

Briefing Paper

Service Charges and Housing Benefit in Supported Housing

April 2017



Seaview House at Herne Bay, Kent.
One of Canterbury City Council's sheltered housing schemes.

Introduction

Supported Housing covers a range of housing types including group homes, hostels, refuges, supported living complexes and sheltered housing. Residents generally receive a level of personal care, support or supervision. The cost of meeting this non-housing related support is recovered by the landlord through service charges and is met separately from Housing Benefit. Residents typically include the elderly, people with mental, physical and learning disabilities, and substance abusers.

Supported housing that meets certain criteria is treated as 'exempt accommodation' for Housing Benefit purposes. As such, the Housing Benefit Regulations that limit rents to defined local levels do not apply to accommodation where the landlord (housing association or voluntary organisation) provides 'care, support or supervision'.

For residents who are eligible to receive Housing Benefit, it can help with all or part of their rent payments. Rent levels (including service charges) in supported housing are usually higher than those charged for similar accommodation.

Residents in supported housing owned and managed by a local authority normally have their rent met in full by Housing Benefit. Supported housing residents whose landlord is a housing association, registered charity, voluntary organisation or county council have their Housing Benefit 'based on more generous rules than those living in mainstream accommodation'.

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Housing Benefit Reform – Supported Housing

The Government published 'Housing Benefit Reform – Supported Housing' in July 2011. The paper set out proposals to change Housing Benefit for those living within supported housing in the social and voluntary sectors. The proposed reforms were not, the consultation paper said, 'looking to cut expenditure' but were aimed at better directing it such that 'any changes will need to be cost neutral overall'.

In 'Housing Benefit Reform – Supported Housing' the Government stated that the Housing Benefit system for people in supported housing 'no longer works' and lists the following points in support of this claim:

- The processing of these benefit claims has become too complicated often resulting in time consuming and intrusive investigation of a person's care and support needs, as well as the provider's status and how the care and support is delivered.
- It is incompatible with other government policies as linking housing with care provision in legislation mirrors that for care homes where residents are ineligible for Housing Benefit. It does not fit with the Government's wider objective of personal budgets, where individuals are enabled to exercise choice in commissioning their own care.
- It can be unfair in that it does not provide extra help to those requiring personal care or support whose landlord is not one of the prescribed types, but who have additional housing costs because of their condition. These claimants currently face the same rent restriction rules as other private sector tenants in mainstream housing.
- It creates unnecessary risk as specialist housing providers are said to be reluctant to invest in this housing sector due to uncertainty around how help with their rents will be determined. There is the potential for schemes to become financially unviable, which would leave vulnerable people without the specialist provision they need.
- It is costly to many local authorities who often have to meet some of the Housing Benefit costs for expensive properties themselves.

The objectives of the reforms are listed as to:

- Recognise that supported housing carries higher costs;
- But come with appropriate controls on levels of rent;
- Be clear about the types of additional activities that might be covered and those which would not;
- Be better targeted at those who need help;
- Be easier to understand and administer;
- Provide a predictable level of income for providers;
- Where necessary, use local expertise in setting the level of help available;
- Provide robust expenditure control and provide value for money;
- Be compatible with Universal Credit.

The Government has identified two categories of supported housing. Conventional supported housing, such as hostels, foyers, refuges and other purpose built sheltered housing that is used by the elderly, ex-homeless people, people fleeing domestic violence, young people, ex-offenders or substance abusers, and housing for people with more specific needs.

Supported accommodation provided by the local authorities, registered providers or charities is exempt from some housing benefit restrictions. The higher rents charged are eligible for full housing benefit even though the rent meets some costs of care, support and supervision. Registered care homes are not eligible for housing benefit at all.

The government's consultation of July 2011 proposed to change these rules:

- Local Housing Allowance rates plus fixed, standard additions would be used to determine housing benefit levels for schemes with low level care and support. The same rules would become available to private sector providers (conventional supported housing).
- For higher-level needs, housing benefit would be at the basic Local Housing Allowance rate. The Department for Work & Pensions would issue a separate supported housing fund to local authorities and this would be used to help claimants with their support costs (accommodation provided to meet an individual's specific housing needs).

For accommodation provided to meet an individual's specific housing needs, the Government proposed to treat the rent payments for Housing Benefit purposes in the same way as mainstream accommodation and to base them on the Local Housing Allowance. Claimants would be able to apply to a separate (supported housing) fund to meet their additional housing costs.

