

Crisis Policy Briefing: Tackling problems with non-commissioned exempt housing October 2021

Everyone should have a safe home that meets their needs. But against a backdrop of a chronic shortage of genuinely affordable housing, people who are the most marginalised in society often have the least choice. Too many end up living in poorly managed, unsafe, shared homes funded through the 'exempt' provisions of Housing Benefit.¹

The exempt provisions of Housing Benefit allow landlords to receive higher rents than is the norm for social or even privately rented housing. While there are legitimate reasons for this - managing supported homes is more costly than managing mainstream housing - we are seeing unscrupulous agencies exploit gaps in the regulatory regime to claim higher benefit levels while providing minimal levels of support. This briefing outlines what we know about the nature and scale of problems with non-commissioned, exempt accommodation and sets out proposals for securing change.

We are asking Government to urgently prioritise action in this area to protect residents of non-commissioned exempt housing and the wider communities affected by poor housing standards and management. This should include further development of existing Government proposals for reforming the powers of the Regulator of Social Housing to ensure that the regulator can work proactively with local authorities to prevent exploitation of the exempt accommodation system. There is a case for an inquiry by the Housing, Communities and Local Government Committee to support Government action in this area by collecting evidence on the scale of the issue and identifying the measures that will have greatest impact.

The problem with exempt accommodation

When delivered well, exempt accommodation can play a useful role in providing good quality transitional accommodation and support for people as they move on from homelessness. It often accommodates the most marginalised groups including prison leavers, people leaving national asylum seeker services, people fleeing domestic abuse and others whose homelessness is compounded by factors such as substance dependence or mental health needs. Many housing associations and charities use this type of accommodation to address the critical shortage of affordable homes in their areas. It is sometimes used to tailor housing and support packages to meet very specific individual needs. Much exempt accommodation is commissioned by public sector bodies alongside funding for support and is subject to their oversight. Even when exempt accommodation is not formally commissioned, it can work well if delivered in collaboration local authorities, with councils playing an active role in ensuring that provision is good quality and meets local needs.

But in some areas, we have seen a worrying growth in the incidence of poorly managed and poor-quality non-commissioned exempt housing in Houses in Multiple Occupation,² delivering inadequate support for people facing multiple disadvantage. There is a growing body of evidence showing that

¹ To qualify as exempt, accommodation has to be provided by a non-metropolitan county council, a housing association, a registered charity or a voluntary organisation where that body or a person acting on its behalf provides the claimant with care support or supervision. The provider must also be a not for profit organisation. Much exempt accommodation is commissioned by public sector bodies alongside funding for support and is subject to oversight by commissioners, but this paper is concerned with provision that is not commissioned.

² In this paper we also describe Houses in Multiple Occupation as shared housing – but both terms refer to properties where more than one household shares facilities.

the poorest quality provision is associated with investors looking to maximise returns using the higher rents permitted by the exempt Housing Benefit provisions.³

In these cases, the pursuit of investment returns means that providers place profit above the interests of residents. Exempt accommodation is intended for people who need 'care, supervision or support' to sustain their homes, but too often residents are not being effectively supported to sustain their tenancies/licences or move on from homelessness into a settled home. There is evidence that unscrupulous providers are putting people at risk as the financial imperative to fill vacant rooms outweighs consideration of residents' needs and safety. Non-commissioned exempt provision may also operate outside the referral and safeguarding processes that govern commissioned support, further jeopardising claimants' well-being and safety.

In many areas local authorities have struggled to tackle poor provision or unjustifiably high rent levels, hampered by limits on their regulatory powers and the barriers they face in seeking to restrict rent. We have also seen serious examples of malpractice amongst unscrupulous exempt accommodation providers who have sought registration with the Regulator of Social Housing in order to exploit gaps in the regulatory framework (though the Regulator is now implementing more proactive oversight of the sector in order to identify and address this).

