

Benefit support for housing costs

Policy Development

To inform the Board of recent and pending announcements on UK Government plans on the funding through benefits of supported housing and general needs social housing. This is a complex area – but one with very significant impacts. This report offers an update but also seeks members broad views.

Summary and Recommendations

This paper highlights to the Board recent and pending announcements on UK Government plans on the funding from benefits of supported housing and general needs social housing and the background to these policy announcements.

The Board is invited to:

- i. Note and approve the contents of this report;
- ii. Provide comments on these developments and their implications; and
- iii. Note that the members of the Board will receive further information and reports on these matters.

References

Previous reports covering

- CWEG 17/3/17 – Welfare Reform
- COSLA Leaders 24/2/17 – Welfare Reform and Devolved Social Security
- CWEG 17/12/16 – Welfare Reform Update
- CWEG 9/9/16 – Welfare Reform Update

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November 2017

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Policy & COSLA Positions

Supported Housing

1. The UK Government has been planning to remove from the benefit system additional management costs and eligible service charges in Supported Housing, which are currently funded through housing benefit. This has been due to happen in April 2019. At that point the plan was to cap housing costs payable at the Local Housing Allowance (LHA) rates and pay all other government funding supported housing through devolved funding to local authorities (in England) and to the devolved administrations. COSLA submitted a response, after approval by Council Leaders, to a government consultation on the Funding of Supported Housing in February 2017.
2. Since, the consultation had heavily focused on the proposed arrangements for England, the COSLA response concentrated on those points of most concern to Scottish local authorities. These included:
 - A call for transparency on how top up funding for Scotland will be determined to fulfil ministers promises to continue funding to the same level and allow for projections of future need, and
 - COSLA would welcome an enhanced commissioning role for Scottish local authorities who are in the best position to work with partners to provide a local focus on outcomes and needs

Temporary Accommodation

3. The roll out of Universal Credit has shown that the payment cycle for when this benefit is paid was causing real difficulties in the payment of rental costs for temporary accommodation. This has been particularly the case when people are in short term or emergency temporary accommodation because they might move to other accommodation within the Universal Credit assessment period.
4. The result, most notable in London, was that providers of temporary accommodation were not receiving much of their rental payments. Consequently the Department for Work and Pensions has been considering paying the housing costs for 'emergency and short term temporary accommodation' through Housing Benefit rather than Universal Credit.
5. COSLA has been seeking clarity regarding how this will be defined and how it would operate in practice. It is understood however that no changes will come into operation prior to April 2018.

General needs social housing

6. Government plans, confirmed in November 2016, was to extend the Local Housing Allowance (LHA) cap to all tenants in social housing in April 2016. LHA rates are related to rents and costs in the private rented sector and take no account of the costs or rent structures in the registered social and council housing.
7. This proposal has been particularly alarming to housing stakeholders, including COSLA and ALACHO, in Scotland. In addition, LHA rates have been subject to significant cuts since 2011. In other words they no longer bear a strong relationship to local rents being

charged in the private sector. Applying an LHA cap to social sector rents raised many issues for housing plans in Scotland, including plans for affordable housing, approaches to rent setting and future housing access for those on benefits.

8. Of all the housing stock in Scotland 38.5% is rented, of which only 15.4% is in the private rented sector, this leaves 23.1% in the social housing sector. A particular concern has been the proposal to limit those aged under 35 years to the 'Shared Accommodation Rate'. It takes no account of the almost complete lack of this sort of accommodation in the social sector or how it might even be provided in the social rented sector where different tenancy rules to the private sector apply. This aspect of government proposals seriously threatened access to affordable housing for younger people.

What is Changing?

9. In May this year, the Work and Pensions and Communities and Local Government Committees in a joint report called for the UK Government to re-think its plans to cap core housing costs for supported housing at LHA rates. However, they did support the Government's stated aims to reform funding to ensure quality and value for money, protect and boost supply, and provide greater local control. Their report said they were concerned that government proposals, as they stand, are unlikely to achieve these objectives and they called for a different mechanism to be used to cap 'core' housing costs with other costs in a top up fund for devolution. A Government response to this report and their own earlier consultation has been outstanding, delayed as it was post-election.
10. A number of key stakeholders have continued to lobby on these issues, particularly the broader policy of implementing an LHA cap on benefit payable to all social sector tenants from April 2019.
11. Scottish Government, along with the Chartered Institute of Housing in Scotland, commissioned research on the impact of the LHA cap on young people in Scotland. This research was published in recent weeks and estimated that around 12,000 single tenants under the age of 35 in Scotland would be affected by the proposals. The likely financial shortfall for this group of tenants was estimated based on 2015/16 figures at between £5.3m and £8.6m per year.
12. In the wake of these findings, the Spokesperson, Councillor Parry wrote jointly with the Minister of Housing and Local Government, Kevin Stewart MSP to David Gauke, Secretary of State for Work and Pensions highlighting the evidence and calling for the Government to rethink plans.
13. On Tuesday 25 October, the Prime Minister said at Prime Minister's Questions in the House of Commons that ,

"I can confirm that we will be publishing our response to that consultation on Tuesday 31 October, it will look at a wide range of issues, it will need to make sure the funding model is right...we need to look at issues such as the significant increase in service charges...but I can also say today that as part of our response to the review we will not apply the local housing allowance cap to supported housing. Indeed, we will not be implementing it in the wider social rented sector and the full details will be made available when we publish our response to the consultation."
14. Scrapping the proposed LHA cap across social housing is very welcome news, something COSLA has called for. As the full Government statement will not come out until 31 October, this is not covered within this paper. A potential downside is that the timetable for the Supported Housing model may be put back. This would extend the uncertainty for

Supported Housing investment decisions. A verbal update may be provided to members at the Board meeting.

15. Scottish Government has set up a working group on Supported Accommodation. It is to make recommendations to ministers on how the Scottish Government should approach the proposed devolution of funding. This held its first meeting on 24 October and both COSLA and ALACHO were represented.

Proposed COSLA Position and Next Steps

16. Members of the Board will recognise that these issues are complex and many of them are intertwined. While the scrapping of the LHA cap for all social housing, with its implications for housing access and affordability is something COSLA should welcome, the specific new proposals for supported housing funding will require fuller examination. Therefore members are not being asked to agree a definitive position at this meeting.

17. It is proposed that officers closely examine the Government paper on Funding of Supported Housing being published on 31 October and come back to the Board with a recommended position in line with COSLA's previously stated positions i.e;

- Holding ministers to their previous commitment to continue funding to the same level and allow for projections of future need
- COSLA would welcome an enhanced commissioning role for Scottish local authorities who are in the best position to work with partners to provide a local focus on outcomes and needs

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