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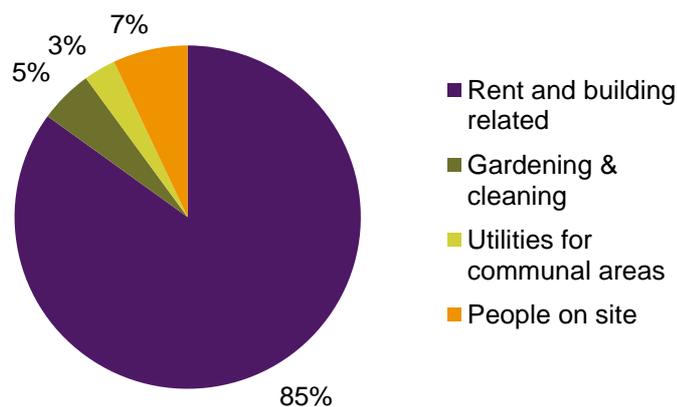
**Written submission to the Work & Pensions and Communities & Local Government Select Committees' inquiry into supported housing funding**

1. Anchor, Hanover and Housing & Care 21 are the three leading providers of sheltered housing for older people in England. Together, we provide services for almost 100,000 residents.
2. We welcome the inquiry by the Select Committees because we have serious concerns about the impact of the proposed new funding model for sheltered housing.
3. We do not believe that the current proposals will provide a cost effective and affordable mechanism to support sheltered housing tenants. Our comments relate specifically to sheltered housing because it is distinct from other supported housing.
  - This funding model should not be introduced for sheltered housing
  - Funding to support tenants in sheltered housing should be considered as part of a wider debate on welfare benefits for older people and the current pressures on health and social care to give an integrated approach.
  - Funding to support the housing costs of older people should be administered nationally.
  - Sheltered housing costs relate mainly to the costs of providing and maintaining the housing and the specialist facilities. It is a low cost service provided to very many older people.
  - The Government proposals would introduce geographic inconsistency having the greatest impact in largely northern local authorities that have already seen the largest reductions in spending in recent years.
  - The pressure to divert funding to other services will lead to anxiety for many older people, uncertainty about the future of existing sheltered housing schemes and limitations on the development of new schemes to meet the increasing need.
4. Sheltered housing is purpose built accommodation for older people with a range of different services, including extra care housing that provides care services on site supporting people with significant needs. Sheltered housing helps older people maintain their independence and reduces the risks of them needing higher-cost social care and health services. It does this by:
  - preventing falls and allowing existing conditions to be managed
  - heading off crises that would otherwise end up in A&E
  - allowing safe discharge from hospital and preventing re-admissions
  - tackling loneliness and isolation



5. Analysis by Frontier Economics for the Homes and Communities Agency in 2010<sup>i</sup> showed that the net financial benefit to other services from older people living in specialist housing compared to other forms of housing was £444 per person per year.
6. While we welcome the Government's intention that funding levels should be maintained after the changes are made, we have significant concerns that devolving the 'top-up' payments to local authorities presents significant risks. The Homes & Communities Sector Risk Profile 2016<sup>ii</sup> identifies that supported housing has typically been a relatively low margin activity and pressures on local authority funding and social rent reductions mean that many housing associations face further reductions in income.
7. Experience from Supporting People (SP) shows that the proposed approach would not only be very costly and cumbersome for local authorities to administer, but would also fail to provide adequate protection for the funding for preventative and non-critical services. Local authorities are under huge financial pressures and experience of SP suggests there are risks that funding may be diverted to their statutory duties.
8. **At present** the system works as follows:
  - Rents are set by a formula agreed by government and service charges cover costs only as governed by legislation
  - The average weekly rent and service charges that are eligible for Housing Benefit on our sheltered housing (excluding extra care) is £113:

**Average sheltered housing costs**



- Tenants apply for Housing Benefit to the local housing authority.
- On average, 70% of our tenants receive HB.



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9. **In this proposed model**

- Where LHA levels are low tenants' housing costs will exceed the LHA level and their HB will be capped. We estimate that the gap between the LHA level and housing costs across our 3 organisations is £64m across 38,600 homes.
- Tenants will need to apply individually for top-up funding to a local authority or the provider will apply on a scheme basis. To give administrative efficiency and to minimise anxiety for older people scheme based funding is preferable.
- The 'top-up' funding will pay largely for housing (bricks and mortar) costs. Only 7% of the costs relate to staff on site.
- The majority of sheltered housing would have a low level of top up funding required across a large number of tenants. The cost of administering a high volume of low level payments is relatively high.

