

Report Title **Supported Accommodation cost to City Council Finances**

To **Corporate Management Team**

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Background

Supported housing provides a home for vulnerable people to live independently. For a ‘*supported accommodation*’ definition within Housing Benefit expenditure, the support costs and provision must be detailed in the person’s tenancy and be of a level of more than 3 hours per week.

Supported accommodation defined in the Housing Benefit Regulations as

‘Accommodation provided by a non-metropolitan county council in England, a housing association, registered charity, or voluntary organisation if that landlord, or someone acting for the landlord, also provides the claimant with care, support, or supervision.’

In accordance with the above, any privately run organisations, such as limited companies, will not qualify for Housing Benefit expenditure. The council does not have any discretion to exclude any schemes from Housing Benefit.

Examples of supported living within the city are

- older people with care or support needs
- people fleeing domestic abuse and their children
- people with experience of the criminal justice system (including prison leavers)
- young people with a support need (such as care leavers or young parents)
- individuals and families at risk of or who have experienced homelessness
- people recovering from drug or alcohol dependencies
- individuals with learning, developmental or physical impairments and those with a mental health condition

The need within the city is identified by major agencies within Civil and Local Government. In the City there are placements from the Home Office, NHS, Oxford City and Oxfordshire County Council. These are known as commissioned services. There are also private organisations which are independently creating supported accommodation schemes in the city to support the demand. These are known as non-commissioned schemes.

Much of the supported accommodation provision that meets the needs of the whole County is located within the City, which has a disproportionate impact on the City Council, both in terms of subsidy loss and the requirement to support move on.

Commissioning Process

Supported accommodation is a means to provide specialist care that enables vulnerable people to live independently in the community. There is no legal requirement to provide such services, however it is regarded that without such schemes there would be wider implications, such as an increase in crime and safeguarding pressures.

A commission is decided upon the 'client' base need locally. Each Local Authority or Government agency will have a different type of need and demand and will be dependent upon the government policy focus. For example, to reduce the new Government wishes to have more community lead schemes (announced July 2024), compared to the previous administration. This will increase the requirement on Local Authorities to provide specialist accommodation.

The commissioning of landlords for the provision of supported accommodation are based on a contract of service, usually 3 years, which detail the client/s overarching requirements as agreed by the contract. The service is paid for on behalf of the tenant by a public authority depending on what is required as follows:

- In the case of personal care, a local authority adult social care department (care leavers)
- In the case of housing-related support, a local authority's housing department along with the housing benefit department
- In the case of mental health needs, the NHS (e.g. Littlemore)

There is a government requirement for commissioning organisations to promote independent living. This provides two factors for consideration.

1. With independent living, the payment of this support moves the financial burden from the commissioning authority to the local authority responsible for the payment of housing benefit. For example, the County Council have a legal responsibility to provide care for under 25, who are part of the Childrens (Leaving Care) Act 2000. Once a young person is 18 years old, they can claim the rental element from Housing Benefit, thus reducing the cost of supporting this person in the Social Services budget.
2. A contract which must be monitored by the commissioning organization to ensure support, safeguarding of the tenants and value for money.

In non-commissioned schemes, there are organisations who provide the same tenancy agreements and source their tenants through their own referral process. These schemes normally have charity donations and Housing Benefit payments to financially secure the business or charity. These organisations work independent of any government or local authority contract, with the Council having no control over the schemes' delivery models or costings.

Whether the scheme is commissioned or non-commissioned, the Housing Benefit regulations state that the expenditure must be paid.

Types of Schemes in Oxford City

There are 918 properties within Oxford defined as Support Accommodation expenditure as of 1st August 2024, with two new schemes already in the process of 'go live' in the current year. For 2023-24 the total number of supported accommodation properties was 874. This is a growth of 5% within the first 5 months of 2024-25. The Governments drive to reduce the pressure on the NHS (Bed Blocking), Home Office, (immigration pressures and prison overcrowding) and the need for people to be independently living in the community and not placed in institutes will result in an increase in demand in the future.

Table 1-Commissioning List and Landlords in the City as of 1st August 2024.