The impact of poor provision on residents

Research documenting the experiences of exempt accommodation residents in Birmingham has highlighted the negative impacts of poor provision for their health and well-being:⁴

- While standards across the sector vary, there are reports of exceptionally poor housing conditions in some shared housing – one interviewee for the Birmingham research described his accommodation as *“dirty, filthy, rats and all sorts. Really dangerous. Never saw a member of staff after I got the keys. I stayed for about ten days then slept on a park bench...”*
- Some residents are not receiving effective support to help them sustain their tenancies where needed or plan for move on from exempt accommodation – an interviewee for the Birmingham research who had been placed into exempt accommodation by the Home Office after being granted leave to remain in the UK said he felt forgotten, *“like I am locked in a room”*. Six months on from being referred into his shared house he had been unable to make progress in finding alternative housing.
- An absence of effective risk assessment or safeguarding practice in the worst cases, meaning that people with a range of complex support needs can be placed into shared accommodation together without adequate consideration of the impact for their own safety or that of others.
- Residents can face rent levels that are much higher than elsewhere in the private sector, in some extreme cases as high as five times the Shared Accommodation Rate. While in theory residents are protected from the impact of high rents because they are in receipt of Housing Benefit, in practice some components of costs are passed on to residents as ineligible service charges. These have to be funded from residents' personal income, eating into the already limited provision allowed by the benefit system to meet essential living costs and pushing people further into poverty in order to meet the costs of their own support. High rents can also be a disincentive to find work because of the impact of benefit withdrawal.

³ Raisbeck, T. (2019) Exempt from responsibility? Ending social injustice in exempt accommodation. Research and Feasibility Report for Commonweal Housing

⁴ Raisbeck, T. (2019) Exempt from responsibility? Ending social injustice in exempt accommodation. Research and Feasibility Report for Commonweal Housing

- Residents who find work and receive a reduced Housing Benefit award may be threatened with eviction or actually evicted by their exempt providers because of concerns that residents won't be able to cover the rent shortfall from their wages. In fact work by Spring Housing and others has demonstrated that it is possible to support exempt residents to sustain their tenancies once they find work, and to help them move on to lower rent housing at the earliest opportunity.

Analysis by Women's Aid has identified similar concerns for women and children escaping domestic abuse who find themselves with no choice other than accepting exempt accommodation.⁵ Amongst the problems identified were the 'threadbare or non-existent' support and absence of quality assurance, placing women and children at great risk of exploitation. In Crisis's own services staff see a mixed picture. While some Crisis clients live in exempt accommodation that is felt by Crisis staff to be satisfactory, staff in some of our front-line services also see examples of poor housing conditions and poorly supported residents.⁶

While some non-commissioned exempt accommodation is of an acceptable quality, there is inadequate protection where this is not the case. People who are amongst the most marginalised in society often have no choice but to accept unsafe, poor quality accommodation. Despite the large sums of money being paid to providers in these cases, adequate safeguards to ensure homes are decent and well managed are simply not in place.

How exempt accommodation is funded

- **The costs covered by exempt Housing Benefit**

The exempt accommodation rules were originally introduced in 1996 to protect charities and housing associations providing supported housing from provisions to limit the availability of benefit for private sector rents.⁷ The exempt system was an acknowledgement that the costs of managing shared, supported housing could be higher than the norm, and that not for profit organisations' supported housing services may be unviable if benefit levels were limiting using the same rules that applied to mainstream private renting. The rules determining what level of rent it is reasonable for providers to charge in these circumstances were framed against this backdrop. The rules are complex, and it is not a straightforward process for local authorities to restrict excessive rent levels. A key consideration is how exempt rents compare to those of other properties in the area that would meet a claimant's needs (and which a claimant can reasonably be expected to move to). Where local authorities seek to restrict rents or deny that a claim qualifies as exempt, they are often subject to legal challenge, and the rules are the subject of a wide body of caselaw. Local authority staff need a high level of expertise to challenge inappropriate claims, and while some councils have invested the capacity to do this (see Bristol City Council Case Study), this interventionist approach is by no means universal.

Bristol City Council Case Study

In 2009 Bristol had a developing issue with non-commissioned 'charitable' 'exempt' accommodation, and the authority was funding a £4 million subsidy shortfall through its general fund. The 'exempt' accommodation rules were being exploited by some providers, and 'supported' accommodation was being provided at very high rents and very poor quality, with little or no support actually being provided. As a

⁵ <https://www.insidehousing.co.uk/news/news/urgent-concerns-over-exempt-accommodation-providers-targeting-domestic-abuse-survivors--69797>

⁶ Crisis is not a provider of exempt accommodation but does sometimes support clients living in exempt housing provided by other organisations. The support provided by Crisis is funded by charitable donations and not through Housing Benefit.