It was proposed that decisions on the level of any additional help towards rent payments would be made locally and that those making the decisions would have a background in and knowledge of housing procurement and the costs involved in providing specialist supported housing, or have access to people with this expertise.

The paper referred to the need to consider how funding should be fixed under this system, 'as it would need to be sufficiently flexible to be able to respond to changes in caseload but will need to be controlled, perhaps by limits on individuals or be reference to a rent officer assessment'.

Where supported housing is provided by a housing association, Housing Benefit generally meets these rents in full (subject to the individual claimant's eligibility). The Government intends that this practice should be regularised with claimants continuing to receive Housing Benefit based on their contractual rent less any ineligible service charges. The consultation document went on to state that the Government intended to consider the level of service charges in the supported housing sector:

"Over recent years, local authorities have raised concerns over the level of increases in the service charges of these providers. Rent levels in the social rented sector are regulated, but this is not the same for their service charges where guidance is provided. Our research has shown some evidence that service charges have begun to rise for Registered Social Landlords and Registered Providers, although overall rents still tend to be lower than for other providers.

"We aim to support service charges at a level adequate to meet the running costs of supported housing, but to ensure these charges are limited to genuine housing related costs. We intend to review how these rules work in association with the Department for Communities and Local Government and their Scottish and Welsh counterparts".

In a section entitled Wider Reform, the paper asked whether there was a case for paying eligible residents in supported housing standard Housing Benefit 'and separating out the additional help altogether and administering it locally in the same way as Personal Budgets'.

At the same time as issuing the consultation paper the government also launched an investigation into the level of service charges levied by supported housing providers, after becoming concerned that some were inflating costs. The move followed research into the costs of supported housing published in 2010 by the Department for Work & Pensions that revealed median service charges had increased in 2009/10 compared with the previous year.

The investigation prompted fears among supported housing providers that the Department for Work & Pensions may insist on service charge reductions that could end the viability of some schemes.

The Department for Work & Pensions' paper stated that it aims to 'support service charges at a level adequate to meet the running costs of supported housing, but to ensure these charges are limited to genuine housing related cost'.

Supported Housing and Universal Credit

In September 2012, the Government set out in broad terms their approach to the future of paying for housing benefit in supported and specialist housing. The Department for Work & Pensions clarified that additional housing costs for supported and specialist housing, 'exempt accommodation', will be managed outside the Universal Credit. In the short-term, there will be an interim system that is like current arrangements. People in supported and specialist accommodation with higher housing costs will continue to be eligible for housing benefit from their local authority. In the medium term, the Department for Work & Pensions will design, develop and potentially pilot a more localised system for managing these costs outside Universal Credit. Ministers have decided that 'exempt accommodation' should come out of Universal Credit so residents will have no entitlement to housing costs through Universal Credit. The Department for Work & Pensions sees this as the best way forward to ensure that the system is flexible enough to cover the various costs within supported housing. They intend using the existing definition of exempt accommodation.

The Government also confirmed that Housing Benefit paid to households in supported exempt accommodation will be disregarded from the household benefit cap (introduced on 15th April 2013) and under Universal Credit.

The confirmation that help towards housing costs for those living in exempt supported accommodation would be provided outside Universal Credit was welcomed but housing organisations were still concerned that the household benefit cap would apply to residents of supported housing prior to the introduction of Universal Credit.

Service Charges eligible for Benefit in Supported Housing

In December 2012, the Department for Work & Pensions published guidance on service charges for social landlords as well as updated universal credit regulations. The main difference between the approach under universal credit and that with housing benefit is that universal credit guidance starts from a principle of eligibility whereas the housing benefit guidance lists ineligible service charges. This different approach is designed to make the process simpler.

This 'exhaustive' list of service charges eligible for benefit was issued in a bid to end uncertainty for social landlords who had raised concerns that fewer service charges might be covered by benefit. For example, there were concerns that charges for estate management, such as communal garden maintenance, may no longer be covered. However, these charges are listed in the new guidance.

Four categories of service charges are eligible:

- Category A – payments to maintain the general standard of the accommodation.
- Category B – payments for the general upkeep of areas of communal use.
- Category C – payments in respect of basic communal services.
- Category D – Accommodation-specific charges.

