



BRIEFING PAPER

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Paying for supported housing

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Summary

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.

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."

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 current 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.

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. This was followed by the [Spending Review and Autumn Statement 2015](#) during which the Chancellor announced an intention to cap the amount of rent that Housing Benefit will cover in the social rented sector to the relevant Local Housing Allowance level, which is the rate paid to most private renters on Housing Benefit. This policy is still under development; there is no legislation currently before Parliament concerning this measure. Providers of supported housing argue 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 has called for an exemption for supported housing from both of these measures, 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 Government subsequently announced a one-year exemption for the supported housing sector from the 1% rent reduction. A one-year delay in applying Local Housing Allowance caps to residents in supported housing was also announced. 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. At the point of implementation the rates will apply to all supported housing residents in receipt of Housing Benefit. At the same time, a new funding model will be introduced under which local authorities in England will receive ring-fenced funding to meet the shortfall between the LHA rates and the cost of provision. Local authorities will allocate this funding to housing providers. Scotland and Wales will also receive a funding allocation. The Government also announced that the Shared Accommodation Rate for claimants under 35 will not apply to

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residents in supported housing. A separate funding model may be developed specifically 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, which is taking submissions up to 13 February 2017, is seeking views on how the new funding model should work in England.

The sector welcomed aspects of the 15 September 2016 announcement, but there is continuing doubt over whether the proposed system will place supported housing on a secure and sustainable footing.

The announcement also confirmed that the deferral of the 1% rent reductions would end. Rent reductions will be applied 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 will remain in place over the period and will be extended to include fully mutuals/co-operatives, alms houses and Community Land Trusts and refuges.

The National Housing Federation (NHF) published a [submission](#) on 27 June 2016 in which it called on the Government to take account of certain factors in developing a new funding model.

The Work and Pensions and Communities and Local Government Select Committees announced a joint [inquiry into supported housing funding](#) on 15 December 2016. Evidence is being taken up to 3 February 2017.

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

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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

More recent analysis conducted by the Homes and Communities Agency (HCA) 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

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*

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- 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

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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

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

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

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.**²³

Analysis by [The Institute for Fiscal Studies](#) (IFS) concluded that the savings arising out of this measure would be “small in the short-run, cutting Housing Benefit expenditure by £255 million in 2020-21.” The longer-term impact was expected to be more significant:

If applied to all social tenants now:

- HB would be cut by £1.1 billion (from base of around £25bn)
- 800,000 households would lose average of £1,300 per year
- Long-run effects larger still if social rents grow faster than HB caps (which are CPI-indexed)²⁴

²³ [Spending Review and Autumn Statement 2015](#), November 2015, para 1.125

²⁴ IFS, [The Budget and Spending Review – what do they mean for social housing?](#) 2015

The IFS's [Green Budget 2015](#) estimated that there were around 750,000 households in the social rented sector with a rent level greater than the LHA rate.²⁵

3.2 What are Local Housing Allowance (LHA) rates?

The vast majority of Housing Benefit claimants living in privately rented dwellings receive the LHA. LHA is paid at a flat rate²⁶ which is set at the 30th percentile of market rents for properties of different bedroom sizes (up to a maximum of four bedrooms) within a Broad Market Rental Area (BMRA). LHA rates are published for each BMRA. LHA rates are also subject to national caps which are currently:

- £260.64 for a room in shared accommodation
- £260.64 for 1 bedroom accommodation
- £302.33 for 2 bedroom accommodation
- £354.46 for 3 bedroom accommodation
- £417.02 for 4 bedroom accommodation

LHA is a means-tested benefit so the actual amount of assistance that a claimant receives will depend on their individual circumstances.

As part of the [Summer Budget 2015](#) the Chancellor announced that LHA rates would be frozen for four years from April 2016:

Since the financial crisis began in 2008, average earnings have risen by 11%, whereas most benefits, such as Jobseeker's Allowance, have risen by 21%. To ensure that it always pays to work, and that earnings growth overtakes the growth in benefits, **the government will legislate to freeze working-age benefits, including tax credits and the Local Housing Allowances, for 4 years from 2016-17 to 2019-20.** This is forecast to save £4 billion a year by 2019-20.²⁷

3.3 Implications for supported housing

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

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

²⁵ IFS, [Green Budget 2015](#) February 2015, p219

²⁶ An individual's actual entitlement to LHA will depend on their personal circumstances – it is a means tested benefit and it is possible to receive the full LHA rate or partial LHA.

