



Funding supported and sheltered housing

PlaceShapers response to NHF consultation June 2016

1. Introduction

- 1.1 PlaceShapers is a national network of community-based housing associations formed in 2008. Comprising over 100 members of varying types and sizes, our members include many for whom providing supported and sheltered housing is core business. We have welcomed the opportunity to engage with the NHF and Government on the need for a secure funding framework and many of our members individually are contributing to this work and will respond to the consultation document themselves. In addition, we brought together a number of our key practitioners to discuss the questions posed and concluded that a generic PlaceShapers response reflecting collective views may be of value. This document results from that process.
- 1.2 This said we do have concerns about the timing and nature of this consultation. In particular, it appears that we are being asked to suggest detailed models for an alternative funding framework in the absence of yet understanding the Government's position on the agenda. And secondly, we need to understand clearly whether the Government remains intent on cutting the costs of supported housing as part of its overall welfare savings despite the well-rehearsed arguments on the consequences. If that is the case, many models that may be proposed could be non-starters.
- 1.3 In this context we look forward to further updates from and engagement with the NHF in the coming weeks and may wish to provide a supplementary response as the agenda unfolds.
- 1.4 The rest of this document answers the questions posed in your paper.



2. Overarching principles within any future model

Response to consultation question

- a) **To what extent do the principles listed in the consultation paper meet the needs of service users, providers and the Government? Is there anything we should be adding? Is there anything that should be removed or changed?**

We agree with principles 1-3 in section 5 of your paper but consider them to be very high level and are concerned that they may not provide enough focus to drive the change needed.

We also believe that consideration should also be given to a fourth key principle, namely that the agreed reforms enable supported housing to contribute positively to key national and local care, support and health strategies such as “Transforming Care for People with Learning Disabilities”.

The bullet points that sit beneath the principles could take us down a road of overcomplicating the funding arrangement e.g. references to cross-departmental funding. The way these bullets are written makes an assumption of one radically ‘new’ model. In the absence of yet knowing the Government’s “Direction of Travel” we do not believe that should be our “ask”.

We suggest some additional principles as follows:

- Keep it simple!
- Avoid a complex set of different arrangements for different types of supported housing. This will be costly to administer and will not work for providers of a diverse range of services
- Recognise that much of the existing funding architecture works but that the controls may need to improve to provide the government with the needed reassurance
- Security of core rent should be a priority in order to ensure funders have the confidence to invest in supported housing development and prevent demands on higher cost alternatives



- The support & care world is multivariant with funds that could / should come from many different sources. To some extent we don't mind how we receive the funding so long as we do and it covers costs, is protected and transparent. In particular, we do not think it is appropriate to assume that health and social care providers will fund supported housing as the likelihood of being able to leverage the kind of political influence required to make that happen especially in the short term is, we believe, unlikely.

3 **A secure future for services for vulnerable people**

Response to consultation question

- b) **In reviewing the funding of supported housing, what considerations are needed to ensure housing associations and lenders have the certainty they need to continue to deliver and develop supported housing?**

For housing based accommodation provided by housing associations, the rent element is critical in securing capital investment funds. Without a national single stream for rent, it is likely that funders would become anxious and price for risk, thus reducing the sector's capacity to develop and help address the housing shortage.

The proposed LHA cap on housing benefit eligibility has been widely criticised and we have contributed much evidence on its potential adverse impact. Consequently, the Government's review of alternative approaches to controlling expenditure and its apparent willingness to listen to the outcome of the NHF's consultation on future funding options is welcome, so long as this leads to secure revenue streams.

Any continued uncertainty (whether in terms of decisions on the way forward or relating to the nature of proposed revised funding models) will put at risk lenders' willingness to support new supported housing developments. Many Housing Associations have already reported a pause for critical developments such as Extra Care Housing for older people as a direct result of the current uncertainty.

The key requirement for lenders is a secure rental income stream. An alternative option to the LHA cap would be for the Government to accept that supported housing rents are by their nature higher than those for general needs tenancies and to agree a separate national formula for supported housing rents that reflect the true cost of such provision. A cap on these levels could be set with periodic re-assessment to collar future increases and close any apparent loopholes to prevent the system being



abused. A model incorporating this approach is suggested in our response to question 4 e) below. Over time a more regional focus may be appropriate in line with devolution agreements but as that agenda will progress differently across the country, our view is that a national agreement remains what is required currently.

