



Briefing

Proposals to limit housing benefit rates to Local Housing Allowance: Impact on Supported Housing

April 2016

1. Summary

As part of the Spending Review and Autumn Statement 2015, the government proposed to “cap the amount of rent in that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance... This will include the Shared Accommodation Rate for single claimants under 35 who do not have dependent children.”¹ When first announced, the policy applied to new tenancies signed after 01 April 2016, with Housing Benefit entitlement changing from April 2018 onwards.

The proposed cap will severely limit the ability of Housing Benefit to cover the necessary rental costs needed to run supported housing. As a result, a significant proportion of existing supported housing schemes will be forced to close leaving many vulnerable and disadvantaged people with nowhere to live.

¹ The Spending Review and Autumn Statement 2015, para. 1.125

The suddenness of the announcement means, almost overnight, providers of supported housing were required to tear up current investment modelling, leading many to suspend or cancel new developments. This threatens to cut off the supply of new and redeveloped supported housing at a time when demand has never been greater. The decision by government to delay the introduction of the cap for those in supported housing for one year is welcome.² This exemption will allow the Department for Communities and Local Government and Department for Work and Pensions to complete their current review of supported housing before any further decisions are made, as well as offering a much needed opportunity for further consultation with a range of providers. However, it will not address the lack of clarity around future revenue, leaving many developments in limbo.

As part of the roll out of Universal Credit, Housing Benefit is set to be abolished and a new system is required to meet the housing costs of those living in supported housing. Inevitably, this has resulted in uncertainty about the future funding of supported housing. We wish to work together with government to develop a new funding system which is rational and sustainable and ensures that those who need this type of housing provision will have access to it in the future. The threat of a crude LHA cap should be removed to give confidence to providers to continue with new schemes through this uncertain time. There is a need for prompt action, as the uncertainty is delaying the development of this vital provision.

2. Our asks

As the aim of the review is to put future funding on a sustainable basis, we ask the Government to demonstrate this by removing supported housing from the threat of a cap based on the relevant Local Housing Allowance. We also ask that the Government takes this opportunity to work closely with providers and representatives of service users to engage in a full consultation on how best to achieve this sustainable, long-term financial footing.

3. Supported housing and its tenants

Supported housing offers accommodation and support to a wide range of tenants, including:

- People experiencing homelessness;
- People experiencing issues with substance misuse or who are in recovery from drug and alcohol use;
- People with learning disabilities;
- People with physical or sensory disabilities;
- People experiencing mental health problems;
- Older people with support needs;
- Young people at risk;
- Ex-offenders; and
- Woman at risk of domestic violence.

People will often experience overlapping needs in two or more of these areas at any one time.

The rental costs involved with supported housing

To account for its unique status in housing disadvantaged and vulnerable tenants, rents in supported housing will often be higher than in general needs rented housing (i.e. social

² [House of Commons: Written submissions \(HCWS563\)](#)

rented or private rented) in the same area. This reflects the higher costs associated with their day-to-day running, as well ensuring they remain fit for purpose. Examples of these additional costs include:

- The provision of 24 hour staffing;
- The provision of CCTV and extra security services;
- The cleaning and maintenance of communal areas, including kitchen and bathroom facilities;
- Catering for the complexity of tenants needs, which can often involve frequent repairs, maintenance and the need for additional concierge services;
- Adaptations; and
- Specific types of properties or properties in a specific location.

In recognition of these costs, supported housing is currently able to secure a higher rate of Housing Benefit than is available for other forms of rented housing. This is because a significant proportion of supported housing occupies a special status known as “Specified Accommodation”. This status is only available to supported housing that is offered on a not-for-profit basis and where care, support or supervision is also provided.³

At present, rents for Specified Accommodation provided by Registered Social Landlords are regulated by the Homes and Communities Agency. In addition, rents for both registered and unregistered social landlords are also discussed and agreed with local authority Housing Benefit teams. This ensures that the amount of eligible Housing Benefit accurately reflects the relevant core rent and housing management costs.

4. Potential outcomes if the cap were applied to supported housing

Detailed analysis of the impacts on different types of supported housing can be found in Appendix A. But some of the overall figures affecting supported are:

Impact on building:

- The National Housing Federation estimate that 9,270 supported housing units within existing development pipelines will not be developed - this accounts for 80% of the total existing development pipeline of the sector. This is more than the 8,000 specialist homes for older people and people with disabilities the Chancellor announced would be developed in the Comprehensive Spending Review.

