



# The YOU Trust's Response to the Joint Inquiry

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## Executive summary

- The current LHA Cap proposal is the most serious threat to the supported housing sector in its history. This could potentially result in the demise of supported housing, and should not be underestimated.
- There is already a shortage of supported housing. YOU has seen a stall in the development of support housing stock and organisations are completely exiting the market. With rising homelessness, an increase in client vulnerabilities and an aging population there is growing demand and increasing need.
- At present supported housing providers can clearly demonstrate the added value they give to Government, statutory services and tax payers<sup>1</sup>.
- We work within a highly regulated sector, both from a housing and support perspective, that already gives individuals various protections. Partnership working with stakeholders has always been at the heart of this.
- Reasonable full cost recovery for housing costs associated with supported housing is not an unreasonable expectation for individuals, who are the most vulnerable in society.
- Housing costs should be paid to individuals via the mainstream benefit system.
- The 1% rent cut will represent a loss of income of £194m for supported housing.<sup>2</sup> This cannot be achieved without putting tenant's accommodation and organisations at risk and should be permanently reversed.
- If supported housing is to be protected a guarantee of a ring-fence around this budget is a minimum requirement.
- The current LHA cap and 'top up' proposal has been created in the absence of a government equality impact assessment. Groups that are already disadvantaged could be even more so. It will undermine years of positive delivery and will impact the current situation by making it worse.
- An enhanced 'Supported & Sheltered LHA Rate' described in The YOU Trusts submission outlines a credible approach to the government as an alternative.

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<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/572454/rr927-supported-accommodation-review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/572454/rr927-supported-accommodation-review.pdf) pg. 32

<sup>2</sup> [http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/NHF\\_response\\_to\\_the\\_DWP-CLG\\_select\\_committee\\_inquiry\\_-\\_18.1.17\\_FINAL.pdf](http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/NHF_response_to_the_DWP-CLG_select_committee_inquiry_-_18.1.17_FINAL.pdf)

## Further information

Before YOU formally respond we would like to add some information that may be considered outside of the scope of the inquiry, but has direct consequences on the issues that are being considered.

### LHA Cap

The biggest issue is the basis of the original decision to use Local Housing Allowance (LHA) as a methodology to apply to the rents in supported housing.

YOU believes that this methodology is inappropriate and will not achieve the desired outcomes. There is no evidence of an Equality Impact Assessment (EIA) to support the thinking behind this decision, throwing into question its credibility.

David Orr the Chief Executive of the National Housing Federation has stated the following<sup>3</sup>:

***“The fundamental flaw at the centre of all this is the use of the LHA as the basis for determining eligibility for universal credit payments for rent.***

***The LHA is a reflection of the cost of renting a home in the private rented sector. It bears no relationship to the cost of providing specialist supported housing. It is not a competent starting point. It will create a bureaucratic nightmare with no benefit to users, providers, or, crucially, to the taxpayer who will be funding all this”.***

YOU agrees with this statement and urges the Government to listen to the sector and consider an alternative starting point before long-term damage happens.

### Protection and Ring-fence

YOU welcomes the Government’s commitment to protecting supported housing, however, Local Authorities have made no such commitment once the rent has been devolved. A clear national framework and statutory duties for Local Authorities’ around prevention will become critical to prevent long-term damage to the sector and the detrimental impact this will have on the lives of the most vulnerable individuals in society.

In recent years, we have experienced Local Authorities making financial decisions (rather than strategic) around the provision of care and support services that are commissioned into supported housing. In many cases this has resulted in cuts to services, despite evidence demonstrating the savings gained by delivering a preventative approach.

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<sup>3</sup> <http://www.housing.org.uk/blog/it-is-vital-we-find-a-sustainable-funding-mechanism-for-supported-housing/>

This is as a direct result of the removal of the ring-fence of the Supporting People Grant. To repeat this with rental income, removing security for thousands of vulnerable individuals, would be entirely counterproductive.

If supported housing is to be genuinely protected a guarantee of a ring-fence around this budget in perpetuity is a minimum requirement.

## Language and Definitions

Supported housing is frequently perceived as being complicated because the language and definitions used are not consistent.

The term '**supported housing**' is a wide definition that includes Sheltered, Extra Care (of which there are different types) and supported housing (again there are sub headings here too e.g. short term accommodation, refuges, alms houses etc.).

This is not a single market and the belief that one decision can produce a total solution for supported housing is unrealistic.

'**Commissioning**' generally refers to the commissioning of care or support services and does not generally include the development of properties to provide commissioned services into. These services are funded from Adult/Children's Social Care budgets and oversight on performance is gained via Local Authorities/Care Quality Commission.

'**Funding**' is synonymous with rent. Care and Support costs should not be included in *rent*. Some registered providers have taken the decision to maximise their rental income by working with consultants, who will also appeal to the Local Authority in the event that charges are challenged. Care and Support costs should be funded via Local Authority Adult Social Care budgets and other sources such as Health.

