

# Briefing Paper

## Funding of Supported Housing

### September 2016



**Tandle View Court, Royton. An Oldham Borough Council Extra Care Elderly scheme.**

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#### Introduction

On 15<sup>th</sup> September 2016, Damian Green, the Secretary of State for Work & Pensions, made a statement in Parliament about the funding of supported housing.

Previous government legislation and announcements had cast doubt over the future funding of supported housing. In particular:

- 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.

**AWICS Ltd., PO Box 17, Appleby in Westmorland, Cumbria. CA16 6YL. Tel: 017683-51498.  
Mobile: 07502-142658. Twitter @AdrianWaite. E-Mail: [adrian.waite@awics.co.uk](mailto:adrian.waite@awics.co.uk). Web: [www.awics.co.uk](http://www.awics.co.uk)**

**Managing Director: Adrian Waite MA CPFA CIHM FInstLM  
Registered office: c/o Butterworths Solicitors, 3 Walker Terrace, Gateshead, Tyne & Wear, NE8 1EB.  
Company Number: 3713554. VAT Registration Number: 721 9669 13.**

In view of this the government committed itself to a review of the funding of supported housing. The statement made on 15<sup>th</sup> September 2016 was a prelude to the announcement of the review.

The key elements of the announcement are 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 Announcement of 15<sup>th</sup> September 2016**

The announcement was made by way of a written statement and is as follows:

*“Supported accommodation plays a vital role in the lives of many vulnerable people. A safe and stable and supportive place to live can be the key to unlocking better outcomes for people and for many it is a stepping stone to independent living in the longer term. The Government values the role supported housing plays and is committed to encouraging further development to meet future demand.*

*“Over the past number of months, we have spoken to providers, local authorities, charities, representative bodies and the Devolved Administrations about the future funding arrangements for the sector. We are also grateful for the extensive input from these groups into our evidence review of supported accommodation in Great Britain, jointly commissioned by my Department and the Department for Communities and Local Government at the end of 2014. The review has provided a helpful insight in to the scale, scope and cost of the sector and we will publish it shortly alongside a consultation document.*

*"We have heard the concerns regarding the application of the Local Housing Allowance (LHA) rates to social rents from 2018. So I can announce today that we will be deferring the application of this policy for supported housing until 2019/20. At this point we will bring in a new funding model which will ensure that the sector continues to be funded at current levels, taking into account the effect of Government policy on social sector rents. I can also confirm that the deferral until 2019/20 will extend to fully mutual / co-operatives, almshouses and community land trusts while we consider whether any additional arrangements will be necessary for this group in the longer term.*

*"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. I can also confirm that 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.*

*"For costs above the level of the LHA rate, Government will devolve in England an amount of funding for disbursement locally. In Wales and Scotland, an equivalent amount will be provided and it will be for those administrations to decide how best to allocate the funding.*

*"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.*

*"Different types of supported housing provision and services are commissioned by different bodies locally, such as Clinical Commissioning Groups. It will be important to ensure that these bodies can access funding to deliver their commissioning objectives. We will work with relevant agencies and Departments across Government to design this fund to make sure that we maximise the opportunities for local agencies to collaborate.*

*"In recognition of the need to manage the transition to a new funding regime carefully, 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 via the benefits system can be met elsewhere as well as to give greater assurance to developers of new supported housing supply. We will also consult on appropriate safeguards to ensure that this funding continues to support vulnerable people and promotes supply of supported housing. We will also consider what level of new burdens funding would be appropriate to enable local authorities to fulfil their new role.*

*"As the Prime Minister made clear, we are working to ensure that vulnerable people in refuges are not adversely affected as a result of the LHA rates. 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.*

*“We recognise the vital importance of ensuring that providers are able to develop new, much needed, supported housing and we want the long-term funding model to support this. We will seek views through the consultation on how this objective might best be achieved through the design of the model.*

