

## Written evidence submitted by National Housing Federation (ASC0040)

### Adult Social Care Reform: The Cost of Inaction

National Housing Federation response to the  
Health and Social Care Committee Inquiry

#### Summary

- Good quality, safe housing is fundamental to ensuring people's health and wellbeing and promoting independence. For many, the only alternatives to supported housing are residential care, hospital, a secure institution or homelessness.
- Supported housing takes pressure off health and social care services and saves public funds. More investment in supported housing will save money, alongside a properly funded social care system.
- The ageing population and increase in older people living with age-related disabilities and complex needs will drive the need for housing with support.
- The government's recent Supported Housing Review shows there is significant unmet need for supported housing, estimating the current shortfall at between 179,600 and 388,100 units. It estimates that by 2040, between 211,200 to 490,200 additional units of supported housing would be required to address projected unmet demand.
- Housing associations need long-term certainty on rents, adequate capital funding, ring-fenced funding for support and strategic commissioning arrangements to commit to a new supply of supported housing.
- The government's plan for adult social care and the Change NHS: 10-year Health Plan should reflect the essential role of housing in delivering independence and wellbeing for people with care and support needs. Continued inaction on funding supported housing will cause unmanageable pressure on social care and worse outcomes for individuals who need support.
- The government's long-term housing strategy should include a strategic, cross-departmental approach to ensuring we plan for and build the supported housing the country needs. Local authorities should play a key role in assessing demand and monitoring delivery.

## Introduction

The National Housing Federation (NHF) is the voice of England's housing associations. Housing associations are not-for-profit social landlords. Our members provide 2.7 million affordable homes and services for around six million people who typically have greater social or health needs than the general population.

Housing associations provide three quarters of supported housing for rent, including sheltered and extra care housing, homeless hostels, homes for people with learning or physical disabilities and autistic people, homes for veterans, mental health step-down units and domestic abuse refuges. These homes transform lives, giving people choice and helping them live independently and with dignity in a home environment. Supported housing leads to better health outcomes for residents and has wider social and economic benefits.

In the Care Act 2014, housing is acknowledged as a health-related provision. Integration between health, social care and housing means residents in specialist housing can receive treatment in good time. Early intervention helps prevent care needs and illnesses from getting worse and reduces the need for more serious interventions later.

Social care is facing significant challenges, and reform should focus on solutions that will ease the pressure on services. The proposals in this paper for better supported housing funding offer, and ensure greater certainty of funding for, social care. The ageing population and increase in older people living with age-related disabilities and complex needs will drive the need for housing with support. Continued inaction on funding supported housing will cause unmanageable pressure on social care and worse outcomes for individuals who need support. It can also mean local authorities are not meeting their Care Act duties of preventing need for care and support and promoting integration with health services.

While in high demand, supported housing is facing severe financial pressure and services risk closure. Funding to commission supported housing has significantly reduced since 2010. A 2024 NHF survey showed one in three providers had closed supported schemes in the last year and 60% expected to close schemes in future due to viability. We have concerns that the planned rise in employers' National Insurance Contributions will worsen this and threaten the viability of existing specialist housing schemes.

To ensure supported housing is part of a strategic vision and cross-departmental local plans to meet housing and care needs, the government's plan for adult social care in England and Change NHS: 10-year Health Plan should reflect the essential role of supported housing in delivering independence and wellbeing for people with care and support needs.

The government's long-term housing strategy should also include a strategic, cross-departmental approach to ensuring long-term supply of supported housing. This should include long-term, ringfenced funding for councils to commission supported housing, with councils playing a key role in assessing demand and monitoring delivery.

## **How much is inaction on adult social care reform costing the NHS and local authorities, and what impact does this have on patients and the public?**

A lack of long-term planning and piecemeal reforms across services has characterised the ongoing inaction on social care. There has been too much fruitless discussion of the financial model to pay for residential care rather than a comprehensive understanding of the value of different models of care and support which would meet people's diverse needs.

We need housing with care and support that is flexible and adaptable to meet future needs. To deliver solutions that are cost-effective and promote independence, commissioners need to take a strategic overview. Too often, the purchasing of care and support by local authorities is done on short-term considerations of unit price or on a spot-purchase basis with no consideration of future supply. Quality of life, choice and control for service users should be central to any strategy to meet needs.

