housing Benefit Reform – Supported Housing](#), July 2011, para 11

2. but come with appropriate controls on levels of rent;
3. be clear about the types of additional activities that might be covered and those which would not;
4. be better targeted at those who need help;
5. be easier to understand and administer;
6. provide a predictable level of income for providers;
7. where necessary, use local expertise in setting the level of help available;
8. provide robust expenditure control and provide value for money;
9. be compatible with Universal Credit.⁹

2.3 The proposals

The Government identified two broad categories of supported housing. Conventional supported housing, such as hostels, foyers, refuges and other purpose-built sheltered housing used by the elderly, ex-homeless people, people fleeing domestic violence, young people, ex-offenders or substance abusers, and housing for people with more specific needs.

In regard to **conventional supported housing**, the Government proposed that Housing Benefit for residents should be based on the Local Housing Allowance (LHA, a flat-rate allowance based on the size and locality of the accommodation and which is subject to certain national caps)¹⁰ with “an addition that recognises the higher housing costs appropriate to this sort of accommodation.” For those eligible for Housing Benefit, assistance with the cost of living in this sort of accommodation would be paid up to the total amount of the local LHA rate plus an additional sum. The additional sum would cover additional management costs associated with communal areas and shared facilities, security staff and higher levels of wear and tear. Sheltered housing was also included in this grouping as, although it meets a long-term housing need, the cost of providing this housing is “reasonably consistent.”

It was not proposed to include hostels in these rules where support is not provided.

The consultation paper sought views on what the additional sum (above core rent) should cover and how it should be calculated.

For **accommodation provided to meet an individual’s specific housing needs**, the Government proposed to treat the rent payments for Housing Benefit purposes in the same way as mainstream accommodation, i.e. base them on the LHA. Claimants would be able to apply to a separate (supported housing) fund to meet their additional housing costs.

⁹ DWP, [Housing Benefit Reform – Supported Housing](#), July 2011, pp12-13

¹⁰ Although there is a maximum LHA rate within a Broad Market Rental Area for properties with different number of bedrooms (up to a maximum of four), the actual level of assistance a claimant receives depends on their individual circumstances as LHA is a means tested benefit. For more information see Library note SN/SP/4957

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It was proposed that decisions on the level of any additional help towards rent payments would be made locally and that those making the decisions would have a background in and knowledge of housing procurement and the costs involved in providing specialist supported housing, or have access to people with this expertise:

This would take the decision making process away from those responsible for administering Housing Benefit to those with expertise in the local provision of supported housing, creating a joined-up approach to ensure the best outcome for the client and the tax payer. The main advantage would be that the overall funding of supported housing would be brought within the local authority's broader responsibility of commissioning care and support for those who live in their area. We anticipate that overall policy responsibility for these additional housing costs would remain within the Department for Work and Pensions.¹¹

There was reference to the need to consider how funding should be fixed under this system, "as it would need to be sufficiently flexible to be able to respond to changes in caseload but will need to be controlled, perhaps by limits on individuals or by reference to a rent officer assessment."¹²

Where **supported housing is provided by a registered provider or registered social landlord**¹³ Housing Benefit generally meets these rents in full, subject to the individual claimant's eligibility. The Government intended that this practice should be regularised, with claimants continuing to receive Housing Benefit based on their contractual rent less any ineligible service charges. The consultation document went on to state that the Government intended to consider the level of service charges in the supported housing sector:

Over recent years local authorities have raised concerns over the level of increases in the service charges of these providers. Rent levels in the social rented sector are regulated, but this is not the same for their service charges where guidance is provided. Our research has shown some evidence that service charges have begun to rise for Registered Social Landlords and Registered Providers, although overall rents still tend to be lower than for other providers.

We aim to support service charges at a level adequate to meet the running costs of supported housing, but to ensure these charges are limited to genuine housing related costs. We intend to review how these rules work in association with the Department for Communities and Local Government and their Scottish and Welsh counterparts.¹⁴

In a section entitled Wider Reform, the paper asked whether there was a case for paying eligible residents in supported housing standard Housing Benefit "and separating out the additional help altogether and administering it locally in the same way as Personal Budgets."¹⁵

¹¹ DWP, [Housing Benefit Reform – Supported Housing](#), July 2011, para 58

¹² Ibid., para 61

¹³ Registered with and regulated by the Tenant Services Authority (this role has transferred to the Homes and Communities Agency).

¹⁴ DWP, [Housing Benefit Reform – Supported Housing](#), July 2011, paras 73-74

¹⁵ Ibid., para 67

2.4 Comment

Providers of supported housing acknowledged the need for a simpler system and welcomed the commitment to cost-neutral change, but raised several concerns in relation to the proposals.

The distinction between the different types of supported housing was viewed as unclear – it was suggested that this lack of clarity could jeopardise the aim of creating a simpler system. There were concerns that residents in some types of supported housing (provided to meet an individual's specific needs) would lose entitlement to assistance if it was provided from a discretionary pot subject to locally set priorities and accessed through social services.

The Chartered Institute of Housing (CIH) said:

This has the potential for putting at risk services for some of the most vulnerable (the pressures for local authorities' finances, that have led to some large reductions in services under the previous Supporting People programme demonstrate the risks). There are also concerns over the assessment process and many could potentially fall through the gap if not able to access services in group 1.¹⁶

These concerns were echoed in the National Housing Federation's (NHF) response:

Clarity is needed on the DWP's approach to different types of supported and sheltered housing. The consultation sets out the three broad types of supported housing based on the different level of benefits available to tenants: group one with LHA plus a fixed sum, group two with LHA plus a locally determined top-up and registered providers, with regulated rents plus eligible service charges. Each of these broad groups cover a huge variety of different schemes for different needs with different costs. Rent levels vary for all providers due to a complex web of factors, including historical property costs, location, needs of clients, scheme size, density and lay out. These variations need to be fully understood and taken into account before reform is implemented. Otherwise reform will damage the viability of housing, care and support schemes for vulnerable people with few other housing options.¹⁷

For providers, discretionary funding represented an increased risk. Some said it could result in withdrawals from the sector leaving vulnerable clients with fewer housing options and resulting in an increased burden on other services.

A coalition of 36 charities, including Mencap, the National Autistic Society and Scope, submitted a joint response to the consultation document in which they called for the following five principles to be adopted as the basis of any reform of supported housing:

1. **Choice and control** for disabled people

¹⁶ [CIH response](#) to DWP consultation on Housing Benefit reform and Supported Housing, 2011

¹⁷ [NHF response](#) to DWP consultation on Housing Benefit reform and Supported housing, 2011

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2. **Entitlement** and a right to higher housing benefit
3. **Meeting the real cost** of providing property for vulnerable people
4. **Equality and the right to independent living**
5. **Protection** of current tenants¹⁸

The charity, Rethink Mental Illness, called for the supported housing fund to be ring-fenced:

If funding is to be administered at a local level, it is essential that this money is ring-fenced so that it is only spent on the additional housing costs of those people with more specific housing needs. The decision making process to allocate these funds also needs to be robust and transparent to ensure that money is allocated based on entitlement, not on available budget or the discretion of decision makers.¹⁹

CIH set out its preferred approach to reforming how supported housing costs are met:

CIH believes that it is more appropriate for to apply the proposals for group 1 (including the proposals for registered providers/ registered social landlords) to all supported housing provision, whereby the additional housing costs required are addressed under the housing benefit system (and the housing element for universal credit). Housing benefit provides a steady funding stream for providers and being able to make long term plans is essential for the provision of quality supported housing.