*“In March 2016, we introduced a one year deferral for supported housing, fully mutual / co-operatives, almshouses and Community Land Trusts from the reduction of social rents in England of 1% a year for 4 years from 2016. It is important that providers can continue to provide high-quality and cost-effective supported housing to meet the needs of their tenants. However, it is also important that supported housing should make efficiency savings in the same way as the rest of the social sector.*

*“Therefore, I can confirm that, as planned, we will apply the rent reduction to supported housing, with rents in these properties decreasing by 1% a year for 3 years, up to and including 2019/20.*

*“The existing exemption for specialised supported housing will remain in place and will be extended over the remaining 3 years of the policy for fully mutual / co-operatives, alms houses and Community Land Trusts and refugees.*

*“For those affected by the social sector rent reduction policy, the Welfare Reform and Work Act 2016 includes provision that allows a social landlord to be exempted from the requirement to reduce rents by the Secretary of State for Communities and Local Government or the social housing regulator (in the case of private registered providers) if complying would result in serious financial difficulty or jeopardise their financial viability. This provision provides a safety net for those providers who do not have the capacity to offset the decrease through efficiencies or from elsewhere in their business.*

*“Supported housing is of vital importance to vulnerable people and we want to continue to work with providers to ensure that services are as good as they can be. We want to build on the work of excellent providers to drive all quality and value for money up to the level of the best. These reforms, giving local areas greater control and strategic oversight, represent the first step towards that goal, whilst giving the sector the necessary certainty over the total amount of funding available nationally. We also want quality and a focus on individual outcomes to play a greater role in how we fund the sector.*

*“We will continue to work with the sector to develop the detail that underpins the new funding model and to ensure that any accompanying regulatory reform is effective and proportionate. It is important that we get the detail right and we want to continue the extensive conversation we have begun with the sector to do this. A formal consultation document will be published shortly.”*

Sajid Javid, Secretary of State for Communities, said:

*“As a Government that works for everyone we have been working hard to ensure that the most vulnerable in society get the right level of support. That is why we have extended this exemption and will implement a new funding model, which will underpin the provision of safe, stable and supportive places to live for those in need.”*



And Lord David Freud, Minister of State for Welfare Reform wrote in 'Inside Housing' that:

*"This week we have announced a new funding model for supported accommodation to secure the sector's long-term future – which stakeholders and charities have been understandably keen to see.*

*"We have taken our time to talk and listen to stakeholders, providers and charities so we get this model absolutely right. We will also launch a consultative process so the details of a new system can be ironed out with other key partners. Because having a safe, warm and supportive place to live is the first stepping stone for many vulnerable people to improve their lives – and for some it can be a lifeline.*

*"We have always been clear that we fully recognise and value the important role supported accommodation providers play in helping people who are in crisis or who need extra support – from victims of domestic violence to young care leavers. So it's vital that we ensure the sector is sustainable in the long term.*

*"I know the proposed 'Local Housing Allowance cap' caused concern in the sector. We have consulted extensively with stakeholders, providers and charities and have listened to those concerns. Which is why this week we announced a new ring-fenced funding model to ensure that the right support goes where it is needed.*

*"The new funding model means the sector is protected from the LHA cap, with additional funding going to local authorities and the devolved administrations to cover the costs above the basic LHA housing costs. It will secure the long-term future of the sector and ensure the right support goes where it is needed. The sector will also be exempt from the lower shared accommodation rate, in recognition of the vulnerable nature of many of its residents.*

*"Local authorities know their areas' needs the best and the new structured funding model will drive up the quality and efficiency of commissioning, ensuring that it complements the other services in the area and addresses genuine need.*

*"Supported accommodation is a diverse sector with very different providers offering very different specialist support. I have spoken to stakeholders, providers and charities and their commitment to support vulnerable people and help them improve their lives has been absolutely clear throughout the consultation process.*

*"But it was also apparent that the support offered to people who are, for example, at risk of homelessness or fleeing domestic violence is very different to providers supporting older people, or people with disabilities. There is no 'one size fits all' solution, which is why it is so important that local authorities have an enhanced role in commissioning these services for the areas they serve. We will be exploring how best to provide specific support for short-term accommodation, such as refuges.*

*"This new funding model will mean the supported accommodation sector can continue with its vitally important work in helping people to turn their lives around, and we'll continue to work with the sector to get the detail right."*

## **Analysis**

The new system will 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.