The government's recent Supported Housing Review indicates significant unmet need for supported housing, showing:

- 87% of commissioners interviewed indicated there was unmet demand locally, with over 50% stating that there was 'lots' of unmet need.
- The current shortfall is between 179,600 and 388,100 units of supported housing.
- By 2040, between 211,200 to 490,200 additional units of supported housing would be required to address projected unmet demand.
- Supported housing would need to increase to between 995,600 and 1.275 million units, of which approximately 310,800 would be for working age adults and between 684,800 and 963,800 for older people.

### **Impact on staff retention**

Supported housing providers need long-term certainty over revenue funding to be able attract and retain skilled staff. High inflation and staff shortages have driven up costs, but providers have not seen inflationary uplifts in contracts. The erosion of housing-related support funding, such as the former £1.8bn per year Supporting People programme for local authorities, is the main cause of financial pressure on supported housing. Support funding was cut by 75% between 2010 and 2020. Some local authorities are having to withdraw all funding from supported housing services.

### **Impact on existing schemes**

The removal of support funding from existing schemes makes services financially challenging. It is very difficult for not-for-profit providers to sustain schemes where revenue does not meet costs. 90% of commissioners interviewed for the Supported Housing Review felt the budget within their local authority for commissioning supported housing was not enough to meet demand.

We also have significant concerns that the planned rise in employers' National Insurance Contributions will further threaten the viability of the staff-intensive care, support and homelessness services our members provide. The Local Government Association (LGA) has warned that the rise

will absorb the entire £600m grant in the Budget, meaning councils won't be able to invest to meet immediate challenges, and little, if anything will be available for supported housing.

### **Impact on future investment**

To allow councils to retain and commission new much-needed supported and older people's housing, the government should ringfence housing-related support funding to ensure spending at least matches the £1.6bn per year allocated to local authorities in England in 2010. This would help unlock the development of new schemes needed to meet growing need and reduce residential care spending.

There are also significant barriers to new development. The annual NHF supported and older people's housing development survey shows very low appetite to develop. The major barriers found included: low capital grant rates, planning constraints and land availability, and a lack of revenue funding. In many cases, new specialist schemes have become undeliverable. There must be sufficient grant rates to cover land and build costs. With a positive announcement on funding to develop new social housing, the government should now further promote the development of new schemes for people with support needs. There must be sufficient capital grant rates to cover the costs of developing supported housing.

Rent certainty is a significant barrier to investment and development of supported housing. There is a lack of business certainty, and a high level of financial risk should Housing Benefit not be payable at the rates required to ensure that supported housing schemes are financially viable. Funding for rent and capital are linked. One effect of increasing capital grant rates would be that rents could be lower.

### **What NHS and local authority service reforms are not happening as a result of adult social care pressures, and what benefits are patients and the public missing out on?**

It is crucial that councils work with partners to help plan future services. Commissioners and providers should develop long-term relationships that foster innovation and risk-sharing, encourage supported housing development and invest in workforces, buildings and facilities. They should develop a strategic understanding about the need for supported and older people's housing in their area and create a plan to meet those needs.

Housing associations are community anchors and understand the needs of their area. They provide vital services to support health and wellbeing for their residents. They benefit the wider local economy through specialised support and community investment. Where they are involved in local planning for housing, care, support and wellbeing services, their expertise can help local areas provide much-needed services in the most cost-effective way, with the best outcomes for people. There are many examples of where supported and older people's housing providers have worked with councils and health partners to meet local needs strategically.

The government should use the experiences of service users and providers to inform a long-term reform of adult social care. The debate should not just be about how something is funded, but about what is funded and how need can be minimised through preventative measures and an environment that promotes independence. The joint [Health and HCLG Committees' 2018 report](#) found that restricting focus for reform on funding mechanisms for care risks failing to consider the value of preventative services, overall quality of life and what is needed to help people live independently.

These actions would deliver improved outcomes for people who require supported housing. They would also be better value for public funds because need would be more closely matched with the [most appropriate housing solutions](#), reducing demand for institutional care.

Despite the benefits of partnership working, decades of cuts to support funding have led to councils commissioning less supported housing, or even decommissioning services. NHF data shows that local authority areas who are considering, or have taken the decision, to significantly reduce or end their housing related support contracts would result in a total funding reduction of at least £11.6m. This equates to the loss of over 1,000 bedspaces.

We are also concerned about the increasing risk to good quality, regulated supported housing providers from Housing Benefit information-gathering practices and challenges. Providers are increasingly being asked to send extensive and at times, irrelevant, information on each of their tenants and schemes in short timescales. Housing Benefit departments are refusing to pay increases in service charges when costs have increased for providers.

