

## CIPFA Response to

# The funding of supported accommodation

Consultation response to the revised proposals from  
Department of Communities and Local Government and the  
Department for Work and Pensions (October 2017)

**January 2018**

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# Supported housing consultation

## Overall summary

CIPFA broadly welcomes the revised proposals for the funding of supported housing contained in this consultation but we do have some concerns.

Given the diversity and range of types of supported accommodation and the variations in the needs of their residents it probably makes sense to split the sector into three main types.

In terms of clarity and certainty however, there does need to be clarity of definition between the three categories of 'Sheltered Housing', 'Short-term Supported Housing' and 'Long-term Supported Housing'. In particular, the line between short-term and long-term supported housing needs to be clearer.

We welcome the proposals for funding of sheltered and extra care housing schemes based on the setting of rent and eligible service charges using rent controls through the social rent setting system. This is in line with one of the options we set out in our response to the consultation on the earlier proposals in January 2017.

We also welcome the proposals for funding short-term supported accommodation by removing this sector from the welfare arrangements and replacing it with a ring fenced grant arrangement to local authorities. We repeat our comments however that the ring fence and adequate funding arrangements continues in future years.

Such a commitment to continued funding is vital to ensure certainty for providers and in ensuring they continue with the future planning for and provision of the necessary accommodation projects and schemes.

Our main concern however is with the lack of detailed proposals for the third category – long-term supported accommodation. These are the most complex of supported accommodation schemes under current arrangements, often involving the most vulnerable of residents and we are disappointed that the opportunity to introduce more effective arrangements for and greater certainty of funding for this important type of accommodation has been missed or postponed.

The consultation simply states that these schemes will continue to be funded through the welfare system without setting out the detail of how this will operate.

For example, after April 2020, will this mean that accommodation and eligible service charges will be met through the Universal Credit scheme? Or will the current or amended housing benefit arrangements, administered by local authorities continue to apply? If it is intended that support for the costs of this type of supported accommodation continue to be met by local authorities through housing benefit, will existing subsidy arrangements continue to apply?

Currently, the funding of this type of accommodation is through housing benefit subsidy arrangements, subject to the alternative form of housing benefit regulation 13, the old

version of rent officer referral and attracting reduced or zero subsidy funding. This means that local authorities currently meet much of the costs of such accommodation.

The Government will need to consult closely with local authorities over its proposals for how it intends support for the costs of long term supported accommodation to be met through the welfare system and what the involvement and funding arrangements for local authorities will be beyond April 2020.

The overall summary to CIPFA's response to the earlier consultation in January 2017 made the following comments and recommendations

*In summary, this response includes the following comments and recommendations*

- *consideration should be given to alternatives to the use of the LHA cap to cap the housing support provided in national state benefits*
- THIS HAS BEEN DONE IN THE PROPOSALS FOR SHELTERED ACCOMMODATION AND SHORT TERM SUPPORTED ACCOMMODATION
- *it should not be automatically assumed that funding should rest with upper tier authorities in non-unitary authorities and that the significant advantages of funding resting with lower tier authorities should be taken into account before any final decision is made*
- THE REVISED PROPOSALS CONTAINED IN THIS LATEST CONSULTATION REMOVE MANY OF THE REASONS FOR FUNDING TO BE PROVIDED AT LOWER TIER LEVEL WHICH WE IDENTIFIED IN OUR EARLIER RESPONSE.
- *the grant funding for the new model should be quite tightly ring fenced to supported accommodation schemes and that the government should ensure this ring fence remains in place and adequate funding continues in future years*
- WE CONTINUE TO FEEL THAT A RING FENCE SHOULD BE IN PLACE FOR THE GRANT FUNDING PROVIDED FOR SHORT TERM SUPPORTED ACCOMMODATION AND THAT BOTH THE RING FENCE AND ARRANGEMENTS FOR PROVISION OF ADEQUATE GRANT FUNDING CONTINUE FOR FUTURE YEARS.
- *the new arrangements should be subject to an overall statutory framework and national guidance which establish clear definitions, the minimum level of provision and the overall operating environment for the new local schemes.*
- THE LATEST CONSULTATION MAKES PROVISION FOR A NATIONAL STATEMENT OF EXPECTATIONS BUT NOT A STATUTORY FRAMEWORK. IF THE NATIONAL STATEMENT OF EXPECTATIONS IS TO BE EFFECTIVE IT WILL NEED TO BE AGREED TO AND SIGNED UP TO BY AUTHORITIES AND TO BE BACKED UP BY A ROBUST FORM OF MONITORING AND OVERSIGHT.
- *the statutory framework should also place responsibilities on government departments and set out a legislative guarantee for how future overall grant levels are calculated and allocated.*

