



Northern Housing Consortium response to DCLG & DWP Consultation

Supported Housing Consultation Response

About Us

The Northern Housing Consortium (NHC) welcomes the opportunity to make a submission to the Department for Communities and Local Government's (DCLG) and Department for Work & Pensions' (DWP), 'Funding for Supported Housing Consultation'.

The NHC is a membership organisation based in the North of England that works with local authorities and housing associations across the North to advance the cause of housing in the North. Not only does the NHC bring its members together to share ideas, we represent their interests and ensure they are heard at a regional and national government level.

Summary

The NHC welcome the consultation and the Government recognising the importance of social housing funding. The concern for the NHC and its members is that the proposals outlined don't go far enough in terms of what is needed for supported housing provision, and it places supported care and accommodation under significant risk across the North.

The proposed LHA cap will have a profound impact on the ability of tenants in supported and sheltered housing to pay for their rent and services charges. As a result:

- The viability of most supported housing services are threatened;
- Sheltered and extra-care schemes will need to be 're-invented';
- Consequently, this has put many providers plans for new developments on hold;
- There are likely to be significant additional 'downstream' health, justice and social care costs to the public purse (an estimated £2.5bn).

Whilst this impact will be felt nationally, there will be significant differences regionally and between different scheme types.

Differences in impact by scheme type: whereas larger numbers of sheltered housing tenancies will be affected, these losses will be relatively low per tenancy. In contrast, while smaller numbers of supported housing schemes will be impacted, the scale of losses per tenant will be far higher.

Regional differences in impact: Service charges for supported housing charges are relatively uniform across the UK. This is because costs of these services include more than basic rent, but also include specialist equipment, staffing costs, and utilities, the cost of which varies little by area. In contrast, LHA rates vary considerably by region as they reflect local housing markets and as such are driven down by low private sector rent levels in areas of low housing market demand. As a result, we believe that the LHA proposals will have a particular adverse impact on schemes in the North of

England, resulting in a post-code lottery, placing those in need of some degree of support at a significant disadvantage, as a result of their geographical location.

Given the above, the NHC proposes that the LHA rates are amended to mitigate the impact, while retaining the Government’s aims of: stabilising spend and ensuring greater control and transparency on housing related benefits, delivering clear outcomes for customers and commissioners. Specifically, we propose that:

- Older people and/ or sheltered schemes be exempt from the LHA cap;
- An alternative to base Broad Market Rental Areas (BRMA) LHA rates are used as a cap, in order to reflect the higher innate costs of supported housing and mitigate against significant regional differentials;
- The Government undertakes a detailed modelling on the regional impact of its proposals, together with the likely knock-on impact in terms of higher downstream costs on other public services.

The Impact on the North of England

Service charges for supported housing are relatively uniform across the UK. This is because they include a significant proportion of non-housing costs, including staffing, specialised facilities and/ or equipment and utilities. National minimum wage levels and pricing structures mean that these vary little across the UK. In contrast, LHA rates vary considerably by region as they reflect local housing markets and as such are driven down by low private sector rent levels in areas of low housing market demand. As table 1 below illustrates, on the whole, LHA rates are significantly lower in the North than in high market demand areas of London and the South East. These differences can be stark - £72.72 for a one-bedroom property in Barnsley as compared to £260.64 in Inner North London.¹

Table 1: Regional one bedroom supported rent and LHA comparison

Region	1 Bedroom LHA Rate	Average one bedroom supported rent	LHA Rate - average rent
East Midlands	£84.04	£127.17	-£43.13
North East	£81.10	£121.98	-£40.87
Yorkshire and The Humber	£84.59	£121.94	-£37.35
North West	£88.08	£124.71	-£36.64
West Midlands	£94.50	£128.03	-£33.53
South West	£103.94	£127.32	-£23.39
East of England	£112.05	£132.01	-£19.96
South East	£128.93	£131.86	-£2.93
London	£208.31	£153.85	£54.46

The result of these differentials is that the LHA proposals have the potential to have a particularly adverse impact on schemes in the North of England, as is demonstrated in the modelling undertaken by several of our members:

¹ <http://www.entitledto.co.uk/help/Local-Housing-Allowance-Rates>

- Housing and Care 21's impact analysis shows that 100% of their northern properties will be capped by the LHA proposals (with an average annual shortfall of £2,315) as compared to 54% in London and the South East (with an average shortfall of £2,569).
- Similarly, Riverside has estimated that it would see 83% of tenancies in the North East breaking the cap, and over 60% of tenancies in Yorkshire and Humber compared to only 16% in London. Their modelling indicates that in the North East, over 40% of rent and service charge income exceeds LHA caps, compared to London only 6% are in breach.
- Hanover's modelling predicts a £13m shortfall, which represents 13% of their income. A significant proportion of their potential shortfall is in the North, where as previously mentioned the LHA rates are lower (and the need higher).

