

## BROMFORD'S RESPONSE TO DCLG & DWP CONSULTATION

### FUNDING FOR SUPPORTED HOUSING

FEBRUARY 2017

## INTRODUCTION

- Bromford is a housing association working in communities across Central England. We have just over 28,000 homes and 65,000 customers. We will build over 3,000 new homes in the next 5 years. Over 2,000 of our existing homes are supported housing with nearly half being homes for older people. Our purpose is to inspire people to be their best and we seek to create value for our customers, their communities and for UK plc.
- Read more about our work on our website: [www.bromford.co.uk](http://www.bromford.co.uk)
- We have contributed to the NHF and PlaceShapers' responses to this consultation. Our own response builds on these and draws on our work with customers, local authority partners and others.

## EXECUTIVE SUMMARY

- We are pleased that the Government has recognised the important role played by supported housing and seeks to put its funding on a more secure footing. However we are concerned that the proposed model will not achieve this objective and indeed that it threatens both existing provision and future new supply.
- We think there is a real need for a national framework and would support a workable, simple system that delivers certainty, fair outcomes and value for money. If the proposed model (or something similar) is followed then serious consideration should be given to establishing a statutory duty to provide for existing and future demand at the local level.
- The proposal to cap benefit payments and provide a discretionary top-up will not achieve certainty, fairness or value for money. The Local Housing Allowance (LHA) is based on local housing costs that have no bearing on the costs of providing supported housing. The LHA does not take into account the specialist nature of supported housing and the higher costs of providing and maintaining supported homes, including communal areas, enhanced security and safety measures and lifts; as well as higher turnover, voids and bad debt. Instead it creates major risks to existing and future provision, significant inequalities for service users and additional complexities and resourcing issues that will constrain value for money
- We are one of the few housing associations currently building new supported housing and extra care schemes without any capital grant. But if we are to continue to borrow large sums over long periods in order to develop this new supply then our Board will want to be far more certain about future funding. The devolved top-up arrangement erodes this surety and whilst we understand the principle behind the localised arrangement we believe that any new funding system should be based around a new national Supported Housing Allowance (SHA) and cap that reflects the true cost of providing and maintaining supported housing.

- The SHA could be set at a number of different levels for different types of supported housing - non-permanent, permanent, sheltered housing and extra care housing - to give Government confidence that costs would be controlled.
- Supported housing costs for the same type of accommodation are broadly similar around the country. Capping benefit payments to the LHA would create variable funding gaps for similar cost schemes (with a particular divide between the Midlands/North and London and the South East); would result in discriminatory outcomes for existing residents as a result of the wide geographical variation in the levels of top-up funding; and would act as a deterrent to the planning of new schemes other than in high-value areas.
- So we call on the Government to abandon the LHA link and replace it with a national SHA that would eliminate regional differences in funding and better reflect the true costs of provision. This would require only limited top-up for approved higher cost schemes.
- If the Government is determined to persist with the idea of the LHA cap and top-up then we urge them to give special consideration to older people, who make up 71% of those living in supported housing. Hundreds of thousands of people live in sheltered housing where rents tend to be lower than in other supported housing whilst still being over the LHA cap in many parts of the country. We do not believe that the Government intends to cause anxiety to older people by removing the certainty that their income will cover the costs of their home. We believe the case for removing sheltered housing from any form of LHA cap and top-up system is overwhelming.
- We also ask that specified supported housing that has been developed without recourse to public subsidy should continue to be exempt within any new funding system. This category of accommodation is currently exempt from the rent setting framework and from the requirement to reduce rents by 1% per annum up to 2019.
- Local authorities (LAs) tell us that they do not have capacity to distribute the proposed top-up funding. We are concerned therefore that unnecessary administrative costs will result and that this will not result in good value for money. Any reliance on LAs to make a new system work fairly must be accompanied by resources to cover transactional and implementation costs. The government has promised to retain the current level of investment in supported housing and any additional costs should therefore be met from outside current spend.
- At Bromford we are investing some of our own resources into neighbourhood coaches to work with all customers in a given area to build on strengths and foster links between customers and other community assets. We have found that by establishing a more open, trusting relationship with all our customers it can help prevent issues escalating and means that some who might otherwise have been directed towards supported housing can thrive in general needs homes.