It maintains the individual's right's as a citizen, supports choice and independent living.

In order to meet the government's aims of encouraging a wide range of providers, but also to ensure that there is a level of quality and standards, and robust governance in place to protect the interests of vulnerable tenants, landlords could be required to follow some registrations or accreditation scheme. This could involve either registration as a registered provider/ registered social landlord or as a charity, or alternatively a different accreditation route whereby RPs/ RSLs and charities are automatically accredited.

This can then be reviewed once the operational system for Universal Credit is known and in place, to ensure that it works effectively for individuals, providers and government. CIH believes it is unhelpful to devise an entirely new system for this sub set of the housing sector before the system for Universal Credit is fully in place.²⁰

Responses also called for the establishment of a process to capture the real costs of the current system prior to any transfer of responsibilities to ensure that any change is fully funded.

The NHF welcomed the decision not to propose a major change for housing associations that provide supported and sheltered housing but

¹⁸ [Mencap response](#) to DWP consultation on Housing Benefit and supported housing, 2011

¹⁹ Rethink's response to DWP consultation on Housing Benefit and supported housing, 2011

²⁰ [CIH response](#) to DWP consultation on Housing Benefit reform and Supported Housing, 2011

identified several risks around the need to ensure that the supported housing element of Housing Benefit 'fits' with Universal Credit. For example, in relation to service charges:

We need a detailed scope and clear aims for the Government's review of service charges. The Federation has argued that service charges reflect actual costs of housing and pointed out that they are controlled by regulation and the legal framework of variable service charges. It is important that the separate issues of whether a service charge is eligible for Housing Benefit and whether a cost is eligible to be recovered through a service charge are not confused.²¹

2.5 The outcome

In September 2012 Ministers announced that help toward housing costs for those living in supported 'exempt' accommodation would be provided outside Universal Credit:

Last year we consulted on how to deal with such cases and we received a significant number of responses. A large number of concerns have also been expressed about their treatment within UC during the consultation on those regulations. Ministers have taken account of these responses in reaching this decision and feel it is important that we continue to provide a flexible system to help meet the higher costs often associated with providing this type of accommodation.

In the short term this help will be delivered broadly as now through LA housing benefit teams under existing DWP legislation and funding arrangements. People in supported 'exempt' accommodation will still be able to claim and receive UC but their housing costs will be provided separately.

There will be those living in supported housing not classed as 'exempt' who will receive help with their housing costs through UC. The most common of these will be those whose landlord is a LA and those housing association tenants where the landlord is not involved in providing their care, support or supervision.

For the longer term we are exploring the feasibility of a localised funding system. This is because local knowledge is essential to help identify this often diverse group, build effective relationships with providers and ensure that resources are targeted effectively at those who need it.

As we confirmed in our consultation we are not looking to cut costs. We will of course continue to expect costs to be questioned where they seem unreasonably high. But local knowledge plays a big part in that and helps to ensure that any scrutiny is well directed.²²

The confirmation that help towards housing costs for those living in exempt supported accommodation would be provided outside Universal Credit was welcomed.

²¹ [NHF response](#) to DWP consultation on Housing Benefit reform and Supported housing, 2011

²² DWP Housing Benefit Direct issue 131, November 2012 [now archived]

3. Local Housing Allowance rates and supported housing: a timeline

During Prime Minister's Questions on 25 October 2017, Theresa May announced that LHA rates would **not be applied to supported housing, nor would they be applied to general needs social housing**. This was confirmed in a Written Statement on 31 October 2017.²³ This section of the paper provides a timeline of key announcements and reactions on this issue for the purposes of background and context.

3.1 The Chancellor's announcement November 2015

During the [Spending Review and Autumn Statement 2015](#) the Chancellor announced that Housing Benefit claimants living in dwellings rented from a social landlord (local authority or housing association) would face future restrictions on the amount of Housing Benefit they would receive:

Between 1999-00 and 2010-11, spending on Housing Benefit increased by 46% in real terms, reaching £21.4 billion. The government has already announced significant changes to Housing Benefit at Summer Budget. This Spending Review and Autumn Statement takes further steps to ensure fairness between those receiving Housing Benefit and those paying for the system.

The government will:

cap the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance, which is the rate paid to private renters on Housing Benefit. This will include the Shared Accommodation Rate for single claimants under 35 who do not have dependent children. This reform will mean that Housing Benefit will no longer fully subsidise families to live in social houses that many working families cannot afford, and will better align the rules in the private and social rented sectors. It will also ensure that Housing Benefit costs are better controlled and will help prevent social landlords from charging inflated rent for their properties. **This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards.**²⁴

3.2 Implications for supported housing

There were concerns about the implications of the measure for all Housing Benefit claimants in social housing, but the particular position of suppliers of supported housing was drawn to the Government's attention.

²³ [HC Deb 31 October 2017 c17WS](#)

²⁴ [Spending Review and Autumn Statement 2015](#), November 2015, para 1.125

Section **1.2** of this paper explains why, as a rule, the rents charged for supported housing are higher than the rents charged on other social housing units. Therefore, the impact of capping Housing Benefit entitlement at the LHA level for residents of supported housing caused particular concern amongst social landlords specialising in this type of accommodation.

David Orr, chief executive of the National Housing Federation (NHF, the representative body of housing associations), wrote to both Lord Freud and Brandon Lewis (then Minister for Housing and Planning) on 18 December 2015; an extract from this letter is reproduced below:

The impact of the LHA cap on the amount of Housing Benefit payable for supported housing will be stark and make it extremely difficult for any housing associations to develop new supported housing. Without existing levels of benefit being available providers across the country will be forced to close schemes. As you know, supported housing is different to general needs social housing: rents are higher because the cost of building, maintaining and managing schemes is higher. Higher service charges reflect the actual cost of essential services such as security or maintenance of communal areas. Any changes to the revenue stream for supported housing would therefore have a significant impact on the viability of existing and future schemes because the cost of providing supported housing is higher, and because operating margins for these schemes are already very slim. The reason that this is such a pressing issue right now is that the uncertainty about the future approach is already leading to supported housing under development being delayed or cancelled because of the long lead times involved in investment and development.

We understand that government has put aside some money earmarked for local authority Discretionary Housing Payments (DHPs) to enable top ups between the LHA rate and the actual rent and service charge. While this in theory may sound like a sensible approach, in practice providers cannot continue to run schemes with such a high degree of uncertainty over the gap between the cost of the scheme and the revenue. At present every penny of rent charged above the LHA level in supported housing is spent on housing vulnerable people. A local discretionary scheme that decides between tenants who should receive a top up simply cannot work to preserve schemes in the long term.²⁵

A series of reports in the housing press reiterated the concerns and issues raised by David Orr.^{26 27}

An *Inside Housing* article from 21 January 2016 claimed that 95% of supported housing providers would be forced to close their schemes.²⁸

The issue was the subject of Opposition Day debates on [27 January 2016](#) and [21 July 2016](#).