10. **The impact** of the new system

- The proposed model risks that older people will be concerned about real or perceived shortfall in benefit support and postpone moving, with potential impacts on:
  - Health and social care resources
  - Difficulties in letting properties leading to reduced viability of schemes
  - Reduced downsizing leading to the less efficient use of the housing stock.

11. The following gives responses to the specific questions raised by the Select Committees.

**Question 1:**

12. There should be a separate model for sheltered housing:

- An ageing population means **sheltered housing has a crucial role** in meeting our communities' needs and reducing pressure on health and social care.
- This is **not the appropriate time to implement** such changes for sheltered housing given the roll-out of Universal Credit until 2022, the consideration of the welfare benefits for older people, the continued consideration of a cap on individual contributions towards care cost and the impact on health and social care. Each of these elements has a strong dependency on the other so to change and destabilise one element in isolation could undermine a truly integrated solution in the future. Threatening the provision of sheltered housing could have an exponential impact on health and social care.
- The proposed changes to the funding model **threaten the sector's ability to maintain the current specialist housing**, and new homes will only be developed at the cost of existing accommodation.



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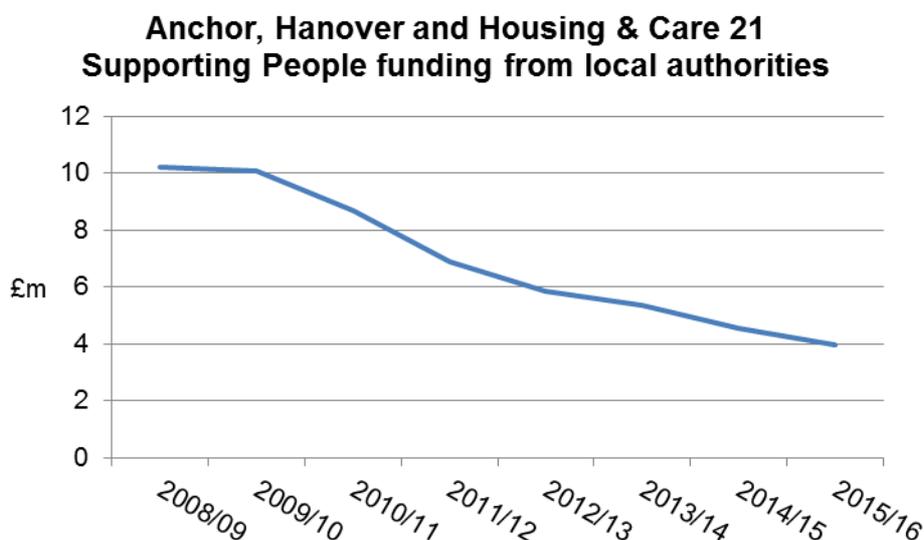


- Support for **housing costs for older people should be administered nationally**. This could be through Pension Credit in a similar way to the administration of Universal Credit for younger people. This would allow definitions of sheltered housing and controls on service charges that will be met and reasonable levels for these charges reflecting the true cost.

13. Should Government proceed with devolving top-up funding to local authorities, we believe that there should be an additional **specific cap for sheltered housing** that reflects the actual cost of the additional facilities provided.

**Question 2:**

14. We assert that this is not an appropriate funding model for sheltered housing. However, if it is introduced, it will be vital that the ring-fence remains in perpetuity. Our experience of Supporting People funding shows that there were rapid reductions in the funding available when the ring-fence was removed.



15. The top-up funding should be allocated to local authorities based on the current levels of Housing Benefit that are paid to meet the true costs of providing supported housing.
- Housing Benefit Sections provide data on all the payments they make, giving a comparison with the LHA, identifying the true amount of the 'top-up'.
  - Local authorities receive a 'top-up' fund that should be sufficient to meet the initial demand.
  - There should be the opportunity to bid for additional funding to support new supply to meet increasing demand.
  - Funding should be made available via a budget that can be drawn down by the local authority for defined purposes.



- Funding is not suitable for redistribution across local authorities because the top-up will represent a much higher proportion of the funding for sheltered housing in areas with a low LHA than that in other areas.