As with housing benefit there will be no provision for ineligible service charges such as meals personal care or personal utility bills.

However, more than 400 descriptions of service charges are used by landlords opening up the prospect that there could be legal disputes as social landlords try to 'shoehorn' charges into one of the four headings in the guidance.

Supported Exempt Accommodation and Temporary Accommodation

Many welfare reforms do not apply to supported sheltered housing that is defined by government as 'exempt accommodation'. However, some schemes may not meet the government's definition. Changes to benefits for tenants living in supported housing may have a long-term impact on both services and scheme viability. Landlords may need to assess risks to income streams in both the long- and the short-term.

Support 'Exempt' Accommodation is accommodation such as homeless hostels and women's refuges) whose tenants will be excluded from the social size criteria and the benefit cap.

Exempt accommodation includes a resettlement place and accommodation provided by a county council, housing association, registered charity or voluntary organisation where that body or person acting on their behalf provides the claimant with care, support or supervision.

Claims for tenants in supported 'exempt' accommodation will continue to be administered under the existing housing benefit regulations and outside of universal credit. This means that people living in supported accommodation will still be able to claim and receive universal credit to meet other living costs but help with their housing costs will be provided separately in future. This is to enable the longer-term feasibility of a localised funding system for this kind of support to be explored.

The way that support is provided, especially whether it is provided by or on behalf of the landlord, is important as in some situations support can be commissioned by local authorities or the care and support budget may be held by the tenant. This may mean that such schemes fall outside the definition of 'support' as they are not provided by the landlord.

If the housing scheme falls outside this definition, tenants will be subject to the social size criteria and the benefit cap and will be part of universal credit.

The definition of the exempt accommodation qualifying criteria remains unchanged in the new universal credit regulations. This means that agency managed services may be at risk. Local authorities therefore need to identify exempt accommodation claimants and households prior to the implementation of universal credit.

The size criteria reduction will not be applied for any claimant who is placed in temporary accommodation by the local authority because they are homeless or to prevent homelessness, except where they are placed in local authority owned properties. Temporary accommodation claimants will receive their housing support as part of their universal credit. This will be based on the appropriate local housing allowance rate for the household and will take account of household size rather than property size.

The management element for temporary accommodation cases in universal credit will be separated out and paid directly to local authorities to protect their funding stream. How the separate management element will be paid for universal credit claimants is still under consideration but the government's preferred option is to use top-ups to local authority discretionary housing payments with a mechanism to reflect changes in local caseloads.

Supported Housing, Rents and Further Welfare Reform

In the July 2015 budget the government announced a change to its policy on social rents. Previously, it had established that social rents would increase each year in line with the consumer prices index plus 1%. However, this policy was changed with the introduction of a 1% rent reduction each year for four years starting in 2016. This announcement has caused considerable concern in the sector, especially about supported housing. Consequently, many landlords have reviewed the future funding of supported housing and, as part of this, have considered the introduction of new service charges.

The government's plan to cap housing benefit for new tenants at Local Housing Allowance levels from April 2019 is also causing concern for the future of sheltered housing. Rents in supported housing are typically well above Local Housing Allowance levels – that reflect the lowest 30% of private sector rents in an area – and tenants of these schemes would be unable to afford the rents if benefits were capped in this way. This change would not take effect until 2019 but would affect new tenancies granted from April 2016. The government has increased Discretionary Housing Payments by £70million in 2018/19 and 2019/20 but the sector considers that this is not sufficient.

A survey by 'Inside Housing' in January 2016 found that 95% of supported housing providers would be forced to wind up housing schemes for the most vulnerable if the plan to cap housing benefit for new tenants at Local Housing Allowance levels went ahead. It showed that 27% of providers believe all their schemes would be financially unviable, while 40% said most of their schemes would be financially unviable. A further 28% of providers said at least some of their schemes would be unviable, with only 5% saying all their schemes could survive.

There are also concerns that the biggest future problem may be caused by the rolling-out of Universal Credit to people of pensionable age, especially if some existing service charges would no longer be eligible for benefit. This is a significant risk for social landlords.

