



Government Response to the Communities and Local Government and Work and Pensions Committees Joint Report: Future of supported housing

Presented to Parliament
by the Secretary of State for Communities and Local Government
and the Secretary of State for Work and Pensions
by Command of Her Majesty

October 2017

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Introduction

The Government welcomed the joint report of the Communities and Local Government and Work and Pensions Committees on supported housing, and their support to find a long-term, sustainable funding mechanism that ensures quality, value for money, security of future supply. We are pleased to respond now to its recommendations, alongside a policy announcement setting out the next steps on funding for supported housing.

In addition to this, in the Autumn Statement 2015 we announced our intention to apply the Local Housing Allowance rates to supported housing, to the wider social rented sector, with effect from 2018. The implementation date was subsequently deferred to April 2019. Since then, we have listened carefully to the concerns raised by the supported housing sector and other key stakeholders about the issues that this measure would present. As the Prime Minister has recently announced, in response to those concerns the Government will not apply the Local Housing Allowance rates to tenants in supported housing, nor to the wider social rented sector.

Supporting the most vulnerable people in our society is a priority for this Government, and we value the important role that supported housing plays in ensuring this. A safe, secure and supportive home can be the key to improving or repairing lives and to unlocking people's potential. Supported housing helps hundreds of thousands of the most vulnerable people across the country to live independently, or to turn their lives around. It is also a key part of the social housing sector, which we have recently committed to fully reviewing in an upcoming Social Housing Green Paper.

Since announcing the intention to reform the funding model, we have worked with supported housing commissioners and providers, representatives of supported housing tenants, as well as the devolved administrations, to establish what a workable and sustainable funding model for the sector should look like. This includes views shared with the Select Committee during the course of their inquiry, and their final recommendations. As a result, we have developed a three-pronged approach to funding supported housing, which reflects the needs of diverse client groups.

This approach segments supported housing into the following three types:

- sheltered and extra care housing (for older people with support needs, and some working age tenants);
- long-term housing (for those with long-term needs, such as people with learning disabilities); and
- short-term housing (for those in crisis situations, such as those fleeing domestic violence, or homeless people with support needs).

The new funding regimes will come into effect from 2020.

Further details of our three-pronged approach are set out in our Policy Statement. Building on the Select Committee's recommendations, this segmented funding solution seeks to recognise the diversity of the sector, ensure quality provision for vulnerable tenants, secure the future supply by providing funding certainty and provide value for money for tenants and the taxpayer. This is complemented by the National Statement of Expectation, which sets expectations for local authorities, other commissioners and providers that underpin these objectives.

Sheltered and extra care housing

Sheltered and extra care accommodation will continue to be funded in the welfare system. We will be bringing forward a 'Sheltered Rent', a type of social rent that recognises the vital role that these homes play in supporting older and vulnerable people. This will bring in important but proportionate cost controls. This model comprises:

- 100% of housing cost funding (rent and eligible service charges) will be retained in the welfare system (Housing Benefit/Universal Credit), and the social housing regulator will regulate the Gross Eligible Rent (rent inclusive of eligible service charges) charged by registered providers.
- This provides the certainty the sector needs in order to secure future supply whilst providing enhanced cost controls and oversight, ensuring value for money for the taxpayer and quality for tenants.

Short-term supported housing

Short-term supported housing will be funded through a new grant, removing it from the welfare system. It will also provide local areas with more oversight and control over the provision in their areas. This model comprises:

- 100% of this provision will be commissioned at a local level, funded locally through a ring-fenced grant, and underpinned by a new local planning and oversight regime. This means all the funding for housing costs (including rent and eligible service charges) that were previously met from Housing Benefit will instead be allocated to local authorities to fund services that meet the needs of their local areas.
- As per the recommendations of the Select Committee inquiry, this removes short-term accommodation costs from the welfare system and provides local areas with more oversight and control over the provision in their areas.

