

**REPORT OF THE SERVICE DIRECTOR, STRATEGIC COMMISSIONING,  
ACCESS AND SAFEGUARDING****SUPPORTED HOUSING – RISKS TO EXISTING SERVICES AND NEW  
DEVELOPMENTS****Purpose of the Report**

1. To inform Committee of current risks posed by the Chancellor's 2015 Autumn Statement regarding housing benefit caps and rent reductions on social housing to the Council's programme of supported housing development.
2. To seek approval to underwrite rents on a revenue basis where required to enable the continued development of supported housing.

**Information and Advice****Changes to central Government policy affecting supported housing**

3. A two-year research project was set up in 2014 by the Government regarding the funding of Supported Accommodation. The Chancellor's Statement and Spending Review in autumn 2015 announced two major changes affecting social rented tenancies ahead of the findings of the project. These are the introduction of a cap on Local Housing Allowance (LHA) and a rent reduction on social rented properties as outlined below. Housing benefit claims for social rented tenancies taken up from April 2016, whether in new or existing schemes, were to be capped at the local housing allowance rate from April 2018.
4. Since the Chancellor's announcement in autumn 2015 following lobbying by a range of organisations, there have been a number of parliamentary debates on the proposed changes to the benefit, with members from all parties raising concern about the impact of the housing benefit cap for those in supported housing. The debates recognise that the provision of such housing is intrinsically linked to the support they receive to remain living in the community. This has resulted in two further announcements, the first was early this year when the Government indicated that there would be a year's exemption from the policy with the capping of housing benefit applying to supported living tenancies taken up from April 2017 rather than from April 2016 as originally intended.
5. The second announcement was made on 15 September 2016 with the Government confirming that the implementation of the housing benefit cap on supported housing will now be delayed until April 2019 (see Appendix 1). The Government has stated that it will commence formal consultation shortly on the proposed new funding model. The proposals include the establishment of ring fenced funding to be devolved to local

authorities which would ensure the sector continues to be funded at current levels. This report has been written within the context of the changes in recent months relating to the introduction of the LHA on supported housing and supported living tenancies.

6. For many years, the County Council has worked with housing developers and providers in Nottinghamshire for the provision of supported living to enable people with varying levels of health and social care needs to continue to live independently in their own home, with the appropriate levels of support. The introduction of the cap on housing allowance for supported living tenants would typically represent a halving of the benefit. The vast majority of people with care and support needs have no means to meet this liability which could be between £30 and £180 per week.
7. The Care Act (2014) starts with a definition of wellbeing which is a guiding principle throughout the Act. Local authorities must promote wellbeing when carrying out any of their care and support functions. The nine point definition of wellbeing includes *'the suitability of living accommodation'*.
8. As outlined in Appendix 1, the Government is to go ahead with its previous proposal to apply a 1% rent reduction on certain social rented properties. This is to be applied year on year for three years, up to and including 2019/20. Whilst specialised supported housing will be exempt from this rent reduction, some of the current social housing landlords locally will still be affected where they are providing more standard accommodation, and they will have to reduce rents by 1% for the next 3 years. This represents a significant reduction in social landlord income and it may therefore impact on the investment capacity and future viability of housing associations.
9. Whilst the latest Government announcement should help give the housing market some level of confidence to start to invest in new supported living housing developments, there remains a level of uncertainty for the housing developers. At this stage it is not known whether the funding to be allocated to local authorities from 2019/20, through a Discretionary Housing Payment, will be sufficient and or the length of time that this funding will be ring fenced. This uncertainty is likely to remain until the detail of future funding arrangements have been clarified.
10. The creation of a Discretionary Housing Payment is similar to the approach to taken with the Supporting People Programme in 2003 where the pot of funding was developed by separating the housing related support costs from the rent. The value of this pot was then fixed and ring-fenced but was subsequently reduced and the ring-fencing was removed. It is therefore anticipated that any devolved housing funding would be fixed initially, with a risk that there will not be sufficient provision for growth, and that this could potentially be subject to funding reductions over time.
11. Housing providers have been concerned that as the fund may be discretionary it will not consistently apply to all supported accommodation and may not be permanent. The lack of clarity about the future funding of supported accommodation has created uncertainty for housing associations and their financial backers. The majority had stalled all housing development until the future funding of supported accommodation is fully clarified as without a guarantee that rents will cover their development and on-going housing management costs they are unwilling to invest or unable to find financial backers willing to take this risk.

