

# Future funding models for supported housing

7<sup>th</sup> October 2016



## Introduction

This document sets out the LGA's understanding of the proposals for possible future funding models for supported housing. It sets out some of the questions we think need to be addressed in finding a workable solution to securing the future of supported housing.

We invite our member councils and partners to comment on the proposals, raise issues or concerns they have, and also to set out where they see solutions, innovation and opportunities. Our aim is to build on the proposals set out by Government and be in an informed position to respond to the forthcoming Government consultation on the future funding of supported housing.

## Background

The LGA received representation from its member councils concerned about government proposals to introduce a cap at the Local Housing Allowance rate on the level of housing benefit available to vulnerable people in supported housing, and its impact on the supply of supported housing and the lives of vulnerable people in our communities.

The LGA raised these concerns with Government, and discussed possible future funding models with partners, including the National Housing Federation.

## Government announcement

Government announced on 15<sup>th</sup> September 2016 that:

- The introduction of the LHA cap for supported housing will be deferred until 2019/20, when core rent and service charges will be funded through Housing Benefit or Universal Credit up to the level of the applicable LHA rate and a new funding model for additional rent and service charge costs above this rate will be introduced.
- This will apply to all those living in supported accommodation from 2019/20.
- The sector will continue to be funded at current levels, taking into account the effect of Government policy on social sector rents.
- 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.

# Briefing

- 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, government 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.
- In recognition of the need to manage the transition to a new funding regime carefully, government will ring-fence the top-up fund. 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.
- Government will consult on appropriate safeguards to ensure that this funding continues to support vulnerable people and promotes supply of supported housing.
- Government will consider what level of new burdens funding would be appropriate to enable local authorities to fulfil their new role.
- Some particular challenges may remain for very short term accommodation, including hostels and refuges. Government 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.
- Government 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.

The overall aim of the reform was described by government as driving quality and value for money by giving local areas greater control and strategic oversight, whilst giving the sector the necessary certainty over the total amount of funding available nationally. Government is also looking for quality and a focus on individual outcomes to play a greater role in how the sector is funded.

## **LGA response**

The LGA responded publically to the announcements as follows:

*"We are pleased that Lord Freud and Marcus Jones MP have listened to the concerns councils had over the risks of applying the Local Housing Allowance cap to supported accommodation.*

*"Applying the cap would have hit some of our most vulnerable residents and jeopardised many of the supported housing schemes that were due to be developed.*

*"There was genuine fear that some homes would not be built, while others would be forced to close.*

*"The cap would also not have covered the higher rental costs of the supported housing sector to pay for the kind of specialist equipment and adaptations this type of accommodation requires.*

*"The alternative solution proposed by government, to ensure this is avoided, is testimony to the hard work of parties on both sides of the table. While the LGA would normally argue against ring-fencing funding, we understand the Government's reasoning in this exceptional case, and feel that the prize here is very much worth that price.*

*"The LGA will continue to work with government to ensure these changes are implemented in a way that gives providers the certainty they need to invest in supported housing so that we can carry on meeting the needs of vulnerable people, and that they can live in homes that are fit for purpose."*

## **Principles**

The LGA has set out the following principles upon which we think future funding models should be based:

The LGA will call for any changes to the funding of supported housing to:

- Place at the centre of any decision the needs and choice of the vulnerable person or people, their family and carers, enabling them to realise positive outcomes.
- Recognise that councils have the ultimate responsibility to support, safeguard, care for and house vulnerable members of their community.
- Recognise that local councils, as local public services accountable to local people, are best placed to determine, commission and deliver based on local needs.
- Enable the continued development of more supported housing and similar accommodation, as fundamental to sustainably meeting the future needs of an ageing population.
- Enable councils to continue to work in partnership with their supported housing providers and recognise the need for certainty

within the market to enable development to continue.

- Not put council budgets under additional financial pressure, in particular, social care budgets.
- Interact with the reformed benefits system in a way that is fair, accessible and transparent for tenants (and where relevant carers), councils and providers.
- Fully cover the cost of the rent, including the support needs, within supported housing. These rents include the support needed to enable a property to operate as supported housing, in that it meets needs of the vulnerable people who can make it their home.
- Be based on the recognition, as set out in the Care Act, that housing is a key component of health and care, and is the foundation upon which vulnerable people can achieve a positive quality of life.
- Be flexible enough to provide for the wide spectrum of needs residents of supported have, many of which may be interlinked, and to respond to demand increases in both the volume and complexity of people's needs.
- Minimise bureaucracy and administrative costs.
- Be explicit about any new burdens or duties on councils being proposed, on the understanding that these will be fully funded.
- Base any measurement of quality and value for money on the achievement of outcomes for the vulnerable person in receipt of the housing, and not just the level of rent charged.
- Recognise that the quality and functionality of the property underpins the ability to give and receive good care.

Any new funding model is likely to involve transition and change within councils' housing and social care departments, and arrangements should be flexible enough to work within a range of local contexts.

