



# **Written Evidence by BCHA to the Work and Pensions Committee and the Communities and Local Government Committee for the Supported Housing Funding Reform Inquiry**

**February 2017**

## **1.0 Summary of Key Points:**

- 1.1 Universal Credit in its current form is not a suitable payment system for rents of supported housing. Direct payment to the landlord and more frequent payments like weekly and fortnightly payments are required.
- 1.2 The Local Housing Allowance is not an appropriate measure for rent levels in supported housing. The data on which it is set does not reflect actual prices and a cap does not allow for the higher service charges essential to providing safe and quality buildings for supported housing.
- 1.3 Local Authorities should undertake strategic needs assessments in close partnership with health and criminal justice services to ensure any top-up funding is administered effectively and appropriately to meet a wide range of needs.
- 1.4 Due to chaotic lifestyles, people living in supported housing often move out within weeks or months of their support start date. Services need assurance that rental costs will be met. We do not consider the current proposal suitable for this.
- 1.5 The new funding model needs to work for a range of services and providers. The Government need to take more time to pilot different models so that when the new model is implemented, no vulnerable people will be disadvantaged and no needs unmet.
- 1.6 Rents for supported housing are higher than other forms of housing. The proposal to reduce rents by 1% are not appropriate and could endanger the quality and safety of current services.

## **2.0 About BCHA**

- 2.1 BCHA is a specialist housing provider, helping homeless and vulnerable people access the right housing, living, support, and learning and work opportunities. Founded in 1968, BCHA supports over 10,000 people every year to take control of their lives and equips them to find a way forward.
- 2.2 BCHA has a diverse range of approximately 2,000 homes across the South and South West. Over 600 of these are supported homes for people who find themselves homeless after facing relationship breakdowns, addictions, unemployment, domestic violence and deteriorating mental and physical health.
- 2.3 Our vision is to 'create lasting solutions to homelessness, unemployment and social exclusion in our local communities'.

## **3.0 Introduction**

- 3.1 Supported housing has long been a lifesaving service for many people who have experienced traumatic events or fallen on bad luck. The services offer a stable, safe place of housing alongside support aiming to improve situations and equip people with essential skills for independent living.
- 3.2 Due to the nature of supported housing, rent and operation costs are significantly higher than other forms of social housing. Services often provide communal areas, employ security or night workers, install CCTV and other safety devices, as well as providing increased levels of support for tenants around claiming benefits and

maintaining tenancies. High turnovers, voids, regular maintenance and capital funding arrangements also contribute to higher rents and service charges for supported housing.

- 3.3 Over the years a number of different funding systems have been used to provide these services, most recently Housing Benefit (HB) for rent and service charges and Supporting People (SP) contracts for the support element. However, as ring fences were removed around SP funding has increasingly been used for other statutory duties by Local Authorities, leaving services to run on decreased levels of income. Instead of closing the services due to a lack of funding, providers started to distinguish their housing-related and support-related activities more clearly so that part of the higher running costs of supported housing could be claimed back via enhanced HB payments in the form of Intensive Housing Management.
- 3.4 Although benefit payments to people living in supported housing account only for a small part of the total HB bill, reductions in funding elsewhere have increased the amount of benefits used to cover the higher costs of supported housing.
- 3.5 The Government's ambition to reduce the HB bill has resulted in a number of cost cutting policies on Registered Providers like the 1% rent reduction and capping benefits to Local Housing Allowance (LHA) levels, but this is a false economy as it is not addressing the private sector who claim a significant amount of HB and can continue to increase their rents.

#### **4.0 Proposed Funding System**

- 4.1 In September 2016, the Secretary of State for Work and Pensions, Damian Green announced a new system for funding the rent of supported housing using Universal Credit (UC) for payments up until the LHA levels and a devolved local top-up funding pot for anything above these levels. The outcome from the pilots of UC in general housing show arrears increasing, from 34% to 79% among councils and ALMO's. So clearly if this were used in supported housing, BCHA and most supported housing providers of homelessness services will not be able to continue run accommodation services.