| Landlord | Number of properties | Commissioning Authority |
|-----------------------------------|----------------------|---|
| A2 Dominion North | 81 | Oxford City Council, and others. |
| Acre Housing | 6 | Oxfordshire County Council |
| ACT transformation | 8 | Non-commissioned beds |
| Adapt Charity | 39 | Non-commissioned beds |
| Advance Housing and Support | 24 | Oxfordshire County Council |
| Anchor Hanover Group | 69 | Oxfordshire County Council |
| Aspire Oxford | 45 | Oxford City Council |
| Auckland Home Solutions CIC | 5 | Oxfordshire County Council |
| Bedfordshire Pilgrims Association | 15 | To be confirmed |
| City of Oxford Charity | 10 | Non-commissioned beds |
| Connection Support | 36 | Oxford City Council (NHS grant), Oxfordshire County Council |
| Edge Housing | 13 | Non commissioned beds |
| Emmaus | 30 | Non-commissioned beds |
| Greensquare Accord | 11 | Oxford City Council, Oxfordshire County Council |
| Home Group Ltd | 11 | To be confirmed |
| Homeless Oxfordshire | 108 | Oxford City Council, Oxfordshire County Council |
| Inclusion Housing | 12 | To be confirmed |
| Life 2009 Ltd | 4 | Oxford City Council |
| Oxfordshire Mind | 56 | NHS and South and Vale DC. |
| Response | 277 | Oxfordshire County Council, NHS |
| St Lukes Housing Association | 4 | Extra Care-Older people living |
| St Mungos | 2 | Oxford City Council, Oxfordshire County Council |
| Grand Union Housing Group | 5 | To be confirmed |
| Council Owned | 18 | Oxford City Council |

| | | |
|-----------------------|---|----------------------------------|
| Claimants Paid Direct | 9 | Mixture of the above commissions |
|-----------------------|---|----------------------------------|

Total **918**

Factors which affect Housing Benefit expenditure

- The service has no control over the demand in this area. Since Covid, there has been more people identified nationally with having a vulnerability which requires a support element to Independent Living. This has placed a national dispersion over England and Wales to suitable accommodation for independent living.
- The Council has no control over where people are placed. We currently have 8 placements from South and Vale District Council Housing Department who have placed their residents into the city. There was an application this year from Buckinghamshire Council to have a placement in the city to be paid by Housing Benefit, however this was refused as it did not meet the criteria within the HB regulations.
- The Council has little control over the landlords that are used by commissioning organizations. Contracts are let to the lowest bidder with little regard to the impact on local authority making housing benefit payments. There are very few housing associations in Oxford city and fewer still who wish to bid for these supported housing contracts
- Commissioners and providers currently are incentivised to provide supported accommodation for the entire population of Oxfordshire disproportionately in the city. This is the case with the Mental Health pathway, the Adult Homeless pathway, and the Young Persons Pathway. This is for a variety of factors, the City has the health facilities people are leaving and need to continue to access, providers are based in the City and have historically had their stock in the City so continue to do so, commissioners want accommodation to be close to services and for their commissioned stock to be located close to each other to avoid the inefficiency of travelling between far flung corners of the county. As a result, the City then in effect is paying for the accommodation of people not originating in our boundaries, and once they stay in the accommodation, they establish local connection, and we must rehouse them (when we have a critical shortfall of one bedroom accommodation).
- If accommodation is provided in registered provider accommodation we receive full subsidy from central government. However, initial feedback from providers about their willingness to expand their supported accommodation stock within Oxford is that they are reluctant due to high land and development costs, and that the rent standard set from central government which regulates RP rents is too low to cover development costs in the city

Housing Benefit Subsidy Loss

The Government has confirmed that Supported Accommodation and Temporary Accommodation will continue to be funded via Housing Benefit expenditure and claimants will not be migrated to Universal Credit. As such this expense will remain with the City Council finances for the future.

Local Authorities receive Department for Work Pensions (DWP) payment for most of the Housing Benefit expenditure at a rate of 100% of the HB claim. However, in the case of Temporary Accommodation and Supported accommodation, this is restricted. Temporary accommodation is restricted to the Temporary accommodation cap of the 2011 rates of rental charge for its area. Supported accommodation is split into the following categories;

- Where the Landlord is a charity, the Benefit Service must refer to the Rent Officer (separate organisation within Department of Leveling Up, Housing and Communities (DLUHC)) for a rent decision on the level of rent to be in the market, without the cost of support, in effect the core rent. These are known as 'Rent Officer Referral Cases.' The rent referred does not include the cost of the support, but the charge of support is eligible for Housing benefit expenditure, and this results in an instant loss to the City Council expenditure.
- Where the Landlord is a Housing Association, these are not referred to the Rent Service under the regulations and any Housing Benefit expenditure by the City is recouped in full.

Rent Officer Referrals provide the level of expenditure the DWP will pay through housing benefit. This is called the Claim Related Rent (CRR). After this level is determined on each claim, 60% of the rent after CRR is paid by DWP through housing benefit subsidy and the remaining 40% after the CRR is paid by Oxford City Council

Example Rental Charge of £400 per week.
CRR of £150
Difference of £250, 60% paid by DWP of £150
Total DWP weekly funding of £300 costs the city finances £100 per week, per tenant.

Cost to City Council Finances

The cost to the authority arises from those landlords providing supported accommodation that are not housing associations where housing benefit subsidy is only payable on local authority expenditure that is CRR plus 60% of the excess of HB above CRR. The cost to the authority for Supported Accommodation falling outside of these parameters was £1.4m for 2023-24 and there is forecast to be £1.6m for 2024-25 as shown in Table 2 below.