**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?**

- 1.1 Supported housing is first and foremost about housing. Lower tier authorities currently have responsibility for housing strategy and housing delivery, including access to key housing resources such as s106 subsidies. So we think that it makes sense for lower tier authorities to hold the funding. Lower tier authorities have a long tradition of working with housing associations and other stakeholders to identify unmet need and commission new provision. Administering the top-up at this level would help to ensure effective links between the strategic planning of new provision and the ongoing funding of existing supported housing.
- 1.2 If schemes close or individual customers lose their accommodation because they can no longer afford to pay their rent then it is the lower tier authority that will pick up the homelessness responsibility.

- 1.3 Upper tier authorities have no statutory responsibility for housing and often have little understanding of how it is commissioned, developed or funded. Upper tier authorities tend to commission the majority of care and support services delivered to individuals living in supported housing. This can continue under the new funding proposals. Even where upper tier authorities decide to cut funding for care and support (or decommission services altogether) as is increasingly common since the removal of the ring-fence from Supporting People funding, this need not lead directly to individuals being made homeless if the funding for their housing is still secure.

**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?

- 2.1 Whether or not local agencies collaborate, plan and commission across service boundaries is something that happens because of the individuals and leaders within those agencies and not the prevailing funding arrangements. Most funding comes into a locality through a particular organisation's core funding (District Council, County Council, NHS Trust, etc) for them to fulfill their respective statutory responsibilities. There is little incentive to collaborate. Even when there was a ring-fenced pot of funding for Supporting People and various bodies had a place at the table to decide how it was spent and which services should be commissioned, there was little engagement from some and little notice taken of others. It is hard to see how this would be any different with this new top-up pot.
- 2.2 More fundamentally though this money is for housing. It currently pays for the housing costs of vulnerable people and should find its way back to the providers of that housing. If the pot is to be allowed to grow to fund future new provision then it should be channeled through the commissioners of that supported housing and not siphoned off to fund the commissioning of other things. That is surely the point of a ring-fence.

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

- 3.1 Proceeding with the introduction of an LHA cap is a definite way to ensure that local allocation of funding by local authorities *won't* match local need.
- 3.2 There is no correlation between the need for supported housing and local housing market values.
- 3.3 Using the LHA cap as a means for deciding how much of a vulnerable person's housing costs will be met through a rights based benefit system and how much through a discretionary local authority administered top-up will introduce a wholly unjustified geographical variation. The Government's own Supported Accommodation Review has shown that the cost of providing supported housing is broadly similar across the country (with the average weekly housing benefit award being £171 for working-age adults and £113 for older people). The LHA cap on the other hand varies widely between areas. It means that some supported housing rents are well within the cap and others are way above it. Some local authorities will have huge pots of top-up funding to administer while others will have little or none.
- 3.4 Some local authorities will need to put in place a whole new bureaucracy to administer and allocate top-up funding while others will not need any such arrangements.
- 3.5 Vulnerable people living in high LHA cap areas will be secure in the knowledge that the full cost of their housing will be met through their benefit payments whilst those in low cap areas will live in constant anxiety that the local authority may cut or remove their top-up and potentially leave them in arrears or at risk of losing their home altogether.

- 3.6 Changing the portfolio of supported housing in any given local authority area is a slow process. If the top-up pot is sized using information from existing residents of supported housing and then used to make up the gap between those individuals' rents and the LHA cap, then there will be no funding available for any new supply unless there is a mechanism for increasing the size of the pot into the future.
- 3.7 We constantly review our existing schemes to ensure that they are still fit for purpose and meet ongoing need. Where this is no longer the case we look to sell or redevelop sites and re-invest in new provision. But this 'recycling' of existing funding cannot do much to stem the growing demand for supported housing as the population ages and health agencies and local authorities look for more appropriate and cost effective alternatives to hospital, nursing and residential care.