⁷ Boath, M., Baker, E. & Wilkinson, H. (2010) *'Exempt' and supported accommodation*. DWP 2010

result, Bristol developed a corporate approach to exempt accommodation, and using a team of specialist officers, reviewed claims from the sector to ensure exemptions were only granted in legitimate cases. As well as managing its existing sector, this team closely managed the 'gateway' for new providers, limiting those establishing themselves in Bristol. These activities reduced Bristol's subsidy shortfall to £1 million per annum. The Council also challenged applications from non-commissioned Registered Providers who began approaching the Council from 2015, and Bristol has no accommodation of this type in its caseload.

For an exempt benefit claim to be eligible, landlords must be able to demonstrate that they or an agent acting on their behalf provide care, support or supervision to the claimant. The costs of support services themselves are not eligible for Housing Benefit however. This in effect means that providers must be able to demonstrate that any support provided is funded through sources other than Housing Benefit. Bona fide providers may use charitable or commissioned funding to provide support. As noted above, some providers charge residents for the costs of support. Others have argued that they fund support using 'surpluses' from their business plans. If local authorities can establish that care support or supervision is not being provided, the claim is no longer treated as exempt and will become a Universal Credit award. Questions about what qualifies as care, support or supervision have been subject to significant dispute between local authorities and providers, and the subject of case law. Case law has established that care or support must be 'more than minimal' but there is little further clarification to support councils in judging whether a claim is eligible.

- **Subsidy for exempt Housing Benefit**

The way the costs of exempt benefit payments are met depends on the type of landlord. If the landlord is a registered provider, the local authority can normally recover the full cost of payments from subsidy paid by the Department for Work and Pensions (DWP). Where the provider is a charity or other not for profit provider, the local authority is likely to have to meet part of the cost.⁸ When the subsidy rules were originally introduced, registered providers were typically subject to significant levels of scrutiny across all aspects of their operation (governance, viability and consumer related). Against a backdrop of weakened regulation, with unscrupulous providers exploiting gaps in the regulatory framework, this system for controlling costs to the taxpayer is no longer fit for purpose.

- **The implications of registered provider status**

The ability to access higher rents that are fully subsidised by DWP has helped drive the growth in specially created, lease-based, registered providers, apparently exploiting the possibility that local authorities may be less likely to scrutinise rent levels where providers are registered. Registered providers are also exempt from the licensing rules that apply to Houses in Multiple Occupation, meaning that providers face fewer obligations in respect of property standards, management and safety. Again the logic for this distinction is hard to justify against a backdrop of weakened social housing regulation. Over the last decade, registered providers of social housing have not been proactively regulated against 'consumer standards' covering tenancy rights, property standards,

⁸ Where the landlord is not a registered provider (ie is a charity or community interest company) the claim must be referred for a Rent Officer Determination. If this sets a rent below that charged and the claimant is vulnerable as determined by the Housing Benefit rules, the local authority can only reduce the Housing Benefit payment if it considers it reasonable to expect the claimant to move and suitable alternative accommodation is available. In practice local authorities will rarely be able to restrict the rent. But where the claimant is vulnerable only 60% of the charge above the level set by the Rent Officer is recoverable through subsidy, leaving the local authority liable for the rest of the rental cost. Local authorities may therefore be liable for significant costs if they have a high concentration of non-registered exempt providers in their areas.

neighbourhood management and tenant involvement⁹, although this is set to change as a consequence of the Social Housing White Paper.¹⁰ However, there are additional limitations in the regulatory framework that affect lease-based registered providers of exempt housing. Where providers use exempt accommodation to provide 'non-social' housing (broadly speaking homes with rents at market levels) neither the consumer standards nor the rent standard applies. This means that this sub-set of exempt providers are not subject to either the rules governing management of Houses in Multiple Occupation or the regulatory standards that would ensure the provision of decent housing standards and management.

There is anecdotal evidence that some of the registered providers being set up as investment vehicles are specifically doing so to minimise their regulatory burden while generating income through the benefit system and are prioritising income generation over the interests of residents. This has been fuelled by specialist consultants that advise investors on which areas of the country to target to maximise returns. We have heard about examples of extreme malpractice, such as the sale of properties and trading of services at artificially inflated prices between linked agencies as a contrivance to engineer higher rents.

As awareness of problems with the lease-based sector have grown, the Regulator of Social Housing has become more active in intervening to tackle viability and governance concerns.¹¹ This has led to a number of providers being judged non-compliant and to the recent announcement that a major provider in Birmingham, Prospect Housing, will be closed down.¹² This should help to limit new entrants to the market that are seeking primarily to exploit investment opportunities. As noted above, however, the regulator's jurisdiction over registered providers of non-social housing is limited in some key respects.

