



shaped around you

## **Submission to Communities and Local Government Committee and Work and Pensions Committee inquiry into the future of supported housing by Alpha**

### **Alpha Homes**

1. Alpha is a registered provider specialising in sheltered accommodation for the over 55s. Alpha operates in 11 local authority areas, principally in the North West of England. This submission is written on behalf of Alpha's Board.
2. Alpha is disproportionately affected by the government's proposals to reform the funding of supported housing. As a specialist provider it is vulnerable to any changes in funding arrangements as it has no opportunity to cross-subsidise from general needs housing. Operating in the north of England, predominantly in low rent areas, the proposals to limit benefit payments to local housing allowance levels have a greater impact than is the case for providers operating in the south or nationwide. Alpha has an ambitious programme to provide new build housing and to invest in its existing housing. Both programmes are threatened by the current proposals which would limit income considerably and impact older and often frail residents.

### **Executive summary**

3. The government's proposals for a new funding structure for supported housing have increased uncertainty for residents and providers alike. The government recognises that supported housing provides a net benefit to the economy of some £3.5 billion a year in helping the more vulnerable to live independently in secure and appropriate accommodation. Sheltered housing prevents more expensive interventions including GP referrals, hospital admissions and residential care, while maximising the health and well being of residents. Alpha's submission focusses mainly on sheltered housing. Alpha's views are: -

- The local housing allowance mechanism is fundamentally flawed; varies widely and unfairly by geography and bears no relation to the cost of sheltered housing. The LHA rate should be replaced by a mechanism to enable funding from the benefit system to be paid at a more appropriate and stable level than a highly variable LHA rate and discretionary top-up
- Any changes should be introduced for new residents only who can then make an informed choice over their most appropriate housing
- Any new system of funding should have long term stability which would set a favourable environment for much needed new homes at minimal additional cost
- Providers should be expected to evidence the value of outcomes from the housing they provide

### **The effects of different funding models on tenants**

4. Sheltered housing has for many years provided a safe and secure home in a supportive environment for many older people. Sheltered housing benefits older people, the wider community and the taxpayer by providing support which allows people to retain their independence for longer, delivering better physical and mental health, empowering mutually supportive communities and delaying and reducing the need for expensive social care and primary care interventions. Sheltered housing is a popular form of accommodation which enables older people to “right-size” their homes, and release larger homes to assist the wider housing market.
5. The impact of supported and sheltered housing is difficult to measure, but the government’s own research<sup>1</sup> suggests a net benefit to the economy of some £3.5bn a year. The local housing allowance proposals risk diluting this benefit for the sake of engineering a funding model into the design of Universal Credit. Sheltered accommodation prevents much more expensive interventions and for this reason alone, the proposals require greater thinking. In their current form they are highly likely to result in greater costs to adult social care and health budgets.
6. The proposal to introduce a funding system based on a local housing allowance rate which in turn is based on the 30<sup>th</sup> centile of local private rents could irreparably damage the supported housing sector. Alpha is not untypical in that, on average, rents and service charges exceed local housing allowance levels by over £26 a week. To make up this gap for those eligible for benefit through a local top-up mechanism which is vulnerable to cuts and local discretion is a poor settlement for both tenants and providers. Faced with uncertainty over whether housing costs will be met over the longer term, many older people may rationalise a decision to stay in larger and unsuitable accommodation where they receive

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<sup>1</sup> CLG/DWP – Supported Accommodation Review (2016)

little support, little interaction and are vulnerable to falls, illness and a lack of affordable heating. The mechanism is equally poor for providers, who faced with similar uncertainty will simply not be able to develop new housing - which is typically funded through 30-year commercial loans - when funding mechanisms could change year-by-year. This brings further instability following the demise of Supporting People, a funding mechanism which successfully delivered considerable savings to the public purse.

7. The cost of sheltered accommodation is higher than for general needs accommodation of a similar size, a fact recognised in the CLG/DWP consultation paper. The cost of providing sheltered accommodation does not vary significantly by location, and certainly not to the extent of the variation in local housing allowance levels. Local Housing Allowance is simply not an appropriate mechanism on which to base benefit payments for tenants. Private general needs rents bear little relation to the cost of providing sheltered accommodation, and the wide geographical variation in LHA levels is not found in sheltered accommodation charges.
  
8. The average weekly cost of providing sheltered accommodation nationally is estimated at £127 a week, according to figures from HM Government. In over three-quarters of Broad Market Rental Areas, LHA levels are below this figure. Those exceeding this figure are all in the south of England. The LHA itself varies from £69.73 a week for one bedroomed accommodation in Hull to £260.44 for similar accommodation in inner London. These differences are illogical in the context of supported housing and will mean that in some areas, tenants eligible for benefit will have all their housing costs met, whereas others in similar accommodation, but in different parts of the country will be left with substantial shortfalls. If the proposals are carried through, they will perversely encourage providers to invest in high rent areas, while developments in low rent areas will be vulnerable to decommissioning which are most tellingly in areas of the greatest need.