In January 2016, in response to representations from the sector, the government stated that it would exempt supported housing from the rent reduction for one year (2016/17) and would also hold a fact-finding review into the funding of supported housing. It was also announced that there would be some protection for supported housing tenants who would be affected by capping housing benefit at local housing allowance rates, although no details of how this would be done were provided. This provides some respite for the sector but does not offer a long-term solution for the funding of supported housing in the social housing sector.

Government legislation and announcements have therefore cast doubt over the future funding of supported housing:

- The Welfare Reform and Work Act 2016 provides for all social and affordable rents to be reduced by 1% a year between 2016 and 2019. While supported housing was exempted from this requirement in 2016 there were fears that this would affect the viability of some schemes.
- The government is proposing to cap housing benefit at the level of the local housing allowance from 2018. If this were to be applied to supported housing where rents and service charges are relatively high, it would remove the entitlement of residents to full benefit also making schemes unviable.
- Universal Credit is based on the concept that, when fully implemented, the housing element of the benefit will cover only core housing costs with additional funding being provided for housing support. However, the government had yet to announce how this additional funding would be provided.

In view of this the government committed itself to a review of the funding of supported housing and made a statement on 15th September 2016 that was a prelude to the announcement of the review. The key elements of the announcement of 15th September were as follows:

- All housing costs for supported housing will be met. Housing costs will be paid through the benefits system up to the local housing allowance level with a top-up paid by the local authority.
- To enable this top-up to happen, there will be a transfer of funds from the Department of Work and Pensions to the Department for Communities and Local Government. They will then allocate funds to local authorities by a mechanism yet to be decided on.
- There will be a ring-fence around the transferred sum and it will be strictly only available to pay for supported housing costs.
- There will be no Shared Accommodation Rate in the calculation of the local housing allowance rate for tenants in the new system. The one-bedroom local housing allowance rate will be used for people under 35 living in supported housing.
- The Government believes a different system needs to be worked out for short-term transitional services and it will consult on this.
- Budgets will also be transferred to the Scottish, Welsh and Northern Irish governments to enable them to devise their own arrangements

The new system is planned to be implemented from 2019 and the Local Housing Allowance cap will not apply to supported and sheltered housing until then. From 2019 it is proposed to apply the local housing allowance cap to all claims in supported and sheltered housing with some exceptions including domestic violence refugees. The 1% annual rent reduction required by the Welfare Reform & Work Act 2016 will apply to sheltered housing from 2017 to 2019.

The Consultation Paper: November 2016

The Government issued a Consultation Paper in November 2016. The government had already announced that it will cap housing benefit at the level of the local housing allowance across the United Kingdom from 2018. This will reduce the housing benefit that will be available to fund rents and service charges in supported housing schemes. The government's proposal for England is that this funding will be replaced by a locally administered 'pot'.

The consultation said that the local 'pot' would give the Greater London Authority, Unitary and County Councils an 'enhanced role; in commissioning supported housing in their area and allow them to 'take a more coherent approach'. The government says that:

"We want quality and a focus on individual outcomes to play a greater role in how we fund the sector."

The consultation questions include whether there should be a national statement of expectations or a national commissioning framework 'within which local areas tailor their funding'. The amount of top-up funding will be set 'on the basis of current projections of future need' and will be based on a 'general definition; of supported housing, rather than having separate ringfenced pots for different client groups.

However, the government also proposes to introduce statutory duties for councils to protect housing provision for specific vulnerable groups. The consultation paper says that the government recognises short-term accommodation such as hostels and refuges have 'particular challenges'. The government says that it will work with the sector to develop further options to ensure providers of shorter-term accommodation 'continue to receive appropriate funding for their important work'.

As housing is a devolved function outside England, the consultation paper states that:

“The devolved administrations (will) receive a level of funding in 2019/20 equivalent to that which would otherwise have been available through the welfare system in order to meet the additional costs of supported housing.”

The devolved administrations will then be free to make their own arrangements for the funding of supported housing.

The consultation ran until 13th February 2017 and a Green Paper with the detailed arrangements for the local top-up model was intended to be published in the spring of 2017. The final package was to be announced in autumn 2017 ahead of the new model becoming operational from April 2019. The government proposes putting shadow arrangements in place from April 2018 on the detail and allocation of funding.

The Government considers that there are two clear reasons for seeking to reform the funding of supported housing. The roll out of Universal Credit for working age people is one but there is also a need to consider more fundamentally how supported housing across the whole sector should be planned for, commissioned and delivered and how to manage growing demand within a tighter public spending climate.

