**Future of supported housing**

**Source:** <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/867/86708.htm>

Summary

More than 700,000 people in the UK benefit from the support and supervision provided within the supported housing sector. The vast majority of provision is sheltered accommodation for older people, but this sector also includes housing for people with learning and physical disabilities, individuals at risk of homelessness, refuges for women and children at risk of domestic violence, and many other client groups. During our inquiry, we heard directly from supported housing residents, who told us how much they valued the independence and improved quality of life afforded to them by this provision.

In September 2016, the Government announced proposals for a new funding model for supported housing, which would operate from April 2019. Under the new model, core rent and service charges would be funded through Housing Benefit or Universal Credit up to the level of the applicable Local Housing Allowance (LHA) rate. For costs above the LHA rate, the Government would devolve ring-fenced top-up funding for disbursement by local authorities.

The supported housing proposals sit within the remit of both the Communities and Local Government Committee and the Work and Pensions Committee. In order to respond to the Government’s proposals, we launched a joint inquiry to scrutinise the Government’s funding proposals and recommend how they might be improved.

We support the Government in seeking to find a long-term, sustainable funding mechanism that ensures quality, provides value for money, and which protects and boosts the supply of supported housing. But we share the concerns expressed across the sector that the funding proposals, as they stand, are unlikely to achieve these objectives. In particular, we frequently heard that the LHA rate was an inappropriate starting point for a new funding mechanism for supported housing.

Although recommendations for alternative structures are less forthcoming, we propose the Government introduces a Supported Housing Allowance, banded to reflect the diversity of provision in the sector and sufficient to ensure supported housing tenants will only require recourse to top-up funding in exceptional circumstances. We further recommend that emergency accommodation is funded through a locally administered grant system, while refuges—which operate as a national network—should have a separate funding mechanism that reflects their unique role.

Our recommendations seek to complement the Government’s proposals, and to enable delivery of our common goal of a sustainable, long-term funding solution for supported housing that boosts the provision of high quality homes, while providing greater local control over spending and value for money.

Conclusions and recommendations

[**Value and Quality**](https://www.publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/867/86705.htm)

1.Most supported housing is exceptionally good value for money, providing significant cost savings for the wider public sector, while maximising quality of life for tenants. However, while the majority of this provision is of a very high standard, some tenants told us there were schemes of a disappointingly poor quality. This can have especially damaging consequences for the most vulnerable tenants. There is currently limited oversight of the quality of provision in some areas, especially in England, and the Government is right to focus on this issue in its funding proposals. We agree with the Minister for Welfare Delivery that the oversight arrangements in Scotland are better than they are in England, and believe lessons can be learned from the Scottish system to make the system of oversight in England simpler and more robust. (#31)

2.*The Government should establish a set of national standards to enable monitoring of the quality of provision in all supported housing in England and Wales. These should have a specific emphasis on improving the quality of life that tenants experience in supported housing. All providers should be registered with their local authority, whether or not their services have been commissioned locally. Local authorities should undertake annual inspections of all supported housing schemes in their area to ensure a minimum standard of provision.* (#32)

3.*Tenants must be able to make complaints about the quality of the service they are receiving without fear of the consequences. However, current redress mechanisms in England are unsatisfactory and require a thorough review by the Government. The Government should ensure tenants are appropriately and adequately supported in seeking redress where the quality of the service they receive is inadequate.* (#33)

[**Government’s funding proposals**](https://www.publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/867/86706.htm)

4.We agree with the Government that it is necessary to find a long-term, sustainable funding mechanism that ensures quality, provides value for money, and which protects and boosts the supply of supported housing. However, we are concerned the Government’s funding proposals, as they stand, are unlikely to achieve these objectives. (#38)

5.The Local Housing Allowance (LHA) rate is an inappropriate starting point for a new funding mechanism for supported housing. The LHA rate is a measure for general needs housing in the private rented sector and bears no necessary relationship to the cost of providing supported housing. The Government proposed its new funding model on the basis that there was a correlation between the LHA rate and the cost of providing supported housing in different areas. However, the evidence we have received strongly suggests there is no such correlation. For many providers, especially those who own their properties outright, the cost of provision is remarkably consistent across the country. The Government’s proposals mean some areas will have a far greater reliance on a local top-up than others, which could create a disparity in the supply of homes and services offered in different parts of the country (#46)