**Question 3:**

16. The Government's proposals do not offer protection for existing residents of sheltered housing.

- 70% are already receiving HB to meet their housing costs.
- The rent has been set according to a formula set by the Social Housing Regulator and the service charges reflect actual costs.
- Under the Government proposals many tenants will see a shortfall in their Housing Benefit payments and will need to wait to see whether the local authority will want to commission that accommodation.
- The charts below illustrate the position for a range of sheltered housing schemes in the North and the East.



17. If the proposals are implemented we would support transitional protection at existing levels of payment for a period of at least 5 years for existing tenants who would see the impact of adverse commissioning decisions.



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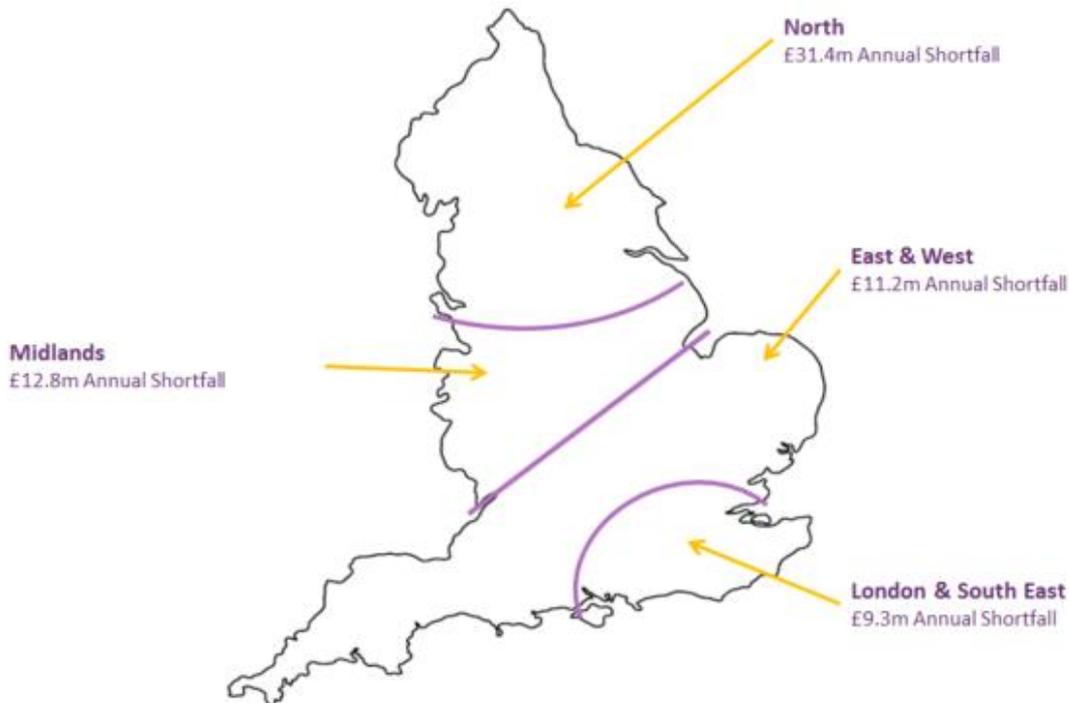
18. We need as much certainty as possible so we don't unnecessarily worry older and vulnerable people.
- The change will impact on all residents of sheltered housing, not just those in receipt of Housing Benefit, as providers may need to change the level of services provided. For example, if a court manager service was reduced or withdrawn, then it would not be feasible to provide services only to self-funders.
  - The proposals could introduce significant additional complexity and anxiety for older people. Any system should be designed on the basis of providers' receiving block contracts as opposed to individual tenants' applying.

**Question 4:**

19. The proposals introduce significant uncertainty around future income on sheltered housing schemes because there will be some reliance on commissioning.
- Experience of SP shows this funding was provided through relatively short contracts of up to 3 years and the funding can be withdrawn at short notice.
  - Uncertainty on the funding available means that some potential tenants are now questioning whether they want to move to suitable sheltered housing that would help to maintain their independence.
  - This is a disincentive to social landlords to build homes for social housing tenants as the number of older people grows.
20. The map below shows the difference between current rents and services charges and the LHA for our three organisations.



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21. This geographic variation delivers preferential treatment for tenants in the South who will, in many cases, retain a guaranteed benefit income whereas those in the North and Midlands will be very dependent on 'top-up' to sustain their tenancy and home. This 'top-up' will be administered by local authorities that have seen the greatest reductions in their spending in recent years.