#### **5.0 Universal Credit**

- 5.1 Due to the chaotic lifestyles of people accessing BCHA's services, we see an average customer turnover of 170% per year. Some services go as high as 350% or 480% customer turnover. Of the 1043 people that accessed our services during 2016, 57% moved away within the first three months of their support start date. This rises to 64% when looking at our homelessness services only, even though we are commissioned to support people for up to six months or even two years.
- 5.2 In the current funding system, housing costs (rent and eligible charges) are covered by HB and paid directly to the landlord. Ineligible service charges like utilities and food come from other benefits the customer receives and paid by the customer to the landlord on a weekly or fortnightly basis.
- 5.3 The new funding system proposes to fund core rent and eligible service charges (up to LHA levels) through UC payments to individual claimants on a monthly basis. Direct payment can only be requested after eight weeks of arrears and a further four weeks of assessment time. This system is extremely unhelpful for supported services, where chaotic lifestyles often mean people leave the services within months or even weeks after moving in.

- 5.4 BCHA do not agree that the current form of UC is an appropriate system for paying rents in supported housing services. We are extremely concerned about the consequences UC will have on vulnerable people, their debts and access to housing, and also providers' abilities to continue to provide financially viable services. Also, UC does not take into account that some people are not able to access mainstream financial services or even have bank accounts. It also does not take into account that not everyone is literate, or able to access digital services.
- 5.5 From our own experience with UC claimants in general needs homes and the experience from other providers we know that tenants receiving the benefits suffer from long lead-in and waiting times, payment in arrears and large lump-sum monthly payments which increase their arrears significantly.
- 5.6 Due the vulnerable and chaotic nature of people accessing supported housing, we propose that all rent payments are made directly to the landlord, and a flexible approach of weekly or fortnightly payments are put in place. We appreciate the Government's objective to give people back responsibility over their finances, however these lump-sum payments are not always appropriate for people who struggle with issues around addictions and debt.

## **6.0 Local Housing Allowance Cap**

- 6.1 After last year's Autumn Statement, both the social and the supported housing sector set up a strong campaign around issues relating to the use of LHA cap and the 1% rent reduction. Providers highlighted the uncertainties around future funding, and how LHA rates would delay or cancel developments. The financial viability of support services was also highlighted as a large number of refuges and hostels were said to have to close. However, after nearly a year of campaigns and conversations, the Secretary for State and Pensions, Damian Green, continued to hold to LHA rates for supported housing in his new funding model announcement.
- 6.2 BCHA do not agree that LHA levels are appropriate measures for the cost of supported housing. LHA levels are commonly determined by the 30% of lowest value properties in the relevant Broad Rental Market Area (BRMA). However, over the years a number of housing providers have raised the issue that LHA levels do not represent the house prices or rent levels in the area, even of the lower value homes.
- 6.3 In Bournemouth, a housing provider recently analysed the dataset (kindly provided by the Valuation Office Agency) used to determine the LHA levels in the area. The BRMA here covers urban areas like Bournemouth, Poole and Christchurch but also small neighbouring villages and towns. Through analysis of the dataset, the provider found out that cheaper properties in New Milton were significantly overrepresented in the sample and skewing the data. It means that the LHA rate for unaffordable areas like Bournemouth and Poole is very low compared to the house prices here. Even though Bournemouth was recently announced as part of the top 10 most unaffordable "cities" in the world to live in, the shared-room LHA rate is 10% lower than for example in Plymouth.
- 6.4 Unrepresentative data is not the only issue related to the LHA cap. DWP and DCLG's Supported Accommodation Review established that supported housing costs are higher than social or private homes. Service charges consist of a large part of the funding. In most services across the South West, service charges will not be covered by the cap. Whereas previously providers would receive the costs directly from HB, under the new system we will now probably have to tender for this funding, putting

not only our ability to provide the services at risk, but more than that, emergency services for vulnerable people who often do not have anywhere else to go.

- 6.5 Capping rent levels to the LHA for supported housing providers to the same levels as private landlords is not a fair or true comparison as private landlords will not house vulnerable people with their additional needs like we do.