6.We are concerned the Government does not seem to be aware of the impact its funding proposals are already having on the supported housing sector. The evidence we received is clear that some providers are reconsidering their investment plans in light of concerns around the long-term reliability of funding, with many others fearing they will be forced to reduce existing levels of provision. It is a further indication that the Government is not meeting its stated objectives, in this case to protect and boost the supply of supported housing. On the contrary, current shortfalls in provision are expected to become substantially worse over the next decade without immediate Government intervention. (#52)

7.*It is essential that the Government’s funding proposals do not threaten the future supply of supported housing. The Government should undertake an assessment of the final funding proposal to assess its impact on the future provision of supported housing. This information should be provided to the successor Work and Pensions Committee and Communities and Local Government Committee in the new Parliament.* (#53)

8.Stakeholders in the supported housing sector identified clear principles they thought should underpin a new funding mechanism. It should:

* Reflect the actual cost of provision, which is largely consistent across the country;
* Incentivise investment in all regions equally, not only the highest-value areas;
* Be sophisticated enough to reflect the diversity of provision in the sector, recognising that costs vary substantially and a funding mechanism that works well for older people might not be appropriate for those with more complex needs;
* Not introduce uncertainty into the long-term housing arrangements of vulnerable people.

With these principles in mind, we propose an alternative basis for the Government’s new funding mechanism for supported housing. (#60)

9.*The Government should introduce a Supported Housing Allowance, with a system of bandings for different types of provision and a cap within each band. The Supported Housing Allowance would be calculated according to a formula made up of two elements: a fixed amount that reflects the cost of provision, which is consistent between geographical areas; and a smaller, variable amount that reflects differences in land values in each area. The Government should work with the sector to identify bandings that adequately reflect the diversity of provision and variation in costs in the sector.* (#61)

10.*The Supported Housing Allowance should be sufficient to ensure supported housing tenants only require recourse to locally-administered top-up funding in exceptional circumstances. To meet the Government’s objective for greater oversight of quality and value for money in the sector, tenants should only be eligible for the Supported Housing Allowance if they live in accommodation registered for regular inspection by their local authority.* (#62)

11.*A capital grant scheme should be introduced for new supported housing developments. This would mean that, even when the cost of land varied between high and low value areas, core rent and service charges for new accommodation would remain largely consistent with existing supported housing stock. Reducing the cost differences between old and new supported housing would simplify the funding mechanism, permitting greater oversight of costs and value for money, while reducing risk for providers and encouraging additional investment in the sector.* The provision of public land for new supported housing, as highlighted by West Kent Housing Association (#44), is a form of capital grant scheme that could benefit the sector. (#63)

12.A Supported Housing Allowance would refocus the funding mechanism towards the actual costs of providing supported housing, as opposed to where it is being provided. It would better reflect the fact that the cost of provision is broadly similar in different areas, reducing the large disparities that exist in the LHA rate and limiting disincentives for providers to focus new provision in areas where the LHA rate is highest. We believe a Supported Housing Allowance could be achieved at no additional cost to the Government. (#64)

13.We are aware of the lack of enthusiasm from local authorities for a ring fence that is insufficiently flexible to allow them to be innovative and respond appropriately to demand. However, providers were clear that the ring-fence must be sufficiently robust to provide reassurance to investors and protect traditionally less well served client groups. Governments are unable to bind their successors and it is therefore difficult to provide a truly long-term guarantee for any ring-fence—an inherent consequence of the ring-fence based funding mechanism proposed by the Government—but it is important to investors that certainty is provided for as long as possible. (#72)

14.*The Government should guarantee the ring-fence around local authority top-up funding for supported housing for the duration of the next Parliament, and provide a clear indication of its desire for the fund to remain in the long-term. The Government should review existing guidance and statutory duties to ensure they are comprehensive enough to ensure no vulnerable groups are left behind under the new funding mechanism.* (#73)

15.It is vitally important local authorities are given the time and resources to collate the information they need to accurately estimate current and future allocations of top-up funding for supported housing. The dangers of miscalculating requirements or having inconsistent approaches to data collection are severe and would put vulnerable people at risk, as well as leading to higher costs for the wider public sector. (#79)