- WE CONTINUE TO FEEL THAT THERE SHOULD BE A DEGREE OF CERTAINTY OF CONTINUING LEVELS OF ADEQUATE FUNDING IN FUTURE YEARS BUILT IN TO THE FUNDING ARRANGEMENTS
- *the local administration of the new funding model should consist of a combination of a national statutory framework backed up by a local housing strategy, subject to annual review and supported by effective partnership arrangements and local political accountability*
- THE PROPOSALS CONTAINED IN THIS LATEST CONSULTATION AND ASSOCIATED NATIONAL STATEMENTS OF EXPECTATION APPEAR TO MEET MUCH OF THIS RECOMMENDATION
- *the structural issues in universal credit which impact on prompt payments to those living in short-term supported housing should be addressed, or alternative arrangements considered.*
- THE LATEST CONSULTATION DOES NOT ADDRESS THIS ISSUE FOR GENERAL NEEDS TEMPORARY HOMELESS CASES. SHORT TERM ARRANGEMENTS TRANSFERRING THESE BACK TO HOUSING BENEFIT ARE WELCOME BUT A LONG TERM SOLUTION IS STILL REQUIRED

## Responses to individual consultation questions

Given CIPFA is neither a local authority nor supported housing provider, not all of the questions are relevant for us to respond to. We have however, provided responses where we feel comment is necessary.

### Funding Model

**Question 3: We are keen to make appropriate allowance for eligible service charges within Sheltered Rent that fairly reflects the costs of this provision, whilst protecting the taxpayer. What are the key principles and factors that drive the setting of service charges (both eligible and ineligible)? What drives variations?**

We welcome the proposal that both rent levels and service charges for sheltered housing schemes should fairly reflect the costs of this provision, whilst protecting the taxpayer. This was an option set out in our earlier consultation response of January 2017.

In establishing the appropriate level of allowance for eligible services it will be important for providers to show that the service charges are set on a cost of provision basis, taking into account value for money and quality standards, which meets the reasonable costs of the provision of the service, that that the service is reasonably required and is available for and used by all or some residents of the accommodation scheme at some time.

Providers would have to justify the charges the set on this basis as well as showing that they have carried out an assessment of the need for those services and their provision to residents or that the residents were allocated that accommodation based on an assessment of need for the accommodation including the services available there.

The paragraphs below repeat our response to the earlier January 2017 consultation which we feel continues to be relevant in the setting of rent and service charge levels.

*"It may be possible to have an enhanced version of rent controls in the supported housing sector through the application of an enhanced formula rent and affordable rent setting process controlled and overseen by the Homes and Communities Agency.*

*Such enhancement would involve including a formula for setting the level of service charges in addition to the core rent.*

*Providers would have to set both their rent charges and any additional charges for services through the application of the new enhanced formula*

*They would then have to gain approval from the HCA for the rent and service charges they apply to their tenancies.*

*Advantages of this enhanced formula include that it would;*

- lead to better control of the overall charges applied to tenants and,*
- result in charges which are both reasonable and which reflect the actual costs of social landlords*
- mean that the same formula for setting the rent and service charge can also be used to set the maximum level of top up awards in respect of meeting the reasonable rent and service charges that are being charged above the LHA cap.*

*In this way, both the levels of charges applied to tenants and those met through benefit and top up payments are aligned. This would mean there is no shortfall for the tenant/resident to meet or provider to collect.*

*The main disadvantage however, could be to further limit the existing flexibilities and freedoms for landlords, providers and developers of social housing in the setting of the levels of rent and service charge which, in turn, potentially runs the risk of reduced provision."*

**Question 4: The Select Committee and a number of other sector representatives have suggested that we use a banded approach to reflect variety of provision across the sector. We are interested in understanding more about this. How do you think this might work for sheltered and extra care housing?**

A banded approach would be an advantageous element of the new arrangements. Given the diversity and variety of provision of accommodation and services to meet the needs of those living in that accommodation and the geographical and other variation in costs, a one-size-fits-all approach could result in some accommodation needs, especially those with extra care provision not being properly provided for.

Simplicity however will also be advantageous for clarity, certainty and transparency. The number of bands would therefore need to be kept to a minimum and be clearly defined.

## **Planning and oversight**

**Question 7: Attached to the policy statement is a draft National Statement of Expectation (see Section 4). We would welcome your views on the Statement and suggestions for detailed guidance.**

A national statement of expectation supported by a local housing strategy is both a welcome and necessary feature of the proposals.

We would recommend that this national framework is, in consultation with both providers and local authorities, firmed up into a more detailed framework which local authorities and providers are required to sign up to.

A simple, streamlined scheme of monitoring and policing of the framework and adherence to it should be introduced – possibly based on self-assessment with monitoring, and ad-hoc inspection processes developed by the Care Quality Commission or Homes and Communities Agency.

We would also recommend that authorities produce and submit an annual report reviewing their progress over the last 12 months with regard to the local strategic plan and intentions for the following 12 months.

## **Implementation**

**Question 9: Government has moved the implementation of the reform on sheltered and extra care accommodation to April 2020. How will you prepare for implementation in 2020, and what can the Government do to facilitate this?**

We welcome the delay to April 2020, but this still leaves little preparation time for local authorities and providers. Government/DCLG should provide regular updates on progress and timelines as well as providing support and query resolution for providers and for local authorities

Support may include, but not confined to, a regular newsletter, hosting regular meetings for information provision and to receive feedback, concerns and sharing good practice.