Long-term supported housing (for those with long-term conditions such as physical impairment, sensory deprivation, learning difficulties and mental ill health)

Long-term supported housing will remain in the welfare system and we will work with the sector to develop and deliver arrangements to ensure value for money. The model comprises:

- 100% of housing costs (rent and eligible service charges) to remain funded as at present (through the welfare system).
- The government will work with the sector to develop and deliver arrangements to ensure cost control.



We will also be introducing a new planning and oversight regime that will ensure that local areas are best able to provide for their vulnerable citizens, and that the accommodation represents both quality and value for money. Local authorities will be asked to carry out a needs assessment of present and future need and to produce a local supported housing plans setting out how funding will be used to meet identified local needs.

It is the Government's aim through making these changes to provide funding security to the sector, allowing them to make long-term investment and therefore secure future supply. It will also ensure value for money for the taxpayer, and enable councils to have a stronger role in meeting the needs of vulnerable people in their local areas.





Recommendations

The Committee made 14 recommendations in the Joint Report and consideration has been given to each of these.

Recommendation 1 (paragraph 2 of conclusions and recommendations section):

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.

Better oversight and value for money for both tenants and the taxpayer are an important part of our reforms. This is made clear in our Policy Statement and complemented by our National Statement of Expectation, which sets out our expectations for planning and commissioning local services that promote quality and seek value for money. We will also issue more detailed guidance to support local authorities in monitoring the provision in their local area in advance of implementation.

For much of supported housing, the support element is commissioned by local authorities. It is via the commissioning process, along with the accompanying contract monitoring procedures that local authorities ensure value for money and quality is achieved and maintained. Where a tenant is eligible for social care, the providers are regulated and monitored by the Care Quality Commission.

Under the new model for sheltered and extra care housing set out in our Policy Statement, the social housing regulator will regulate Gross Eligible Rent (rent inclusive of service charges). This will see them acting in the same capacity as they currently do for net rents; monitoring compliance with the system and (where necessary) using their enforcement powers.

Under the new model for short-term supported housing, local authorities will commission all short-term provision in their area and therefore all commissioned providers will need to meet local authority quality standards. We will work with local authorities on how they might best ensure decent and appropriate standards.

Recommendation 2 (paragraph 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

We want to ensure that all supported housing works for the clients, providers and local authorities.

This is made clear in our Policy Statement. As part of these reforms we will oblige providers to publish breakdowns of their service charges. This new approach will enable tenants to compare their service charges with those of other providers and, where they feel these are unreasonable, take action. We also intend, through the consultation, to work with the sector to identify ways to drive up standards, improve outcomes and share best practice.

Homes and Communities Agency registered providers must meet the [Tenant Involvement and Empowerment Standard](#), which requires providers to offer a range of ways for tenants to express a complaint and set out clear service standards for responding to complaints, including complaints about performance against the standards, and details of what to do if they are unhappy with the outcome of a complaint.

Furthermore, the Government has announced that there will be a Green Paper on social housing in England. This will be a wide-ranging, top-to-bottom review of the issues facing the sector, and will be the most substantial report of its kind for a generation. It will include a framework for social housing tenants' complaints to ensure their complaints are taken seriously and dealt with properly, and make sure tenants have clear, timely avenues to seek redress when things do go wrong.

Recommendation 3 (paragraph 7):

It is essential that the Government's funding proposals do not threaten the future supply of supported housing. The Government to undertake an assessment of the final funding proposal to assess its impact on the future provision of supported housing.

The Government is committed to boosting the supply of new supported housing. Government has a strong track record in safeguarding supported housing and boosting new supply. We have delivered over 27,000 new supported homes in England between 2011 and 2017. DCLG's Affordable Homes Programme has committed £400 million to build 8,000 new supported homes by 2020, and the Department of Health's Care and Support Specialised Housing (CASSH) fund is investing £200 million to build over 6,000 supported homes.

We know the supported housing sector needs certainty to help it continue to plan and deliver new much needed supported housing. We believe our new proposals for funding supported housing will have a positive impact on the future provision.

All long-term supported housing will remain in the welfare system. This will protect provision by ensuring providers have a secure source of income, and stimulating important investment in future supply. For sheltered and extra care housing, we are bringing forward a 'Sheltered Rent'. This will see the social housing regulator regulating gross eligible rent (rent inclusive of eligible service charges), in the same way it currently does for Affordable Rent. Short-term supported housing will be protected through a ring-fenced grant allocated to local authorities.