²⁷ [Summer Budget 2015](#), July 2015, para 1.137

When asked about the size and characteristics of the supported housing sector, the Government referred to information being gathered as part of an evidence review:

We do not hold this information. More information on the scale, shape and cost of the supported accommodation sector should be available through the evidence review jointly commissioned by the Department for Communities and Local Government and the Department for Work and Pensions. The review is due to report by April 2016.²⁸

David Orr, chief executive of the National Housing Federation (NHF, the representative body of housing associations), wrote to both Lord Freud and Brandon Lewis (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.²⁹

More information and comment on Discretionary Housing Payments can be found in Library Briefing 06899: [Discretionary Housing Payments](#).

A series of reports in the housing press reiterated the concerns and issues raised by David Orr, for example:

Andrew Redfern, chief executive of specialist housing association Framework, added: "It would mean the end of supported housing. All our schemes would close, and I think all others would as well."

²⁸ HL 3582, [Parliamentary Question answered 1 December 2015](#)

²⁹ [David Orr's letter to Lord Freud and Brandon Lewis](#), 18 December 2015

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Anchor, England's largest not-for-profit provider of retirement housing, said the change could leave it with a £13m annual hole in its budget.

Great Places, New Charter, Hightown Praetorian and Family Mosaic all confirmed many of their schemes would be unviable if the cut went ahead.

Kevin Beirne, group director of housing care and support at One Housing Group, said it was reviewing the 520 extra care homes it is currently building and could "mothball" them if it does not receive confirmation of an exemption soon.³⁰

PlaceShapers has estimated housing associations provide specialist supported housing for around 132,000 vulnerable people and a further 312,000 homes for older people.

The network surveyed six supported housing providers who provide housing to 3,343 people. The survey suggested an income loss from 2018 averaging £56 per home per week as a result of the LHA cap. This came to an annual loss of £9.8m.

The network claims if this was replicated across the sector the total loss would be nearly £400m for the funding of supported housing schemes and there would be "further potentially huge losses" if homes for older people were also included.

These losses would lead to supported housing service closures on a "massive and unprecedented scale".

The network said the government's suggestion that local authority discretionary housing payments can make up any shortfall in income "will simply not work and no housing association can plan with certainty on the basis of support that is short term, discretionary and already overstretched".

Charlotte Norman, PlaceShapers board member and chief executive of St Vincent's Housing Association in Manchester, said: "These changes in housing benefit entitlement look like having a more detrimental impact than any other recent housing and welfare announcement. Over 440,000 vulnerable people live in schemes provided by housing associations and their homes are now at risk.

"We cannot believe that government understands the consequences of these changes and the vast extra costs that would fall to the public purse as a result of scheme closures. Nothing short of exemption for all such housing will be adequate and we very much hope that common sense will prevail."³¹

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

An *Inside Housing* snap survey of 82 providers, which own a collective 120,000 units of supported housing, lays bare the impact of capping housing benefit at Local Housing Allowance (LHA) levels for the first time.

It shows 27% of providers believe all their schemes would be left financially unviable, while 40% said most of their schemes would go under in the survey conducted this week.

³⁰ *Inside Housing*, [Supported housing on the brink](#), 15 January 2016 [registration required]

³¹ *Inside Housing*, [Placeshapers calls for supported housing exemption](#), 24 December 2015 [registration required]

A further 28% of providers said at least some of their schemes would be unviable, with only 5% saying all of their schemes could survive.

[...]

Responding to the survey, which was conducted anonymously, one provider said: “[The LHA cap] would be disastrous for the sector as a whole and more importantly for vulnerable adults. Development would halt and there would be widespread closure of schemes.”

The 82 providers said they had a combined 5,691 new units of supported housing currently under development. However 18% said they had frozen this development and more than a third – 34% – said they are considering doing so while they wait on news of an exemption.

The cut, which was first announced in the Autumn Statement, will apply to all new tenancies granted from April this year when it comes into effect in 2018.

Because of this, 12% of respondents said they would no longer accept benefit claimants to supported housing schemes from April if an exemption is not confirmed by then, and 16% said they would be reluctant to.