### Case study

*Helga, 88, from Hull, moved to her one-bedroom sheltered accommodation at the recommendation of her GP because of ongoing health issues.*

*Receiving the state pension, Helga is budget-conscious with limited expenditure outside of normal living costs. She uses a tripod walker and has limited mobility. While she has failing eyesight, arthritis, osteoporosis and carpal tunnel syndrome, since moving into her home property her health has improved and she now enjoys a more socially active life with other residents on the estate, including weekly coffee mornings in the common room.*

*Helga's monthly housing charges amount to around £470. Although she is in receipt of Housing Benefit she still has a shortfall of some £13 a month, which isn't ideal but is still manageable. Under the Government proposals, Helga would potentially have an increased shortfall of some £35 per week, meaning she would need to find an additional £167 per calendar month when coupled with her current shortfall.*

*Helga is concerned at the prospect of the change in her financial situation, indicating she would struggle to find the additional £2,000 per year that would allow her to live on the estate.*



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22. In areas where sheltered housing charges are generally above the LHA the local authority will need to accommodate the costs of any new homes and services within the ring fenced funding, and as a consequence discouraging development. In those areas where charges are below the LHA new developments may continue to receive funding through Housing Benefit and Universal Credit, encouraging development.

**Question 5:**

23. We recommend that the funding to support sheltered housing is removed from these proposals to allow a more integrated solution across welfare reform and health and social care.
24. If the proposed model is implemented we would support piloting to test the administration of the system. A pilot would need to run for at least 5 years if it was going to start to understand the impact of commissioning decisions.

**Question 6:**

25. The proposed system will have a negative impact on meeting future needs:
- Under the Government's proposals the 'top-up' funding will not increase.
  - In areas where sheltered housing charges are generally above the LHA the local authority will need to accommodate the costs of any new homes and services within the ring fenced funding. New development in these areas could be encouraged by offering some new money on an annual basis as part of a bidding process.
  - In areas where supported housing charges are below the LHA new developments may continue to receive funding through Housing Benefit and Universal Credit.

**Question 7:**

26. Existing tenants in low LHA areas will be impacted. For our 3 organisations this is currently 38,600 tenants across 309 local authority areas.
27. Future tenants will be impacted in three ways:
- There will be less new provision due to the greater financial risks of developing in low LHA areas;
  - Less certainty about how their housing costs will be met so they may be reluctant to move and improve their health;

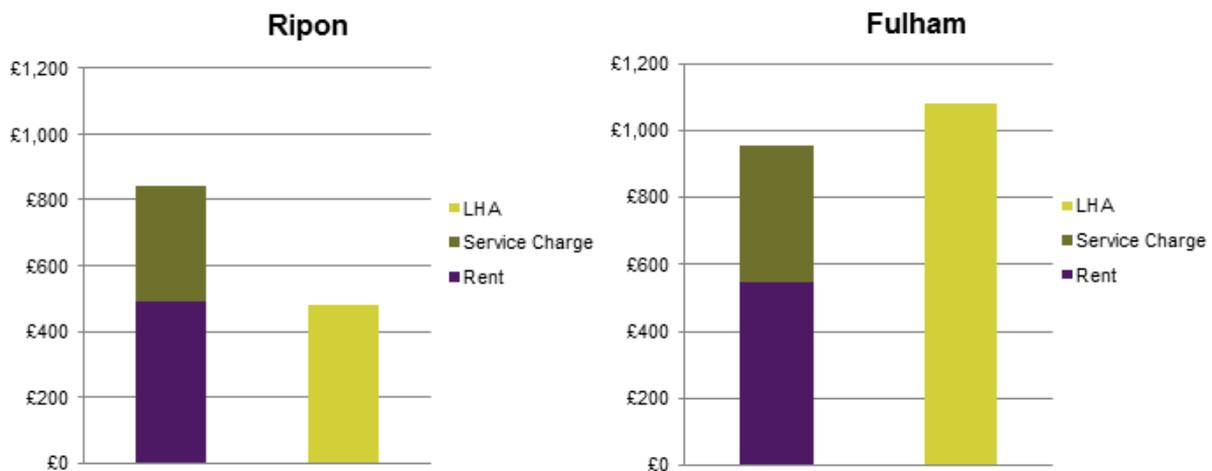


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- A potential reduction in existing provision if schemes are not viable due to the impact of the LHA cap.