Additionally, in any new system it is crucial to consider the ways in which supported housing has been funded in the past as well as how it might be funded in the future. Some schemes will have received grant, but others will not and have been funded by the landlord's own resources and borrowings. The paper emphasises the former rather than the latter, but much supported living for people with learning difficulties has been provided and financed entirely from landlord's borrowings, thus requiring higher rents. This will impact on existing schemes and new provision and will require consideration within the new system.

Response to consultation question

- c) **What is needed to ensure the new model works in situations where the landlord and support provider are different organisations?**

We do not believe that this is an issue. Current arrangements work appropriately and reflect commissioners' preferences as long as these are covered by quality specifications and clear contracts / service level agreements with definable and demonstrable outcomes.

Response to consultation question

- d) **To what extent can alternative funding streams outside of the public sector, for example cross-subsidy, self-funding or private finance, play a greater role in helping meet the cost of supported housing?**

This question assumes that care and support providers have not already been looking long and hard at other means of funding supported housing. Our members have been doing this since Supporting People grant started to decline. The reality is that these alternative funding sources do not exist at scale. If they did everyone would already be utilising them. Where housing organisations have been successful in raising finance to provide supported living schemes, the rents have inevitably had to be higher to cover the cost of finance as grant has not been accessed. Rent uncertainty and lower rents will inevitably reduce valuations and funding availability for new provision, thus reducing the development capacity of housing providers.



Whilst this question is focussed on funding streams outside of the public sector, we are concerned about any assumption that core housing revenue costs can be subsidised from, for example, health contracts or large grant-giving bodies like the lottery funds. We know from our work that any revenue support from the health sector or the lottery funds operates on a full cost recovery basis without the ability to generate surplus levels that could cross-subsidise other schemes. In this context we believe that we need to hold the 'housing benefit solution to a housing benefit problem' line here.

It is important that the NHF ensures feedback to government makes clear that there is already a great deal of cross subsidising for the capital costs of new supported housing schemes, as indeed there is across all types of new provision. Some supported housing & care schemes are loss making or running on low or no margins. Salaries and service levels are determined by contracting requirements and providers are regularly restructuring operations to support these constraints whilst not compromising on quality. We are at a loss to understand how cross-subsidy and private finance could provide ongoing revenue support for vulnerable people. And crucially, no matter how easy it may be to cross subsidise capital costs, it is very difficult to secure the private finance required for capital schemes without being able to demonstrate a secure revenue stream. This threatens the ongoing viability of existing schemes let alone new provision.

4. **Universal Credit and the benefit system**

Response to consultation question

- e) **In a new funding system, how should the housing costs of supported housing be met within the context of the phasing out of Housing Benefit? Who is best placed to administer any new system?**

It was our understanding that many supported housing residents were going to be exempt from universal credit and where this is the case it should remain so.

Ideally, we suggest eligibility criteria should be set at the national level and be designed for each key user group. The short term costs of say homelessness provision are very different to those in long term elderly accommodation or housing for people with mental health and learning difficulties, etc.

We suggest one approach may be a national supported housing funding model for the future with 3 key and distinct elements as shown in the diagram below. This model has appeared in earlier NHF papers. We do not advocate combining these elements into one ‘pot’ as they serve very different functions.

This model protects core rental income, which we believe is the priority, and distinguishes it from a “Supported Housing Management Allowance” (SMHA) to cover the variable costs of more extensive services provided in such schemes. Such costs are currently wrapped up in gross rents as HB eligible service charges thus adding to confusion about the level of HB claims.

The proposed alternative of an SMHA would require a new, separate funding stream outside of ongoing housing benefit to cover core rent. Core rental income should remain a DWP responsibility via HB or the housing element of UC where applicable. Responsibility for funding the SMHA would require decision with spending controlled by capping management fees and clear parameters for eligible services. Whilst this will require a budget, there is more likely to be support for an understood need if treated outside of a housing benefit bill perceived to be out of control.