The government has offered £70m additional Discretionary Housing Payments for two years from 2018 to cover the shortfall, which providers warn is insufficient.³²

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

3.4 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.³³

Lord Freud went on:

We are collecting evidence about the size of the sector, who it supports, where the funding flows are coming from and how it is supported. There are various support sources, including the Supporting People fund and RR. We look to publish this report later this year.

[...]

³² Inside Housing, [Cap would force 95% to wind up schemes](#), 21 January 2016 [registration required]

³³ [HL Deb 14 January 2016 cc381-3](#)

We are aiming to develop our policy on the back of the information that we get in the spring, and we will be working with the whole sector to develop policy. As for the other issue that the sector is concerned about, which I discussed in the last question, that is within the timetable of the Bill.³⁴

[The terms of reference for the evidence review](#) were published.³⁵

The [Supported Accommodation Review](#) was published on 21 November 2016. Information on the findings can be found in section **3.6** (below).

Section **3.5** below provides information on the Government's announcement of 15 September 2016.

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:

My Noble Friend The Minister of State, Department for Work and Pensions (Lord Freud) has made the following Written Statement.

In the Autumn Statement 2015, we announced that when assessing eligibility for Housing Benefit and Universal Credit that Local Housing Allowance rates would be applied to all social rents from April 2018, where tenants had signed new or re-let tenancies from 1 April 2016.

I am able to announce today that the Government will put in place a year-long exception for all tenants of supported accommodation in the social sector so that this measure will only apply to these tenancies from April 2017, rather than April 2016. As examples, this will include refuges for those fleeing domestic abuse, homeless provision, housing for ex-offenders, as well as supported housing for older and disabled people. I can also confirm that the one year exception will extend to housing co-operatives, alms houses and Community Land Trusts.

I am doing this because I understand the importance of ensuring that both those living in supported accommodation and those who provide this type of accommodation receive appropriate protections. This is why we are awaiting the outcome of a Supported Accommodation research project and subsequent policy review, to ensure support is focused on the most vulnerable, and appropriate groups are safeguarded. I consider it important to have evidence to support any decisions made, before determining the level of any protections for this cohort beyond April 2017.

I will write to social landlords and provide guidance that will allow them to advise people taking on new and re-let tenancies from either April 2016 or April 2017 (for supported accommodation) as to how they may be impacted.³⁶

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

³⁴ [HL Deb 14 January 2016 cc381-3](#)

³⁵ [DEP2016-0042/PO_21500_21572.pdf](#)

³⁶ [Written Statement HCWS563](#), 1 March 2016

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.³⁷

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.”³⁸

[The 2016-2021 Shared Ownership and Affordable Homes Programme](#) is aiming to deliver 8,000 new specialised units of accommodation. On 22 June 2016 *Inside Housing* reported that the Homes and Communities Agency (HCA) was urging landlords to bid for supported housing funding despite the impending changes to LHA. Caroline Cormack of the HCA was reported as saying that they would “engage” with providers if schemes were rendered unviable by the caps.³⁹

Peter Aldous referred to the potential impact of LHA caps on future investment during his adjournment debate:

Some 24% of supported housing providers have told the NHF that all their supported and sheltered housing units are at risk of becoming unviable and of closing. It is estimated that 156,000 units of existing supported and sheltered housing would become unviable and at risk of closure; that is 41% of all existing schemes. There would also be an impact on future development, with an estimated 9,270 units in the pipeline not being developed. That represents 80% of the total existing development pipeline and includes more than 8,000 specialist homes for older people and people with disabilities which were announced in last year’s comprehensive spending review.⁴⁰

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.”⁴¹

In an article of 8 July 2016 *Inside Housing* reported that the DWP intended to extend the exemption from the LHA caps for supported housing. The sector reportedly welcomed this but said it would not be sufficient to prompt them to invest in frozen schemes.⁴²

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;

³⁷ NHF, [Supported and sheltered housing exempt from LHA cap for one year](#), 2016 [accessed on 30 March 2016]

³⁸ [HC Deb 12 July 2016 c262](#)

³⁹ *Inside Housing*, “HCA urges bids for supported housing grant,” 22 June 2016

⁴⁰ [HC Deb 12 July 2016 c266](#)

⁴¹ NHF, [Proposal for a strong and sustainable future for supported and sheltered housing](#), 27 June 2016

⁴² *Inside Housing*, “DWP plans longer-term supported housing exemption,” 8 July 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.⁴³

3.5 Government announcement 15 September 2016

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

- 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 will 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, will not apply to residents in supported housing.
- Costs above the LHA rate will be met by a ring-fenced fund which the Government will devolve to local authorities in England. Wales and Scotland will receive an equivalent amount and will be able to decide how to allocate this funding.
- A separate funding solution may be devised for very short-term accommodation such as hostels and refuges.