The NHC and the wider supported and sheltered housing sector understands the need to reduce welfare bills, and compare and contrast costs and quality outcomes in order to drive improvements in VFM year on year. However, we are concerned that the LHA proposals offer a blunt tool for achieving these aims and will deliver a number of unintended consequences with a particularly adverse impact in the North.

Local top-up funding allocations will need to look very different across different regions, as councils across many parts of the North will have to use their top up funding to meet existing core rents and services to fill the gap of low LHA rates; in parts of the South the funds will be available for new developments and additional services.

Whilst the Government have proposed top-up funding to be made available to local authorities to compensate for the shortfall, our members have significant questions and concerns about the potential for the top-up funding to be eroded over time and/ or diverted to other local funding needs, as well as concerns over how this funding will be administered and prioritised at the local level. We believe that, as currently drafted, these proposals place the existence of supported housing across the North under huge risk.

An Alternative to an LHA Cap

Whilst it could be argued that LHA caps are an effective means of ensuring value for money for general needs housing, for the reasons cited above, the NHC does not believe that the use of LHA caps is an appropriate means of ensuring value for money in the supported and sheltered housing sectors. However, the NHC proposes that rather than a straight cap at LHA levels, a combination of the exception of some tenant groups from the proposals and/ or uplift on regional LHA rates could serve to mitigate some of the impact of these proposals while continuing to deliver welfare bill savings to government and drive improvements in value for money.

Exemptions for older people

Modelling by providers has demonstrated that while very large numbers of tenants of supported housing would be impacted by the LHA cap, the cost differential between LHA levels and rents is relatively small for some client groups, such as older people. As a result, a move to exempt people of retirement age from the proposals would reduce the number of tenants impacted by almost three

quarters (71%), while at the cost of only one-third of the funding – allowing the new top-up scheme to be established on a more manageable scale before adding in a potentially different set of considerations posed by need to provide support for older people, (Housing & Care 21). Even if not exempt on a permanent basis, a case could be made for exempting older people until at least 2022 when Pension Credit is to be reviewed and Universal Credit will apply to older people over state pension age.

LHA Uplifts

Likewise, we suggest that relatively modest uplifts in LHA rates, e.g the use of: regionally averaged LHA rates; LHA rates with a percentage uplift; or LHA rates with a flat (£) value uplift could similarly significantly reduce the number of tenants/ schemes impacted for a relatively modest cost. We believe that such a measure would offer two important advantages:

- By reducing the number of tenants/ schemes impacted it could reduce administrative costs, simplify the system, and allow local authorities and partners to concentrate effort on ensuring value for money in the higher cost services;
- Riverside has demonstrated that much of the regional differential in terms of impact could be mitigated via the use of uplift, ensuring greater equity between customer groups across the UK.

Sustainability and Workability of the Scheme

- Other concerns raised by NHC members focus on the sustainability and workability of the proposals. In particular, there are concerns over how the top-up funding will be distributed between local authority areas; how the funds will be distributed locally – and the potential for customers with lower level support needs to be compromised in favour of more vulnerable client groups and/ or statutory services; whether and how these funds will increase in real terms with inflation and/or rising costs; how the levels of funds will vary with local need; and how the funds will be ring-fenced to ensure their availability over the longer term. Our members' experience from Supporting People Funding is that ring fences do not last and that client groups with lower level needs are particularly vulnerable to the eroding of funding.
- The current lack of certainty over these and other points mean that it is highly risky for housing providers to continue to invest in the development of new services. Indeed, anecdotally, many of NHC members have currently cancelled slowed or put on hold the development of new supported housing schemes. The NHC are currently working to build a picture of the actual number of units affected).

Responses to the consultation questions:

As part of the NHC on-going member engagement activity focussed on the Health, Housing and Ageing theme, including member roundtables the NHC have engaged with 50 members across the North, and consulted on different aspects of this consultation. This includes leading providers of supported housing across the North.

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

This is a complex matter for NHC members, due to the diversity of the sector and the different locations members work within.

The important issue for consideration is how the funding will be ring fenced, and to ensure it sits with who is best placed to understand current and future housing need to ensure local needs are catered for.

There are concerns across the NHC membership of the raft of changes within LA's, one of which includes lack of specialist expertise across supported housing, and whether there is a strong bank of knowledge and understanding of the wider benefits and needs of supported housing.

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

This is a difficult question to respond to without knowing the full details of the how the new model will be implemented and what vulnerable groups the ring fence will include.

The funding model proposed hasn't considered the difference between the commissioned and non-commissioned services. Services which are commissioned on a needs led basis are known to the authority, this is not the case for non-commissioned services.