²⁵ [David Orr's letter to Lord Freud and Brandon Lewis](#), 18 December 2015

²⁶ *Inside Housing*, [Supported housing on the brink](#), 15 January 2016 [registration required]

²⁷ *Inside Housing*, [Placeshapers calls for supported housing exemption](#), 24 December 2015 [registration required]

²⁸ *Inside Housing*, [Cap would force 95% to wind up schemes](#), 21 January 2016 [registration required]

3.3 The Government response

The establishment of an evidence review

In response to questions about the publication of an impact assessment the Government referred to the establishment of an evidence review:

My Lords, the introduction of local housing allowance limits to the social sector will apply to both housing benefit tenants and recipients of the housing element of universal credit from April 2018, but only where new tenancies have been taken out or renewed after April 2016. The department has jointly commissioned an evidence review with DCLG to look at the size and scope of the supported housing sector. The research results will guide our consideration for future policy development.²⁹

[The terms of reference for the evidence review](#) were published.³⁰

The [Supported Accommodation Review](#) was published on 21 November 2016 (see below).

Implementation delayed for one year

On 1 March 2016 the Government announced a delay of one year in applying the cap to tenants in supported housing.³¹

The National Housing Federation welcomed the announcement but stressed that uncertainty in the sector remained:

However, the continued threat that an LHA cap might be imposed in the future means that substantial uncertainty remains for our members. The best way to end the uncertainty is to remove that threat. We must make sure that a crude LHA cap does not play a part in the outcome of the review, and that the review delivers long-term stability and security for the sector.³²

Peter Aldous led an [adjournment debate](#) on 12 July 2016 in which he stressed the importance of having policies in place well before 2017 “so as not only to remove worried about the viability of existing schemes but to act as a catalyst for attracting much needed new investment in the sector.”³³

The NHF said that as it stands, “the LHA caps will still be introduced in April 2018. Housing associations must factor this into their future planning now; meaning schemes are no longer viable so are being cancelled and delayed.”³⁴

The Labour motion debated on 21 July 2016 highlighted the impact of ongoing uncertainty within the sector:

That this House notes that the Government intends to cut housing benefit for vulnerable people in specialist housing, including elderly people and people who are homeless, disabled or fleeing domestic violence; believes that this will have harmful effects on current and future tenants of these specialist housing schemes;

²⁹ [HL Deb 14 January 2016 cc381-3](#)

³⁰ [DEP2016-0042/PQ_21500_21572.pdf](#)

³¹ [Written Statement HCWS563](#), 1 March 2016

³² NHF, [Supported and sheltered housing exempt from LHA cap for one year](#), 2016 [accessed on 30 March 2016]

³³ [HC Deb 12 July 2016 c262](#)

³⁴ NHF, [Proposal for a strong and sustainable future for supported and sheltered housing](#), 27 June 2016

further notes that there is already a significant shortfall in this type of housing provision across the country; notes that charities, housing associations, councils and others have made Government Ministers aware of the damaging impact these cuts will have on tenants and the financial viability of these schemes and that the Government's proposal to mitigate these cuts with discretionary housing payments will not compensate for these cuts; notes that the Government's own evidence review into the impact of its decision, commissioned in December 2015, has yet to be published; notes that the Government has postponed the implementation of these cuts for new tenants to April 2017 but plans to fully roll out its planned cuts to housing benefit in April 2018; and therefore calls on the Government to exempt supported housing from its planned housing benefit cuts and to consult fully with supported housing providers to identify ways in which all vulnerable people who need supported housing can access it.³⁵

3.4 Government announcement 15 September 2016

On 15 September 2016, the then Secretary of State, Damian Green, issued a [Written Statement](#) outlining details of the Government's decisions based on the evidence review of supported housing.³⁶ He said that the evidence review would be published "shortly alongside a consultation document". The key announcements for the sector included:

- A further delay in the application of LHA rates to supported housing rents to 2019/20.
- A new funding model for the sector to be introduced from 2019/20.
- From 2019/20 all residents in supported housing who are eligible for financial assistance with their rent and service charge payments would receive Housing Benefit or the housing element of Universal Credit up to the applicable LHA rate.
- The Shared Accommodation Rate of LHA, which limits Housing Benefit for claimants under 35 to the cost of a room in a shared home, would not apply to residents in supported housing.
- Costs above the LHA rate would be met by a ring-fenced fund which the Government would devolve to local authorities in England. Wales and Scotland would receive an equivalent amount and would be able to decide how to allocate this funding.
- A separate funding solution might be devised for very short-term accommodation such as hostels and refuges.

Comment

While welcoming some aspects of the announcement, such as the intention to ring-fence the devolved funding and the decision not to apply the Shared Accommodation Rate to under 35s in supported

³⁵ [HC Deb 21 July 2016 c840](#)

³⁶ [Housing Benefit: Written Statement HCWS154](#), 15 September 2016

housing, early responses indicated that significant questions remained unanswered. These questions included:

- the intended level of the devolved funding;
- whether the funding levels would attract an annual uplift; and
- how the funding would be applied locally.³⁷

The point was made that the announcement did not amount to a funding cut, but assurances were required on the level of funding and protections put in place to ensure that funding reaches the right people.³⁸

Comparisons were drawn with Supporting People funding which was initially ring-fenced when launched in 2003 but which faced funding reductions in subsequent years. The ring-fence was removed in 2009 to allow local authorities to spend their Supporting People allocation as they deemed appropriate. Following this, concerns were raised about authorities using the funds for other purposes.

The National Housing Federation expressed a lack of confidence in whether the proposed system would place supported housing on a secure and sustainable footing. The NHF argued that a better solution for sheltered housing would be to continue to meet housing costs through the benefit system.³⁹ There was also significant doubt as to whether the announcement would do enough to tackle uncertainty and encourage investors to release capital funding for new development. In early December 2016, *Inside Housing* reported that “frozen development plans remain on ice.”⁴⁰ Providers told *Inside Housing* that they were looking for a sustainable funding stream and that this would not be met by the offer of a 3-year local authority contract.⁴¹

The Scottish Federation of Housing Associations called on the Scottish Government to set out its position “in relation to this critical issue especially given the ambitious target to build 50,000 more affordable homes, some of which will have to be for supported accommodation.”⁴²

3.5 Evidence review: key findings November 2016

The [Supported Accommodation Review](#) was published on 21 November 2016. The key findings are set out below:

³⁷ NHF, [Government announcement on the future funding of supported housing](#), 15 September 2016

³⁸ *Inside Housing*, “Supported housing, sector warns of uncertain future”, 15 September 2016

³⁹ NHF, [Government announcement on the future funding of supported housing](#), 15 September 2016