The third element of the model covers care and support costs with these continuing to be funded separately by commissioning authorities.





As far as administration is concerned, we cover this in more detail later in this response. In summary, we believe that there should be a national funding scheme for core supported housing rent costs and the SHMA and that these should be administered at the local or regional level on a ring-fenced basis. Care and support should continue to be funded and administered as now.

Response to consultation question

- f) **Which supported housing costs currently paid by Housing Benefit could or should be met via another non-benefit funding route?**

If housing costs are integral to the support provided then they should all be part of the supported housing core rent funding. This should be administered regionally or locally on a ring-fenced basis but will require national guidelines.

Response to consultation question

- g) **What criteria should be used to determine which accommodation should be eligible for enhanced benefit funding over and above general needs support? What criteria should be used to determine eligibility for individuals?**

There is already a published definition of what specified accommodation is exempt from the social housing rent cut and LHA shared room rate cap. This should continue to apply under any new funding arrangement with any individual deemed to require such accommodation and services by local commissioners being eligible for all elements of a new funding model. This should include transitional payments to smooth the loss of financial support if residents are able to move into work, a safety net that would be of particular help to vulnerable young people for whom paid work is often temporary or on variable / casual hours.

Response to consultation question

- h) **Which types of services might be more appropriate to move out of the benefits system altogether and into another, potentially entirely local or national, funding approach?**

It is understood that national resources are finite but it should also be understood that the value of supported housing services far exceeds their cost in terms of social return on investment. Those living in specified accommodation should be eligible for benefits to cover core rent charges and SHMA in line with the separated funding model proposed above.



5. **Localism and the role of local authorities**

Before addressing your specific questions in this section we feel it worth making a general point that we know has been raised elsewhere. This is that there is a need to counter a perceived misperception within Government that our sector has randomly developed supported housing schemes for whatever we fancy irrespective of local need or council's strategic requirements and that this is the cause of the funding problem. How anyone could think that given the high risk involved is beyond us (tricky exit strategies, restrictions in use, low margins or even losses etc.).

The reality is that housing associations couldn't and wouldn't develop schemes without strategic local support and ultimately therefore whatever the funding arrangements, local authorities do have control. The Supporting People programme, led as it was by LAs with HAs seen as part of their solution, strengthened this strategic role. This remains the case (as evidenced by national funding rounds led e.g. by the HCA or DOH) and PlaceShapers members are committed to continuing to work closely with their partner authorities at the local level to ensure that appropriate provision for all supported housing needs can be planned effectively.

Response to consultation question

i) **What arrangements would be needed to give providers security and certainty around a localised funding stream for supported housing?**

As already stated, we don't advocate a localised funding stream. We believe that the NHF should be pressing for a secure national funding scheme for the core rental costs of supported housing and a new SHMA administered by commissioners regionally or locally on a ring-fenced basis according to agreed existing and future priorities. We have experience of the non ring-fenced supporting people fund and the negative impact of that.

Response to consultation question

j) **Who should be responsible for any local pot? Is there a role for health and wellbeing boards? Should care and support funding be treated separately to any housing "top-up"? What might work best within two-tier authorities?**

See above. Our view is that any local pot for core housing costs and SMHA must be ring fenced separately to distinguish it clearly from care and support funding and administered regionally or locally as part of a national scheme. Responsibility for that



administrative role should rest with the commissioning authorities for different services at a county level in two tier authorities. Whilst the ideal model may be based on an assumed integrated funding approach with local commissioning services working together (e.g. adult social care, health care, probation services and children's services), the difficulty that these bodies already have in integrating budgets needs to be recognised. Adding core housing costs to the mix would be high risk given limited capacity or knowledge of supported housing outside of our sector. Our experience of health and wellbeing boards is patchy with variable knowledge of and commitment to housing. We are not persuaded that they are generally viewed as effective within the health sector either. The Kings Fund recently called them a 'side show' and we wonder what long-term future they have. In this light, no role should be proposed for them.

