



CHC's Response

1. About Us

1.1. Community Housing Cymru (CHC) is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members provide over 158,000 homes and related housing services across Wales. In 2015/16, our members directly employed 9,109 people and spent nearly £2bn (directly and indirectly) in the economy, with 89% of this spend retained in Wales. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

2. Our objectives are to:

- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.
- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

3. House of Commons Joint Work & Pensions and Communities & Local Government Committee inquiry into the future of supported accommodation



3.1. In addition to our responses to the questions asked, we have the following comments on the policy of localising supported accommodation funding from April 2019.

4. The Policy

4.1. The proposal to fund supported accommodation through the benefits system up to Local Housing Allowance (LHA), topped up with a devolved funding pot, has particular risks for Wales as LHA rates are low in comparison to England. In high LHA areas including London and the South-East of England, many supported accommodation schemes are viable within LHA rates. In Wales this is rarely the case. The cost of providing supported accommodation is principally determined by the costs of development, maintenance and the salaries of housing management and support staff. These costs differ little from one area to the next but the April 2016 LHA rates can differ by as much as £200 (Blaenau Gwent 1 bed (£60) vs Central London 1 bed (£260.64)). Particularly for existing schemes and those where the developer owns the land, the higher LHA rates in London & South-East of England would allow delivery of supported accommodation without top up.

4.2. A further risk could be created through the devolution of the top up fund. In order for existing and near future supported accommodation provision to be maintained, it is vital that this fund is based on a comprehensive understanding of the cost of supported accommodation in Wales, minus the eligible rents at the applicable LHA rates for each area. Supported accommodation schemes under development should also be taken into account when determining the size of the fund to be devolved, particularly if these schemes are to be operational before or during 2019/20. This could be achieved by sizing the fund to take into account supported housing schemes in development and those in receipt of Social Housing Grant (SHG).

4.3. It is equally as important for any devolved fund to adequately grow with demand. Wales has a proportionately older and more disabled population compared to England. Those aged 65 and over make up 18.4% of the Welsh population, compared to 16.3% of the English population.¹ 19.6% of Welsh children & adults are disabled (using the DDA definition), compared to 18.9% in England.²

4.4. By 2037 it is projected that the proportion of the Welsh population aged 65 and over will grow to 26.9%.³ A proportionately ageing population will most likely place an additional demand on older persons housing. Therefore, it is vital that any devolved fund

¹<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/table124oldagestructurevariantenglandpopulationinagegroups>

²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/321594/disability-prevalence.pdf

³ <https://stats.wales.gov.wales/Catalogue/Population-and-Migration/Population/Projections/National/2014-Based/populationprojections-by-year-gender>



grows with demand for supported and sheltered accommodation. The advantage of the current benefit system of funding the individual through Housing Benefit payments to cover the cost of rent and eligible service charge is that the funding regime flexes with demand. Any change in system needs to ensure that any increase in demand is met by an increase in funding. If this cannot be guaranteed, then the proposed top up shouldn't be implemented through devolution but through the welfare system.

- 4.5. We strongly agree with the ring fencing of the fund in England and urge the DWP, HM Treasury and Welsh Government to work together to agree a similar arrangement in Wales before implementation.
- 4.6. CHC welcomes the current DWP definition of supported accommodation, particularly its inclusion of sheltered accommodation. We strongly urge Welsh Government to adopt a similar approach. Where we refer to 'supported accommodation' in this response, we include sheltered accommodation.

5. LHA Rate Disparity

- 5.1. In April 2016, 59.1% of 1 bed LHA rates in Wales were below the 30th percentile.⁴ If a policy of LHA + top up funding is to be delivered, LHA rates should be thawed in 2019, rather than 2020 as planned. This would provide assurances to landlords and support providers on the proportion of funding which will be provided to them through the benefit system in the near-to-mid-future. Flintshire currently awards a 1 bed LHA rate of £81.36, compared to the actual 30th percentile of £88.60. Matching the 30th percentile for 1 bed in this BRMA would boost the LHA by 8.2%, a significant increase. Additionally, an early thawing of LHA rates would also benefit the bodies expected to assess need and deliver the 'top-up' funding by enabling them to identify which schemes may not require a top-up post-2019.
- 5.2. Consideration should also be given to the accuracy of the 30th percentile calculations at which the LHA rates are pegged. The data on actual lettings collected should be a transparent and accurate reflection of the local rental market.