We will be working with local government in England and they will be asked to undertake an assessment of current and future need in their five year supported housing strategic plans, as set out in the Policy Statement and National Statement of Expectations. This will provide an overall assessment of need and allow local authorities and providers to plan for future provision.

Recommendation 4 (paragraph 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 which reflect the diversity and variation in costs in the sector.

We will be bringing forward a 'Sheltered Rent' from April 2020, a type of social rent that recognises the vital role that these homes play in supporting older and vulnerable people. This will keep 100% of housing cost funding for sheltered and extra care housing, which represents the majority of supported housing, in the welfare system. The social housing regulator will regulate gross eligible rent (rent inclusive of eligible service charge) as it already does for Affordable Rent. It is intended this will take into account regional variations as well as fairly reflect the variety of provision across the sector.

Recommendation 5 (paragraph 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. Tenants should only be eligible for supported Housing Allowance if they live in accommodation registered for regular inspection by their local authority.

The Government is no longer intending to apply Local Housing Allowance rates to the social rented sector, including supported housing.

For sheltered and extra care housing, which represents the majority of supported housing, we will be introducing a 'Sheltered Rent', whereby funding will remain in the welfare system. It is intended this will take into account regional variations as well as fairly reflect the variety of provision across the sector. As the funding will be determined through the social rent setting regime, it will apply to all registered providers.

Recommendation 6 (paragraph 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 Government is committed to boosting supply and to responding to growing future demand. Since 2011, the Government has delivered 27,000 new supported homes in England. DCLG's Affordable Homes Programme has committed £400 million to build 8,000 new supported homes by 2020, and the Department of Health's Care and Support Specialised Housing (CASSH) fund is

investing £200 million to build over 6,000 supported homes.

Our Housing White Paper, Fixing our broken housing market, sets out the Government's plans to reform the housing market and boost the supply of new homes in England, including homes for older and disabled people. The Neighbourhood Planning Act also requires the Secretary of State to produce guidance for local planning authorities on how their local development documents should meet the housing needs of older and disabled people.

Recommendation 7 (paragraph 14):

Government should guarantee the ring-fence 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 guidance and statutory duties to ensure they are comprehensive enough to ensure no vulnerable groups are left behind under the new funding mechanism.

As set out in our Policy Statement, under our new funding model short-term supported housing will be funded by a ring-fenced grant from 2020 onwards. The Government recognises that supported housing is of vital importance to vulnerable people so it is our intention that this ring-fence will be retained in the long term in order to protect this important provision and the vulnerable people it supports. We will work with local authorities to determine the appropriate local grant allocations for short-term supported housing for 2020-21 for the initial introduction of the new model with a view to considering multi-year allocations to local authorities in due course. The amount of short-term supported housing grant funding will be set on the basis of current projections of future need (as informed by discussions with local authorities) and will continue to take account of the costs of provision in this part of the sector. The rest of the sector will remain funded through the welfare system.

We intend that no vulnerable groups are left behind. In our Policy Statement, we make clear that we are requiring local authorities to assess the needs of all client groups identified in their areas and incorporate this in their local strategic plans. If provision is not available/or not to be made available locally, local strategic plans will need to state how this need is to be met. We are also asking local areas to co-operate with each other around provision for certain client groups in specialised accommodation.

Recommendation 8 (paragraph 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.

The Government agrees that, in order to ensure that local authorities and providers are prepared for our reforms, we will now introduce the changes in April 2020. We recommend that local

authorities plan for all their supported housing provision over the course of a five year period, as set out in our Policy Statement. For short-term supported housing, this will be a requirement set out in the grant conditions. We will work closely with them to ensure funding is provided at appropriate levels to meet local need.

Recommendation 9 (paragraph 17):

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.

We will consider what level of new burdens funding will be appropriate to enable local authorities to fulfil their new role. This will be separate from funding for rent and eligible service charges. We intend to continue working with local authorities and other stakeholders on the detailed workings of the new funding model.