⁴⁰ *Inside Housing*, “LHA cap: supported housing schemes remain on ice”, 8 December 2016

⁴¹ *Ibid.*

⁴² *Inside Housing*, “Supported housing, sector warns of uncertain future”, 15 September 2016

- At the end of 2015 the review estimated that there were approximately 651,000 accommodation based supported housing units⁴³ in Great Britain.
- A majority of the 651,000 units (85%) are in England with 9% in Scotland and 6% in Wales.
- An estimated 71% of units in Great Britain house older people.
- Housing associations are the main providers of supported housing across both working-age and older people's provision. It is estimated that they provide 71% of all supported housing units.
- Supported housing is estimated to account for 14% of all social rented housing in Great Britain.
- A majority of residents in supported housing are in receipt of Housing Benefit. It is estimated that around 40% of all supported housing units were classified as 'specified accommodation'⁴⁴ at the end of 2015. 43% in England; 22% in Scotland and 18% in Wales.
- The majority of those in specified accommodation are of working-age.
- The estimated annualised cost of the supported housing sector covered by Housing Benefit in Great Britain at the end of 2015 was £4.2 billion. This represents 17% of total Housing Benefit spend.
- Average estimated Housing Benefit awards for those in specified accommodation (a sub-set of the total supported housing sector) are consistently lower for older people (£137 per week) and higher for those of working-age (£173 per week).
- The review found that, in each nation, the level of Housing Benefit expenditure "is broadly proportionate to the scale of the supported housing sector". However, the relative Housing Benefit spend on working-age provision across Great Britain is greater than on older people's provision. Working-age provision accounts for an estimated 42% of total Housing Benefit spend and 29% of the total estimated supported housing stock.
- The relative Housing Benefit spend on supported housing classified as specified accommodation is greater than not classified as specified accommodation. It is estimated that specified accommodation accounts for 52% of total Housing Benefit spend, and around 40% of the total estimated stock of supported housing.

Participants in the review identified considerations for the long-term stability of the sector, including:

⁴³ A unit is defined as either a room or bedspace in shared supported housing or a self-contained supported housing unit.

⁴⁴ Residents in this type of supported housing are exempt from certain Housing Benefit restrictions, such as the benefit cap. For more information see the National Housing Federation's [explanatory note](#).

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- A clear but flexible definition of supported housing, which focuses on users and outcomes, rather than provider type and housing model;
- A stable and secure funding system for both housing and support costs that allows commissioners and providers to plan strategically and with certainty;
- A stronger role for broad local partnerships to coordinate the funding, strategy and delivery of supported housing alongside the integration of health and social care and other local preventative initiatives;
- A more consistent approach to regulating supported housing and monitoring quality and value for money, especially in England; and
- A well-planned and communicated transition process to any new funding system.⁴⁵

3.6 Consultation on a new funding model November 2016

Alongside the publication of the evidence review, the 2015 Government published a consultation paper on the [implementation of the new funding model for supported housing](#). Submissions were invited up to 13 February 2017 and 592 were received. The Government sought to explore five key issues through the consultation exercise:

- I. Fair access to funding, the detailed design of the ring-fence and whether other protections are needed for particular client groups to ensure appropriate access to funding, including for those without existing statutory duties;
- II. Clarifying expectations for local roles and responsibilities, including what planning, commissioning and partnership arrangements might be necessary locally;
- III. Confirming what further arrangements there should be to provide oversight and assurance for Government and taxpayers around ensuring value for money and quality outcomes focussed services;
- IV. Exploring the appropriate balance between local flexibility and provider certainty, including what other assurance can be provided beyond the ring-fence, for developers and investors to ensure a pipeline of new supply; and
- V. Developing options for workable funding model(s) for short term accommodation, including hostels and refuges.⁴⁶

The 2015 Government, having completed the consultation process, planned to publish a Green Paper after the General Election.

3.7 Joint Select Committee inquiry 2016-17

On 15 December 2016 the Work and Pensions and Communities and Local Government Select Committees announced a joint [inquiry into supported housing funding](#). The report of the inquiry, [Future of](#)

⁴⁵ DWP, [Supported accommodation review: The scale, scope and cost of the supported housing sector](#), November 2016

⁴⁶ DCLG & DWP, [Funding for Supported Housing](#), November 2016

[supported housing](#), was published on 1 May 2017. The Committee supported efforts to find a long-term sustainable funding mechanism for the sector but said “we share the concerns expressed across the sector that the funding proposals, as they stand, are unlikely to achieve these objectives.”⁴⁷

The then Minister for Welfare Reform, Caroline Noakes, told the inquiry that the key driver behind the proposals was a need for greater oversight and value for money. There was also a desire to encourage strategic commissioning based on local need, and to ensure that the new funding mechanism works within the Universal Credit structures. The inquiry was told that cost savings were not a consideration.⁴⁸

3.8 The move to a flexible funding model 31 October 2017

During Prime Minister’s Questions on 25 October 2017, Theresa May announced that LHA rates would **not be applied to supported housing, nor would they be applied to general needs social housing**.

This was confirmed in a [Written Statement](#) and a further [consultation paper](#) issued on 31 October 2017. The Minister, Marcus Jones, announced that a “flexible funding model” would be brought forward for the sector. In summary, the Government intends that **all long-term supported housing will remain within the welfare system but a separate system will operate in respect of short-term supported housing**.

Responses to the [consultation paper](#) were accepted up to 23 January 2018.

⁴⁷ [HC 867](#), 1 May 2017, p3

⁴⁸ *Ibid.*, para 36

4. The flexible funding model

The Government is now proposing that supported housing will be divided up into three broad funding groups:

- **A 'sheltered rent' for sheltered and extra care housing** will be devised and will act as an overall limit on the amount that providers can charge, including service charges, for each unit. Annual increases will be limited. This model will be introduced in 2020.
- **Supported housing for those with learning or physical disabilities or mental ill health.** 100% of housing costs will be funded through the welfare system subject to the application of existing Housing Benefit/Universal Credit rules. The Government intends to work with the sector to develop and deliver improvements to cost control, quality and outcomes.
- **Short-term and transitional supported housing** – typically homeless hostels, refuges for those at risk of domestic violence and those receiving support for drug/alcohol abuse. The proposal is that, from 2020, 100% of this provision will be commissioned at the local level and **funded through a ring-fenced grant administered by local authorities.** The funding previously applied to Housing Benefit will be allocated to authorities to fund services to meet local needs. Short-term accommodation will be taken out of the welfare system, although an individual's entitlement to assistance with housing costs will remain unchanged.

The announcement was broadly welcomed within the sector although the proposed treatment of short-term supported housing is more controversial (see section 4.3 below).

4.1 A sheltered rent

Sheltered and extra care housing accounts for 71% of all supported housing⁴⁹ - most residents are elderly. Research commissioned by DCLG and the Department of Health from the London School of Economics (LSE) identified a need for a 35% increase in the supply of this type of housing up to 2030.⁵⁰ In light of this, the Government said that secure funding to ensure future supply is "vital".⁵¹

A 'sheltered rent' is proposed which will be a type of social rent. 100% of the rent and eligible service charges will remain within the welfare system. This means that claimants, subject to existing benefit rules, will be able to claim assistance with their rent payments. This secures providers' revenue streams into the future.