The term '**top up**' dilutes the meaning of what this actually is e.g. it is *housing costs* or *rent* and that is what it should be spent on. There is a real risk that rent will leak into other areas that are not housing costs, which puts accommodation at risk.

We need to get language right and agree the definitions to ensure that we are talking about the same thing during the decision making process.

Other issues to consider include:

- Will the top up increase annually?
- How will the top up deal with new provision?
- If LHA rates change, will the top up change?

## Response to the joint inquiry

### ● Short-term Services

Universal Credit does not look like a suitable way to fund housing costs for short-term services due to its payment cycle. Providers of these services should be funded directly, returning any underutilisation periodically. This would give security for the accommodation provision and for the commissioned services.

### ● Ring-fence

Our preference is that the 'funding pot' is described as "housing costs" to ensure there is clarity around what it is to be used for. This funding should only be used for housing costs. 'Supported Housing' is not definitive enough.

There needs to be accountability around the expenditure of the pot. Accommodation and services to be tracked and reported to evidence the social and financial impact.

The important issue will be to ensure that the ring-fence is in place in perpetuity. Without this, developers and the sector will not have the confidence to invest.

### ● Local Allocations

Government has committed to fund the sector at the same level it would have otherwise been in 2019/20, taking into account the effect of the Government policy on social sector rents<sup>4</sup>.

This is a critical issue. At present the figure of £4.12bn is unreliable and was based on a survey of Local Authority Housing Benefit departments and Commissioners with an overall response rate of 48%<sup>5</sup>.

Mapping of supply needs to happen to ensure that the size of the national housing pot matches current provision to secure existing accommodation and services.

Local Authorities, Clinical Commissioning Groups, Health & Wellbeing Boards, and Criminal Justice etc. need to work in a more efficient way using existing structures to ensure future supply meets need.

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<sup>4</sup> <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-11-21/HCWS273/>

<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/572454/rr927-supported-accommodation-review.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/572454/rr927-supported-accommodation-review.pdf) see p. 32

There is a range of information available such as the Joint Strategic Needs Assessment (JSNA)<sup>6</sup>. An evidence based, strategic decision-making process will be needed rather than being financially driven.

### ● **Effects of uncertainty**

There is currently a shortage of over 15,000 units of supported housing. This is set to double by 2019-20.<sup>7</sup> As noted above, uncertainty around rental income will have a negative effect on development. Development has already stalled and pipeline developments have in many cases been scrapped.

A Registered Provider in Hampshire has handed back its allocation of £2,184,000 for a 52 unit care home in Gosport under round 2 of the Care & Support Specialised Housing Fund (CSSHF)<sup>8</sup>. It was returned due to the uncertainty of rental income and the LHA proposal for supported housing.

The new funding model increases risks around development as reliable rental income (LHA level) is in many cases lower than current gross rent levels. This means that at a minimum, capacity to borrow to develop will be reduced.

Uncertainty around rental income will potentially increase the risk of existing properties. This may raise viability issues for some providers with current borrowing based on existing levels of income. In addition, this could also cause concern around the existing supported housing provision, with Registered Providers making the decision to no longer offer up their stock as supported housing and purely revert this back to general needs accommodation.

### ● **Should the new system be piloted?**

The impact of failure to individuals and the wider society on this issue is huge. There is no government Equality Impact Assessment available. The YOU Trust recommends that the new system be piloted.

The pilot would be best focused in areas where housing costs are significantly higher than LHA rates along with a range of high and low LHA rates across the country.

The new system needs to be designed to work in parallel with Universal Credit for working age claimants, it would be prudent to remove pensioners from this proposal to minimise the number of claimants and simplify the pilot.

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<sup>6</sup> <http://content.digital.nhs.uk/jsna>

<sup>7</sup> *Supported Housing, Understanding need and supply*, National Housing Federation, 2015, [http://www.housing.org.uk/resource-library/browse/supported\\_housing\\_understanding\\_need\\_and\\_supply/](http://www.housing.org.uk/resource-library/browse/supported_housing_understanding_need_and_supply/)

<sup>8</sup> <https://www.gov.uk/government/publications/caring-for-our-future-reforming-care-and-support>

## ● **Whether the new system will resolve the shortfall**

As stated, without certainty of income, development will stop or stall having long-term consequences. It is very unlikely that the shortfall in supported housing will be resolved with this approach.