⁴<http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Mind%20the%20gap.pdf>



6. Rent Policy Divergence

6.1. In Wales, 55% of older persons' housing, 63% of refuges, 64% of learning difficulty accommodation and 69% of supported housing for young people is provided by housing associations.⁵

6.2. The diverging social rent policies within Great British nations have the potential to impact on the number of supported accommodation units which can be funded by a finite fund. Consideration should be given to the effect of inflation on the core rent of supported accommodation across Great Britain and the need to ensure that the devolved top-up funds grow adequately with inflation as well as increase in demand.

7. Are separate funding models needed for:

- Refuges and other short-term supported housing services
- Sheltered housing services for the elderly (these services would require a higher cap)

7.1. The funding of short term accommodation has become complicated by the introduction of Universal Credit (UC), we believe that emergency and short term accommodation could be funded separately to other Supported and Sheltered Accommodation and outside the UC system. Emergency and short term Supported and Sheltered Accommodation should be commissioned in its entirety, via a ring fenced fund administered by Welsh Government or the DWP to mitigate the delay for monthly assessment of UC and the initial wait for new claims. Many tenures/licenses run for less time than the UC assessment period and therefore do not receive comparable housing costs with the current housing benefit system. The back dating of housing costs is now also limited. 73 residents of homelessness services in Glasgow who have either existing UC claims or have been transferred in error have generated a total of £144,000 in arrears. This has a significant impact on the cashflow of homelessness supported accommodation in the city and is indicative of the issues which could be faced with higher numbers of UC claimants entering homelessness services. Similarly, the inability to backdate UC, and the restrictions in backdating Housing Benefit system to 4 weeks, have the potential to increase arrears owed to short term supported accommodation. Emergency and short term accommodation residents are often highly vulnerable and it is not always in the resident's best interests for one of the earliest conversations they have to be around claiming housing welfare support.

7.2. With regards to sheltered accommodation, rents & service charges are regularly very close to LHA. An example scheme in south Wales would require a top up of

⁵ Supported Accommodation Review p112-113



£7.17 per week per tenant despite the LHA rate in the area being only £80.55 a week. In higher LHA areas this potential top up could be lower.

7.3. Administering a large number of low payments to tenants on an individual basis will create additional administration costs and complex the process for vulnerable tenants. A separate funding model may take the form of an enhanced LHA cap for those of pensionable age to allow them to pay for Supported and Sheltered Accommodation without the need to use the new top up fund. This approach would also protect tenants who have taken up tenancies in sheltered housing which they viewed as being funded for life at the time of entrance. The model would not complicate the current system, it would be delivered as a periodically reviewed higher than 30th percentile LHA rate.

8. How the localised funding pot for supported housing would work, including:

- how it will be ring-fenced
- which factors should be used to determine local allocations

8.1. Initially, local allocations should be determined by the current spend on supported accommodation and the initial spend on any supported accommodation units/schemes under development at the time of allocation. This is vital to provide assurance to existing tenants and providers/developers that existing units will continue to be viable.

8.2. Future allocations should be based on existing supported accommodation, plus the current need for supported accommodation within the area of the body handling the funding. In Wales, need can be assessed using existing mechanisms:

8.3. Section 14 of the Social Services & Well-being (Wales) Act 2014 places a duty on local authorities and health boards within their boundaries to jointly assess the extent to which there are people in the local authority's area who need care and support, and to assess the extent to which there are people in the local authority's area whose needs for care and support are not being met. The first of these assessments must be published by April 2017. These assessments should be capable of being able to indicate demand and unmet needs for supported and sheltered accommodation in each local authority area. Existing accommodation can be ascertained through Landlords and Providers of supported and sheltered accommodation.

8.4. Additionally, section 50 of the Housing (Wales) Act 2014 places a duty on local authorities to develop and review homelessness strategies from 2018 onwards. Homelessness strategies must ensure that suitable accommodation is and will be available for people who are or may become homeless, and that satisfactory support is available for people who are or may become homeless. Through these strategies,



each local authority should assess current and future need for homelessness supported accommodation.

8.5. Any devolved 'top-up' should be ring fenced for the delivery of supported accommodation placements both through the budget as a specific budget line and through legislation.

9. How should existing supported and sheltered housing tenants be protected following their transfer in April 2019?

9.1. It is essential that protection is made to those who have entered tenancies following robust affordability and needs assessments. The top up must ensure these tenancy commitments are met. Legislation and ring fenced funds therefore must be in place for the current 38,500 units. The flexibility to adapt future funding for new schemes would be acceptable and a local input into that decision would allow the current LA reporting as outlined above to influence the level of future funding. This would give developers more certainty about the sustainability of any new scheme.