Although providers will have this information (where relevant), some of this information will have already been provided to the local authority. Any additional resource needed to collate the information within the timescales risks taking staff away from providing services to residents. These practices also threaten the viability of supported housing services due to the threat of rent not being paid and legitimate costs not being covered. This puts people's accommodation at risk and they may enter temporary accommodation or residential care, which will cost the council more.

The DWP should encourage local authorities to concentrate their limited resources on clearly problematic providers. Many providers have delivered high-quality accommodation in agreement with local authorities for years and this should be allowed to continue. Instead of re-requesting information on every tenant, the DWP should specify a focus on governance arrangements that will be a guarantee of good quality services and not-for-profit status. Local authorities should consider the consequences for the availability of accommodation for people with support needs if they withdraw funding.

In the future, councils will have a duty to have a supported housing strategy when the Supported Housing (Regulatory Oversight) Act comes into force. These strategies must be fully funded, so councils have the resources to work in partnership to integrate housing, health and social care and ensure accurate assessment of supported housing need. These strategies should be monitored to ensure the delivery of robust plans to meet need.

## **What is the cost of inaction to individuals and how might people's lives change with action on adult social care reform?**

Commissioning housing with integrated care and support is a cost-effective way of reducing the likelihood that residents will go into hospital or residential care and reducing re-admission by helping them recover wellbeing and independence.

If people are discharged from hospital into safe accommodation with the right support and adaptations, their outcomes are improved. The benefits of living in sheltered housing are averting falls, reducing loneliness and reducing pressure on hospitals. Research also shows extra care schemes can help to combat the onset of dementia.

Savings worth £300m are made each year from reducing the length of in-patient hospital stays. Anchor Hanover modelled the value of one of their schemes for older people and found that every extra care housing place can generate up to £6,700 in savings for the local authority. The cost to local authorities of extra care housing is 17.8% less than providing residential care. This type of housing can significantly reduce pressure on wider health and care services; the cost of treating a patient with dementia is over £20,000 per year. The reduction in loneliness through sheltered and extra care schemes can also help to combat the onset of dementia, as the correlation between the two is significant.<sup>1</sup>

The government's Supported Housing Review showed a lack of supported accommodation for people leaving hospital with a mental health condition, with neurodiverse patients not appropriately served by community infrastructure. Concerns were raised that some people in this group were being placed in hospitals or secure units for too long. Over half of respondents to the Commissioner Survey stated there was unmet demand for supported housing for residents with a learning disability and autistic people in their area.

Investment in supported housing improves outcomes for individuals and takes pressure off social care. The government's plan for adult social care and Change NHS 10-year Health Plan should reflect the essential role of supported housing in delivering independence and wellbeing for people with care and support needs. Continued inaction on funding supported housing will cause unmanageable pressure on social care and worse outcomes for individuals who need support.

## **Where in the system is the cost of inaction on adult social care reform being borne the most?**

The Supported Housing Review showed that only 38% of all supported housing is commissioned and funded by local authorities or statutory bodies to cover some, or all, of the costs of providing care, support or supervision. This varies by client group, for example only 16% of supported housing

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<sup>1</sup> New Economy Manchester Unit Cost Database v.2.0, updated April 2019

designed or designated for older people receives some local authority funding for providing supported housing services – this is primarily focused on extra care provision.

Without supported housing, pressure on statutory services increases. Supported housing is designed for people who want to be as independent as possible but need assistance with some aspects of daily living. For many, the only alternatives to supported housing are residential care, hospital or another secure institution, or homelessness, including temporary accommodation or rough sleeping. This puts strain on limited resources and can have a negative impact on people who could live independently with the right support.

Not arranging for supported housing can mean local authorities are not meeting their Care Act duties of preventing needs for care and support and promoting integration of care and support with health services. Local authorities also have a duty to provide safe accommodation under the Domestic Abuse Act 2021, but if there is no supported housing they cannot meet this duty.

Research has suggested that as commissioned funding has decreased, there has been an increase in 'non-commissioned' provision. The demand for supported housing does not go away, so we can assume the gap left by commissioned services has been filled with non-commissioned services funded by Housing Benefit, some of which (but not all) are a cause for concern in terms of quality.

### **What contribution does adult social care make to the economy and HM Treasury and how might this change with action on reform?**

The 2021 Social Care White Paper said that “every decision about care should be a decision about housing” and promised £300m to integrate housing, health and care and increase the supply of supported housing. The previous government subsequently rowed back on this promised funding and progress towards integration stalled, while supported housing supply further decreased and pressure on social care increased.