**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)?

- 4.1 The ring-fence is only relevant where there will be a pot of top-up funding, ie, in low value areas where the LHA cap is substantially below the cost of providing supported housing. In high value areas where supported housing rents fall below the LHA cap there will be no top-up funding pot and hence nothing for any ring-fence to protect.
- 4.2 Even in low value areas where there is a top-up pot, the level of supported housing provision varies significantly and is not related to the level of need. In some areas most or even all Supporting People funding to supported housing providers has been stopped. In Staffordshire the County Council has gone from spending £12m of SP funding on supported housing services in 2008 to zero in 2016. Dozens of schemes have closed; from foyers to sheltered housing; from hostels to supported living schemes for those with a learning disability to mental health need. What little provision remains may be protected by a ring-fence but what confidence can providers have that a Council which clearly sees little value in supported housing will not use every means possible to divert this funding to other things?
- 4.3 ADASS has stated that 92% of Directors of Social Services believe they will breach their statutory duties in 2017. How tempting will it be for them to raid any non-statutory supported housing top-up pot to prop up services for which they are legally accountable?
- 4.4 Statutory duties have less and less meaning as local authority's budgets are squeezed. Rather than being objective factors that determine who will receive a service or have a need met, they have become relative terms where eligibility criteria are tightened year on year; telling us more about resources than need. We therefore see little value in adding a statutory duty around supported housing.
- 4.5 We do wonder what sort of impact assessment the Government has carried out for the proposed new funding regime. It seems to us that it will impact disproportionately on those living in supported housing in areas with lower property values where the difference between the LHA cap and typical supported housing rents is significant.

**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?

- 5.1 We believe that the best approach would be to establish a national framework to determine the setting of a new SHA based on actual current costs and predicted future need. Current and future need would be best determined via supported housing strategies produced at the local level. Funding levels linked to these strategies could have an agreed cap to give government and the tax payer assurance that future costs will be controlled.

- 5.2 The introduction of a SHA would be a fair, credible alternative to the LHA cap and would remove the wide variation between regions that the LHA cap seems set to introduce.
- 5.3 Exactly how the national framework should be organised would require further detailed work which we would welcome the opportunity to contribute to. It is quite possible to envisage some sort of national committee with representation from key interest groups (CLG, DWP, DoH, MoJ, LGA, etc) to oversee the setting of the new national assessment and funding framework (including an annual resetting of investment levels). This could be complemented by local Supported Housing Boards comprising commissioners and providers responsible for agreeing local strategies and overseeing the distribution of funding. National guidance should make clear Government's understanding of the important role supported housing has in providing preventative services.

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

- 6.1 Our discussions with a range of local authority partners has consistently highlighted concerns on their part that the proposed new funding regime would incur significant extra costs which they are in no position to meet. These costs would either need to be met by Central Government funding the new administration roles or the money would need to be top-sliced from the top-up pot - which would have a direct impact on the level of funding going to schemes.
- 6.2 Local authorities are also concerned that they do not have the skills or expertise to oversee what could in some areas be a significant and complex funding system. With the demise of Supporting People and the imminent ending of Housing Benefit there is no infrastructure remaining that understands supported housing or could effectively and efficiently administer payments to individuals or schemes. In short the new regime could prove costly and ineffective.
- 6.3 Again it is worth noting that in low property value areas the size of the top-up pot could be significant, whereas in higher value areas there may be no top-up pot at all. So the cost of administering the new system will not fall evenly across authorities. Indeed it is those in the poorest areas who are likely to need the most significant expenditure to administer what is effectively a 'status quo' funding regime.

**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?

- 7.1 Our general sense is that existing supported housing schemes already provide value for money, are of good quality and are delivering outcomes for individual tenants. Schemes have often been commissioned by local authorities and developed with input and support from a range of stakeholders representing the statutory sector, health, voluntary agencies and user and carers groups.
- 7.2 Many schemes have received HCA grant funding and/or were developed by housing associations who are regulated by the HCA and build to HCA design standards.
- 7.3 We think tax payers will be more concerned about the whole idea of a funding regime that adds cost and complexity without adding a single extra unit of supported housing.

**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?

- 8.1 It is important that the funding pot is properly sized and scoped. It must take account of existing schemes, those that are being built right now and those in the development pipeline.