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The sector will be pleased that there will be a ring-fence around the devolved funding and that the Shared Accommodation Rate will not apply to people living in supported housing. However, there will still be concerns about how the new proposed model is going to work in practice. The sector would like to see supported housing put on a secure and sustainable footing for the long-term and there will be doubts that the new system will guarantee this. There are many unanswered questions - for example the size of the devolved funding, whether it will receive an annual uplift, and how the process will work locally.

The new system is particularly problematic for sheltered housing and there are many in the sector who believe that a better solution for sheltered housing would be to continue to pay housing costs through the benefit system.

The 1% rent cut will apply to supported and sheltered housing from April 2017 for three years. The cut represents a loss of £194million in income for supported housing over the next three years and will inevitably jeopardise some of the services as some schemes are already operating on very low margins. While organisations can apply for a waiver if the rent cut places the organisation in financial difficulty it is unlikely that many will benefit from this.

The existing exemption for specialised supported housing will remain in place and will be extended over the remaining three years of the policy for fully mutuals / co-operatives, alms houses and Community Land Trusts and refuges.

From 2019/20:

- Core rents and eligible service charges for supported housing will continue to be funded in the same way. They will be eligible to be covered by housing benefit or universal credit but will be subject to the local housing allowance cap.
- Supported housing will be exempt from the shared accommodation rate that limits the amount of help that single people under 35 can receive to enough to cover a room in a shared house.
- To cover the additional costs associated with providing supported housing (above the level of the local housing allowance), local authorities will also be given a locally managed 'pot'. The size of the 'pot' will take into account projections of future need and it will initially be ring-fenced to ensure that it is spent on providing and commissioning supported housing.
- Devolved governments in Scotland and Wales will also receive additional funding and it will be up to them to decide how to introduce their own schemes.

Until 2019/20:

- Tenants or licensees living in supported housing will not be affected by the planned extension of local housing allowance rates to the social sector.
- The annual 1% rent reduction will apply to most supported housing from April 2017 for three years. Both the existing limited exemption for 'specialised supported housing' and the mechanism for individual landlords to apply for a general exemption remain.

## **The Response of the Sector**

Lord Porter, Chair of the Local Government Association and Leader of South Holland District Council (Conservative) said:

*"We are pleased that Lord Freud and Marcus Jones MP have listened to the concerns councils had over the risks of applying the Local Housing Allowance cap to supported accommodation. Applying the cap would have hit some of our most vulnerable residents and jeopardised many of the supported housing schemes that were due to be developed. There was genuine fear that some homes would not be built, while others would be forced to close. The cap would also not have covered the higher rental costs of the supported housing sector to pay for the kind of specialist equipment and adaptations this type of accommodation requires."*

*"The alternative solution proposed by government, to ensure this is avoided, is testimony to the hard work of parties on both sides of the table. While the Local Government Association would normally argue against ring-fencing funding, we understand the Government's reasoning in this exceptional case, and feel that the prize here is very much worth that price."*

*"The Local Government Association will continue to work with government to ensure these changes are implemented in a way that gives providers the certainty they need to invest in supported housing so that we can carry on meeting the needs of vulnerable people, and that they can live in homes that are fit for purpose."*

David Orr, the Chief Executive of the National Housing Federation said that the announcement included some welcome elements but also expressed a number of concerns as follows:

*"We welcome the fact that the Government has identified the amount of money needed to underpin supported housing and that it remains committed to maintaining this funding. We are also pleased that there will be a ring-fence around the devolved funding and that the Shared Accommodation Rate will not apply to people living in supported housing."*

*"We are still concerned about how the new proposed model is going to work in practice. We want to put supported housing on a secure and sustainable footing for the long term and we are not confident that the new system will guarantee this. There are still many unanswered questions – for example the size of the devolved funding, whether it will receive an annual uplift, and how the process will work locally."*