The regulator also has no jurisdiction over the non RP sector. While non registered providers (for example charities and community interest companies) are subject to licencing rules governing Houses in Multiple Occupation, and councils are incentivised by the Housing Benefit subsidy rules to scrutinise exempt claims, solutions are also needed to ensure they meet the highest standards of probity and management practice in delivering exempt housing.

The policy context

A number of factors have combined to drive the growth in reliance on non-commissioned exempt accommodation but have also created opportunities for unscrupulous operators:

- **Reductions in spending on housing related support**

⁹ <https://www.gov.uk/guidance/regulatory-standards>

¹⁰ <https://www.gov.uk/government/publications/the-charter-for-social-housing-residents-social-housing-white-paper>

¹¹

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/792650/Lease-based_providers_of_specialised_supported_housing_-_April_2019.pdf

¹² https://www.insidehousing.co.uk/news/news/non-compliant-housing-association-to-be-closed-down-this-summer-69670?utm_source=Housing60&utm_medium=email&utm_content=article_link&utm_campaign=H60

Changes in the way housing related support is funded, and in particular the significant reduction in grant funding, has been a key driver of growth in the exempt sector.¹³ Reductions in Supporting People (SP) grant during the life of the programme and the removal of the SP ring fence just as significant cuts to local authority budgets began to take effect led to the erosion of spending on housing related support.¹⁴ Analysis by WPI economics for St Mungos estimated that In 2017/18, nearly £1bn less was spent on single homelessness than was spent in 2008/9 – a fall of more than 50 per cent.¹⁵

This led to local authorities experiencing an increase in exempt claims from providers, raising concerns that some landlords ‘may have sought to make up for losses of SP funding by increasing rents, or by reclassifying some support elements as housing-related costs so that they can be covered by HB’.¹⁶ Subsequently local authorities noted that they were seeing an increase in approaches by leased-based registered providers.¹⁷ This has been driven at least in part by providers identifying that the subsidy rules for local authorities were more favourable if they had registered status and the assumption that claims may be subject to less scrutiny.

- **Reduced availability of housing for single adults in the social or private rented sector**

Exempt accommodation has filled a gap left by declining access to social rented housing for single people experiencing homelessness, and by growing barriers to accessing ‘mainstream’ privately rented housing.

From 2011/12 onwards levels of investment in social rented housing have also significantly reduced,¹⁸ and there has been a steady decline in the availability of lettings at social rent levels.¹⁹ This has impacted disproportionately on single adults experiencing homelessness, with analysis by Crisis showing that the number of lettings to homeless single adults falling in absolute and relative terms.²⁰

In 2011 Local Housing Allowance rates were reduced from the cheapest half of rents to the cheapest third, and from 2013 the link between actual rent levels and benefit levels was broken. While the link was briefly restored to the bottom third of rents during the pandemic, Government subsequently confirmed that rates would remain at current cash amounts from April 2021, effectively meaning that rates are frozen again. The impact of lower Housing Benefit rates has been compounded for younger adults by the fact that from 2012 people aged under 35 were assumed to require no more than a room in a shared house, with a lower benefit rate set for this. Shared Accommodation Rates (SAR) are so

¹³ Supporting People provided grant funding for local authorities to commission housing related support in their areas. The funding level was linked to the value of Housing Benefit previously allowable for general counselling and support, totalling £1.8 billion in 2003, but reduced to £1.64 billion by 2010/11 they year after the ring fence was removed.

¹⁴ Blood, I., Pleace, N., Alden, S. & Dulson, S. (2020) ‘A Traumatized System’: Research into the commissioning of homelessness services in the last 10 years. York: University of York;

¹⁵ WPI Economics (2019) *Local authority spending on homelessness. Understanding recent trends and their impact*. London: WPI Economics, St Mungos & Homeless Link

¹⁶ Boath, M., Baker, E. & Wilkinson, H. (2010) ‘Exempt’ and supported accommodation. DWP 2010

¹⁷ Medway Council (2012) *Supported Accommodation Prepared by a task group of the Regeneration Community and Culture Overview and Scrutiny Committee*.

¹⁸ Stephens, M. Perry, J., Williams, P., Young, G. ND Fitzpatrick, S. (2020) *2020 UK Housing Review. Autumn Briefing Paper*. Coventry: CIH.