- 8.2 There also needs to be a mechanism for growing the pot to ensure that new supply is not curtailed. Developing expensive new supported housing provision requires housing associations to borrow large sums of money over long periods of time - typically 30 years. If the funding of essential housing costs is not secure then housing association boards will be far less likely to agree to invest in new supported housing. There are many demands on housing association resources and if supported housing becomes an even more risky proposition then it should not be a surprise if Boards decide to focus investment into other types of provision.
- 8.3 We actively manage our supported housing portfolio. We have a number of schemes that are reaching the end of their useful life and no longer meet the needs or expectations of our customers. Some of this provision may no longer be needed - freeing up funding that could be used to top-up new supply, perhaps for a different client group or need, but the overall demand for supported housing - particularly from older people or those with a learning disability or mental health need - is continuing to grow and will not be met by recycling existing revenue funding alone.
- 8.4 There also needs to be a clear and transparent mechanism for growing the pot annually to take account of inflation. If this is not done then there will be a year on year real terms cut in spending and services will be put at risk. If schemes close this is likely to lead to an increase in homelessness, put further pressure on hard pressed health services and see more people needing to move into expensive residential care.

**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?

- 9.1 Because the costs of supported housing are broadly similar across the country we support the idea of a national framework to oversee the planning and distribution of supported housing funding according to locally produced strategies.
- 9.2 In addition we believe that rents and service charges should be met through a SHA applied nationally instead of being linked to the LHA and topped up by the local authority as currently envisaged.
- 9.3 Rent and service charges cover essential housing costs and their ongoing funding should be protected and met through the SHA. We are concerned that the creation of a local top-up pot risks housing funding being added to a local authority's care and support budgets and used to fund support rather than essential housing costs. Ipsos Mori estimated that £4.12bn spent on supported housing was from HB whilst a further £2bn came from LAs and other sources to pay for the care and support needs of some supported housing residents. The combined funding going forward needs to ensure that this £4.12bn, plus additional funding to meet future needs, is protected and returned to housing providers to cover essential housing costs.

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

- 10.1 The Government's announcement that the new funding regime will apply to all *existing* customers as well as those moving in after 2019 took us completely by surprise. It has caused much concern amongst our customers. Hundreds of thousands of vulnerable people living in supported and sheltered housing now face losing part of the benefit that currently covers their housing costs.



- 10.2 Reversing this decision so that all existing tenants are fully protected will give some comfort to these individuals. This would at least limit the number of people who would immediately be reliant on discretionary top-up payments from their local authority to keep a roof over their head. But it would not change the fact that there will soon be vulnerable people who are reliant on these payments for no other reason than that they happen to live in a low value area where the LHA cap does not cover their housing costs. This will not seem fair to these voters or their families.
- 10.3 Whilst protecting existing tenants would give housing providers some degree of short-term assurance about their income, because the turnover in much supported housing is higher than in general needs housing, the destabilising effect on our income will still become a major issue very quickly. As existing tenants move on or die, they will be replaced by new tenants exposed to the vagaries of the local top-up regime. With annual customer turnover in sheltered housing often close to 20% and in some short stay schemes as high as 100%, even existing schemes could soon become unviable and close.
- 10.4 The only way to give assurance of a smooth transition would be for the Government to guarantee that top-up funding will find its way to landlords to cover the rents and service charges of all those tenants affected by the LHA cap. But such a transition would simply mean introducing a costly new method for maintaining the status quo. Longer term protection for this funding through the use of a ring-fence gives little assurance to housing providers or their customers. There is an inexorable trend for ring-fences to be removed across all areas of local government funding in education, social care and health. It is hard to see any ring-fence lasting more than a few years and if that funding was then at the disposal of upper tier authorities it seems highly likely that it would be used to prop up cash strapped adult social care.
- 10.5 We do not believe that any short term pilot could meaningfully test the medium to long term strength of any ring-fence, or the impact on existing or new supply of supported housing as local top-up arrangements start to kick in. These are likely to be the key factors that will impact on existing provision of supported housing and the supply of new schemes. We have not yet heard of any suggested pilots that would properly test out how to mitigate the risk of either happening.

**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?

- 11.1 We struggle to see how the proposed local top-up model can be anything other than at best a very expensive and unsettling way to maintain the status quo; and at worst something that risks de-stabilising existing supported housing provision and discouraging the development of new supply.
- 11.2 A national Supported Housing Allowance will ensure that individuals living in supported housing have their legitimate housing costs met in an efficient and effective way.
- 11.3 A national framework can give Government control of the total expenditure on supported housing without discouraging the development of new provision to meet locally identified new need.

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