

Let's end
homelessness
together



Yesterday, the Government finally announced its “direction of travel” in terms of Local Housing Allowance (LHA) Caps and the future funding of supported housing services. A number of statements were made that are significant for homelessness organisations. Below is a briefing and commentary on the key points, including quotes from Secretary of State the Rt. Hon. Damian Green. MP.

Government's Immediate Plans LHA

Caps to be removed from supported and sheltered housing until the new Future Funding regime comes in. Currently this is scheduled to be April 2019.

“We have heard the concerns regarding the application of the Local Housing Allowance (LHA) rates to social rents from 2018. So I can announce today that we will be deferring the application of this policy for supported housing until 2019/20.” Damian Green MP.

Homeless Link thinks this announcement is welcome. Our ball-park figures showed that the caps could have reduced housing benefit income to homelessness agencies by half. Working with partner agencies from other sectors we have lobbied the Government continuously on this issue since the announcement of the caps in November 2015. This new proposal provides supported housing with a lifeline for the next few years.

The 1% Rent Reduction to be applied to registered supported and sheltered housing from April 2017 for the next three years

“In March 2016, we introduced a one year deferral for supported housing, fully mutuals/co-operatives, almshouses and Community Land Trusts from the reduction of social rents in England of 1% a year for 4 years from 2016. It is important that providers can continue to provide high-quality and cost-effective supported housing to meet the needs of their tenants. However, it is also important that supported housing should make efficiency savings in the same way as the rest of the social sector.

Therefore, I can confirm that...we will apply the rent reduction to supported housing, with rents in these properties decreasing by 1% a year for 3 years, up to and including 2019/20.... the Welfare Reform and Work Act 2016 includes provision that allows a social landlord to be exempted from the requirement to reduce rents by the Secretary of State for Communities and Local Government or the social housing regulator (in the case of private registered providers) if complying would result in serious financial difficulty or jeopardise their financial viability.” Damian Green MP

This is an extremely disappointing decision, which we believe has no logic to it. The rationale behind the original suspension of the Rent Reduction has not changed – namely, that services for vulnerable people will be put at risk.

We think the Government are underestimating the risks of this decision. In real terms the loss of income is not just 1%, as agencies have modelled income on the basis of the CPI+1% increase agreed with the Government in 2014. Our earlier figures calculated in 2015 showed that one-third of services would have to close and a half would have to change the clients they worked with if this was implemented.

Key questions remain unresolved:

- What will be the ‘baseline’ rent to which the 1% Reduction would be applied (April 2016 or April 2015 Levels)?
- How will the Rent Reduction interact with the new funding regime that comes in from 2019/20?
- How viable will it be for agencies to get HCA “waivers” if their service is put at risk by the Reduction?
- Should we presume, as per the legislation, that the rent reduction will not apply to service charges?
- Refuges are (rightly) exempted for the Rent Reduction. What is the logic in not also exempting other supported housing, which will be hit equally hard?

We believe the different plans for the LHA Caps and Rent Reduction clearly demonstrate the need for homelessness to be addressed more strategically by the Government. The reason for removing LHA caps is to protect supported housing. However, this aim is undermined by implementation of the Rent Reduction.

Government’s Future Plans

“It is our intention that from 2019/20 core rent and service charges will be funded through Housing Benefit or Universal Credit up to the level of the applicable LHA rate. This will apply to all those living in supported accommodation from this date. I can also confirm that the Shared Accommodation Rate will not apply to people living in the supported housing sector.... In England, we will devolve funding to local authorities to provide additional ‘top up’ funding to providers where necessary, reflecting the higher average costs of offering supported accommodation, compared

to general needs. This will give local authorities an enhanced role in commissioning supported housing in their area. This will also allow local authorities to ensure a more coherent approach to commissioning for needs across housing, health and social care, using local knowledge to drive transparency, quality and value for money from providers in their area....While we are confident that this model will meet the needs of the majority of the sector, we recognise some particular challenges may remain for very short term accommodation, including hostels and refuges. We will work with the sector to develop further options to ensure that providers of shorter term accommodation continue to receive appropriate funding for their important work” Damian Green MP

New Funding Regime to be applied from April 2019

This consists of:

- Housing Benefit or Universal Credit paid up to LHA one-bedroom level.
- Top-up funding to go to local decision-making.
- This funding ring-fenced for supported housing.
- No loss of overall resources compared to the current Housing Benefit expenditure.
- Short-term transitional services to sit outside of the new regime and be funded directly.

Homeless Link welcomes the following aspect of the proposals:

- One-bedroom rate of LHA rather than Shared Accommodation Rate.
- Protection of the full funding pot currently spent on Housing Benefit.
- A ring-fence for the funding so it can only be spent on supported housing.
- Separate funding for services which have a high proportion of short-term homeless people.

This outcome is what Homeless Link expected, but it does leave a number of concerns and questions unanswered including:

- A large amount of expenditure will be moved outside the benefits system. Currently, individuals in supported housing have a right to have their rent met in full. Will this still be the case under the new system?
- How secure will the ring-fence of this money for supported housing be? How big is the risk that funding will be diverted away from the types of services it currently funds?
- Continuing on the statutory duties issue: will the new system be reinforced by new legal protection for individuals requiring support? If so, how and when will this process take place?
- The Government have pledged to protect the level of funding. But will the pot increase with inflation or remain fixed? If LHA is frozen in the future, the

localised pot will have to rise or the total amount will diminish.

- How will the Government know how much money to allocate to each council?
How will they factor in the huge 300% differences in the one-bedroom rate of LHA between local authorities?
- The Government wishes to “allow local authorities to ensure a more coherent approach to commissioning for needs across housing, health and social care”.
How will this approach interact with the existing funding of services via housing-related support?
Is there a concern that a local level services for “less popular” excluded groups will be at risk? Will mobile groups such as rough sleepers, ex-offenders and DV victims lose out if local connection rules become tighter?
- The Government hope the announcement will address the paralysis in development of new schemes. But the fear is that the localised part of this proposal will create too much uncertainty.
What will the new funding regime for transitional short-term services look like?
Will it only apply to services which meet the legal definition of hostels and refuges?

Read Damian Green’s announcement in full [here](#).