12. In Nottinghamshire, of 155 new supported living tenancies planned for development over the next two years, all but 15 have been stalled due to the likely gap in housing benefit. In light of the new announcement it is hoped that some of these concerns will be lessened, initial conversations with the local housing providers suggest some level of optimism but a continued caution.

### **Impact of the Benefit Cap on existing supported living accommodation**

13. There are over 650 adults living in supported accommodation in Nottinghamshire of which approximately 80 individuals are in Supported Living Plus services created for people leaving long stay hospital or NHS campus or at risk of admission to long stay hospital. In 2015/16, nearly 50 new tenancies were taken up in existing schemes suggesting a turnover rate of 7.6% per annum.
14. In Nottinghamshire typical LHA levels range from around £58-£90 per week depending on the area, age of the tenant and property type. Typical supported living rents are anything from £130 a week at the lowest end to around £220 a week. Some new build high specification properties of the type built for people coming out of hospital under the Transforming Care Programme can be as much as £290 a week inclusive of housing management charge.
15. With average rents calculated to be about £182 per week and with average LHA rates assumed to be £74 (half way between highest and lowest rates) then the average weekly shortfall would be £108 a week per new tenant moving in after April 2019. At a 7.6% turnover rate (calculated from the number of voids filled in 2014/15) this could be a cumulative additional cost of up to £277k each year on existing supported living.
16. Out of the 650 supported living tenancies for which the Council has a contract, 208 include void agreements, making the Council liable for a void cost when they remain unoccupied after a period of time. When the benefit cap is introduced, if the voids are not filled it will result in an increase in void payments. Where the council has a void agreement it will be more cost effective to underwrite rents than to pay full void costs.
17. Many of the supported living properties are shared by two or more individuals. Where appropriate, the Council commissions some shared hours of support as this is far more cost effective than individual 1:1 support. If there is an increase in voids in these tenancies, then the cost to the council of the shared hours will increase.
18. Additionally, if the number of voids in supported accommodation increases, where there is no void agreement with the Council, this will over time become unsustainable for supported living providers and housing providers resulting in many of the properties being sold and existing tenants needing to be re-housed.
19. A reduction in supported living provision would mean that the Council would have to place a greater number of individuals into residential homes. In most instances residential care is more expensive than supported living to the Council mainly because rent and 'board' costs cannot be accessed through housing and other welfare benefits. To date, the average saving to the council of moving people from residential care to supported living has been £363 per week per person which is higher than the average

rent shortfall, meaning supported living would often still be the most cost effective option. Appendix 2 gives examples of some actual cost savings made for individuals moving out of residential care.

## **Impact of not developing further supported living services**

### **Savings and efficiencies**

20. The Council has been implementing a number of projects to deliver savings through reducing the use of residential care and supporting people to remain living independently in their own home. If further supported living is not developed and if the number of voids increases, it is estimated that up to £2.5m of savings and efficiencies could be at risk as detailed below:
- Moving people out of residential care and into supported living – savings of approximately £960k are at risk between 2016 and 2019.
  - Promoting independence in care support and enablement services by helping people to move out of supported living into independent tenancies with lower levels of support. This may be jeopardised due to the cost of the voids and impact on shared support. The savings target for this project is £1.5m and it is estimated that £500k could be at risk.
  - Reducing the average cost of young adults' care home placements - if the option of supported living is reduced there is likely to be an increased cost for those service users who would have to be placed in residential care as the care home placements are on average more costly than supported living. The savings target for this project is £2.5m for 2017/18 and it is estimated that £1m could be at risk.

