

**PROPOSED CHANGES TO LOCAL HOUSING ALLOWANCE AND POTENTIAL
IMPACT ON EXTRA CARE AND OTHER TYPES OF SUPPORTED HOUSING**

To: **Adults Committee**

Meeting Date: **15 September 2016**

From: **Adrian Loades
Executive Director: Children, Families and Adults Services**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **To update Adults Committee on the proposed changes to Local Housing Allowance and the implications for Social Care. To propose the following actions**

- a) Raise awareness within the County Council of the financial and service risks posed by the potential change to Housing Benefit arrangements.**
- b) Identify at risk services and potential mitigating factors.**
- c) Work with other interested parties, including the City and District Councils, to communicate concerns to Department for Communities and Local Government (DCLG) with the aim of mitigating the risks outlined.**

Recommendation: **The Committee is asked to support the proposed actions set out above.**

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1.0 BACKGROUND

- 1.1 In the 2015 Autumn Statement, the Government announced that it intended to limit the Housing Benefit payable for rent and service charges for social housing tenants living in supported housing to the relevant Local Housing Allowance (LHA) rate. The Local Housing Allowance rates are published and are based on a set formula of local market rents for the area. The amount an individual can claim is determined by an assessment of the individual's savings and income.
- 1.2 As well as the rental charge, 'property related service charges' are housing benefit eligible. These service charges typically relate to maintenance of lifts, fire equipment, security, communal furniture and communal heating and lighting charges.
- 1.3 Under the current proposals, the amount of housing benefit which a tenant could claim is proposed to be capped at LHA rates, which are usually lower than the market levels. If tenants cannot fund the full rent and service charges to the landlord, then schemes will quickly become unviable.
- 1.4 For example, a RSL (Registered Social Landlord) or private landlord can let a property to a tenant in an Extra Care (or other care scheme) with the tenant paying a rent which includes the service charge, which is based on the property costs and associated services to make the overall scheme viable. Tenants on lower incomes can claim the whole amount as Housing Benefit.
- 1.5 Therefore, the LHA cap could mean less capacity available in the market and an increased pressure on the Council to fund direct placements. As an example, if extra care schemes became unviable or unaffordable to service users with lower incomes then a greater proportion of service users would be reliant upon Council funded care. A reduction in extra care capacity would leave residential care as the only option for some residents. For placements in residential care, the Council could potentially have to fund the housing as well as the care costs directly.
- 1.6 In March 2016, the Government advised there would be a 12 month deferment of the implementation of the proposed changes. This means that tenancies which start after April 2017 will be impacted by the proposed cap with effect from April 2018. Existing tenancies will not be affected.

2.0 POTENTIAL IMPACT ON AN EXTRA CARE SCHEME

- 2.1 Using information received from some local Registered Social Landlords (RSL- Housing Associations) the potential 'gap' between the costs of provision and the housing benefit likely to be claimable will be approximately £70 per flat per week. Based on an average sized scheme with 50 flats, this would leave a funding gap of £182,000 per annum for just one scheme.
- 2.2 In Cambridgeshire, there are currently 15 extra care housing schemes with a total of 588 flats, therefore the aggregate shortfall across these schemes could be as high as £2.1m per annum. The proposed change affects new tenancies signed after April 2017 and the financial impact will be dependent upon the turnover of tenancies in a scheme. In extra care housing, turnover is on average 25-30% which means that over the course of a year in a

scheme of 50 flats around 12-15 flats may change hands.

3.0 EXTRA CARE SCHEMES UNDER DEVELOPMENT

- 3.1 There are two other extra care housing schemes in Cambridgeshire which received capital grant from the Homes & Communities Agency (HCA). A planning application for a scheme with 60 flats in Whittlesey was due to be submitted in April. However, it is currently on hold as the RSL cannot proceed with the scheme given the potential shortfall is £316,000 per annum and as such it is not financially viable. The second scheme had HCA capital grant funding awarded more recently. This scheme was to be developed in North Ely and is also now on hold pending the outcome of the Local Housing Allowance issue.
- 3.2 The Council has been advised that the National Housing Federation has set up a working group which is liaising with the Department for Communities and Local Government (DCLG) on alternative funding models and is due to report back to DCLG in September. It had been indicated that an announcement on the likely position would be made before the parliamentary recess in July. Unfortunately, the Council has since learnt this has now been delayed until the Autumn. It is not envisaged that the issue will be settled before March 2017.

4.0 POTENTIAL IMPACT FOR THE COUNTY COUNCIL

- 4.1 The draft Older People's Accommodation Strategy acknowledged that suitable accommodation is a crucial factor in preventing and delaying people's need for health and social care services. Whilst the vast majority of older people are owner occupiers and will never move into extra care housing or residential care, it is important for a range of options to be available, particularly where there are capacity problems in the home care and residential care market.

5.0 WIDER IMPACT ON SUPPORTED HOUSING

- 5.1 This paper focuses primarily on extra care housing but the proposed changes will also impact on the viability of other types of supported housing. The Council has contracts with a range of organisations which provide supported housing for people with mental health problems and people with learning disabilities.
- 5.2 There are over 400 units of supported accommodation for people with mental health problems, and the aim of these services is to provide support to develop people's living skills, develop links with the community and gain access to education and employment. The services are generally short term in that service users may live in them for up to two years, although the average stay is around 18 months.
- 5.3 The Council has contacted a range of organisations to ascertain the potential impact of the national policy change. There are around 230 units of accommodation across the county and the financial impact for those units is just under £1.5m per annum. So this is a risk to the future availability and viability of the independent sector.