Impact on existing supported and sheltered housing provision:

- The National Housing Federation estimate that 156,000 units of existing supported and sheltered housing in the sector will become unviable and subject to closure. This represents 41% of all existing schemes.⁴

³ [The Housing Benefit and Universal Credit \(Supported Accommodation\) \(Amendment\) Regulations 2014](#)

⁴ NHF survey of supported housing providers

- Almost a quarter (24%) of supported housing providers told the National Housing Federation that all of their supported and sheltered units were at risk of becoming unviable and closing.

Impact on people:

- According to analysis undertaken by the National Housing Federation, the annualised average impact on new tenants across all schemes is £3,538.⁵ This equates to a shortfall per household of £68 per week.
- The impact varies by the type of service with some – i.e. those in sheltered housing – facing a lower shortfall. In some services for people with complex needs, - i.e. direct access hostels - the shortfall rises to £4,426 annually or £85.11 per week.

Data collected by Homeless Link from more than 50 agencies providing over 11,000 bed spaces to homeless people suggests that the overall loss of income will be over 50%, leading to the closure of almost all of the projects taking part.

5. Previous government policy

The decision to cap rents in supported housing at the relevant Local Housing Allowance undermines several recent pieces of government legislation. For example, the introduction of Specified Accommodation in 2014 clearly establishes a precedent of treating supported housing differently from other forms of social housing for the purposes of welfare reform. In addition to being eligible for higher rates of Housing Benefit, Specified Accommodation has been removed from current Universal Credit arrangements; it is also exempt from the Benefit Cap.

Failure to recognise this unique status when applying the cap is not only inconsistent with previous policy; it also places at severe risk the steps government has already taken to protect housing for the most disadvantaged. It also threatens one of the Government's own flagship policies, the Transforming Care Programme, which relies on supported accommodation being available in the community.

In 2014, a rental agreement was approved by the Homes and Communities Agency that allowed Registered Social Landlords to increase their rents by inflation + 1% annually for the next ten years. The purpose of the agreement was to provide Registered Social Landlords with a stable base from which to invest in their services, including the provision of new supported housing.

By contrast, by capping social rents at the relevant rate of Local Housing Allowance, the Government has removed this stability, making it virtually impossible for providers of supported housing to plan future developments. For those who have already invested in new schemes, the cap will also jeopardise their ability to meet the existing financial terms of current investments.

6. Conclusion

If applied to supported housing, our evidence suggests that a crude LHA cap will not only prevent services from being able to fund the essential requirements needed to provide a

⁵ NHF analysis of CORE 2012/13 Lettings data

safe and secure environment for their tenants, but also force a significant proportion to close entirely.

We wish to work together with government to develop a new funding system which is rational and sustainable and ensures that those who need this type of housing provision will have access to it in the future. The threat of a crude LHA cap should be removed for all supported and sheltered housing to give confidence to providers to continue to develop new schemes through this uncertain time.

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Appendix one: evidence gathered on impacts amongst different vulnerable groups:

HOMELESS AND OTHER VULNERABLE GROUPS

The below information relates to 56 organisations, most of which provide supported housing for homeless people, although some work with other vulnerable groups.

The figures are based on the current rental income on **11,754** bed spaces, and the losses that would be sustained if the current rents charged for these bed spaces were capped at the Shared Accommodation Rate (SAR).

Current rental income:

- The current total weekly rental income for these 11,754 bed spaces is **£2,091,673**.
- The current total yearly income for these 11,309 bed spaces is **£107,881,321**.

Rental income if current rents were capped at the Shared Accommodation Rate:

- Weekly rental income for these 11,309 bed spaces would be reduced to **£794,748**, a loss of **£1,296,925 (-56%)**
- Yearly rental income for these 11,309 bed spaces would be reduced to **£41,336.329** a loss of **66,554,992 (-56%)**.
- The percentage of annual income lost by organisations ranges from a maximum of **83%** to a minimum of **21%**. The average organisation would loss **63%** of its rental income.

It is important to note that although the Shared Accommodation Rate is intended to apply to single Housing Benefit claimants under the age of 35, it will also affect older claimants if they are living in shared accommodation. Under the technical definition of shared accommodation, the vast majority of tenants living in hostels or refuges (or any supported housing where the tenant does not enjoy exclusive use of two or more rooms) will be subject to the Shared Accommodation Rate, irrespective of their age.