A breakdown of landlords which are driving this cost to the authority in the current financial year is shown below.

Table 2-Organisations that affect Subsidy Rates and Cost to City Finances

| Landlord | Weekly rent | Claim Related Rent | Excess of CRR over weekly rent | Forecast HB loss for 2024-25 based on expenditure above CRR for April to July 24 |
|------------------------|-------------|--------------------|--------------------------------|--|
| ACT transformation | £297.47 | £240.00 | £57.47 | £5,019.52 |
| Adapt Charity | £408.00 | £150.00 | £258.00 | £82,624.23 |
| Aspire Oxford | £364.53 | £150.00 | £214.53 | £103,950.00 |
| City of Oxford Charity | £206.53 | £173.04 | £33.49 | £1,216.80 |
| Connection Support | £355.55 | £150.00 | £205.55 | £138,750.84 |
| Edge Housing | £260.18 | £150.00 | £110.18 | £25,110.80 |
| Homeless Oxfordshire | £461.03 | £150.00 | £311.03 | £375,516.00 |
| Oxfordshire Mind | £332.48 | £280.00 | £52.48 | £12,427.24 |
| Response | £393.28 | £166.21 | £227.07 | £830,998.35 |

Total

£1,575,613.70

[For annual forecasting of loss in Housing Benefit subsidy, Benefit Services take the total expenditure of 4 months and extrapolate this figure to calculate the loss at the end of the financial year, due to the 60/40% weighting on funding for supported accommodation.]

Factors to consider

- The demand for this type of accommodation is increasing year on year
- The cost of delivering these services is also increasing.
- Housing Associations do not bid for contracts. Additionally, the City Council and County Council have very few charities that bid for local schemes, which removes the competitive tendering process and forces the Local Authorities to work with charities that demand a higher cost of scheme delivery model.
- The above table demonstrates where the demand is within the City and that certain organizations are widely used across commissioning authorities the two largest non-housing associations being Response and Homeless Oxfordshire, both of which do not attract housing benefit subsidy.
- The cost of Housing in the City is higher than average. In most cases, the Charity or Housing Associations rent the properties from local homeowners for the use of the property, and this is sublet to the tenants. With house prices high, the core rent element is above the CRR, which is before the support charges are added.
- The Service has attended a meeting with the Rent Service to see if the Claim Related Rent level can be increased and therefore reduce the level of cost to City finances. At this meeting, it was detailed that Oxford City is already receiving a preferential rate compared to other London boroughs, an example being Camden Council.

- The Housing department has been working closely with organizations like Response to encourage them to become a Housing Association (HA). This has not been successful as the cost of becoming a registered Housing Association are extremely burdensome from an operational and financial perspective, with future requirements to comply with Social Housing Act and Consumer Standards making it prohibitive financially.
- In previous years, Response worked with Cirencester HA to enable the higher-rate subsidy. However, this relationship broke down and is no longer in place.

Items of note

- The City Council are paying for clients within Housing Benefit expenditure which is not based upon the City need.
- As the Benefit Service does not have a role in the commissioning process, any organisation which is not a Housing Association will attract a cost to the City Council finances.
- With a small number of organisations being used in the city, there is a greater risk that should a specific organisation cease trading, that there will be a burden to the City Council temporary accommodation budget, or many vulnerable tenants will need emergency support provision putting pressure on the commissioning authority.
- Supported Accommodation tenants are now establishing a local connection in the City where they are placed in specialist tenancies by other agencies from the surrounding area. When these people are ready to 'move on' from supported accommodation to independent living, the city must accommodate these tenants.
- This is also mirroring the same issue within temporary accommodation and housing placements where people gain a local connection from being discharged from the John Radcliffe Hospital and other agencies working within the city.

Changes in Regulations

In October 2023, The Supported Accommodation (England) Regulations 2023 received royal ascent. This legislation was due to the 'Bob Blackman MP' paper to Social Security Select Committee. This is primary legislation which creates a new burden on commissioned services.

- ✓ An annual license to be obtained by the Local Authority to confirm that the organisation meets business need and that the scheme provided meets the requirements within the legislation (to be defined within secondary legislation currently being written by parliament)
- ✓ A requirement for Commissioning authorities to have an overarching charter for support in the city. A specialized charter will need to be in place with each scheme in the city between the support provider and the tenant, so each party is aware of its responsibilities.

An example of the charter is with Birmingham City Council who are a pilot area for this legislation.

- ✓ Each Housing Benefit claim will need to be reviewed annually. This will be determined by the DWP to ensure that the scheme meets the needs of the client, and that service provision is being provided and attended to meet the HB regulations currently in place.