⁴⁹ DCLG/DWP, [Funding Supported Housing: Policy Statement and Consultation](#), October 2017, para 38

⁵⁰ LSE, [Projected demand for supported housing in Great Britain 2015 to 2030](#), 2017

⁵¹ DCLG/DWP, [Funding Supported Housing: Policy Statement and Consultation](#), October 2017, para 38

The level of the sheltered rent will be regulated by the social housing regulator – the aim of this is to secure new cost control and oversight measures. The rent level will maintain a link to formula rent and “will fairly reflect the variety of provision across this very diverse sector.”⁵² Annual caps on increases will apply. The proposed model is:

Sheltered Rent = ((Formula rent +/- 10% flexibility for supported housing) + (£X for eligible service charge) up to a level of £Y).

Providers will be obliged to publish breakdowns of their service charges to enable residents to compare their charges and “where they feel these are unreasonable, take action.”⁵³

The Government intends to work with the sector and to consult on the appropriate allowance for eligible services to build into the sheltered rent model. The intention is that regulation of the sheltered rent will apply from April 2020.

A new planning and oversight regime will be introduced:

Local authorities will be asked to work in partnership with other local partners (including tenants or representatives) to produce a local strategic plan for supported housing, and to undertake an assessment of provision and need for all supported housing groups. A National Statement of Expectation will encourage local authorities to adopt the strategies, planning and ways of working that we are keen to see regarding older people’s sheltered and extra care housing, alongside wider supported housing.⁵⁴

Reaction

The commitment to continue to allow residents in sheltered and extra care housing to claim benefit towards their housing costs was widely welcomed as meeting the requirement for certainty over future funding.

The National Housing Federation’s members have said that the new system should recognise that there already controls on rents and service charges and that charges accurately reflect the cost of provision:

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.⁵⁵

Costs between schemes can vary for justifiable reasons, including the age of the building, the services provided (e.g. lifts or no lifts) and the extent of communal areas. Housing associations have made the point that they cannot control some aspects of cost increases, such as utility charges, the minimum wage and fire safety costs.⁵⁶ There is some concern that a cap on the overall service charge would threaten providers’ ability to recover the actual cost of services. There is a view that:

⁵² Ibid., para 42

⁵³ Ibid.

⁵⁴ Ibid., para 51

⁵⁵ NHF, [Summary of consultation feedback: Future funding of supported housing](#), 20 December 2017

⁵⁶ Ibid.

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 rigid set of rules.⁵⁷

The definition of sheltered and extra care housing has attracted comment. There is a desire not to have “artificial distinctions or overly prescriptive definitions constraining future service design.”⁵⁸ Some doubt whether broad definitions of types of building or services could be used as accurate indicators of housing costs.

The intention behind improved partnership working and the National Statement of Expectation has been welcomed, subject to some concerns about the capacity of certain local authorities to plan and coordinate this work.⁵⁹

The Government’s [interim response](#) to the consultation exercise was published on 1 April 2018. 304 responses were received to the proposals for sheltered and extra care accommodation. The main points raised were:

- Both sheltered and extra care housing have a range of features and characteristics in order to allow people to live independently. While there are common features, Government should not be too prescriptive in any definition.
- Service charges should allow housing providers to continue to be able to recover actual costs and there are a number of legitimate reasons service charges vary. Any cap should be high enough to allow for reasonable rent and service charges; and
- Many suggest that Government should be working with providers to model and/or test impacts and identify suitable service charge levels.⁶⁰

The responses are under consideration and a full formal response, with more details of the policy will be published in the summer.⁶¹

4.2 Long-term supported housing

This type of accommodation is typically for working-age residents and covers a wide variety of provision, such as housing for those with physical or learning disabilities or mental ill health. The costs in this sector can be high, reflecting a level of very specialist provision.

The Government has said:

...we will continue to fund 100 percent of housing costs (rent and eligible service charges) for long-term supported housing through the welfare system (Housing Benefit/Universal Credit), subject to the benefit rules.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ MHCLG, [Funding for Supported Housing](#), April 2018

⁶¹ Ibid.

We will be working with the sector in England to develop and deliver an approach that will ensure greater cost control while driving up outcomes for vulnerable people. As part of this, we expect local authorities to begin developing an understanding of this provision in their areas now, and to think about ways to ensure better cost control.⁶²

4.3 Grant funding for short-term supported housing

The Government is proposing to define this accommodation as:

Accommodation with support, accessed following a point of crisis or as part of a transition to living independently, and provided for a period of up to two years or until transition to suitable long-term stable accommodation is found, whichever occurs first.⁶³

This will take in hostels, refuges and safe houses.

The proposed funding model is for ring-fenced grant funding administered by local authorities. Funding from housing costs previously met through Housing Benefit will be allocated to local authorities “to fund services that meet the needs of their local areas.”⁶⁴ The system will be underpinned by a new local planning and oversight regime.

Authorities will have an enhanced role in planning, funding and commissioning short-term supported housing in their areas. **This type of accommodation will be removed from the welfare system** – the expectation is that individuals in this accommodation will no longer pay rent but they will retain an entitlement to help with their housing costs depending on their personal circumstances.⁶⁵

Grant funding will be allocated to authorities on a ring-fenced basis – they will be required to report on expenditure twice a year. These reports will breakdown spending on different client groups. On the **level of funding** the Government said:

We will work with local government and the welfare system to ensure that grant allocations for short-term supported accommodation in 2020-21 match the sums that would otherwise have been paid out in each local area to pay for housing costs through the welfare system. The amount of short-term supported housing grant funding will be set on the basis of current projections of future need (as informed by discussions with local authorities) and will continue to take account of the costs of provision in this part of the sector.⁶⁶

The funding switch from payment through the welfare system to local authorities will use existing powers under section 31 of the *Local Government Act 2003*, supported by non-statutory guidance.

⁶² DCLG/DWP, [Funding Supported Housing: Policy Statement and Consultation](#), October 2017, paras 75-76

⁶³ *Ibid.*, para 53

⁶⁴ *Ibid.*, para 57

⁶⁵ *Ibid.*, para 57

⁶⁶ *Ibid.*, para 60

Local authorities will be asked to produce a supported housing strategic plan and undertake a needs assessment as a condition of receiving grant. These plans will include:

- description of provision for all client groups who may need short-term supported housing (including perceived challenging groups such as those with drug/alcohol dependencies and ex-offenders and offenders);
- description of provision for groups with no local connection – like ex-offenders, offenders, and people fleeing domestic violence;
- detail of joint working with other out-of-boundary local authorities (in particular to support individuals without a local connection who need to use supported housing); and
- detail on consultation with relevant partners including Public Health England, Police and Crime Commissioners, Domestic Abuse and Sexual Violence Partnerships, probation services, Clinical Commissioning Groups, Adult Social Care Boards, Health and Wellbeing Boards, and others such as local providers and neighbouring local authorities.⁶⁷

[Funding Supported Housing: Policy Statement and Consultation](#)

included specific reference to the provision of refuges for people fleeing domestic violence:

Refuges will be funded as set out in the model above, on a local basis, with expectations set out in the supporting oversight regime (including on supporting those without a local connection). We believe that local authorities are best placed to deliver better outcomes for vulnerable renters in crisis and emergency supported housing as they understand local needs and can take a holistic view on both housing and support provision.