Feedback from homelessness organisations includes:

“We believe that if these charge reductions are applied then it will mean that the service will have to stop, existing leases cancelled and clients made homeless”

“If there is no realistic solution, which would have to see rent levels more or less maintained, our services would close and we would no longer provide supported accommodation. We would hand back the properties owned by other Registered Providers and would either sell or convert to general needs the properties we own.”

“We are a small specialist service, with not unreasonable rents for the provision. If our rental income is reduced by over 50% we may have to wind up the service.”

LEARNING DISABILITIES

Some specific examples of potential impacts:

ANONYMOUS HOUSING PROVIDER 1

They currently directly manage 94 homes (204 tenants), which are not registered care. The current rent roll for these homes is £1,623,018. They estimate they will lose £423,879 in rental income (26%). This equates to, on average, a reduction of £40 per week per property. They also have 70 properties providing accommodation to 285 tenants with learning disabilities. Their current estimate is that loss of rental income to these homes will be around half-a-million pounds.

Housing Benefit levels do not just cover the core rent of building, but also costs such as communal heat and light, replacement of furniture, carpets, white goods, gardening and window cleaning.

LOCAL AUTHORITY IN SOUTH-WEST ENGLAND

Bath and North-East Somerset Council have been unable to progress with new build supported housing scheme for people with learning disabilities, which was due for completion in September 2016. Because of a lack of clarity over future funding the Registered Provider who the council have been working with for some time are not willing to progress with the scheme as a supported living scheme. This RP is the largest local housing provider in the area which means that until a final decision is in place the council will not be planning or developing any supported housing.

ANONYMOUS HOUSING PROVIDER 2

When fully implemented and assuming no allocations from any future DHP pot the LHA restriction would reduce their supported living customers' benefit entitlement by around 70% on more than 2,500 tenancies, adding up to around £23 million per annum (with, of course, a consequent risk to our own income collection).

However, the full impact of LHA caps will take time if they only apply to new tenancies created from 1st April 2017. By 2026 restrictions to tenants' benefit entitlements is expected to be in the region of £11 million per annum at current prices and assuming 6% turnover of clients.

This provider is aware of approximately 100 units required in one commissioning area that are now at risk of not being developed. These units are required in order to enable the commissioning authority to deliver its targets under the Transforming Care programme. As a result of the LHA cap, it is unlikely that this target will be met.

ANONYMOUS HOUSING PROVIDER 3

One housing provider for people with learning disabilities has had to postpone a £100 million bond over five years to provide supported housing that would not have relied upon any public funding. It is likely to have to turn down a £500,000 Homes and Communities Agency grant it applied for under the Care and Specialised Support initiative in May 2015 to develop a site for 12 specialist supported housing units and a respite facility as if the LHA cap was to go ahead the scheme would be un-affordable on those rent levels.

This provider estimates that, despite 82% of local authorities agreeing that there is a shortage of supported housing for people with a learning disability, 41% of their current schemes would be at risk of closure and 80% of schemes due to be built would cease to go ahead. This would leave many vulnerable people unable to access the homes and support

they need and undermining government efforts to provide supported housing in the community as part of the transforming care programme.

DOMESTIC VIOLENCE

Women's Aid is very concerned about the impact of the proposal on the already fragile national network of specialist, domestic abuse refuges. These services represent a small but vital part of the supported accommodation sector which will effectively be wiped out if these proposals go ahead without the commitment to exempt specified accommodation. For example, one refuge in the North East of England will have its housing benefit income cut from £300 per room per week to around £60 per room per week, making the future of this service financially unviable

COMPLEX NEEDS INCLUDING ADDICTION, MENTAL HEALTH AND OFFENDING

ANONYMOUS HOUSING PROVIDER

This organisation provides 1,323 bed spaces for a range of individuals with multiple and complex needs. These include 24 hour staffing, access and diversion to services and individual advice and guidance. They estimate that full implementation of the LHA cap would mean a loss of £7,666,955 in rental income (60%). This means that in reality only 5 out of 59 services would be viable. The impact of the policy will be hugely detrimental in helping people recover and turn their lives around. The consequences of closure will result in significant pressure on other services including NHS, police and social services.