*"The new system is particularly problematic for sheltered housing and we believe a better solution for sheltered housing would be to continue to pay housing costs through the benefit system. We urge the Government to explore other options for this sector."*

*"We also have major concerns over the introduction of a 1% rent cut for supported housing from April 2017. The cut will be a loss of income for supported housing over the next three years and will inevitably jeopardise some of the services they provide as some schemes are already operating on very low margins. While we welcome the exemption for refugees, further clarity is needed on how that exemption applies. We do not believe that it is right that this cut will fall on vulnerable people who rely on these services for a roof over their head, to live independently, and to be safe."*

*"We look forward to working closely with our members and the Government on the consultation and the design of the new system. Our objective remains to secure a sustainable funding model which protects tenants and supported housing into the future."*

*"We want to put supported housing on a secure and sustainable footing for the long-term and we are not confident that the new system will guarantee this... The new system is particularly problematic for sheltered housing and we believe a better solution for sheltered housing would be to continue to pay housing costs through the benefit system. We urge the government to explore other options for this sector."*

Terrie Alafat, Chief Executive of the Chartered Institute of Housing said that the announcement provided reassurance, concern and uncertainty and that the lack of long term certainty will be damaging as follows:

*"The government's long-awaited announcement on supported housing offers welcome reassurance for some but leaves significant concern and uncertainty for others. Exempting young people under 35 in supported housing from the shared accommodation rate is extremely welcome news for the significant number of vulnerable young people who were at serious risk of losing the housing support they need. But for many other vulnerable people, and the organisations which provide vital accommodation for them, the uncertainty remains."*

*"In the same way delaying implementation of the new system until 2019 provides welcome time to develop arrangements, but at the same time increases the period of uncertainty."*

*"Moving from the current entitlement-based funding model to a cash limited pot agreed on a periodic basis inevitably means a shorter-term funding environment making it harder for supported housing providers to commit to long-term investment. This uncertainty could be a serious barrier to providing the housing with support that people so desperately need."*

*"It is good that the Government has recognised the importance of supported housing by announcing a ring-fenced funding pot for local authorities, although it does create the risk of patch work of different local authority funding models for individuals and providers to navigate. And we need clarity on what projections the funding will be based on to be sure it will meet the demand."*

*"Our research has shown that LHA rates will not cover social housing rents in many areas. It is clear the funding pot will need to be substantial to fund the service charges in supported housing. The announcement that the rent reduction will apply to supported housing providers adds another element of challenge to an already difficult situation."*

The Chartered Institute of Housing has also raised the following specific points:

- Exempting people under 35 in supported housing from the shared accommodation rate is extremely welcome news for the significant number of vulnerable young people who were at serious risk of losing the housing support they need.
- Moving from the current entitlement based funding model for the full cost to a cash limited pot for the funding over and above LHA levels, agreed on a periodic basis inevitably means a shorter-term funding environment, which will make it harder for supported housing providers to commit to long-term investments. This uncertainty could be a serious barrier to providing the housing with support that people so desperately need.
- Delaying implementation of the new system until 2019 provides welcome time to develop arrangements, but will also increase the period of uncertainty for providers.
- It is good that the government has recognised the importance of supported housing by announcing that top-up funding will be ring-fenced, although it does create the risk that providers will have to navigate a 'patch work' of different local authority funding models, and there will be concerns over how long that ring fence will remain.



- We still need clarity on what projections the top-up funding will be based on to be sure it will meet the demand. The funding pot will need to be substantial to fund the service charges in supported housing.
- The announcement that the one per cent rent reduction will apply to supported housing providers adds another element of challenge to an already difficult situation.