Furthermore, under our new model, refuges will be funded on a provision basis, rather than funding the individual. An individual who finds themselves in need of emergency supported housing would not have to pay rent, as the bed space would be directly commissioned and funded by the local authority. This will give providers more certainty as regards funding, enabling them to plan for the short and long term. The oversight regime will set out expectations regarding helping those with no local connection.⁶⁸

Responses to specific questions posed in the consultation on short-term funding proposals could be submitted up to 23 January 2018. The aim is to bring the new funding system into effect in April 2020.

Wales and Scotland will receive an equivalent amount of funding and will have freedom to decide how best to allocate this funding:

As previously committed, the UK Government will ensure that the devolved administrations receive a level of funding in 2020-21 equivalent to that which would otherwise have been available through the welfare system.⁶⁹

⁶⁷ Ibid., para 66

⁶⁸ Ibid., paras 68-69

⁶⁹ Ibid., para 59

Reaction

The move to a ring-fenced grant funded model for short-term supported housing has generated significant concerns amongst providers.

As with responses to the previous proposals, under which shortfalls between actual rent levels and LHA caps would have been made up by local authority ring-fenced funding, **providers are questioning whether a local system will provide the necessary long-term funding security to sustain current provision and future supply.**

The National Housing Federation (NHF) conducted its own consultation process on the Government's proposals for supported housing and published a [summary of feedback](#) in December 2017. The plans for sheltered/extra housing and long-term supported housing were, in the main, welcomed. However, regarding short-term housing, "the potential negative impact on future development was a consistently strong theme" throughout the NHF's consultation events.⁷⁰

Respondents again cited the removal of the ring-fence from Supporting People funding – **there is a lack of trust in commitments to retain ring-fenced funding for short-term supported housing in the long-term.** The Government has been probed on this aspect of the proposals:

To ask the Secretary of State for Communities and Local Government, with reference to the Government's funding supported housing consultation, published on 31 October 2017, and the Government's proposal for a ring-fenced local grant fund for supported housing, what steps the Government plans to take to ensure that such ring-fenced funding will be maintained in the future.

Government recognises that supported housing is of vital importance to vulnerable people. The ring-fence for short term supported housing will be retained in the long term in order to protect this important provision and the vulnerable people it supports. Future funding for short-term accommodation will continue to take account of the costs of provision and demand for services in this part of the sector.⁷¹

A further area of concern is the **relatively short-term commissioning cycle**, often two years, within which local authorities operate. Such a cycle could introduce further uncertainty according to respondents to the NHF survey:

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.⁷²

A finite grant is not seen as an adequate replacement for ongoing funding through Housing Benefit.

The removal of the Supporting People ring-fencing looms large in providers' minds and serves to undermine assurances over a long-term ring-fenced grant.

⁷⁰ NHF, [Summary of consultation feedback: Future funding of supported housing](#), 20 December 2017

⁷¹ [Supported Housing: Finance: Written question – 111769](#), 13 November 2017

⁷² NHF, [Summary of consultation feedback: Future funding of supported housing](#), 20 December 2017

The introduction of local authority discretion is viewed as a potential threat to provision for non-statutory and marginalised groups, such as ex-offenders.

The NHF received feedback on the **proposed definition of short-term housing, there is a view that it too rigid and may discourage the flexibility** “that is at the heart of supporting the housing needs of vulnerable people.”⁷³

Women’s Aid surveyed refuge services in England following the Government’s announcement on 31 October 2017. The responses showed:

- Over one third (39%, 30 out of 78) of refuge services who responded fear they will be forced to close down.
- A further 13% (10 out of 78) of refuge services who responded said they would be forced to reduce the number of bed spaces available.
- An estimated 588 bed spaces in refuge services who responded will be lost.
- An estimated 2,058 more women and 2,202 more children will be unable to access a place in the refuge services who responded.⁷⁴

Women’s Aid is predicting the closure of refuges and a loss of bed spaces.

Women’s Aid refers to Housing Benefit as ‘secure funding’ – the point is also made that **refuges operate as a national network** and provision should not be based solely on an assessment of local need:

...when women and their children flee domestic abuse, over two thirds flee to a refuge outside of their local authority so they can live without fear of being hunted down by the perpetrator (Women’s Aid Annual Survey 2017). While 15% (12 out of 78) of refuge services who responded to our survey revealed that they currently receive no local authority funding; this is backed up from data in our 2016 Annual Survey which shows that one in ten of all domestic abuse services, including refuges and other community-based services, received no local authority funding. This model will leave the refuges that can survive subsisting on shoe-string budgets, with no long-term guarantee of funding. This proposed funding model could mean the loss of specialist domestic abuse services, which are vital to women and children’s recovery, in favour of cheaper, generic short-term accommodation.⁷⁵

It is worth noting that an individual’s entitlement to claim Housing Benefit/housing element of Universal Credit, will not be removed. This *appears* to point to the possibility of providers who do not receive local authority funding being able to continue with a revenue stream based on claimants’ rent payments.

The funding proposals were raised in several contributions during the Second Reading of the *Secure Tenancies (Victims of Domestic Abuse)*

⁷³ NHF, [Summary of consultation feedback: Future funding of supported housing](#), 20 December 2017

⁷⁴ Women’s Aid, [Refuges sent out SOS in response to government’s proposed supported housing funding plans](#), 29 November 2017

⁷⁵ Ibid.

Bill in the House of Lords on 9 January 2018; for example, Baroness Lister of Burtersett said:

Finally, Women's Aid makes the important point that the Bill's goal of improving housing security for domestic abuse survivors is threatened by other areas of government policy. To reassure the Minister, I do not intend to try to amend the Bill to address these concerns, but given that this is a Second Reading they need to be placed on the record. First, the proposed devolution to local areas of responsibility and resourcing for domestic abuse refuges, which he made sound like rather a wonderful nirvana coming towards us, will, they warn, have a catastrophic impact on refuges and, therefore, their ability to help protect women's housing security. Particular concerns have been raised that it could mark the end of specialist services for BME, disabled or otherwise marginalised groups of women who are already suffering under the localism model—a concern already raised back in 2015 by the Joint Committee on Human Rights, of which I was then a member.⁷⁶

The Government has been asked about funding for supported housing schemes that don't fall clearly into the categories identified:

Kate Green: To ask the Secretary of State for Communities and Local Government, with reference to the funding supported housing consultation published on 31 October 2017, what funding settlement will be in place for mental health supported housing schemes which fall into neither short-term nor long-term categories and combine individuals with a variety of different lengths of stay.