The Government also wants to achieve a local focus on outcomes, oversight and cost control with the quality of services and a focus on outcomes for the people who use them to be at the forefront of supported housing provision. They consider that the current system for funding the housing costs of supported housing is not well designed to ensure effective oversight of quality or control of spending to ensure value for money. This approach is consistent with the principles of localism and would give local authorities the responsibility for determining the allocation of resources. The consultation paper states that:

“Local knowledge is central to the current system for funding supported housing through Housing Benefit. In addition, much supported housing provision is developed in consultation with and is commissioned by local authorities to meet the needs of local people and this requires close co-operation at the local level. Determining individual entitlement where the claimant lives in supported housing requires very detailed consideration of which costs are eligible and whether the costs cited are reasonable. Such a system usually requires local knowledge, expertise and involvement.

“In addition to preparing for a new local role as part of the implementation of Universal Credit, many local authorities have also told us that they would welcome an enhanced local commissioning role. Some councils have raised concerns about the existing Housing Benefit regime, in particular regarding insufficient local control over the establishment and location of supported housing services and quality of some services being provided outside of their commissioning arrangements. Supported housing providers and developers have been clear that they are seeking as much clarity as possible about what funding is available as well as a strong desire for consistency around the availability of funding and its administration.

“Concerns have also been raised that the current Housing Benefit regulations restrict who can provide supported housing, and receive the enhanced funding through the supported exempt provisions, to non-metropolitan county councils, housing associations, registered charities and voluntary organisations. This leaves no room for other providers and can restrict the claimants’ choice of who delivers support services, since to qualify for the enhanced funding through Housing Benefit the care, support or supervision must be provided by, or on behalf of, the landlord.

“Longer term, we also need to build a system which is better able to manage future demand as the population is ageing and medical advances also mean that more people with severe physical and learning disabilities are enjoying longer lives. This makes it even more important that spending provides value for money and is targeted effectively and providers are able to develop new supported housing supply.”

These are significant points suggesting:

- An enhanced role for the private sector in future provision.
- A cash-limited system rather than a demand-led system that will manage scarce resources by targeting them at those most in need. This suggests that while supported housing may initially receive the same funding as at present this funding may not increase as much in future as it would have done if the demand-led housing benefit approach had continued.

A New Framework for Future Supported Housing Costs

The Government’s proposed new framework for future supported housing costs is described as follows:

“It is our intention that from 2019/20 core rent and service charges will be funded through Housing Benefit or Universal Credit up to the level of the applicable LHA rate. This will apply to all those living in supported accommodation from this date. 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.

“In England, we 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.

“Separate existing funding streams for care, support and supervision (such as legacy Supporting People funding) would remain part of the funding mix for supported housing but will not be changed by these reforms. The intention would be for the top-up fund to be used in conjunction with the wide range of funding dedicated to local commissioning.

“We will ring-fence the top-up fund to ensure it continues to support vulnerable people. 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 from Housing Benefit or Universal Credit due to LHA rates, can be met elsewhere as well as to give greater assurance to developers of new supported housing supply.

“While we are confident that this model will meet the needs of the majority of the sector, we recognise some particular challenges may remain for very short term accommodation, including hostels and refuges. We 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.”

While the framework for the new funding model has been set, this consultation seeks views on key system design elements to ensure the model(s) will work for tenants, commissioners, providers and developers. The specific issues that the government wishes to resolve through this consultation include fair access to funding; clarifying expectations for local roles and responsibilities; confirming what further arrangements there should be to provide oversight and assurance; exploring the appropriate balance between local flexibility and provider certainty; and gathering views on developing a workable funding model(s) for short term accommodation, including hostels and refuges.

The consultation paper provides more detail than was made available in the statement in September but still leaves the following questions unanswered:

- Will the total funds allocated to local authorities and the devolved administrations be sufficient, especially bearing in mind that need is increasing?
- If funds are not adequate will authorities be able to top-up the budget from their own resources?
- How will the funds be allocated between authorities?
- How long will the ring-fence last?
- Will there be sufficient funding for local authorities and housing associations to be able to provide the supported housing that is required including extra care elderly housing?
- What will be the position of tenants under 35 who will be protected from the shared accommodation rate while they are in supported housing. However, what will happen when they want to move into social or private rented housing and their housing benefit does not cover their rent?