Howard Sinclair, chief executive of homelessness charity St Mungo's, said:

*"We have been exceptionally worried about the future of supported housing services since the Government announced plans last year to reduce rents and cap housing benefit for tenants. It is good news the government has listened carefully and will not impose the LHA cap on supported housing tenants before the new funding regime is introduced. This takes a lot of the pressure off providers and helps to ensure vulnerable tenants continue to receive enough housing benefit to cover the costs of their specialist accommodation."*

*"However, the Government's decision to push ahead with a reduction in rents for three years from April 2017 remains a serious concern. When we take into account the rental income we had anticipated over the three-year period, this measure will cost St Mungo's over £3 million. The rent reduction will threaten the financial viability of some of our hostels and other supported housing schemes and offers no direct benefit to vulnerable tenants who mostly rely on housing benefit to cover their housing costs."*

*"We urge ministers to honour their commitments to ensure the sustainability of supported housing provision and protect services for vulnerable individuals by taking the rent reduction off the table. There should be no rent cuts imposed for supported housing services in the run up to the new funding regime."*

*"The government has confirmed the new funding regime will be introduced in 2019/20. There are many challenges facing supported housing, including cuts to local authority budgets. Equally, Universal Credit will bring about a big change in the way the government supports vulnerable people to meet their housing costs."*

*"Therefore, we welcome the opportunity to contribute to the consultation on the new funding regime as there is a lot riding on getting the detail right."*

Dan Scorer, Head of Policy at Mencap, said:

*"Today's announcement is at odds with what the sector has been repeatedly calling for, and risks undermining disabled people's right to have a choice over where they call home. While we welcome the further exemption of supported housing from the LHA cap until 2019/20, it was widely expected the government would today secure a sustainable future for the sector. Instead the proposal risks adding to a growing housing crisis for people with a learning disability."*

In a joint statement, Jane Ashcroft, Chief Executive of Anchor, Bruce Moore, Chief Executive of Housing & Care 21 and Dame Clare Tickell, Chief Executive of Hanover, said:

*"It's extremely disappointing that older people's housing is not mentioned explicitly at all in the ministerial statement, which simply extends the uncertainty for a further year. Vulnerable older people benefit from sheltered housing in terms of improving their lives and saving money for the NHS and this continued uncertainty is hugely unhelpful for older people and providers."*

Denise Hatton, Chief Executive of YMCA England, the National Council of YMCAs across England and Wales, said:

*“YMCA welcomes today’s Government announcement and the consultation process that is about to get underway. As the largest voluntary sector provider of supported housing for young people, it would be difficult for YMCA to over-emphasise how important this issue is for the long-term survival and sustainability of the sector.*

*“Supported housing providers have been in a state of uncertainty since the initial announcement was made in last year’s Autumn Statement and it is, therefore, positive to see greater clarity going forward.*

*“YMCA will be formally responding to the consultation but it particularly welcomes the commitments set out to protect levels of spending for supported housing and to fix rent levels to the one-bed Local Housing Allowance rate rather than the Shared Accommodation Rate.*

*“YMCA also welcomes the announcement that Government will ring fence the budgets being devolved to local authorities. We will be looking to work further with Government on any new arrangement to ensure the money ultimately ends up supporting young people to have a safe and secure place to live.”*

### **Implications for Scotland**

The fact that the Department for Work & Pensions will keep the Local Housing Allowance cap for supported accommodation but will pass funds to the devolved administrations to make up the resulting shortfalls has caused concern in Scotland. This is because it is seen as making the Scottish Parliament de facto responsible for dealing with the issue and the impact, in what some have described as a re-run of the ‘bedroom tax’ implementation north of the border.