Marcus Jones: Everyone who is eligible to have their housing costs met under the current system, will continue to have their housing costs met through the models announced on 31 October, whether they are staying in short-term accommodation, long term accommodation or in transition between the two.

We will continue to fund long-term supported accommodation through the welfare system, with 100 per cent of housing costs (rent and eligible service charges) normally being met (unless, *exceptionally*, other benefit restrictions may apply to the individual involved). This funding will be uncapped by Local Housing Allowance rates as these will no longer apply. For short-term accommodation all funding for rent and eligible service charges previously met from Housing Benefit will instead be allocated to local authorities through ring-fenced grants, to fund the commissioning of provision at a local level.

This will fund housing costs for provision rather than specific individuals. An individual's entitlement for help with housing costs whilst staying in accommodation funded under each of our supported housing models, including the short-term model, will be exactly as it would have been through Housing Benefit or the housing cost element of Universal Credit.

Through our consultation, and otherwise, we will continue to engage with the sector and stakeholders to seek views on key system design elements of the reformed funding model to ensure it is responsive and will work for providers, tenants and clients, across such a diverse sector, including provision for those with mental ill health.⁷⁷

⁷⁶ [HL Deb 9 January 2018 c138-9](#)

⁷⁷ [Supported Housing: Mental Illness: Written question – 111199](#), 9 November 2017

Some **benefits of the proposals** have been identified:

- It provides the opportunity to bring together commissioning arrangements for support and housing costs at a local level and thus could lead to efficiencies.
- Removing the need for clients to apply for Housing Benefit, which is complex process, could result in more streamlined funding arrangements and the removal of risk in relation to rent arrears for providers and tenants.
- Taking residents of short-term accommodation out of the benefit system could improve work incentives – rent levels can be high and can act as a disincentive to move into work.
- A local system with local authority oversight could drive improvements in quality and value for money.

As noted previously, responses to the Government's consultation process on short-term supported housing were accepted up to 23 January 2018. The Government's [interim response](#) to the consultation exercise was published on 1 April 2018. 434 responses were received and the main points raised were:

- Concerns about the definition of the short-term accommodation model;
- Assurance that Government is committed to maintaining this ring-fence indefinitely; and
- A number of providers urged the Government to revise its policy.⁷⁸

The responses are under consideration and full formal response from the Government, including more details of the policy, will be published in the summer.⁷⁹

Although the risk of rent arrears would be reduced, there is some concern that this would remove an opportunity to develop independent living skills amongst vulnerable residents.

⁷⁸ MHCLG, [Funding for Supported Housing](#), April 2018

⁷⁹ Ibid.

5. Reducing rents by 1%

The [Summer Budget 2015](#) saw the announcement of rent reductions for social housing landlords:

Alongside the freeze in working-age benefits, the government will reduce rents in social housing in England by 1% a year for 4 years, requiring Housing Associations and Local Authorities to deliver efficiency savings, making better use of the £13 billion annual subsidy they receive from the taxpayer. Rents in the social sector increased by 20% over the 3 years from 2010-11. This will allow social landlords to play their part in reducing the welfare bill. This will mean a 12% reduction in average rents by 2020-21 compared to current forecasts.⁸⁰

5.1 Welfare Reform and Work Act 2016

Measures to implement the rent reductions described above are contained in the *Welfare Reform and Work Act 2016*.

The potential impact of this measure on supported housing providers was raised at each stage of the Bill's progress through Parliament. Amendments were moved, unsuccessfully, to exempt supported housing from the rent reduction requirement.⁸¹ The matter was covered in detail during the Bill's Committee stage in the House of Lords (5th day).⁸²

Many of the same arguments were used in support of amendments seeking to exempt supported housing from the rent reduction requirement as were raised in relation to the application of LHA rates. A number of supported housing providers submitted a joint letter arguing the case for a supported housing exemption:

We understand the electoral promise the government made to decrease the deficit and also the cost of rents. However, the Government's own Home and Communities Agency (HCA) claims that continued investment in supported housing saves the taxpayer £640m annually. This is because the cost effectiveness of supported housing leads to reduced involvement in crime, reliance on the health system and other social services. With this in mind, supported housing services are not adding to the deficit but are rather a key component in reducing it.

Furthermore, organisations providing supported housing have already taken their fair share of the burden to reduce the deficit. According to the National Audit Office, funding for housing related support decreased by 45% between 2011-15. Added decreases in funding would only serve to undermine the financial viability of many services, placing the most vulnerable at increased risk.

For example, an analysis of 14 homelessness supported housing organisations has shown this policy would lead to half of them having to close some services, whilst another four would have to stop working with clients with the most complex needs.

⁸⁰ [Summer Budget 2015](#), July 2015, para 1.140

⁸¹ See: [PBC 15 October 2015 c411](#) amendment 109

⁸² HL Deb 12 January 2016 cc227-252

To mitigate the impacts of this policy, the Government are providing exemptions to a small segment of supported housing alongside occasional waivers for individual housing associations. However, these mitigations will only apply to a very small number of providers and will not protect the overwhelming majority of supported housing services.⁸³

The Government response to amendments seeking an exemption in the House of Lords is reproduced below:

Baroness Williams of Trafford: My Lords, I have listened very carefully to the comments made by noble Lords this evening in debating the amendments that would extend the exceptions—which we were talking about two amendments ago—to the policy to specified or supported accommodation. I can offer some reassurances in this area at this stage. It may be helpful if I first recap the commitment made in another place, which was welcomed by housing providers, to continue to allow rent setting for new tenancies in supported housing at up to 10% above the rate for general-needs housing. This should help providers of supported housing for vulnerable people to continue to provide that important housing. We will put this in place by way of regulations under Section 26, the power to make alternative provision for excepted cases.

To address the point made by the noble Lord, Lord McKenzie, the Government have also made clear their intention to continue to exempt those types of housing that are currently exempted from the rent standard, subject to determining whether the existing definitions are appropriate in light of the revised policy. These include specialised supported housing, which provides support for the most vulnerable people and was developed in partnership with councils or the health service. We will bring forward regulations to set out these and any further exceptions needed, under Clause 22 or paragraph 5 of Schedule 2, as appropriate.⁸⁴

During consideration of the Bill in the House of Lords, a question was asked about the combined impact of the 1% rent reduction and the imposition of LHA caps on the supported housing sector; Baroness Williams replied:

I think it was the noble Lord, Lord McKenzie, who asked about the combined impact of the social rent reduction and capping the highest housing benefit awards for social renters, in line with caps applicable in the private rented sector, meaning that supported housing will be decimated. Now that I am looking at the noble Lord, I do not think it was him who asked this. But there was a noble Lord who asked that question, because I have written it down. Applying a cap on the highest social rents will mean that housing benefit will no longer subsidise families who take new tenancies in social houses that many working families cannot afford. The new cap will have effect only from 2018 for new or re-let social tenancies signed after 1 April 2016.⁸⁵

⁸³ Letter submitted by a number of supported housing providers, 30 October 2015

⁸⁴ HL Deb 12 January 2016 c249

⁸⁵ HL deb 12 January 2016 c250

Delayed implementation

During the [Opposition Day debate](#) on 27 January 2016 the Minister, Justin Tomlinson, announced that the imposition of rent reductions in the supported housing sector would be delayed by one year:

We recognise the value of the supported housing sector and want to ensure that the essential services it delivers continue to be provided, within the context of driving appropriate value for money. Many Members have put that on the record today and spoken about that support, which is very important. We want to ensure that the sector can continue to deliver the important services it provides, which is why we will be putting in place a one-year exemption from the 1% rent reduction for all supported accommodation. That will give us time to study the evidence from the supported housing review, which is due to report in the spring, and consider a longer-term solution for the sector.