Response to consultation question

k) **To what extent should any localised system be nationally prescribed and what might be left to local discretion?**

This has already been covered in our answers above. Supported housing core rent costs and a supported housing management allowance should be nationally prescribed and funded but administered regionally or locally. Care and support should be locally commissioned in line with current arrangements.

Response to consultation question

l) **How might outcomes be best integrated within any new funding system?**

We believe that the present outcomes framework for care and support commissioning is adequate and that in general there is no requirement for any further VFM framework other than that included in the HCA's regulatory code. See also our response to question n) below.

Individually, housing associations routinely also address the social value outcomes attached to their services using a variety of tools available. This we believe should continue to be valid as part of any suite of outcome metrics.



6. Ensuring quality and value for money

Response to consultation question

- m) **How might the Government more strongly address inadequate services that aren't meeting local need? What safeguards for service users might need to be in place?**

It should be for local commissioners to assess the quality of services being delivered by providers against nationally agreed standards. Existing safeguards exist for service users including the current regulatory framework. The continuation of supported housing services should be subject to regular service evaluation by these commissioners and this of course must include the adequacy of safeguarding arrangements. The NHF could also develop a standard for housing associations to sign up to if this was politically useful, but the NHF should not be replacing the rightful role of the CQC or local commissioners and this may meet sector resistance.

Response to consultation question

- n) **How can we consistently demonstrate value for money and quality within any new model? What can we learn or retain from any existing or previous monitoring systems? Is there a place for greater regulation of the supported housing sector?**

The sector understands the need to compare and contrast costs and quality outcomes and the need to drive improving VFM year on year. We use a variety of tools to support this including those to assess social value outcomes, as mentioned already. Our regulatory framework supports this and we do not believe that any greater regulatory focus of housing association provision of supported housing is required. Conversely, the profit motive means that the risk of poor service quality and / or scheme closure is greater in the private sector and because of this it is this type of provision that could be subject to greater regulation.

We also believe that the future funding body, whatever that may be, should be duty bound to compare costs and assess VFM. They should identify outliers and challenge costs with some ability to apply restrictions, for example on eligible services charged to the SHMA.



Response to consultation question

- o) **How might a provider-led value for money benchmarking system operate? What should be the focus of such an approach?**

As above. We would welcome HouseMark's views on how we might improve this element.

Response to consultation question

- p) **What role might personalisation play within any future model? Is this an effective mechanism to deliver greater value for money? Which client groups are best suited to this kind of approach?**

A growing body of research by Demos and others has shown that personalisation does not deliver VFM, as it is more costly to administer. A move to personal budgets would be high risk for our scheme based operations due to cost of administration and uncertainty around payment and needs to be balanced against any anticipated enhanced independence. As with direct payment of universal credit to claimants, any personalisation model for support and care costs must be accompanied by mechanisms to ensure that payments can be received directly by providers where needed, particularly in respect of the most vulnerable clients.

Personalised budgets for non-accommodation based support services have more merit, providing customer choice about who they choose to purchase floating or domiciliary support from and an incentive to providers to ensure they deliver quality and effective services to attract and retain paying customers. Any payment mechanism must ensure that there is a clear distinction between housing, care and support costs.

7 Concluding Comments

We cannot stress enough the need to keep this simple and the need to tackle only what we think is broken as opposed to inventing a whole new system.

We would also value further understanding of the apparent contradiction within Government whose assurance that their review of supported housing funding is not a cost reduction exercise seems to contrast with assumed national budget savings. Uncertainty on this point is exacerbated by a consultation process that asks us to suggest detailed models for a secure and sustainable future funding framework in the



absence of yet understanding the Government's position or 'direction of travel' on the agenda.

We have a strong desire to achieve VFM and to work with Government on this, but the need for high quality accommodation and support services for the most vulnerable in our society will require funding as services grow to meet increasing demand. The cost-effectiveness of supported housing in the context of the wider public purse must not be lost in our discussions.

Our Board Member Charlie Norman, CEO of St Vincent's Housing Association is our key contact for this work and would be happy to discuss this response with you in more detail if that would be helpful. As you know, she is also on your Task & Finish Group for this work. Charlie can be contacted on 0161 772 2123 / 07971 233684 or at Charlotte.Norman@svha.co.uk.