## ● **Varied rate of LHA Cap**

Variable rates of LHA will affect tenants/clients and providers in low rate LHA areas (or any location where the top up does not achieve full cost recovery for housing costs) for a variety of reasons:

1. Tenants/clients, who rely solely on benefits, may have to pay disproportionately more for their housing costs simply because of their geographical location and nature of the service group which would disproportionately discriminate against certain client groups e.g. young people; raising issues around affordability and rent arrears.
2. Tenants/clients, who work and rely partially on benefits, may have to pay disproportionately more for their housing costs simply because of their geographical location. Raising issues around risk of employment, affordability and rent arrears.
3. The Local Authority may not consider an individual/property to be eligible for the top up, placing current accommodation at risk if full cost recovery is not met.
4. Service Charges that are a legal requirement to provide such as health & safety, fire and gas servicing etc. are usually subject to annual increases. This is regardless of the best efforts to gain value for money.
5. Costs are broadly the same nationally. Future gross rental income will vary greatly, simply due to variations in LHA rates (despite similar operating costs) that will make securing existing provision very challenging.
6. Some costs such as utilities and Council Tax are hard to control. These are often paid directly by organisations and recovered via Service Charges and these may not be fully covered by the 'top up' year on year.
7. New development may gravitate towards geographical areas that have higher levels of LHA as the gap between gross rents and LHA are likely to be smaller and therefore less risky.

8. New development will most likely be dissuaded in areas with lower LHA as the reliance on the 'top up' will be greater and will hold more risk with affordability becoming an issue. This will be negative for areas of high need and low LHA.
9. New development may also be focused in areas purely based on the higher levels of LHA, regardless of local need. This could reduce Local Authorities commissioning abilities as the LHA would be paid on a statutory basis and the development may occur anyway.

### ● Alternative to the LHA Cap

The most sensible alternative is to continue paying full (reasonable and eligible) housing costs via the mainstream benefit system e.g. Housing Benefit (HB)/Universal Credit (UC). Existing Housing Benefit regulations already outline what is eligible/ineligible and could be better enforced to ensure gross rents and service charges are reasonable. This would give Government better control on costs.

All existing properties that are defined as 'exempt/specified' or 'sheltered/extra care' could become an 'Accredited supported property' into the existing UC framework. This would reduce the perceived complexity of supported housing by defining properties only and would enable substantial savings by utilising an established framework. This offer would include an ongoing review to further hone the eligible properties.

Government has recognised that there are additional costs associated with the running of supported housing. Therefore, rather than implementing a broad brush LHA Cap (that ranges from £69.73 to £260.64), a new 'Supported & Sheltered Housing LHA rate' could be created? Relatively minor increases in low LHA areas could make a very big difference to reducing the gap between gross rents.

This would mean that 'Accredited supported properties' would receive the 'Supported & Sheltered Housing LHA rate' at the point of a claim for housing costs via UC. This would ensure that legitimate housing costs are paid directly and are automatically protected along with tenants/clients accommodation. This would remove administrative burdens for Local Authorities.

Therefore, when a UC application is made the 'Accredited supported property' address would show up on the computer screen of a Universal Credit administrator anywhere in the country. It would be apparent that this application is for supported housing therefore the 'Supported & Sheltered Housing LHA rate' box is ticked on the screen triggering the enhanced payment. This would utilise an existing system at very little cost, requiring no additional specialised knowledge.



This would have the same effect as the cap whilst funding eligible housing costs, giving Government the control of the HB/UC budget with minimal setup costs and ongoing input. In addition, it would give the supported sector the confidence and want to invest and develop additional supported properties with rental income once again being predictable and stable. This would give Government, tenants/clients, landlords/providers the necessary safeguards into the future.

### ● **What steps should be taken to mitigate the effects of the 1% rent cut**

It has been estimated that the 1% rent cut will represent a loss of income of £194m for supported housing.<sup>9</sup> This cannot be achieved without putting tenant's/client's accommodation and organisations at risk.

It is urged that the Government to reverse the implementation of the rent reduction permanently for the entire supported housing sector.

### ● **Whether housing benefit acts as a disincentive to work**

For YOU's tenants/clients, Housing Benefit enables housing costs to be covered partially or fully giving security. This security plays a major part in the prevention of relapses and hospital admissions improving health and wellbeing.

It also enables tenants to engage in volunteering, further education and other forms of meaningful activities and community integration. This plays an important part in a person's stepping stone to their recovery and social integration.

It is important to note that some supported housing tenants/clients are highly unlikely to ever move into paid employment to a point where some element of housing benefit is not required. This makes security around their housing costs more vital, giving vulnerable tenants/clients the ability to focus on meaningful activities that benefit the person and their community.

In YOU's experience, housing benefit does not act as a disincentive to work as many of the individuals we support work. Housing benefit purely supports people to achieve this.

For further information, please contact Nicola Youern, Chief Executive at [nicola.yuern@theyoutrust.org.uk](mailto:nicola.yuern@theyoutrust.org.uk) or Michelle Lock, Head of Health & Homelessness at [michelle.lock@theyoutrust.org.uk](mailto:michelle.lock@theyoutrust.org.uk) or 01329 825930

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<sup>9</sup> [http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/NHF\\_response\\_to\\_the\\_DWP-CLG\\_select\\_committee\\_inquiry\\_-\\_18.1.17\\_FINAL.pdf](http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/NHF_response_to_the_DWP-CLG_select_committee_inquiry_-_18.1.17_FINAL.pdf)