The full statement on the LHA changes is reproduced below:

We have heard the concerns regarding the application of the Local Housing Allowance (LHA) rates to social rents from 2018. So I can announce today that we will be deferring the application of this policy for supported housing until 2019/20. At this point we will bring in a new funding model which will ensure that the sector continues to be funded at current levels, taking into account the effect of Government policy on social sector rents. I

⁴³ [HC Deb 21 July 2016 c840](#)

can also confirm that the deferral until 2019/20 will extend to fully mutuals/co-operatives, almshouses and community land trusts while we consider whether any additional arrangements will be necessary for this group in the longer term.

It is our intention that from 2019/20 core rent and service charges will be funded through Housing Benefit or Universal Credit up to the level of the applicable LHA rate. This will apply to all those living in supported accommodation from this date. I can also confirm that the Shared Accommodation Rate will not apply to people living in the supported housing sector, in recognition of the particular challenges this would have placed upon them.

For costs above the level of the LHA rate, Government will devolve in England an amount of funding for disbursement locally. In Wales and Scotland, an equivalent amount will be provided and it will be for those administrations to decide how best to allocate the funding.

In England, we will devolve funding to local authorities to provide additional 'top up' funding to providers where necessary, reflecting the higher average costs of offering supported accommodation, compared to general needs. This will give local authorities an enhanced role in commissioning supported housing in their area. This will also allow local authorities to ensure a more coherent approach to commissioning for needs across housing, health and social care, using local knowledge to drive transparency, quality and value for money from providers in their area.

Different types of supported housing provision and services are commissioned by different bodies locally, such as Clinical Commissioning Groups. It will be important to ensure that these bodies can access funding to deliver their commissioning objectives. We will work with relevant agencies and Departments across Government to design this fund to make sure that we maximise the opportunities for local agencies to collaborate.

In recognition of the need to manage the transition to a new funding regime carefully, we will ring-fence the top-up fund to ensure it continues to support vulnerable people. The amount of top-up funding will be set on the basis of current projections of future need. This will also help to provide certainty for providers that reductions in funding via the benefits system can be met elsewhere as well as to give greater assurance to developers of new supported housing supply. We will also consult on appropriate safeguards to ensure that this funding continues to support vulnerable people and promotes supply of supported housing. We will also consider what level of new burdens funding would be appropriate to enable local authorities to fulfill their new role.

As the Prime Minister made clear, we are working to ensure that vulnerable people in refuges are not adversely affected as a result of the LHA rates. While we are confident that this model will meet the needs of the majority of the sector, we recognise some particular challenges may remain for very short term accommodation, including hostels and refuges. We will work with the sector to develop further options to ensure that providers of shorter term accommodation continue to receive appropriate funding for their important work. Whilst the mechanism may be different, funding for this type of accommodation will benefit from the same protection as supported housing in general.

We recognise the vital importance of ensuring that providers are able to develop new, much needed, supported housing and we want the long-term funding model to support this. We will seek views through the consultation on how this objective might best be achieved through the design of the model.

[...]

Supported housing is of vital importance to vulnerable people and we want to continue to work with providers to ensure that services are as good as they can be. We want to build on the work of excellent providers to drive all quality and value for money up to the level of the best. These reforms, giving local areas greater control and strategic oversight, represent the first step towards that goal, whilst giving the sector the necessary certainty over the total amount of funding available nationally. We also want quality and a focus on individual outcomes to play a greater role in how we fund the sector.