## **Proposals**

### **1) Vulnerable People with long term housing needs**

- Where a vulnerable person needs a long term home that is in supported housing, they should receive the maximum housing benefit anyone in general needs accommodation could expect in the local area. Eligibility for this should continue to be determined at a national level alongside all applicants.
- To finance the additional cost of housing that arises as a result of the vulnerable person's personal needs, councils should be funded to commission the provision of supported housing in their local area. This funding should be in addition to the basic level of housing benefit an individual receives. Government is proposing that this funding is ring-fenced.
- This funding should allow councils to commission supported housing

based on the meeting needs of their vulnerable residents, and should enable an integration of housing, support and care that achieves positive outcomes for the person.

- We have proposed that the transition to the commissioning model is accompanied by a voluntary 'commissioning framework' that could be developed jointly between councils and the sector to inform and provide practical support on the commissioning and supply of supported housing under this new model.
- The basic level of housing benefit would provide a minimum guaranteed income for housing providers, with the additional cost and support elements commissioned by the council, allowing oversight of supply, quality, and the impact on the individuals in the accommodation.

### **Issues for consideration**

- The need for long-term assurance for the supported housing sector to allow them to present an attractive investment opportunity to third parties to provide the capital required.
- How does eligibility for supported housing map onto eligibility for social care? Is this an issue?

### **Additional options – the use of pension credit for older people**

- The National Housing Federation is promoting a model whereby the additional costs incurred by sheltered housing units is distributed centrally via pension credit, administered by DWP. This would mean councils would not be expected to commission supported housing for older people who qualify for pension credit.

### **Issues for consideration**

- Would the use of pension credit to provide a top-up reduce councils' oversight of the availability and quality of housing for an ageing population?
- Would this affect the ability of councils to commission a range of supported housing options?
- Would there be issues regarding eligibility for pension credit?

## **2) Those in crisis in need of temporary accommodation**

- Currently, housing benefit for supported housing also finances the provision of temporary accommodation, including hostels, refuges, and so forth, for victims of domestic abuse, people who find themselves homeless, ex-offenders, etc. It is proposed that these facilities receive funding in a new way and so aren't reliant on receiving an individual's housing benefit.
- Short-term crisis accommodation, with a transitional and fluctuating resident population, need consistent funding to ensure their viability and availability. A separate grant to councils for the commissioning of short-term crisis accommodation could remove the need to rely

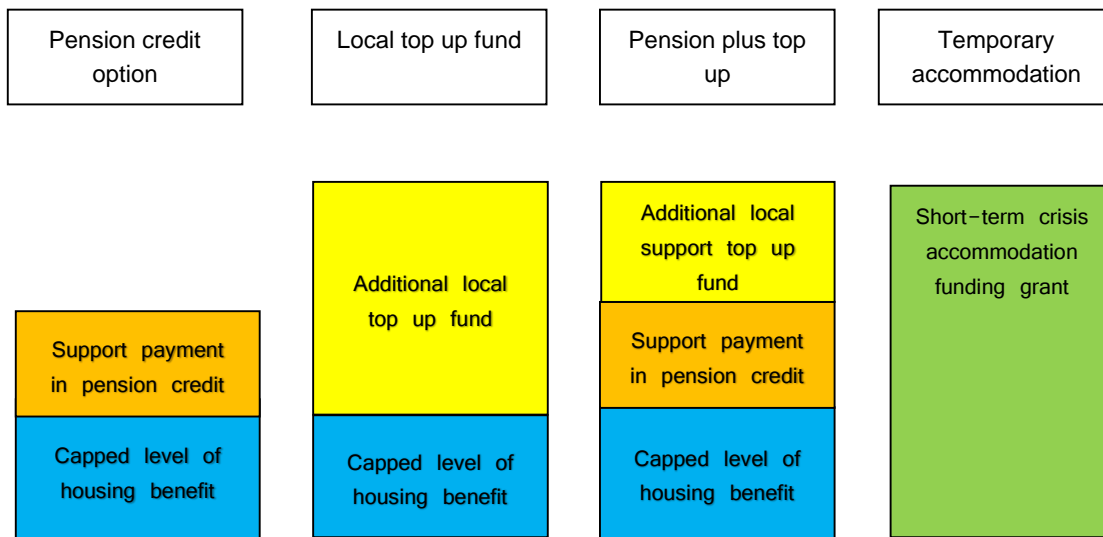
on individual tenant's housing benefit.

- Council oversight is still important as some residents may move into longer-term supported housing, or may have other health, social care, housing, safeguarding or educational needs that it would benefit the individual for the council to be aware of.
- This local commissioning role would enable oversight of quality, value for money and supply.
- However, for councils to be in a position to undertake this role, changes to or additional statutory powers may be necessary.

**Issues for consideration**

- The need for long-term assurance for short-term crisis accommodation.
- How far is this a departure from council's existing powers and responsibilities?

**Figure to show supported housing funding options**



It is essential that the funding for all these proposals covers the demand for supported housing, and that it enables growth in this market so that we can develop more supported housing to allow vulnerable local residents to live more independently or find support in times of crisis.

Opportunities for innovation may be realised by providing more opportunity to integrate housing and social care.

It is also essential that the implementation of any future funding model is accompanied by sufficient funding to allow the local infrastructure – in terms of staff capacity, knowledge, training, commissioning systems, etc – to be developed as well.

If you would like to discuss the proposals in more detail, or for more information, please contact Abigail Gallop on [Abigail.gallop@local.gov.uk](mailto:Abigail.gallop@local.gov.uk).