



Briefing: Affordable Homes Framework

11 March 2011

Introduction

The Homes and Communities Agency (HCA) launched their latest bids round, the Affordable Homes Framework, in February 2011¹.

The framework encapsulates the new Government's thinking on the way social housing is to be delivered. The published guidance contains a number of references to "supported housing and housing for older people". It recognises explicitly that supported housing might be identified as a priority area by local authorities.

So, what are implications for our sector? The headline changes are as follows:

- A new "Affordable Rent" is to be introduced, through new development and re-lets of existing stock. Affordable Rent homes will be made available to tenants up to a maximum of 80 percent of market rent
- Registered Providers (RPs, otherwise known as Housing Associations) will be expected to use the extra income generated by these higher rents to fund new development
- Where tenants are eligible for Housing Benefit, it will continue to be paid in full in the same way as for social rented properties at present.

The default position is that all this applies to supported housing. However, in some places, specific guidance for supported housing is given.

Affordable rents

The degree of compulsion on RPs to charge Affordable Rents, especially in supported housing, is difficult to gauge. It seems that, for new developments, the Government and the HCA want to see quick progress. They also see "conversion" of existing stock to Affordable Rents as important in generating new financial capacity, which will (at a time when capital grants are being cut) support delivery of new housing supply. But there are some checks and balances, which characterise wholesale conversion of large amounts of stock as "high risk.

Agreement for providers to convert existing properties to Affordable Rents will only be given (through signing a framework contract with the HCA) where the provider commits to using that additional financial capacity for new housing supply. This might mean that the tactic of increasing rents in supported housing, merely to cover un-funded running costs, will not be possible. Instead, increased

¹ www.homesandcommunities.co.uk/affordable-homes

rents in supported housing would go to pay for development or improvement. These funds might get sucked into financing general needs housing.

There are some interesting technicalities from a supported housing point of view:

- Gross market rents are to be expressed inclusive of any service charges. An Affordable Rent, set at up to 80 percent of the gross market rent, should take account of the service charge for a property
- When setting an Affordable Rent in supported housing, the gross market rent comparables should be:
“...based on similar types and models of service provision. Where there are insufficient comparables for similar types of provision in the local area, valuers should be requested to identify comparables from other areas, and extrapolate their best view of the gross market rent that would be applicable.”

So, the HCA’s guidance mirrors one of the difficult issues in Housing Benefit administration, that is, how do you compare rents and service charges between one supported housing scheme and another? It looks like, in future, we will be commissioning valuers to make judgments, in order to justify what we charge.

The supply of supported housing

Encouragingly, the guidance says bids (or “offers” to use the precise jargon, which need to be in by 3 May) which include proposals for supported housing, be they either new supply or improvements to existing stock, are “positively encouraged”. The HCA expects local commissioning bodies, working with their housing partners, to identify the types of provision that will most appropriately meet locally identified needs. They are looking for joined up provision of accommodation, with services which can include access to education, training and employment, care or support services. These services need not necessarily be delivered on site.

As proposals for supported housing and housing for older people become firm, providers will be expected to have developed a strategic approach to move-on. They will also need to have exit plans or alternative uses for the proposed building, should commissioning priorities change in future. Schemes should be designed to respond flexibly to evolving service models, as well as resident and commissioning requirements, allowing future changes at minimal additional cost.

Here lie some slight contradictions. The HCA also say the new framework means that “the current system of detailed scheme-by-scheme appraisal will end”. This might encourage RPs to look at supported housing as part of their wider portfolio, rather than treating each scheme as a separate business unit. It might mean the end of “scheme budgets” which, although they can be useful in ensuring viability,

can absorb many unproductive hours of development, supported housing and managing agent staff time.

But, in a caveat to the above, the HCA say:

“...we will particularly wish to ensure that supported housing meets local needs and that there is local strategic prioritisation for the proposed service. Where necessary, we may seek detailed information about the service and strategic prioritisation of an individual scheme”

This could be code for wanting to re-assurance that revenue funding has been allocated. So, the greater scrutiny of supported housing schemes that is, for good or ill, already the norm could be set to continue.

Other points of note include:

- It is acknowledged that there may be exceptional circumstances in which providers wish to offer some supported housing at social rents rather than Affordable Rent
- Although as a general rule the HCA expect works to existing stock to be funded through providers' existing business plans, by exception the HCA will consider requests for funding to support major repairs where such repairs are: “essential for the property to remain habitable, and the provider demonstrably does not have access to resources of its own to undertake such works.”
- In an effort to prevent leakage, the guidance says “funding from the Affordable Homes Programme is only available for the provision or improvement of accommodation and cannot fund other services.”

So, it could be that there may continue to be some flexibility in rent setting, as well the chance to upgrade some supported housing schemes. However, the HCA seem to be very wary of the risk that some resources might leak into “non-housing” activity, despite the wider trend towards greater local flexibility on funding.

Housing Benefits

As far as general needs housing is concerned, it appears that Housing Benefit will take the strain of Affordable Rents. This principle seems to apply to supported housing as well. But has there been joined up thinking among the HCA, their sponsoring Department for Communities and Local Government (DCLG) and the Department for Work and Pensions (DWP). Do the HCA and the CLG realise the extent to which the Housing Benefit arrangements for supported housing are under threat.

At the time of writing this briefing, we have not heard from the DWP on the final proposals. Affordable rents could add to the Housing Benefit bill for supported housing, at a time when the budget is already under pressure from the exempt/excluded accommodation rules. The trend, exacerbated by the Supporting People cuts, towards setting service charges for what is arguably “support” is also increasing expenditure.

By the time you read this, the process of RPs making their development “offers” to the HCA will be well underway. Hopefully, some of these offers will be for new or re-modelled supported housing. Only over the longer term will we be able to judge if the new arrangements are sustainable. But I can’t help thinking that a regime based on higher rents for vulnerable and older people is highly unlikely to be a good thing.

Find out more

Further information about the HCA’s policy on housing for vulnerable and older people is available at www.homesandcommunities.co.uk/vulnerable_people

Further information on the Homelessness Change Programme, which is not the focus of this article, is available in the framework document referenced above.

Contact us

Sitra
3rd Floor
55 Bondway
London SW8 1SJ

Tel: 020 7793 4710

Email: post@sitra.org

Web: www.sitra.org

Twitter: <http://twitter.com/sitrapolicy>

Sitra CEO’s blog: <http://sitraceo.wordpress.com/>