Angela Constance, Cabinet Secretary for Communities, Social Security and Equalities in the Scottish Government, said:

*“I am delighted that the UK government has finally listened to the concerns of Scottish Women’s Aid and many others, who have campaigned tirelessly to highlight this issue. Continuing with this policy would have reduced the funding available to crucial services including hospices, sheltered accommodation and women’s refuges, putting them at risk. It will be a huge relief to those organisations that the funding will continue at current levels.*

*“However, it has been absolutely ridiculous that there has been so much worry and distress caused to people across Scotland, and the rest of the UK, while the UK Government has dithered over making a decision – since the policy was first announced there has been a virtual freeze on investment in this vitally important area.*

*“We will now work with our partners in the sector to ensure the funding devolved to Scotland is used wisely and provides maximum support for those who need it most. From 2019 the resources for supported accommodation will transfer to the Scottish Government. When we have further detail, we will work with our partners to ensure that supported accommodation in Scotland is put on a secure and sustainable footing for the long term.”*

Mary Taylor, Chief Executive of the Scottish Federation of Housing Associations, said:

*“The Department for Work and Pensions announcement merits a cautious welcome as it gives us all more time to work out exactly how we are going to prevent costs of between £4.3m and £5.6m a year hitting vulnerable supported accommodation tenants in Scotland – and by default their social landlords. Unfortunately, it does not address our concerns about how single people under 35 who are not in supported accommodation but who are still ‘at-risk’ will cope with imminent reductions in their social security payments*

*“The Department for Work & Pensions’ intention to hand over supported accommodation funds to Holyrood means it is more important than ever that the Scottish Government sets out its initial position in relation to this critical issue especially given the its ambitious target to build 50,000 more affordable homes, some of which will have to be for supported accommodation.”*

*“If housing associations don’t know whether the social security system in Scotland will protect vulnerable people properly – that is, by paying their rent – and won’t really know one way or the other for another three years, they are unlikely to take on the significant financial risks of building and developing more supported accommodation. Delaying the introduction of the policy until 2019 does not address this issue. Building houses is quite obviously a long term process with extensive lead in times that cannot simply be frozen and unfrozen at will.*

*“Until there is complete clarity on these points from both the UK and Scottish Governments the long term future of supported accommodation in Scotland will remain in suspended animation.”*

### **Implications for Wales**

The 1% a year rent cut does not apply to Wales. Wales also has an advantage over England in the new funding regime that will follow. Introduction of the local housing allowance cap will be deferred until 2019/20. After that, funding will be devolved to Wales to top up payments to providers to reflect the extra costs of providing supported housing over general needs.

Wales has retained its Supporting People programme and should be able to use local arrangements that are already in place to administer the new scheme

However, concerns have been expressed. The written statement says that the new funding regime will ensure that ‘the sector continues to be funded at current levels, taking into account the effect of Government policy on social sector rents’. That form of words sounds like there is no guarantee that funding will increase with inflation and could even fall in line with social rents in England. This raises doubts about whether Wales will get enough money to make up the shortfall and whether the Welsh Government will be able to hold the line on rents.

Stuart Ropke, Chief Executive of Community Housing Cymru, said:

*“On the face of it, this is good news. It wasn’t a funding cut, it is just a different funding mechanism to deliver the support needed for vulnerable people. However, we now need assurances that the top-up for devolved funding will be sufficient, provide flexibility in the long-term and that protections are in place to ensure that the money reaches the right people in Wales.”*

*“Long term funding certainty will ensure existing schemes can remain open and new schemes can progress. We will work closely with Welsh Government on the details of the devolved scheme to get the best outcome for those who require supported housing across Wales.”*

**AWICS Ltd., PO Box 17, Appleby in Westmorland, Cumbria. CA16 6YL. Tel: 017683-51498.  
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Paul Langley, Head of Business Development at Community Housing Cymru, said:

*“57% of people living in supported housing in Wales will be impacted by this policy and we worked closely with our members to communicate our concerns. Without the exemption, the cap would have jeopardised many tenancies and halted the development of future supported housing schemes in Wales.”*

## **The Consultation**

The government's consultation paper is expected to be issued shortly and to include:

- Projections of future need.
- A mechanism for funding the development of new supported housing.
- A mechanism for ensuring that top-up funding continues to be spent on developing / providing supported housing.
- The level of funding required to enable local authorities to administer the new arrangements.
- Options to reform the regulation of supported housing and how to ensure that this is both effective and proportionate.