## **Section 3: Consultation on housing costs for short-term supported accommodation**

### **Definition**

87. Short term supported housing is for people who have experienced a crisis or emergency in their lives and need additional support for a short time or a planned short term stay as part of transition to stable longer term accommodation. For this model we have defined it as:

***Accommodation with support, accessed following a point of crisis or as part of a transition to living independently, and provided for a period of up to two***

***years or until transition to suitable long-term stable accommodation is found, whichever occurs first.***

Supported in:

- Domestic abuse refuges;
- Homeless hostels;
- Bail hostels;
- Foyers for young people; and
- Other supported housing settings where stays may not be the housing solution in the longer term.

89. The definition does not apply to housing which does not provide soft support together with accommodation, such as general needs temporary accommodation or types of supported housing where length of stay is likely to be longer than two years.

**Question 1: Do you agree with this definition? [Yes/No] Please comment**

We generally agree with this definition– but there needs to be a definition of ‘soft support’ to help distinguish schemes, for example, between general needs temporary accommodation for homeless and homeless hostels with support.

**New funding model**

92. This model removes short term supported housing funding from the welfare system. It will also allow:

- *Local authorities* to best plan for local need;
- *Providers* to be free from the administrative burden of managing benefits claims for housing costs and collecting rent; and
- *Individuals* to secure employment without putting their housing at risk (as higher supported housing rents are often perceived by residents as unaffordable when in work).

**Question 2: What detailed design features would help to provide the necessary assurance that costs will be met?**

This proposal appears to simply replace the earlier proposal for a national welfare benefits limit (LHA) plus local top-up by local authorities with full funding provided by local authorities.

Having said that, we feel this is a better proposal, although our concerns expressed in earlier responses to the top-up funding model remain relevant. These include

- Operation of and certainty of continued ring fence
- Adequate funding provision based on real costs of local need

We would recommend a bidding process by LAs as part of the annual funding allocation, where LAs set out their level of funding need based on the authority's annual review of local provision and whether local needs are being/can be met within the supported housing strategic plan and national statement of expectation.

Reproduced below is part of our earlier consultation response, the contents of which remain relevant

*"The combination of a national framework backed up by a local housing strategy, subject to annual review and supported by effective partnership arrangements,..... which provides a common standard by which local authority decision makers, commissioners, users and providers can operate and assess service performance, would provide the necessary balance between local flexibility and developer certainty.*

*It would also help to inform judgements about value for money, facilitating choice and best use of public funds.*

*Such an approach would help to ensure local long term funding commitments, providing assurance to and confidence for providers to continue local provision and to build new schemes.*

*Such assurance and confidence however, will remain subject to government commitments to continue and properly uprate annual funding and in retaining the ring fence applicable to that funding."*

### **Strategic Plans and meeting local needs**

93. Local authorities will be asked to produce a Supported Housing Strategic Plan, which will set out their vision for supported housing, working closely with relevant partners (including the lower tier authority in two-tier areas).

95. In two-tier local authority areas the grant will be allocated to the upper tier, to fund provision as agreed with districts in line with the Strategic Plan. Grant conditions will also require the upper tier to develop this plan in cooperation with district authorities and relevant partners.

### **Question 5: Do you agree with this approach? [Yes/No]. Please comment.**

YES –

CIPFA's earlier response recommended consideration of provision of funding to lower tier authorities – this was mainly to ensure a streamlined approach between the two funding streams proposed in that earlier consultation.

Removing the welfare funding element means that this streamlining is no longer necessary and removes the advantage of funding lower tier authorities. Upper tier authorities have the primary commissioning responsibilities and therefore it makes sense that, under the revised proposals, funding provision is also made to upper tier authorities.

Upper tier authorities however will be required to involve their lower tier partners in discussions relating to commissioning, identifying and meeting need and funding allocations. The national statement of expectations and overall national operational framework should make this requirement clear.

**Question 6: The draft National Statement of Expectation (see Section 4) published today sets out further detail on new oversight arrangements and the role of local authorities. We would welcome your views on the statement and suggestions for detailed guidance.**

We broadly agree with the oversight arrangements as set out in the draft national statement of expectation. We would however, suggest an involvement for the Care Quality Commission or Homes and Communities Agency in the oversight, and possibly inspection, arrangements.

**Question 9: How will you prepare for implementation in 2020, and what can the Government do to facilitate this?**

CIPFA will provide regular updates for local authorities in a series of workshops and seminars over the next two years. CIPFA would welcome the opportunity to work with DHCLG and share information/provide an opportunity for DHCLG officers to speak at these events

**Question 10: What suggestions do you have for testing and/or piloting the funding model?**

The earlier proposals consulted on contained a proposal for a shadow working period. Government should consider such an approach or piloting of the new arrangements before they are fully rolled out – even if this means a further delay in full roll out beyond April 2020