- 5.4 Other client groups potentially affected would include people with learning disabilities. There are between 350 – 400 units of supported housing across the County. It is estimated that the potential gap will be £50 per unit per week. However, the turnover of tenancies tends to be very low, with only about 25 changes per year, which equates to a turnover of 6-7%. In year one, the impact would be in the region of £65,000 but the impact would increase year on year.

6.0 OPTIONS FOR REGISTERED SOCIAL LANDLORDS

- 6.1 Unless a long term viable option is found, Registered Social Landlords will be forced to review other options for these schemes, which might include:

- Letting properties to more affluent self-funders (possible in some extra care schemes but not all).
- Change the use of the scheme – converting to general needs flats.
- Close the scheme and sell the building.

7.0 IMPLICATIONS

- 7.1 Many of these services provide support to vulnerable people with complex needs and reduce the need for statutory services from health and social care. In financial terms, using the information gained from RSLs to date, the total impact across the system of the proposed change for supported housing for services commissioned by the Council will lead to a cumulative funding gap of more than £4.5m per annum. This funding gap will impact on RSLs, care and support providers, commissioners and individuals.

- 7.2 The following pressure will be registered through the Council's Business Planning process to reflect the potential implications for the County Council:

2017-18	2018-19	2019-20	2020-21	2021-22
--	£375K	£412K	£221K	£199K

- 7.3 This is a cautious estimate based on the rate of turnover of tenancies amongst the different client groups impacted and appraisal of the impact reaching the County Council. Costs could increase for the Council as a result of:

- Withdrawal of lower cost forms of care and accommodation if the schemes referred to become unviable.
- Additional support costs for individuals being directly funded by the Council through increases to support plans.

- 7.4 While potential alternative funding models are being examined, it remains unclear as to whether any formula proposed by DCLG would include provision for new supported housing, including extra care housing schemes.

8.0 RECOMMENDATION

- 8.1 This report highlights the potential financial impact of the proposed intention to limit the housing benefit payable to the Local Housing Allowance rate. Whilst the Council is aware that the National Housing Federation has set up a

working group to examine alternative funding models, no information has been circulated to local authorities.

8.2 In order for the Council to fully assess the impact of the proposed changes, it is proposed that the issue is raised across the Council so that the full financial implications can be calculated. Once at risk services have been identified this will enable an analysis to be carried out and identify mitigating factors.

8.3 Finally, it is recommended that the Council liaises with ADASS (Association of Directors of Adult Social Services), the City and District Councils and DCLG to raise the profile of this issue. Whilst this report has focussed on existing services it is far from clear how this will affect new services, for example extra care schemes being planned.

9.0 ALIGNMENT WITH CORPORATE PRIORITIES

9.1 Developing the local economy for the benefit of all

9.1.1 The following bullet points set out details of implications identified by officers:

- If planned schemes are not progressed this would have an adverse effect upon construction opportunities.
- If supported housing schemes were no longer financially viable and closed, then this would reduce employment opportunities both within the schemes and for ancillary services.

9.2 Helping people live healthy and independent lives

9.2.1 The following sets out details of implications identified by officers:

- All supported housing schemes including extra care, support people to live independently and to access appropriate services to enable them to live healthily.

9.3 Supporting and protecting vulnerable people

9.3.1 The report above sets out the implications for this priority in paragraphs 4.1 and 5.2.

10.0 SIGNIFICANT IMPLICATIONS

10.1 Resource Implications

10.1.1 The purpose of this report is to set out the risks associated with this policy change and the possible financial implications are set out in detail in paragraphs 7.1, 7.2 and 7.3.

10.2 Statutory, Risk and Legal Implications

10.2.1 There are no significant implications within this category.

10.3 Equality and Diversity Implications

10.3.1 If supported housing schemes were closed then this would limit the options for supported accommodation for older people as well as those with physical

and mental health impairments.

10.4 Engagement and Consultation Implications

10.4.1 There are no significant implications within this category.

10.5 Localism and Local Member Involvement

10.5.1 There are no significant implications within this category.

10.6 Public Health Implications

10.6.1 A reduction in extra care housing will potentially reduce the options for older people who want to live more independently. Supported housing for other client groups, including people with mental health problems is combined with a range of support services to develop living skills, link with the community and gain access to education and employment with the aim to enable people to live independently.

10.6.2 The following sets out details of significant implications identified by officers which will be adversely affected if supported housing becomes financially unviable:

- Priority 2 of the Cambridgeshire Health & Wellbeing Strategy 2012-17 to 'support older people to be independent, safe and well'.
- Priority 4 'Create a safe environment and help to build strong communities, wellbeing and mental health'.
- Priority 6, 'Work together effectively'.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: M Wade (CYP) / T Kelly (Adults)
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	No Name of Legal Officer: Lynne Owen
Are there any Equality and Diversity implications?	Yes or No Name of Officer: CFA Service Director
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Simon Cobby
Are there any Localism and Local Member involvement issues?	Yes or No Name of Officer: CFA Service Director
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Iain Green (via Tess Campbell)

Source Documents	Location
Draft Older Peoples Accommodation Strategy. V5. 19.01.05	Cambridgeshire Older People Accommodation Strategy v0 5.docx