It is vital that any new funding model protects and sustains existing provision and ensures that future needs and demand is met, and provides some assurance that existing provision which meets local needs are not at the risk of closure

It is an important principle that agencies should come together and collaborate on the delivery of positive outcomes at a local level and this should be encouraged through the design of funding frameworks. The ability of local agencies to deliver outcomes over a longer time period should also be supported and acknowledged in any future model.

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

The Local Housing Allowance varies considerably across the country, as highlighted in table 1, this needs to be considered and factored in for any distribution formula.

This will not be possible if the government use the LHA cap the funding benchmark, as support needs of individuals vary across the country and the north, unlike essential housing costs where grant funding has been provided are similar, and do not relate to a system linked to local housing market values. Suggest: An alternative to base Broad Market Rental Areas (BRMA) LHA rates are

used as a cap, in order to reflect the higher innate costs of supported housing and mitigate against significant regional differentials.

Any ring fence would need to be protected for a long period of time and settlements would also need to be on a longer term basis.

The national/local allocation needs to have the flexibility to grow with need across the North where there are many low value areas.

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

Yes, funding protections are needed for those groups beyond the ring-fence to ensure that access to services is fair. The definitions of client groups needs to be broad to ensure all groups and their needs are covered, and there is flexibility built into the model. In addition, for some groups steps will need to be taken to safeguard payments to providers such as the use of direct payments of rents, for example.

There is need for a long term guarantee for funding that is protected across the board, built in with safeguarding processes and ensuring the protection of tenants.

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

Any framework needs to focus on outcomes and how they are delivered at a local level, based on local needs. More importantly providers require flexibility to deliver within the market, rather than creating a monitoring framework which cannot be adapted to fit in with the specific challenges faced by providers across Northern areas.

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

This would require most of the Northern LA's to implement new systems, alongside changing their existing processes, systems and staffing, and the costs and resources associated with this is a real concern for our LA members. As highlighted earlier the North will be significantly impacted, and places the provision of supported housing and care under risk.

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

A number of our members operate nationally, regionally or over several different local authority areas. Given this, it is imperative that there is as much uniformity between oversight and assurance between different areas as possible, while still reflecting variations in local need.

There needs to be a more sophisticated understanding of the relationship between quality and price including an understanding of why costs can vary across similar schemes.

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

The current model doesn't offer certainty to providers that are making medium to long term investments in supported housing provision. Properties are being developed that will last decades but the funding model is an annual review model, which limits the ability of providers to build within financial risk parameters. Any new or current provider needs a long-term commitment, with arrangements that don't change within that funding period.

Reiterating what we have highlighted earlier, we would propose an alternative to base BRMA LHA rates are used as a cap.

A different funding system to be implemented which protects current provision across the north, and ensuring funding is available for future needs. This funding will require long term guarantees of protection.

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

Any decisions regarding funding arrangements should be made and delivered locally. A national framework will support the strategic direction, but the importance of flexibility at a local level should be built in.

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

We have raised the concerns around the new funding proposal and the risk of existing provision, throughout this response document, if the government proceeds we would like to see existing costs protected with guarantees that will remain unchanged over the long term.

Resources in LA's need to be put in place as soon as possible to allow for strategic planning. The details of how this would work in practice also need to be consulted on with NHC members and published as soon as possible.

We would also welcome a phased implementation plan, as an alternative to a full introduction of the new funding model in 2019/20.

Q11. Do you have any other views about how the local top-up model can be designed to ensure it works for tenants, commissioners, providers and developers?

- As highlighted in our previous answers, an alternative to base BRMA LHA rates are used as a cap, in order to reflect the higher innate costs of supported housing and mitigate against significant regional differences.
- We would welcome a fair and simple model, with some pilot testing carried out before full implementation.
- The protection of existing funding streams and costs.
- Understanding of the significant impact to the North and the unintended consequences this new funding model will bring, and the significant impact and unfairness to the north of the country.
- A further consideration is to ensure that temporary accommodation funding is considered separately from supported accommodation funding due to issues such as unpredictability of demand in short-term accommodation and the demands of customers with complex needs.

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

The definition of emergency provision and temporary accommodation needs to be simplified to make it easier for providers to deliver supported housing services. However, it should include any accommodation that is utilised to discharge homelessness functions including section 188 accommodation, which is provided pending homelessness duty enquiries. On the latter point it is important that funding covers all homeless applications to reflect the cost to the provider and not just those that are owed a rehousing duty.

In terms of payments it would be sensible for them to remain within housing benefit payments for the period where the person is within temporary accommodation.

Again, it is important that flexibility is built into any arrangements so that providers can adequately fund a service that is subject to fluctuating numbers.

The tension will be on the local v national and who administers and how the sector feeds into that and is able to influence. It is vital that responsibility for funding is given locally to ensure it is used appropriately based on needs and to quality monitor this.

Consultation response made by Northern Housing Consortium

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