We will continue to work with the sector to develop the detail that underpins the new funding model and to ensure that any accompanying regulatory reform is effective and proportionate. It is important that we get the detail right and we want to continue the extensive conversation we have begun with the sector to do this. A formal consultation document will be published shortly.⁴⁴

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

- the intended level of the devolved funding;
- whether the funding levels will attract an annual uplift; and
- how the funding will be applied locally.⁴⁵

The point has been made that the announcement does not amount to a funding cut, but assurances are required on the level of funding and protections put in place to ensure that the funding reaches the right people.⁴⁶

Comparisons have been 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 has expressed a lack of confidence in whether the proposed system will place supported housing on a secure and sustainable footing. The NHF is arguing that a better solution for

⁴⁴ [Housing Benefit: Written Statement HCWS154](#), 15 September 2016

⁴⁵ NHF, [Government announcement on the future funding of supported housing](#), 15 September 2016

⁴⁶ *Inside Housing*, "Supported housing, sector warns of uncertain future", 15 September 2016

sheltered housing would be to continue to meet housing costs through the benefit system.⁴⁷ There is also significant doubt as to whether the announcement will 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.”⁴⁸ 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.⁴⁹

The Scottish Federation of Housing Associations has 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.”⁵⁰

When the LHA caps are applied in 2019/20 they will apply to all claimants in supported housing, subject to any exemptions which may be announced. The initial intention was to apply the caps to new tenancies created after 1 April 2016 (then delayed until after 1 April 2017). The DWP has said that this decision is based on the difficulties which would arise around setting aside a local pot of funding only in relation to future tenants.⁵¹

3.6 Publication of the evidence review November 2016

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

- At the end of 2015 the review estimates that there were approximately 651,000 accommodation based supported housing units⁵² 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.

⁴⁷ NHF, [Government announcement on the future funding of supported housing](#), 15 September 2016

⁴⁸ *Inside Housing*, “LHA cap: supported housing schemes remain on ice”, 8 December 2016

⁴⁹ *Ibid.*

⁵⁰ *Inside Housing*, “Supported housing, sector warns of uncertain future”, 15 September 2016

⁵¹ *Inside Housing*, “LHA cap will apply to existing supported housing tenants”, 21 September 2016

⁵² A unit is defined as either a room or bedspace in shared supported housing or a self-contained supported housing unit.

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- 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'⁵³ 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:

- 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.⁵⁴

⁵³ 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](#).

⁵⁴ DWP, [Supported accommodation review: The scale, scope and cost of the supported housing sector](#), November 2016

3.7 Consultation on a new funding model November 2016

Alongside the publication of the evidence review, the Government published a consultation paper on the [implementation of the new funding model for supported housing](#). Submissions are invited up to 13 February 2017. The Government is seeking 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.⁵⁵

3.8 Joint Select Committee inquiry

On 15 December 2016 the Work and Pensions and Communities and Local Government Select Committees announced a joint [inquiry into supported housing funding](#). The deadline for written submissions is 3 February 2017. Submissions are asked to consider the following questions:

- Whether separate funding models are needed for:
 - refuges and other short-term supported housing services
 - sheltered housing services for the elderly (these services would require a higher cap)
- How the localised funding pot for supported housing would work, including:
 - how it will be ring-fenced
 - which factors should be used to determine local allocations
- How existing supported and sheltered housing tenants will be protected following their transfer in April 2019.
- The effects of uncertainty about the new funding model on tenants and development in the supported housing sector.

⁵⁵ DCLG & DWP, [Funding for Supported Housing](#), November 2016

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- Whether the new system should be piloted before its full implementation.
- Whether the new system will resolve the shortfall in supported housing placements over the long term.
- Whether the new system will ensure that the varied rate of the LHA cap will not adversely affect tenants and providers in low-value parts of the country.
- What alternatives there are to the LHA cap, such as a supported housing cap and a sheltered housing cap.
- The relative effects of different funding model options on tenants.
- What steps should be taken to mitigate the effects of the 1% rent cut.
- How the LHA cap will affect pensioners.
- Whether housing benefit acts as a disincentive to work.⁵⁶

⁵⁶ [Joint Committee inquiry into the funding of supported housing](#) [accessed on 28 December 2016]

4. National Housing Federation taskforce

In January 2014 the National Housing Federation published a [discussion paper](#) aimed at engaging members on the principles on which any future system for funding the housing costs for supported accommodation should be based. This was followed by a series of consultation meetings to seek the input of members in different regions.

The NHF subsequently published a [report](#) (April 2014) which set out some key principles for any future system of paying housing-related costs in supported housing and which outlined the key common themes identified during the consultation process.⁵⁷ The report was submitted to the DWP.