Experience with Discretionary Housing Payments and Supporting People may lead cynics to suggest that funding will decline over time despite needs increasing and that eventually the ring-fence will be removed leading to significant reductions in funding. However, the government's proposals are to continue with the current level of funding and to ring-fence it.

Presumably answers to most of these questions will be included in the Green Paper. However, in view of the continued uncertainty it is not clear whether providers will be able to commit to new projects or to investment in existing projects in the meantime. Clearly it is important for local authorities, housing associations and others with an interest in supported housing to respond to this consultation.

Intensive Housing Management

The structure of a social rent includes the following elements:

- Net Rent – This is based on the social target (or formula) rent and it is considered that the statutory 1% rent reduction will only apply to this element.
- Intensive Housing Management – While these costs are often included in the rent they are effectively disregarded by the Homes & Communities Agency when assessing compliance with the rent standard.
- Service Charges – These include services performed and facilities provided (including furniture) other than services identified in schedule one of the 2006 housing benefit regulations. These costs are also effectively disregarded by the Homes & Communities Agency when assessing compliance with the rent standard.
- Ineligible charges – These include water rates, television licences, food, personal heating and lighting and alarms (as identified in schedule one of the 2006 housing benefit regulations) that are collected by the landlord effectively on behalf of other agencies.
- Total contractual rent – This includes all charges.

- Total housing benefit eligible rent – This includes all charges excluding ineligible charges and is the rent that is eligible to be considered in calculating housing benefit.

‘Specialist Supported Housing’ is exempt from the 1% reduction in rents and the rent standard of the Homes & Communities Agency already allows higher rents than the social rent formula. ‘Specialist Supported Housing’ is defined as:

- Where a scheme offers a high level of support for clients, for whom the only acceptable alternative public or voluntary sector options are care homes; and
- Where no, or negligible, public subsidy has been received by the scheme, whether in the form of capital grant or free land; and
- Where the scheme has been commissioned in line with local health, social services or supporting people strategies and priorities.

The government acknowledges that they do not know the size of the supported housing sector at present and estimates that the cost of housing benefits in supported housing is between £2billion and £8billion a year. Ministers favour localisation of an enhanced housing benefit budget at a fixed level as a way of improving the control of costs and creating a clear link between commissioning arrangements and outcomes. If this occurs it will clearly be in the interests of local authorities, landlords and tenants for social landlords to optimise their housing benefit entitlements.

In view of the government’s emerging policies on rents, service charges and housing benefit many social landlords are considering developing their approach to the setting of rents and service charges so that an increased proportion of income is recovered through service charges and charges for intensive housing management rather than through core rent.

Intensive Housing Management has been defined as the collective term for all the additional ‘services’ provided in supported housing or in sheltered housing over what is typically provided in general needs housing. Intensive Housing Management services are also part of the tenancy agreement and are part of the provision of the housing rental and as such their costs are funded through Housing Benefit if they are eligible services.

Intensive Housing Management services typically include the following services:

- Managing the scheme buildings
- Scheme and emergency visits
- UAC alarm and fire alarm checks
- Health & safety audits
- Reporting and chasing repairs
- Anti-Social Behaviour
- Multi-agency working
- Supervision of cleaning staff.
- Accompanied viewings.
- Site presence.
- Void property management.
- Risk assessments.
- Door entry management and Security.
- Television licences and Digital television
- Aids & adaptations

It is often considered that Intensive Housing Management costs comprise 20% of net rent in sheltered schemes and ‘Supporting People’ was based on this assumption. An alternative approach would be to analyse the time that is spent by housing management staff to identify the proportion of their time that is spent on intensive housing management as opposed to general management or supporting people activities as follows:

- Intensive Housing Management tasks (as outlined above).
- Supporting People tasks (support that is orientated to the person rather than to the building).
- Tasks that fall into both categories.
- Tasks that would need to be done whether support was in place or not.

One housing association introduced service charges for Intensive Housing Management based on actual costs and an analysis of the time spent by Housing Support Officers. The calculation included the time spent on occupational therapy referrals and joint meetings and excluded any time for Neighbourhood Management. In the absence of detailed information, they apportioned costs between category one and category two dwellings on the basis of the number of dwellings in each category. The resulting service charges were then phased in over a five-year period.