This part of the regulations was created due to the safeguarding concerns raised in Derby 2 years ago where 3 people died due to support not being provided and Housing Benefit was in place.

Maidstone Council is a pilot area for this change in Housing Benefit administration and after a 6-month review, 2 schemes have been closed and 1 has been issued a notice by the licensing service that they are not meeting the contractual requirements.

The early signs of impact from the pilot areas are that where support providers are not meeting their contractual obligations, resulting in a service closure, this will place further pressure to temporary accommodation and other like-for-like schemes as the tenants will need to be rehoused.

DWP and MHCLG are currently keeping a close watch on these pilots to evaluate the wider implications of this piece of legislation. An 'expert' advisory panel has been created in May 2024, made up of professionals within the industry and this will give further guidance over the coming months to the government and commissioning authorities for the future delivery model.

Possibility for an Invest to Save

The City Council alongside the County, Districts and the ICB commission the Alliance who delivers the principal supported accommodation offer for single homeless adults in Oxfordshire, providing 275 beds across the county (including Matilda House), but with the majority in the city. All commissioners and the six Alliance providers are signed up through the Countywide Strategy and Alliance contract to significant transformation, including a major reconfiguration of supported accommodation, moving away from generic low needs supported accommodation which doesn't meet need, towards a combination of Housing First/Housing Led/Specialist accommodation alongside a good "off the street" offer. The city has been pushing for progress in the Alliances transformation, to deliver our strategic goals but also because it has the potential to unlock subsidy savings, as our future accommodation model will need fewer supported accommodation units and those that we retain could be better geographical dispersed and be owned by RPs.

The Alliance lacks incentive to push on with its own transformation of its accommodation profile, hard decisions on units and staffing are required and a decommissioning pipeline formed, savings from the decommissioned units are small for the Alliance itself (basically just staffing, as rent and utilities are covered by HB and service charges), and the large savings are actually obtained by the City Council through lowered HB subsidy loss. Progress is likely to be slow as things stand, as savings delivered from the released units need to be obtained ahead of reinvestment into housing-led accommodation (where emphasis is on support delivered in a person's long-term home, so uses social and private housing, with no subsidy loss for the council).

The Invest to Save opportunity is for us to "pump prime" the decommissioning process, seeking clear commitments of units to be decommissioned in 25/26, delivering the City Council subsidy savings, in exchange for a portion of the savings being recycled into additional grant to the Alliance, that would be ringfenced for investment into housing-led services (principally staffing) that brings no

subsidy loss of the council. This has the benefit for the City Council that it both delivers us subsidy savings and helps accelerate and delivery our strategic priority of moving to a housing led system, and benefits for the Alliance through new investment to enable their transformation. This could be done on a payment by results basis, so that the Alliance only gets the investment if they deliver the decommissioned units. We are looking at a modest package in 25/26, but if it is successful, it could pave the way for larger savings in future years.

Initial thinking on the Invest to Save has only been done in recent days, so needs a rapid piece of work to further develop it in the next few weeks to see if its viable and likely to be cost effective, with information and commitments from the Alliance to enable it. It has been added as an additional recommendation.

Recommendations

- A letter is sent to MHCLG/DWP and the LGA about the cost to City Council finances due to the way in which the Housing Benefit regulations are written. Cambridge City Council would also like to contribute to a letter if it is agreed.
- That the City Council as one of the lead commissioners of the Alliance (Adult Homeless Pathway), influences the Alliance's accommodation transformation programme which is currently being detailed to build in an emphasis on greater geographical distribution across Oxfordshire (while acknowledging that due to the City's nature and that we have the greatest need, we will need to continue to host the biggest share of the Alliances accommodation.)
- That the City Council, as a joint commissioner of the Young Persons Pathway, seeks to influence the County's recommissioning over the next two years to involve greater geographical distribution.
- That we use our influence with the NHS and County Council to seek greater dispersal of accommodation of the mental health pathway. An initial meeting has already been held between the lead commissioners and City Council officers, and the commissioners can see how greater dispersal will benefit their clients in terms of less concentrated impact of communities and better access to social housing if accommodated in the four Districts. We need to build on these initial productive conversations and provide support with the NHS's links into local RPs, with the NHS having the ability to access money to develop bespoke supported accommodation they could develop with housing associations.
- Better understanding is established as to why Housing Associations are not willing to develop in the City, and exploration of viable solutions, including access to capital made available from central government and NHS for development of new supported accommodation.
- That any supported accommodation programmes with capital funding that the government creates, such as the Single Housing Accommodation Programme, we use to move forward the transformation of supported housing in the city and we seek to do this through registered providers to achieve more favorable subsidy.
- Continue to develop the Invest to Save concept in the next few weeks, to see if it could deliver savings for the Council while enabling the transformation of the Alliance.