9.2. Existing supported housing tenants should be protected under legislation so that they continue to be provided with full housing costs. This would preferably take place through the benefits system as is the current arrangement.

10. The effects of uncertainty about the new funding model on tenants and development in the supported housing sector.

10.1. Uncertainty of future funding, particularly whether housing costs will be guaranteed for current or future supported accommodation developments has led to some housing associations in Wales postponing planned improvements to existing supported accommodation schemes.

11. Whether the new system should be piloted before its full implementation.

11.1. In Wales, it is unlikely that there will be the opportunity to undertake a year of shadow arrangements. To reduce the risk inherent in implementing a new funding regime, those claiming pension credit should be exempted from the policy for at least one year or until the review of future housing benefit and pension credit is complete. This will reduce the number of tenants affected by the policy in 2019 by up to 29,000 and provide the opportunity to explore further the potential for a separate funding model for those in sheltered housing or other lifetime Supported Accommodation.



12. Whether the new system will resolve the shortfall in supported housing placements over the long term.

12.1. The current funding regime for supported accommodation provides confidence to supported accommodation developers that rent and eligible service charge will be met, even with increases to rent and service charges. Similarly, developers have confidence that schemes will remain viable even if separate support costs are withdrawn. There is a significant risk that any new regime where housing costs are not seen to be guaranteed for the length of service of a new development will remove all confidence from the sector and lead to an increase in the shortfall of supported housing placements over the long term.

12.2. Availability of land, planning and the use of capital investment are key factors in resolving the shortfall in supported housing placements. Serious consideration should be given to the use of government and local authority owned land for the development of supported accommodation. Similarly, planning requirements should be eased for these schemes, at least in the short term, to stimulate new development. Capital investment, partly through the variable use of Social Housing Grant in Wales, can play a role in decreasing the core rent of new developments although confidence in revenue funding remains the most significant factor in determining the viability of new and existing schemes.

13. Whether the new system will ensure that the varied rate of the LHA cap will not adversely affect tenants and providers in low-value parts of the country.

13.1. The design of the proposed new funding regime is for the LHA level to be 'topped up' to the full rent and eligible service charges of the supported accommodation unit. This system will allow supported accommodation units in low LHA areas to receive a top up which will cover the shortfall experienced in some BRMAs. As long as there are appropriate ring fencing and legislative safeguards on the use of the top up fund in its use solely for supported accommodation rents and service charges, and that the local allocation formula is fair, there should be no adverse impact of the varied rate of LHA on tenants and providers in low LHA areas of the country.

14. What alternatives there are to the LHA cap, such as a supported housing cap and a sheltered housing cap.

14.1. We see merits in an increased LHA rate or cap, particularly for lower cost supported accommodation such as category 1 sheltered, as it meets our members preferred option of maintaining funding through the traditional welfare system. This provides confidence to landlords to maintain development in supported housing. The level of cap would ultimately determine whether this would be appropriate for each tenant.



15. The relative effects of different funding model options on tenants.

15.1. One of the benefits of the current system for both tenants and providers is that there is a single point of administration for supported housing costs through HB through local authorities. The administration of the new funding model should look to continue this level of simplicity.

16. What steps should be taken to mitigate the effects of the 1% rent cut.

16.1. The diverging social rent policies within Great British nations have the potential to impact on the number of supported accommodation units which can be funded by a finite fund. Consideration should be given to the effect of inflation on the core rent of supported accommodation across Great Britain and the need to ensure that the devolved top-up funds grow adequately with inflation as well as increase in demand.

17. How the LHA cap will affect pensioners.

17.1. Currently, some category 1 sheltered housing is not included in the definition of specified housing. Under a new funding regime, it is vital that category 1 sheltered housing is included in the definition of supported housing and thereby protecting sheltered housing tenants, particularly above pension age, from the LHA cap which will be imposed on social housing tenants regardless of age from April 2019.

18. Whether housing benefit acts as a disincentive to work.

18.1. It should be noted that the majority of supported housing tenants in Wales are not in a position to work due to either their vulnerability or old age⁶. For those who are able to work, it is vital that they have safe, stable housing. It is right and proper that Housing Benefit is used to provide this housing while individuals are working towards independence.

18.2. The timeframe of an individual's move into work is rarely congruent with their move on into independent accommodation. One of the benefits of Universal Credit is the amalgamation of in work and out of work benefits. Consideration should be given to further financial support for supported housing tenants looking to move into work while remaining in their supported accommodation in the short term.

⁶ Supported Accommodation Review p109