## **7.0 Top-up Funding**

- 7.1 There are a number of issues associated with a devolved localised top-up fund. One issue is that from 2019/20, when the new funding model starts, we will not have ongoing funding certainty that some of our successful services will be able to continue to run for the benefit of our customers.

- 7.2 We are concerned about the location of the top-up fund. If it sits with Local Authorities, as proposed, then local politics could prevent the funding distributed fairly and effectively, meeting the needs of vulnerable people in the area. We do understand that Local Authorities are in a good position to identify needs and provisions, more than the current national HB pot. It is helpful for local areas to have more control over their services, however they do need more funding to carry out this function, and they need to be held to account by Clinical Commissioning Groups, Health and Wellbeing Boards, Public Health, Criminal Justice and also a performance framework set by the National Government.

- 7.3 We are concerned about how providers would access the top-up fund from Local Authorities. Would more tendering be a good use of corporate resources for providers that already manage on low margins and surpluses for the benefit of vulnerable customers? What would happen to those providers, their services and customers, who do not have the capacity to tender for funding?

- 7.4 Services with support contracts in place should automatically receive top-up funding to ensure customers can access the services. Without certainty of rental income, services cannot provide support to people, even though they are extremely vulnerable.

## **8.0 Transitional 'Short-term' Services**

- 8.1 There are both advantages and disadvantages in separating so-called 'short-term' services from the funding model as proposed. Due to the transitional nature of customers and their chaotic lifestyles, assurance in the form of block funding would greatly benefit both the customer and the provider of services, as support can focus on dealing with underlying issues instead of maintaining a tenancy. A significant amount of staff time is spent on applying for benefits, chasing arrears and signing up new customers, which could be better used supporting them to move forward.

- 8.2 Providing block funding could cause unwanted effects in that a growing number of providers would suddenly be interested in providing transitional services due to the certainty of income for these services, and uncertainty in other support services. It could mean that providers pull out of services like those for older people and learning disabilities.

- 8.3 However, it is clear that the current proposal does not work for transitional services. The proposal of UC and top-up funding brings too much uncertainty and is likely to cause providers to pull out of services which are essential for vulnerable people who face homelessness, abuse, mental health issues and addictions.

8.4 A different system is required where providers have certainty that their actual running costs are covered, without having to spend unnecessary time chasing funding from different parties.

## **9.0 Implementation Time and Piloting**

9.1 Whatever funding model the DCLG and DWP choose as appropriate for supported housing, piloting is essential. Supported housing support the most vulnerable people in society and we do not want providers to pull out of the market, or find customers at risk of eviction when they are facing distress and trauma.

9.2 To ensure that the model is future proof and covers all the promises of certainty the Government has made, we urge the Government to pilot different funding systems across different providers and services. The supported housing sector is very diverse, and a sustainable model needs to be right for the range of vulnerable people we support.

9.3 During 2016, BCHA and other providers have already given substantial amounts of evidence on a number of occasions on different funding scenario's. With the data and case studies we have evidenced that areas of this funding model do not work. We would urge the Government to review this information.

## **10.0 Rent Reduction**

10.1 Alongside the new funding model, the Government is planning to continue applying the 1% rent reduction for supported housing. As mentioned before, supported housing has a significantly higher running costs than other forms of housing. The reduction will have a detrimental effect on providers' abilities to continue to run good quality services. Supported housing services already run on a low margin, this rent reduction reduces this essential funding even more, putting people at risk of homelessness and debt.

10.2 We strongly urge the DCLG and the DWP to abandon the rent reduction for supported housing now due to the effects it will have on the properties and the vulnerable people they house and the cost impact that it will have on other health and social care budgets.

## **11.0 Summary**

11.1 In summary we urge the Government to:

- Assure landlords of direct payment and weekly or fortnightly payments of Universal Credit.
- Dismiss LHA as an appropriate cap level for supported housing costs.
- Ensure Local Authorities have enough resources to assess needs effectively, allocate funding appropriately and work in partnership with health and criminal justice.
- Develop a national outcomes framework on supported services and homelessness which holds Local Authorities spending and decision-making to account.
- Take more time to develop alternative funding systems and pilot these.
- Dismiss the rent reduction for supported housing.