Regarding service charges for intensive housing management, it is important to note that care would be required to ensure that any new service charges would be eligible for housing benefit and universal credit. The Department for Work & Pensions has made it clear that it is not prepared to see housing benefit budgets being used to fund services unless they are clearly property-related and that any such charges should not be excessive. The Department is also reluctant to support Intensive Housing Management costs in general needs housing as opposed to supported housing. It is therefore necessary to demonstrate that any new Intensive Housing Management charges are for housing services rather than personal services and that they are not excessive.

In 2013 the Chartered Institute of Housing advised that:

“Support and supervision is not eligible for housing benefit; simply re-labelling an activity as ‘intensive housing management’ does not alter this and carries with it huge regulatory and business risks if challenged by the authority. For example, the authority has the right to withdraw all direct payments if the landlord classifies charges incorrectly.”

Furthermore, as outlined above, entitlements are likely to change when Universal Credit replaces Housing Benefit. Even if Intensive Housing Management service charges were accepted as eligible for housing benefit it would not necessarily follow that they would be eligible for Universal Credit. This is an area of risk that a social landlord would have to consider if it were to decide to introduce service charges for Intensive Housing Management.

Conclusions

Supported Housing is a relatively high-cost form of housing. Landlords currently recover their costs through rents and service charges. Rents are often higher than in general needs housing and service charges are often quite high. Housing Benefit currently meets all the rent and service charges currently paid by eligible tenants.

The government has legislated to reduce rents in social housing, including supported housing from 2017. It is also introducing a cap on housing benefit at the level of the local housing allowance. These measures will reduce the amount of housing benefit that eligible tenants can claim and therefore reduce the income of the landlord threatening the viability of schemes.

The government is proposing a new funding mechanism for supported housing but the details have not yet been made available. This is creating uncertainty in the sector.

Adrian Waite
April 2017

Seminar: All You Want to Know About Service Charges in Social Housing 2017

May 2017

We are holding a seminar on 'All You Want to Know about Service Charges in Social Housing' in Leeds on 17th May 2017. This seminar is designed to give an introduction and overview to this important subject and is fully up to date with all developments.

Service charges are an integral part of landlords' work in financing value for money services and sustaining customer satisfaction. They have always been relatively complex but with increased financial challenges and legal and financial complexity there is an increased need to understand how service charging works.

Housing Associations have traditionally levied service charges with most local authorities in England introducing them in the 'noughties'. Financial constraints and proposals for the future funding of supported housing are leading many local authorities and housing associations to look at reviewing their approach to service charges. The rolling out of Universal Credit is having an impact on benefit entitlement for service charges.

These seminars are suitable for people who are not experts in service charges, but who need to understand the basics and achieve an overview of what is going on. It is suitable for councillors, board members, housing managers, legal staff, finance staff, tenant representatives, members of the service charges team with limited experience and others who realise that an understanding of service charges can place them at an advantage!

What the Sessions Cover:

- How do Service Charges work in Housing Associations and Local Authorities and for Leaseholders and Tenants?
- How are service charges calculated?
- How to de-pool service charges?
- When are service charges eligible for housing benefit / universal credit?
- Service Charges in Supported Housing
- Service Charge issues and how to ensure excellent customer service?

The session is accompanied by a very useful 100-page book that is designed for reference after the session entitled: "**All You Want to Know about Service Charges in Social Housing 2017**"

Venue and Date: **North:** Novotel Hotel, Leeds – 17th May 2017

The price of the seminar is £195 plus £39 VAT, total £234.

Other AWICS Seminars

AWICS holds seminars on a variety of subjects of relevance to public services. Details of all our seminars can be found at: <http://awics.co.uk/seminars2017>

Our next seminars include:

- All You Want to Know about Housing Association Finance
- All You Want to Know about Welsh Social Housing Finance
- Developments in Local Authority Housing Finance in England
- All You Want to Know about Local Authority Finance
- All You Want to Know about Service Charges in Social Housing in Wales
- All You Want to Know about Local Authority Housing Finance

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about our services and us please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk.

Services that we offer include:

- Management Consultancy – <http://www.awics.co.uk/ManagementConsultancy.asp>
- Interim Management – <http://www.awics.co.uk/interimmanagement.asp>
- Regional Seminars — <http://www.awics.co.uk/Seminars2017.asp>
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