16.*The Government should ensure local authorities have sufficient guidance, time and resources to collect the necessary data for the review of current and future need in their areas, even if this requires retaining the current arrangements for a longer period of time. Central funding of the top-up should be guaranteed for at least the duration of the next Parliament, to provide greater certainty to local authorities’ funding cycles and long-term commissioning plans. Funding levels should be kept under regular review to ensure the top-up fund keeps pace with increases in the cost of provision and changes in local demand for different services.* (#80)

17.Local authorities are confident they will be able to administer the new top-up funding, if they are given sufficient additional funding to carry out the new commissioning and oversight responsibilities. The Government will also need to carefully consider how funding and administrative responsibilities should be allocated within two-tier authority areas, given the existing division of responsibilities for administering housing benefit and commissioning health and social care services. *The Government should consult with local authorities to ensure they have the resources they need to administer the top-up funding. This should be separate from, and in addition to, the funding provided for disbursement to tenants in supported housing.* (#85)

18.*There is a strong case for piloting the new funding model prior to a phased implementation. The Government has proposed significant changes to the way in which supported housing is funded, which will require considerable adjustment by both providers and local authorities. The Government must prioritise ensuring its new model works, protecting vulnerable residents, over and above meeting any self-imposed delivery deadlines.* (#89)

[**Short-term supported housing**](https://www.publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/867/86707.htm)

19.The Government is right to consider an alternative funding mechanism for very short-term accommodation, given the emergency nature of that provision and the inability of Universal Credit to reflect short-term changes in circumstance. *The Government should consider a system of grants paid to local authorities so they are able to commission emergency accommodation in their areas. Local authorities should pay providers directly, so services are available when they are needed.* (#97)

20.*Refuges for women and children have unique challenges within the supported housing sector. This should be reflected in a distinct model of funding, separate to the arrangements for other forms of supported housing. In particular, it is essential that refuges are able to operate as a national network, unrestrained by admission restrictions imposed by individual local authorities and with appropriate coverage across the country. The Government should work with Women’s Aid and refuge providers to devise a separate funding mechanism for this sector, likely to require a nationwide plan for the provision of refuges, facilitated through Government grants to local authorities. The Government should reconfirm its target that “no victim is turned away from accessing critical support services delivered by refuges” by 2020.* (#105)

21.Many supported housing residents are unlikely to be looking for work. However, a significant number of supported housing residents are of working age and keen to find employment. It is important, therefore, that the benefits system does not create barriers or disincentives to finding work for people who wish to do so. While the legacy system of Job Seekers Allowance and Housing Benefit—with its cliff edges, hours rules, and earnings limits—may have acted as a barrier to work for people in supported housing, especially those looking for part-time work, Universal Credit has largely removed many of the main disincentives. *The Government should ensure providers are aware that supported housing tenants claiming Universal Credit will not be worse off if they seek employment. On the contrary, a job should be seen as an important milestone towards independence and self-sufficiency.* (#113)

22.It is important that people are able to leave supported housing when they are ready to do so, for their own independence and to free up valuable space for other vulnerable people. Lack of appropriate general needs accommodation and of funding to give people a necessary level of support in their own homes are key barriers to helping people move on. For younger people, benefits restrictions further limit their choices as they look to leave supported housing. (#118)

23.*The Government should ensure the benefits system does not discourage people from leaving supported housing when they are ready to do so. Benefits restrictions that may be justified in the private rented sector should not be applied to those looking to leave supported housing. The Government should therefore extend the exemption from the Shared Accommodation Rate to younger tenants wishing to leave supported housing. We also recommend that 18 to 21 year olds leaving supported housing be eligible for Housing Benefit, unless in the view of the supported housing provider, it is appropriate for them to return home. This would give them a greater choice of appropriate accommodation and encourage them to move out of supported housing more quickly when they are ready, freeing up valuable housing for other vulnerable people. We further recommend that, in response to this report, the Government clearly set out how 18 to 21 year olds leaving supported housing will be assessed for eligibility for Housing Benefit against existing exemptions.* (#119)

[**Conclusion**](https://www.publications.parliament.uk/pa/cm201617/cmselect/cmcomloc/867/86708.htm)

24.Our recommendations seek to improve the Government’s proposals, and make sure it is able to deliver on its ambition to create a sustainable, long-term funding solution for supported housing that boosts the provision of high quality homes, while providing a better life for tenants. (#122)