



What you need to know about the future funding of supported housing

On 15 September Damian Green, the Secretary of State for Work and Pensions, provided a [written statement to the House of Commons](#) setting out some detail about how supported housing will be funded in the future.

It follows concerns that elements of the government's plans to cut spending on housing benefit (HB)/universal credit (UC) would disproportionately affect providers of supported housing and force some schemes to close. Concerns particularly focused on plans to:

- extend local housing allowance (LHA) caps to the social sector. These currently limit the amount of help that private tenants can get with their housing costs, via HB or UC
- require social landlords to reduce their rents by one per cent per year for four years, with effect from April 2016.

Government subsequently postponed the roll-out of these measures to tenants living in supported housing, pending the outcome of a more general review into the way that supported housing is funded. The Minister's latest announcement clarifies the government's intentions, and this briefing for CIH members provides a summary of what was announced and gives an initial CIH response to it.

What has been announced?

The Minister's statement revealed that changes to the funding of supported housing will apply from 2019/20. Until then:

- tenants or licensees living in supported housing

will not be affected by the planned extension of LHA rates to the social sector

- the annual one per cent rent reduction will apply to most supported housing from April 2017 for three years. Both the existing, limited exemption for 'specialised supported housing' and the mechanism for individual landlords to apply for a general exemption remain.

From 2019/20:

- core rents and eligible service charges for supported housing will continue to be funded in the same way. They will be eligible to be covered by HB or UC, but both new and existing tenants will be subject to the LHA cap
- supported housing will however be exempt from the shared accommodation rate, which limits the amount of help that single people under 35 can receive to enough to cover a room in a shared house
- in order to cover the additional costs associated with providing supported housing, over and above LHA, local authorities will also be given control of a 'top-up' fund. The size of the fund will take into account projections of future need and it will initially be ring-fenced to ensure that it is spent on providing and commissioning supported housing in the local area
- devolved governments in Wales and Scotland will also receive an amount of top-up funding, and it will be up to them to decide how they choose to spend it.



What will happen next?

A formal consultation will be published shortly, which is likely to cover:

- projections of future need
- a mechanism for funding the development of new supported housing
- a mechanism for ensuring that top-up funding continues to be spent on developing/providing supported housing
- the level of funding required to enable local authorities to administer the new arrangements
- options to reform the regulation of supported housing, and how to ensure that this is both effective and proportionate.

In addition government will look particularly at protections for refugees and other short term accommodation, as it is possible that a different funding mechanism may be needed for these types of scheme. The Prime Minister has given clear indications that these will be exempt from the LHA limit.

What does CIH think?

Overall the announcement offers welcome reassurance for some but leaves significant concern and uncertainty for others.

In particular:

- Exempting people under 35 in supported housing from the shared accommodation rate is extremely welcome news for the significant number of vulnerable young people who were at serious risk of losing the housing support they need.
- Moving from the current entitlement based funding model for the full cost to a cash limited pot for the funding over and above LHA levels, agreed on a periodic basis inevitably means a shorter-term funding environment, which will make it harder for supported housing providers to commit to long-term investments. This uncertainty could be a serious barrier to providing the housing with support that people so desperately need.
- Delaying implementation of the new system until 2019 provides welcome time to develop arrangements, but will also increase the period of uncertainty for providers.
- It is good that the government has recognised the importance of supported housing by announcing that top-up funding will be ring-fenced, although it does create the risk that providers will have to navigate a 'patch work' of different local authority funding models, and there will be concerns over how long that ring fence will remain.
- We still need clarity on what projections the top-up funding will be based on to be sure it will meet the demand. The funding pot will need to be substantial to fund the service charges in supported housing.
- The announcement that the one per cent rent reduction will apply to supported housing providers adds another element of challenge to an already difficult situation.