Research into the supported housing sector's impact shows that, without supported housing, there would be a need for 14,000 additional inpatient psychiatric places (each about £170,000 per year) and demand for 2,500 more residential care places (each costing around £45-£50,000 per year). In addition, 41,000 more people would be homeless (potentially in costly temporary accommodation, or rough sleeping), 30,000 people would be at risk of homelessness, and we would need 2,000 more prison places (each costing an average of £32,700 per annum). The cost to the public purse of long-term homelessness has been estimated at over £40,000 per person per year.

Supported housing achieves better health and wellbeing outcomes for residents and has wider social and economic benefits, removing pressure from health and social care services. Supported housing can save the government around £3,000 per person annually for older people, rising to £12,500-£15,500 for people with a learning disability or mental health needs. Research shows public spending would fall by £370m if 40,000 people were prevented from experiencing one year of homelessness. Having enough supported housing to enable timely discharge for people waiting in hospital could generate cost savings of £26-£50 million per year. Waits for supported housing

availability is the single largest reason for delayed discharge from mental health hospitals, attributed to more than 100,000 days of delayed hospital discharge in 2023/24.

Investment in new supported housing developed by housing associations offers long-term value for money for residents and the government. This is because the asset is held as social housing and is let on a regulated rent, so at a lower cost to the benefits system. Most supported housing is let as social housing. The rules for calculating rent are set out in the MHCLG rent-setting policy statement. Well-managed and adequately funded supported housing provides exemplary value for money.

**To what extent are the costs of inaction on adult social care reform considered by the Government when evaluating policies, including within the Budget and Spending Reviews? How should these costs be assessed and evaluated?**

It is welcome to see a commitment to an extra £1.3bn for local councils, with at least £600m for social care and £233m to tackle homelessness and rough sleeping in the Autumn Budget. However, it is disappointing not to see specific, ring-fenced funding for supported housing. With a positive announcement of a boost to the Affordable Homes Programme, the government should now further promote the development of new schemes for people with support needs.

In our submission to the Autumn Budget, we recommended the government provide emergency revenue funding for housing-related support to local authorities in financial crisis and roll over support contracts for one year, to ensure vital supported housing services can continue to operate, as well as ensuring long-term, ring-fenced, core revenue funding for supported housing at the Spending Review. Investment in supported housing will help councils struggling with the cost of temporary accommodation and social care to make savings by preventing homelessness.

Longer-term support contracts would provide a more sustainable business environment for supported housing providers and improve outcomes for councils in preventing homelessness. Certainty and policy stability would give housing associations the confidence to move forward with ambitious plans, maintain existing services and develop long-term partnerships with health and social care commissioners, which in turn will foster efficiencies within the delivery process.

Housing associations must be understood to be key partners for local authorities in delivering support. Supported housing should be a key part of strategies to protect social care and meet housing need locally, and of the government's 1.5 million new homes target.

The ability to move people on from supported housing is also limited by a lack of suitable, affordable housing. The government's long-term housing strategy should commit to urgent investment in social housing, which would improve supported housing's ability to move people into affordable, suitable independent tenancies and further reduce pressure on social care.

**Recommendations**

- The government's plan for adult social care in England and Change NHS 10-year plan should reflect the essential role of supported housing in delivering independence and wellbeing for



many people with care and support needs. It should focus on quality of life, choice and control, and acknowledge the savings provided by supported housing, an integral part of the place-based approach to health and care. Housing associations already play a key role in reducing pressure on social care, and with the right long-term commitment to funding support can do even more. Housing should be seen as a pillar of social care.

- To allow local authorities to retain and commission new much-needed supported housing, the government should ringfence housing-related support funding to ensure spending at least matches the £1.6bn per year allocated to local authorities in England in 2010. This would help unlock the development of new schemes needed to meet growing needs and reduce residential care spending.
- To ensure specialist housing is part of a strategic vision and cross-departmental local plans to meet housing need, the government should support the development of supported housing and the integration of housing into health and social care systems. Aiming at long-term certainty with sufficient funding and a strategic vision for supported housing will pay dividends for social care.
- The government should allow for increased capital grant funding rates for the development of supported housing, so it covers the actual cost of developing specialist buildings.
- The government should make a long-term commitment (10 years+) to a social housing rent settlement and Housing Benefit, continuing to meet housing-related costs in supported housing.
- The government's long-term housing strategy should include a strategic, cross-departmental approach to ensuring a long-term supply of supported housing. This should include long-term, ringfenced funding for local authorities to commission supported housing, with local authorities playing a key role in assessing demand and monitoring delivery.

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