Update Briefing on the Welfare Reform and Work Bill: 16th October 2015

The Welfare Reform and Work Bill makes a provision that housing association rents are to be reduced 1% per year for 4 years starting in April 2016. There is significant confusion about how this will affect the supported housing sector and this briefing is seeking to clarify this as it has profound implications to the future of supported housing.

Does the provision apply to supported housing?

As the Bill stands the rent reduction does apply to supported housing that is defined as social housing, including accommodation that falls under the specified accommodation definition. The definition of social housing in the Bill has the same meaning as the Housing and Regeneration Act 2008

Property is ....social housing only if the purchase, construction or renovation of the property was funded by means of a grant under—

(a) section 19 (financial assistance by the HCA),
(b) section 18 of the Housing Act 1996 (social housing grant), or
(c) section 50 of the Housing Act 1988, section 41 of the Housing Associations Act 1985 (c. 69) or section 29 or 29A of the Housing Act 1974 (c. 44) (housing association grant).

On the 15th October 2015 the Committee withdrew an amendment to remove Specified Accommodation from the rent reduction after the Government pledged to vote against it. Whilst the Government welcomed the amendment they could not accept it because they were:

a) Putting adequate safeguards in place as a matter of course
b) Working with housing associations to make the legislation effective
c) Already acting on their promise to protect vulnerable people

The Government stated that a specified accommodation exemption would be unfair on tenants in supported housing who were working and paid their own rent, especially older and disabled people.

Does the 1% reduction apply to both core rent and service charge?

On the 15th October the Committee amended the Bill to remove all service charges from the 1% rent reduction, the clause now reads

“In the social housing rents provisions, a reference to an amount of rent payable to a registered provider for social housing—

(a) in the case of social housing that is affordable rent housing and is let at an affordable rent, includes a reference to an amount payable by way of service charge, and
(b) in the case of other social housing, does not include* a reference to an amount payable by way of service charge.”

*Our emphasis
How much actual reduction will this represent?

Providers of specified accommodation are likely to have modelled their business plans on the 10 year rent settlement that the Government introduced in 2014, which allowed rents to increase by CPI\(^1\) +1%. Whilst the headline figure in the Bill is a reduction of 1% per year, in reality this equates over four years (presuming an inflation rate of 1-1.5%) to estimated reductions in income of 12-14.

Our concern is that this lack of understanding about the provision means that organisation have not been planning out the impact of this within services that are either currently in operation, or in development.

What about housing where the rent standard does not apply?

The HCA allows higher rents in some ‘specialist supported housing’ that fulfils the following criteria:

- the scheme offers a high level of support for clients, for whom the only acceptable alternative public or voluntary sector options are care homes, and
- no, or negligible, public subsidy has been received, whether in the form of grant or free land, and
- the scheme has been commissioned in line with local health, social services or Supporting People strategies and priorities

It is not clear if the rent reduction applies to these properties but it is likely that the number of homes is small.

So will there be any exceptions at all?

There is currently some provision in the Bill about the Secretary of State making some exceptions, but as this stands, this will be on an individual case by case basis.

Sitra with other membership bodies are continuing to lobby Government for the Bill to be amended and the disproportionate impact on supported housing to be recognised.

It is also very important that you let your MP and the government know about how the inclusion of supported and sheltered housing in the rent reduction programme will impact on your current and future provision.

Please do not hesitate to contact Sitra if you have any questions in relation to this briefing post@sitra.org. This briefing does not constitute legal advice. We recommend that you seek the advice of an appropriately qualified legal practitioner if you need legal advice.

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\(^1\) Consumer Price Index