The NHF set up a [Future Funding of Supported Housing Task and Finish Group](#) to build on the work carried out in 2014 and to “shape the future of funding for supported and sheltered housing, within the context of Universal Credit.” The group’s aim was to:

1. help shape and inform the Federation’s policy activities to develop a credible preferred model, or models, for funding housing costs in supported and sheltered housing
2. act as a sounding board and critical friend, providing expertise and experience to inform this work
3. ensure that the Federation’s work reflects the breadth of housing association experience and activity from across the supported and sheltered housing sectors.⁵⁸

A further discussion paper was published, [Future funding of supported and sheltered housing discussion paper](#) (March 2016) which sought views on how a new funding system can meet the minimum requirements of the supported housing sector and which includes:

- a housing element (rent & service charge) as if general needs housing;
- additional housing element due to being supported housing, i.e. because of client group served; and
- care & support element.

Following extensive consultation and engagement with the sector, the NHF published a [submission](#) on 27 June 2016 which is based on three core principles identified by members as necessary to underpin any approach to funding supported housing:

1. No-one with support needs should become homeless or end up in unsuitable accommodation.

⁵⁷ NHF, [Response to consultation on the future funding of housing costs for supported accommodation](#), April 2014

⁵⁸ NHF, [Future Funding of Supported Housing Task and Finish Group](#), 2016

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2. The actual housing and support costs of delivering a quality service will be fully met and funding will be flexible enough to meet changing levels of demand.
3. Evidence of the quality and value for money of the services being funded will be clear to those who live in supported housing and to the taxpayer.⁵⁹

The submission calls on the Government to incorporate the following factors when developing the new funding model:

- A focus on long-term security for providers, allowing them to continue to invest in new and existing supported housing services.
- Remove the threat of the Local Housing Allowance (LHA) cap to give providers confidence to continue developing supported housing schemes while the funding system is reformed.
- Work closely with the supported housing sector in developing a new funding model.
- Departments across the Government work together and support the new funding model in order to provide a secure future for supported housing, reflecting the benefits it provides across the many arms of government.
- That sufficient time is given to manage the transition to any new system, and that in the meantime the current funding arrangements – without the LHA cap - continue until the transition is completed.⁶⁰

The submission recommends that:

- Housing costs are met in a way which gives long-term certainty to funding for providers, to enable continued investment in homes and services that meet tenants' needs. To do this the Government should continue to fund actual rents and eligible service charges through the mainstream benefits system with checks on who can receive this funding via a new approach to registration for providers.
- Support costs should be funded from a central government budget, which different departments could feed into – setting the outcomes they would like to see for the money that they are putting in. Some of this money would be distributed at a national level and some at a local level to ensure spending meets local needs and complements any health and care commissioning. Additional safeguards would need to be built in to protect any local funding.⁶¹

In addition to the submission, the NHF published a [Summary of responses to consultation on future funding of supported and sheltered housing](#) (June 2016).

⁵⁹ NHF, [Proposal for a strong and sustainable future for supported and sheltered housing](#), 28 June 2016 [accessed on 19 July 2016]

⁶⁰ NHF, [Proposal for a strong and sustainable future for supported and sheltered housing](#), 27 June 2016

⁶¹ Ibid.

5. Reducing rents by 1%

The [Summer Budget 2015](#) also 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.⁶²

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.⁶³ The matter was covered in detail during the Bill's Committee stage in the House of Lords (5th day).⁶⁴

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.

⁶² [Summer Budget 2015](#), July 2015, para 1.140

⁶³ See: [PBC 15 October 2015 c411](#) amendment 109

⁶⁴ 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.⁶⁵

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.⁶⁶

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 2016.⁶⁷

⁶⁵ Letter submitted by a number of supported housing providers, 30 October 2015

⁶⁶ HL Deb 12 January 2016 c249

⁶⁷ 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.⁶⁸

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,

⁶⁸ 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.⁶⁹

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.⁷⁰

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

⁶⁹ NHF, [Clarification from CLG on supported housing rent reduction](#), 29 January 2016 [accessed on 30 March 2016]

⁷⁰ 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.⁷¹

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.⁷²

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.⁷³

⁷¹ [Housing Benefit: Written Statement HCWS154](#), 15 September 2016

⁷² NHF, [Government announcement on the future funding of supported housing](#), 15 September 2016

⁷³ *Inside Housing*, "Supported housing, sector warns of uncertain future", 15 September 2016

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