The hon. Member for Sheffield South East (Mr Betts) asked a number of questions, including about what happens to rents for supported housing next year during the one-year delay. They will be updated by CPI plus 1% up until April 2017, then reviewed after that.

The review will tell us the size, scale and scope of supported housing funded through housing benefits. The policy options will be considered after the report is published, in consultation with a wide range of stakeholders, and conclusions will be reached in due course as that is brought together.⁸⁶

In the wake of this announcement providers questioned the definition of supported housing that would be used to frame the exemptions.

The [Social Housing Rents \(Exceptions and Miscellaneous Provisions\) Regulations 2016](#) (SI 2016/390) came into force on 1 April 2016.

The Regulations exempt **specialised supported housing** from the rent reduction requirement for the full four years. This accommodation is defined as supported housing:

- which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community,
- which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home,
- which is provided by a private registered provider under an agreement or arrangement with—
 - (i) a local authority, or
 - (ii) the health service within the meaning of the National Health Service Act 2006,

⁸⁶ HC Deb 27 January 2016 cc326-7

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- in respect of which the rent charged or to be charged complies with the agreement or arrangement mentioned in paragraph (c), and
- in respect of which either—
 - (i) there was no public assistance, or
 - (ii) if there was public assistance, it was by means of a loan secured by means of a charge or a mortgage against a property.

The Regulations exempt **other types of supported housing** (listed below) from the requirement to reduce rents for 12 months:

supported housing means low cost rental accommodation provided by a registered provider which—

- (a) is made available only in conjunction with the supply of support,
- (b) is made available exclusively to residents who have been identified as needing support, and
- (c) falls into one or both of the following categories—
 - (i) accommodation that has been designed, structurally altered or refurbished in order to enable residents to live independently,
 - (ii) accommodation that has been designated as being available only to individuals within an identified group with specific support needs;

“support” includes—

- sheltered accommodation,
- extra care housing,
- domestic violence refuges,
- hostels for the homeless,
- support for people with drug or alcohol problems,
- support for people with mental health problems,
- support for people with learning disabilities,
- support for people with disabilities,
- support for offenders and people at risk of offending,
- support for young people leaving care,
- support for teenage parents
- support for refugees.

Alms houses, cooperative housing associations and community land trusts also benefit from the year-long exception.

The Government said:

As we draft the regulations we will be reviewing the definition in the rent standard, together with other definitions to ensure that the regulations provide comprehensive coverage and are clear about what is included. For sheltered and extra care housing, we would look to refer to the definitions contained in the Housing our Ageing Population: Panel for Innovation report.

Increases in the level of rent for supported housing will be limited to CPI +1%. This is in addition to an exception for specialised supported housing, also covered in the rent standard guidance which will be excepted from the rent reductions completely and for the entire 4 year period.

During the course of the Bill, Ministers have announced that providers of supported housing would be able to set rents for new and relet supported housing at 10% above the social rent rate (i.e. formula less the appropriate reduction). During the exception period the intention is that providers will be able to set new rents at 10% above the 2015/16 formula rate uprated by CPI+1%.

We are of course aware that providers have raised concerns about bringing housing benefit for social tenants into line with housing benefit for people in private housing which will start to take effect from April 2018. We will put in place the appropriate protections for those in supported housing. As we work towards implementation, DWP and DCLG will be working closely together with the sector to make sure the right protections are in place.⁸⁷

The [Rent Standard Guidance](#) (April 2015) definition of supported housing can be found in paragraphs 3.21-26.

The National Housing Federation welcomed the delayed implementation but said it would continue to urge the Government to think again:

While deferring the rent cut by a year is welcome as it means incomes will not be reduced by as much as feared, if the LHA cap is applied to supported housing this will have a much more significant and lasting impact which will not be mitigated by this deferral. We are urging Government to think again and announce now that the LHA cap does not apply to supported and sheltered housing and that they will work with the sector to develop a long term sustainable funding model for supported housing.⁸⁸

5.2 Government announcement 15 September 2016

The Secretary of State's [Written Statement](#) of 15 September 2016 included further information on the application of rent reductions in the supported housing sector:

In March 2016, we introduced a one year deferral for supported housing, fully mutuals/co-operatives, almshouses and Community Land Trusts from the reduction of social rents in England of 1% a

⁸⁷ NHF, [Clarification from CLG on supported housing rent reduction](#), 29 January 2016 [accessed on 30 March 2016]

⁸⁸ Ibid.

year for 4 years from 2016. It is important that providers can continue to provide high-quality and cost-effective supported housing to meet the needs of their tenants. However, it is also important that supported housing should make efficiency savings in the same way as the rest of the social sector.

Therefore, I can confirm that, as planned, we will apply the rent reduction to supported housing, with rents in these properties decreasing by 1% a year for 3 years, up to and including 2019/20.

The existing exemption for specialised supported housing will remain in place and will be extended over the remaining 3 years of the policy for fully mutuals/co-operatives, alms houses and Community Land Trusts and refuges.

For those affected by the social sector rent reduction policy, the Welfare Reform and Work Act 2016 includes provision that allows a social landlord to be exempted from the requirement to reduce rents by the Secretary of State for Communities and Local Government or the social housing regulator (in the case of private registered providers) if complying would result in serious financial difficulty or jeopardise their financial viability. This provision provides a safety net for those providers who do not have the capacity to offset the decrease through efficiencies or from elsewhere in their business.⁸⁹

The exemption for specialised supported housing was extended by the *Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2017* (SI 2017/91).

Comment

The NHF said:

The cut represents a loss of £194m in income for supported housing over the next three years and will inevitably jeopardise some of the services as some schemes are already operating on very low margins. While organisations can apply for a waiver if the rent cut places the organisation in financial difficulty we will continue to make the case to the Government to exempt these vital services from the rent cut.⁹⁰

Howard Sinclair, chief executive of St Mungo's said:

...the government's decision to push ahead with a reduction in rents for three years from April 2017 remains a serious concern. When we take into account the rental income we had anticipated over the three-year period, this measure will cost St Mungo's over £3m.⁹¹

⁸⁹ [Housing Benefit: Written Statement HCWS154](#), 15 September 2016

⁹⁰ NHF, [Government announcement on the future funding of supported housing](#), 15 September 2016

⁹¹ *Inside Housing*, "Supported housing, sector warns of uncertain future", 15 September 2016

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