#### **Whether separate funding models are needed for sheltered housing**

9. Alpha's strong contention is, for the reasons explained above, that a separate funding model is needed for sheltered housing. This should be based on the cost of providing sheltered accommodation. A realistic sheltered housing cap would address the regional inequalities outlined above. It should be set at a higher level than the LHA cap, it should be based on the very real additional costs of providing sheltered accommodation and should be set for a long term (at least 10 years) to give providers the certainty to invest in new provision which will ultimately ease the housing crisis and provide long term savings to health and social care budgets.

10. Alpha has advanced plans to build a 54 unit extra care scheme on the Wirral. There is a proven need for such a development. Alpha, Wirral Borough Council and the Homes and Communities Agency are able to put capital funding into the development. It is a real alternative to residential care which costs the local authority on average £500 a week. Charges for this development would be around £160 a week. Given the uncertainties on future funding, Alpha cannot proceed with this development and is aware of several providers in a similar position in other local authority areas. We would ask that the Select Committee considers an alternative mechanism to funding sheltered housing for those in receipt of benefit at a higher, and at a nationally consistent rate. The rate should form part of an assured national system rather than a discretionary local system.
11. Sheltered housing is more expensive to build and run than general needs housing. These costs are due to the design of the building and its communal facilities. This is backed up by government research which accompanied the recent consultation paper. Extra costs include the cost of the provision of lifts, fire safety, gardens, window cleaning, security, laundry facilities and the costs of heating, lighting, cleaning and maintaining communal facilities. In a post-LHA settlement, it would be impossible for Alpha to de-commission these facilities. They form part of the fabric of the building. Some marginal savings could be made for example in window cleaning or grounds maintenance, but it would be impossible to de-commission a lift or close communal facilities. The vast majority of the core costs of sheltered accommodation are inflexible. The introduction of an LHA cap and discretionary local top-up is not the right mechanism to reduce costs. Providers instead will be left with a binary decision of whether to continue to provide sheltered accommodation or to de-commission it. There is no middle ground. The LHA cap cannot incentivise efficiencies other than at the very margins because of the fixed nature of service provided in sheltered housing.

### **How the LHA cap will affect pensioners**

12. The LHA cap will provide a powerful disincentive for older people to move to sheltered accommodation. We believe few pensioners will take up a new tenancy where there is no assured mechanism for meeting core housing costs. This means many will remain in accommodation in the social rented, private rented or owner occupied sectors which is unsuitable for their needs, and which may be prejudicial to health in that they may be more difficult to heat and older people are more vulnerable to falls. The impact of this on the wider housing market should not be underestimated. Any reduction in larger homes vacated by older people moving into sheltered accommodation could have an effect on supply and prices.
13. For existing residents, the proposed ring fencing mechanism for local top-ups is insufficient. If local commissioners cannot support all current provision or if the size of the nationally allocated funding pot shrinks, pensioners will be left with substantial shortfalls. Over 70% of Alpha's residents are in receipt of benefit. If they are asked to pay on average an additional

£26 a month, there is no realistic prospect of them being able to make up this shortfall. It is difficult to see how placing pensioners in this position is of any advantage to taxpayers. Let alone pensioners and their families. A number may move in with their family or, it is available move to cheaper private rented accommodation. Both scenarios are far from ideal. Pensioners would lose the support to retain their independence. While there may be some marginal and short term savings to the housing benefit bill, they will be more than offset by greater call on other resources including GPs, hospitals adult social care resources and residential care.

### **Whether Housing Benefit acts as a disincentive to work**

14. We can find no evidence that housing benefit is a disincentive to work or that the housing benefit system has created a dysfunctional housing market. While the majority of Alpha residents have retired, around 8% are of working age. While we do not routinely collect this information, our house manager service helps to support people into work. Likewise, there is no evidence that sheltered housing has created a dysfunctional market. 29% of Alpha residents are self-funders; that is they pay the whole of their housing costs from their own income. An additional 15% pay some of their housing costs. This means that sheltered accommodation passes the value for money test of a cost-effective solution for those who have the means to meet its costs themselves.

### **Whether the new system will resolve the shortfall in supported housing placements over the long term**

15. As discussed, the new system will create unintended consequences. In high rent areas, where the costs of supported and sheltered accommodation are below the LHA cap, providers will have every incentive to build. In those area where costs are above the LHA cap, the reverse will apply. A funding system which recognises the higher costs of sheltered and supported housing and which removes the link to LHA will be all the incentive many providers, including Alpha, need to build new housing. The need is not for more funding but for greater certainty of funding into the future. Ultimately, the proposed funding mechanism may have the effect of reducing the number of supported housing unit, adding to the current shortfall.

### **Whether the new system should be piloted before its full implementation**

16. Given the complexities of supported and sheltered housing provision, Alpha supports the piloting of any changes. As discussed, a new funding system could have far reaching and irreversible consequences. Alpha also accepts the need for providers of sheltered and supported housing to work more closely with local commissioners including health and well-being boards and clinical commissioning groups to ensure that provision fully meets local needs, or where it does not, remove improve or provide new services. The LHA cap does not

achieve these ends. To some extent any reformed funding regime cannot meet these aims alone and it is the responsibility of providers to ensure provision is integrated with local priorities.