Recommendation 10 (paragraph 18):

There is a strong case for piloting the new funding model prior to a phased implementation. Government must prioritise ensuring its new model works, protecting vulnerable residents, over and above meeting any self-imposed delivery deadlines.

We wish to make transition to the new funding model as smooth as possible, and will explore whether we should pilot or test the new funding system before implementation in April 2020.

Recommendation 11 (paragraph 19):

For short-term, 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.

The Government agrees that short-term supported housing should be funded locally. 100% of this provision will be commissioned at a local level, funded locally through a ring-fenced grant, and underpinned by a new local planning and oversight regime. This means all the funding for housing costs (including rent and eligible service charges) that were previously met from Housing Benefit will instead be allocated to local authorities to fund services that meet the needs of their local areas. This removes short-term supported housing costs from the welfare system altogether.

Recommendation 12 (paragraph 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.

We fully support the valuable work carried out by women’s refuges and other supported accommodation providers. Our Violence Against Women and Girls (VAWG) Strategy 2016-2020 is clear that we are committed to delivering a secure future for refuges.

We appreciate the need for certainty and we strongly believe that a local approach will ensure the best outcomes for vulnerable renters in crisis and emergency supported housing. Local authorities are best placed to understand and meet local needs, and to take a holistic view on both housing and support provision.

Under our new model refuges will be funded on a provision basis, rather than funding for an individual staying there. This will enhance the funding certainty of providers working in this important sector, enabling them to plan for the short and long term. The oversight regime will set out expectations regarding helping those with no local connection.

We also encourage local authorities to work together closely on this to ensure no one is turned away, in line with our Priorities for Domestic Abuse Services which we developed with partners from the domestic abuse sector.

The Government has already committed (in the 2016/20 Violence Against Woman and Girls Strategy) to review the current approach to refuge provision in England by November 2018. We will need to pay particular attention to the funding of care and support costs as we do this, and will continue to work closely with this sector to make good our commitment.

Recommendation 13 (paragraph 21):

Government should make providers 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.

DWP works closely with landlords in the course of Universal Credit roll-out and the impact of working is a key theme of the Department’s communications.

Recommendation 14 (paragraph 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.

The Government is no longer intending to apply Local Housing Allowance rates to the social rented sector, including supported housing.

For the private rented sector, the Government already has a wide range of exemptions from the shared accommodation rate covering those groups for whom it would be inappropriate to live in shared accommodation. We do not believe that any further extension is necessary.

Universal Credit housing support will be available to those 18-21 year olds who cannot return home. Eligibility will be assessed on the basis of the claimant's circumstances at the end of each assessment period. For 18-21 year olds we will consider what their housing cost liability is and whether they are exempt from the removal of housing costs.

From April 2017 the Government removed automatic entitlement to housing support for 18-21 year olds in Universal Credit Full Service only. This rule is intended to prevent young people from slipping into a life on benefits and to bring parity with young people who may be working but who cannot afford to leave the family home. However, this policy only applies to single out of work claimants and is subject to a further list of exemptions designed to support vulnerable young people who need it.

This list of exemptions was created through extensive consultation with stakeholders and includes the following (this is not an exhaustive list):

- Those with responsibility for children;
- Those who have been working at least 16 hours per week (paid at National Minimum Wage Level (or at the apprenticeship rate if they are an apprentice) for six months prior to their claim;
- Care leavers;
- Claimants with a physical or mental impairment or caring responsibilities;
- Claimants for whom it is inappropriate to live with their parents – (for example, those, unable to return home because of their sexuality or religion where there has been an irretrievable breakdown in the relationship with the parents or where the family home would be overcrowded were the claimant to live there);
- Claimants whose parents have died or do not live in the country;
- Those in a structured recovery programme for drug or alcohol dependency;
- Claimants in temporary accommodation;
- Those who are threatened with or are victims of domestic violence;
- Claimants who have recently suffered a bereavement in the past six months following the loss of their partner, or a child or young person for whom the claimant or their partner was responsible.





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