The government has also committed itself to looking specifically at protections for refuges and other short-term accommodation as it is possible that a different funding mechanism will be required for these schemes. It has already been said by Theresa May, the Prime Minister, that domestic violence refuges will be exempt from the local housing allowance limit.

## **Conclusions**

The government's announcement confirms that the rent reductions in England will apply to most supported housing and that housing benefit and the housing element of universal credit will be capped at local housing allowance rates. However, there will be some exceptions and a new funding regime for housing support, the details of which have yet to be announced.

There are also detailed questions that remain to be answered including 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?

This approach is not unexpected but 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?

In view of all this it is not clear whether providers will be able to commit to new projects or to investment in existing projects.



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.

I find it surprising that we find ourselves in this situation. The government is obviously trying to get more effective control over the welfare budget and to reduce public expenditure. However, there are a large number of people who are vulnerable and who need support and whose numbers are certain to increase. Leaving aside the desirability of vulnerable people being supported in supported housing it appears to me that this option also offers greater value for money than any of the alternatives. The government's evolving policy has created uncertainty and has deterred providers from investing in either new or existing supported housing.

I was recently speaking to the Leader of a County Council who told me that none of the housing providers in his area were prepared to provide any additional extra care housing in the current financial climate at a time when the Council was unable to continue to fund its residential care homes and need was increasing. I also recently prepared a business plan for a housing association in London. Among the sensitivities that I tested was the effect of the capping of housing benefit and the level of the local housing allowance. This would render their business plan unviable.

In my view the government needs to provide a way to provide adequate and certain funding for supported housing and to do this as soon as possible.

**Adrian Waite**  
**September 2016**

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## **Developments in Local Authority Housing Finance**

We are holding seminars on 'Developments in Local Authority Housing Finance in England' in London and Leeds during October 2016. This seminar looks in depth at current developments in local authority housing finance in England – especially the implications of the policies of the new government, the implementation of the Housing & Planning Act 2016, the vote for Britain to leave the European Union, the public finances, welfare reform, rent reductions, sale of high value properties to fund the extension of 'right to buy' to housing associations, 'pay to stay' and new development. If you want to be up to date with the world of local authority housing finance, this is the seminar for you!

### **The seminar will address the following questions:**

What is the Political, Economic, Social and Technical Context?

What are the implications for local authority housing finance of the government's policies on housing and welfare?

How will the Housing & Planning Act be implemented?

How can councils develop effective self-financed business plans and invest in existing and new housing including regeneration?

**AWICS Ltd., PO Box 17, Appleby in Westmorland, Cumbria. CA16 6YL. Tel: 017683-51498.  
Mobile: 07502-142658. Twitter @AdrianWaite. E-Mail: [adrian.waite@awics.co.uk](mailto:adrian.waite@awics.co.uk). Web: [www.awics.co.uk](http://www.awics.co.uk)**

**Managing Director: Adrian Waite MA CPFA CIHM FInstLM  
Registered office: c/o Butterworths Solicitors, 3 Walker Terrace, Gateshead, Tyne & Wear, NE8 1EB.  
Company Number: 3713554. VAT Registration Number: 721 9669 13.**

### **Who should attend?**

All those with an interest in developments in local authority housing finance in England, including Managers in Local Authorities and Arm's Length Management Organisations, Elected Members, ALMO Board Members, Housing Accountants and Tenant Representatives. The session will assume a basic knowledge of local authority housing finance but will not assume that delegates are experts.

The session is accompanied by a very useful book entitled: **“Developments in Local Authority Housing Finance in England 2016”**

### **Venues and Dates:**

**London:** Novotel Hotel, Waterloo – Tuesday 4th October 2016

**North:** Novotel Hotel, Leeds – Tuesday 11th October 2016

For further information or to make a booking please click here:  
<http://www.awics.co.uk/devts16.asp>

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## **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](http://www.awics.co.uk) or contact Adrian Waite at [Adrian.waite@awics.co.uk](mailto:Adrian.waite@awics.co.uk).

Services that we offer include:

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- Interim Management – <http://www.awics.co.uk/interimmanagement.asp>
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