### **Transforming Care Programme**

21. The Nottinghamshire Transforming Care Programme (TCP) in partnership with the NHS aims to enable people with learning disabilities and/or autism to move out of long-stay hospitals. The Council has already supported 38 people to leave long stay hospital out of which 24 individuals moved into supported living. However, there are approximately 40 Nottinghamshire people with learning disabilities or autism who still need to be discharged from mental health hospitals. Continued development of appropriate supported living accommodation is key to enabling these people to leave hospital. A bid has been made to NHS England for capital funding to create around 20 tenancies. There is no indication as yet whether this will be successful.

### **Availability of suitable accommodation**

22. General needs housing can be used for some people who need support and this is always considered where appropriate. However, a lack of good quality general needs housing often means that there is no suitable accommodation for people who require some support. Housing in a poor state of repair or in poor locations can mean a person requires more 1:1 support thereby increasing the cost of a support package.
23. New housing developments have already stalled for approximately 8 months resulting in a lack of sufficient provision. This is already having a negative impact as there are

currently a number of people ready to move out of hospital in the next 6 months for whom residential care is now having to be considered rather than the preferred option of supported living. There is a risk that some of these individuals may have to be placed outside of the county due to lack of suitable residential care locally for people with challenging behaviour. As part of the review of residential placements, 10 individuals have already been identified where their care would be more appropriately be provided in supported living. This would give the individuals much more choice and control over their lives. This could also be more cost effective and would contribute to the Council's savings programme. As the review progresses, it is expected that a larger number of individuals will be identified who could be moved out of residential care and into supported living provision.

### **Options Considered and Reasons for Recommendations**

24. The recent Government announcement has offered some assurance to the housing market but at this stage, there remains a level of uncertainty which could impact on future supported housing developments. In order to support the development of the 155 new supported living tenancies it would help if the council is able to provide some further assurance to housing developers locally through the offer to underwrite rents should this be required.
25. Consideration has been given to doing nothing at this stage to support the development of supported living. However, even with the assurances provided by the most recent Government announcement, there is a risk that the housing market does not commence new supported housing developments or to the scale required and this would then result in the council incurring higher costs related to the increased use of residential care provision.
26. The lack of sufficient numbers of new supported living developments will have a direct impact on the ability of the Council and the local Clinical Commissioning Groups (CCGs) to meet the Transforming Care Programme requirements to move people out of long stay hospital provision.
27. As outlined in paragraph 20 above, there are risks related to the Council's ability to deliver a number of savings which are directly linked to the development of new supported housing.
28. Given the increased financial costs of ceasing any further supported developments, it is proposed that the Council proceeds with its plans to develop new supported living provision and that capital funding from the council is used to ensure housing partners remain willing to develop property within the local area.

### **Proposed option relating to the development of further supported living services**

29. Before the changes to the local housing allowance were announced, the Council had already made provision to contribute capital where required to support the development of schemes in order to ensure they are suitable for group supported living such as bespoke housing, supported living plus, or developments in higher cost areas. The plan was to enable development by reducing the risk related to negative equity.

30. The Council had allocated £3m of capital for the supported living programme, earmarked for the development of 56 properties. However, to date only a small amount of the funding has been used, partly because housing providers had used their own capital for new housing developments and partly because separate capital funding was accessed from the Department of Health as part of the Transforming Care Programme. A total of £565k capital funding has been allocated for some supported living plus developments with £440k of this being accessed from the Department of Health.
31. Given the need for new housing provision for younger adults, it is anticipated that some of the earmarked capital funding will be required for further supported living developments, including specific accessible housing and sourcing properties in the south of the County where the costs of property development are much higher. However, this capital could also be used to underwrite the risk relating to the difference between housing benefit levels and actual rents.