28. The proposed system will lead to an inconsistency in application across the country. Local authorities in the Midlands and the North will receive a significant level of top-up funding to commission a wide range of services. However, local authorities in some other parts of the country will see lower levels of top up funding transferred to them, commissioning a limited range of services. The following charts show the comparative impact on similar extra care schemes.



29. This postcode lottery is not an effective method to plan and deliver housing and services so sheltered housing should be removed from the proposals to allow a more integrated solution.

### Question 8:

30. Older people should be removed from the LHA cap proposals completely. The proposals bring older people prematurely into the remit of the current welfare reforms even though they were explicitly excluded from other welfare reform provisions.
31. Tenants should be supported to meet the true costs of providing sheltered housing through a **nationally administered model** for payments which could be delivered through Pension Credit. This would allow clearer **definitions of sheltered housing** together with **controls on the services charges** that will be met, providing guidance on reasonable levels for these charges which reflect the true cost.
32. Should Government seek to proceed with devolving top-up funding, there should be a specific cap for sheltered housing that reflects the true cost of the additional facilities provided which contribute to the preventative nature of the housing. We



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would value a discussion to explore how sheltered housing is targeted at people with a range of needs to ensure that its preventative contribution is recognised and maximised.

**Question 9:**

33. Tenants or providers will be required to apply for funding to the commissioning authority (dependent on the approach applied) in addition to applying to Housing Benefit authorities and, potentially, separate systems for support cost and care costs.
- If the 'top-up' funding is not forthcoming because the ring fence is not strong enough or the local authority decides to stop supporting a service, many tenants will not be able to meet the potential shortfalls (70% receive Housing Benefit).
  - We estimate the average shortfall for a sheltered housing tenant would be £21 p/w and £80 p/w for a tenant of an extra care scheme so if someone is already in receipt of Housing Benefit they are not going to have the disposable income to meet this additional payment without cutting back elsewhere such as heating or food.
  - Landlords would need to reduce services for vulnerable older people, including the closure of schemes, which will clearly have a huge impact on all tenants, including those who are not in receipt of Housing Benefit.

**Question 10:**

34. The 1% reduction in rents is removing capacity from the sector to allow investment in maintaining and improving existing homes and in building new homes. This will reduce the planned income for the 3 organisations by £7.4m each year by the end of the 3 years. We understand the potential benefits to residents and the public purse so we are redoubling our efforts around value for money to allow us to absorb this reduction in income.
35. We see the Government proposals regarding the funding of supported housing as a much greater threat to homes and services. This is not the appropriate time to implement such changes for sheltered housing given the roll-out of Universal Credit, the consideration of the welfare benefits for older people, the continued consideration of a cap on individual contributions towards residential care cost and the impact on health and social care.

**Question 11:**

36. As the LHA cap is calculated on a different housing tenure and, therefore, not an adequate comparator, it fails to reflect the true cost of providing sheltered



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housing so in some areas older people will see a very significant shortfall in their Housing Benefit payments and will rely on 'top-up' payments from local authorities that could be withdrawn at any point. This will lead to great uncertainty, worry and hardship if the level of the 'top-up' cannot be guaranteed.

### **Case study**

*Heather is 75 and lives in a one-bed apartment at a sheltered housing scheme in Scunthorpe, Lincolnshire.*

*She became nervous about living alone after an attempted break-in where she lived previously and she suffers from heart trouble. She values the scheme manager and emergency telephone alarm system.*

*"I have lots of friends here which offers a different type of security and companionship." She enjoys activities in the communal lounge, meeting a friend there every morning. "Life before was very isolated but living with others the same as you means you make good friends. Without these facilities life would be very different."*

*She is nervous about the impact of the LHA cap. She pays rent and eligible service charges of £514.50 a month but, without a top-up, could face a shortfall of £191.27 a month. "I will really struggle to afford living here in the future. I will end up in a tent if the Council are allocating the money. I don't have savings or anything to fall back on."*

### **Question 12:**

37. As specialist providers of sheltered housing we do not see Housing Benefit acting as a disincentive to work. Many of our residents want to maintain a certain level of economic activity and Housing Benefit does not act as a deterrent.

### **Contact:**

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<sup>i</sup> Financial benefits of investment in specialist housing for vulnerable and older people; Frontier Economics, 2010.

<sup>ii</sup> Sector Risk Profile 2016; Homes and Communities Agency.