### **Underwriting rental costs above the Local Housing Allowance on new developments**

32. It is proposed that the Council agrees to underwrite rents for up to five years from April 2019 for new developments where it is identified that housing partners remain unwilling to commit their own capital due to uncertainties about future rent levels. The underwrite would only be called on should the housing benefit cap be introduced and for any reason the proposed housing pot is insufficient or not available for certain schemes. If the funding for supported housing is funded at appropriate levels then there is no risk to the Council to offer this assurance as the funding to make good any shortfall between housing benefit and the provider rent would be available to the Council.
33. The following provisos would be in place before there was any agreement to underwrite rents.
  - i. any agreement to underwrite rents is related solely to the current risk of a shortfall in rent as a result of the housing benefit cap and is only enacted should the Discretionary Housing Payment be insufficient to meet the shortfall in full.
  - ii. any opportunity to bid for capital grant for housing development is fully utilised and this is used to reduce the rental costs as close to LHA rates as possible.
  - iii. any capital grant given which is not directly related to the risk around rent restrictions continues as currently to enable development of supported living plus, properties in the south of the county or other high spec services or to a lesser extent, the development of standard supported living.
  - iv. the rental levels for any new development are part of the competitive process for evaluating bids for supported accommodation with the aim of encouraging lower core rent and management costs.
  - v. void agreements continue to be part of the competitive process for evaluating bids for supported accommodation with the aim of minimising the council's responsibility around rental voids.
  - vi. each proposed new development would need to be able to demonstrate savings or be cost neutral compared to a realistic alternative, such as residential care,

inclusive of any rental amount over LHA levels or further committee approval would be sought before developments undertaken.

- vii. the agreement for rental/capital underwriting should only be used where housing providers are unable or unwilling to undertake new developments without this or where the possible cost would be less than an initial capital grant.

### **Risk to following the proposed options**

- 34. There is a risk that providers may come to rely on financial support and therefore not look for innovative ways of reducing rent levels. This will be mitigated by council officers gaining a clearer understanding of the costs related to both core rent and housing management costs in order to ensure best value for new services being set up.

### **Statutory and Policy Implications**

- 35. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **Financial Implications**

- 36. As outlined above, the Council has already made available £3m capital funding which could now also be used to underwrite any rents should this be required.
- 37. The financial limit for investment into new supported housing will be the £3m previously identified for supported living investment, which includes any capital investment as described in paragraph 30 as well as the provision to underwrite rents to offset the risk of the housing benefit cap. This money will either be as capital spend or the equivalent implication of the capital spend on the revenue budget which is currently £255,000 per annum (based on an 8.5% cost of borrowing and repayment).
- 38. As outlined in paragraphs 16 and 17 above, where the Council supports further housing developments this will increase the risk of void costs if vacancies are not filled. Therefore even where no specific rent underwriting is agreed, the Council may choose to top up an individual's rent rather than pay a void as this will be more cost effective.

### **Human Rights Implications**

- 39. The proposed housing benefit cap poses a potential threat to the security of tenure of existing supported housing tenants due to the sustainability of services going forward. This threat would be reduced for new tenants if the recommendations of this paper are agreed.

### **Public Sector Equality Duty Implications**

40. The local housing benefit cap would have a directly negative effect on people with learning disabilities, mental health issues, physical disabilities, Autism or age related frailties which would be reduced if the recommendations in this report are agreed.

### **Implications for Service Users**

41. The recommendation, if approved, would mean that existing service users living in supported accommodation would be better protected from losing their tenancy in cases where the housing providers decide to sell the property where void levels are making the services unsustainable.
42. Future service users would be given the opportunity to live in supported accommodation and therefore would not need to go into residential care or require higher levels of funded care and support to enable them to access general needs accommodation. Continuing to develop supported living would also reduce the risk of homelessness or inappropriate housing as the residential and general needs housing market in Nottinghamshire could not currently meet the demands of those living in supported accommodation.

### **Implications for Sustainability and the Environment**

43. As detailed in the report, ensuring the sustainability of existing supported accommodation would reduce the requirement for residential care.

## **RECOMMENDATION/S**

That the Committee:

- 1) Supports the principle of a new model of funding for supported housing, subject to the provisos detailed in paragraph 33.
- 2) Agrees that Policy Committee receives a further report once the outcome of the Government's consultation on the new funding model is concluded and the final position has been made clear.

**Councillor Muriel Weisz**  
**Chairman of the Adult Social Care and Health Committee**

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### **Constitutional Comments (LM 26/04/16)**

44. The recommendations in the report falls within the Terms of Reference of Policy Committee.

### **Financial Comments (KAS)**

45. The financial implications are contained within paragraphs 36 to 38 of the report.

**Background Papers and Published Documents**

None.

**Electoral Division(s) and Member(s) Affected**

All.  
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