¹⁹ Wilson, W. & Barton, C. (2021) *Social rented housing (England): past trends and prospects*. London: House of Commons Library

²⁰ Rowe, S. and Wagstaff, T. (2017) *Moving on: Improving access to housing for single homeless people in England*. Crisis: London

low by comparison with actual shared rents that young single people moving on from homelessness can rarely afford shared housing.²¹

The gap between Local Housing Allowance rates, particularly SAR levels, and local market rents is thought to have driven the growth in the exempt market in areas such as Birmingham.²² Landlords have opted for the more lucrative returns offered by providing multiple occupancy housing for people with support needs compared with letting mainstream, self-contained housing.

- **Weakened regulation and oversight**

The post 2010 Coalition Government programme weakened the oversight regime for social housing, while at the same time significantly reducing the resources available to local government. Cuts in council spending have impacted on the availability of specialist local authority staff to deliver key oversight functions including the strategic response to managing local housing markets and Housing Benefit administration, and functions such as environmental health services.²³ Together these factors have provided a vacuum in which unscrupulous providers have been able to enter the exempt sector and receive substantial sums of public money.

As noted above, Registered Providers are exempt from rules on the licensing and management of Houses in Multiple Occupation making it more difficult for councils to make sure accommodation is safe. Further, where registered providers are judged to be providing 'non-social housing', as is often the case for exempt providers, they are not subject to even reactive consumer regulation. These loopholes in regulation have created particular problems in neighbourhoods where large numbers of homes are converted for use as exempt housing.

Birmingham City Council is one the Councils drawing attention to the negative impact on neighbourhoods where large numbers of homes have become part of the non-commissioned exempt sector (see Birmingham City Council Case Study).

Birmingham City Council Case Study

In Birmingham there has been a particular growth in lease-based registered providers, with registered providers often acting as an umbrella organisation for a multiplicity of managing agents. The Council says that most providers in the city (90%) are registered housing associations.

Birmingham has seen the number of exempt tenancies rise from 11,500 in 2016/17 to 21,000 this year, and the Housing Benefit bill for these tenancies reaching around £200 million. As increasing numbers of properties are converted from conventional shared housing or family homes into exempt accommodation providing support, the impact on local communities can be significant. The trend has also driven a shortage of mainstream housing for rent or sale in some neighbourhoods.

The City Council is now taking action to improve property standards and halt the growth of the sector in Birmingham. It has introduced greater scrutiny of new exempt benefit claims and encourages all providers to sign up to a set of quality standards for exempt accommodation. Referral agencies are asked not to refer people to providers that have not signed up to these standards. A partnership of voluntary and statutory agencies has with residents co-produced Charter of Rights for Residents of Supported Exempt

²¹ Basran, J. (2019) Cover the Cost: Restoring Local Housing Allowance rates to prevent homelessness. London: Crisis

²² Raisbeck, T. (2019) Exempt from responsibility? Ending social injustice in exempt accommodation. Research and Feasibility Report for Commonweal Housing

²³ <https://www.unison.org.uk/news/2019/04/environmental-health-cuts/>;
<https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/CostofCuts-Full.pdf>

Accommodation.²⁴ Whilst welcome, these measures are voluntary and depend to a significant extent on the compliance of providers and co-operation of referral agencies.

Despite the work being done by the Council and recent intervention by the Regulator, efforts to take action against providers that continue to exploit the system are undermined by the gaps in the regulatory framework outlined above. The Council itself is constrained in what it can do to enforce standards where homes are unsafe or poorly managed because registered providers are not subject to HMO licensing rules. The Council is calling on Government to give councils more powers to control the growth of the sector in any given neighbourhood and to make exempt housing providers by registered providers' licensable in the same way as other Homes in Multiple Occupation.

Recent Governments have recognised that the social housing consumer regulation framework needs to be strengthened.²⁵ But where exempt homes are judged not to be social housing, it is unclear to what extent strengthened consumer regulation and a stronger tenant voice will, in due course, help improve conditions for exempt tenants of registered providers. This needs urgent attention to ensure that the interests of exempt residents are protected under the new regulatory regime.

Together the acute shortage of homes for single adults, a lack of options for funding support, and gaps in oversight have created opportunities for unscrupulous providers to exploit the exempt funding regime. While some of the growth in the sector has been driven by legitimate providers finding ways to meet local needs, a growing body of anecdotal evidence makes clear that less scrupulous operators are also claiming substantial sums of Housing Benefit while providing unsafe, poorly managed shared homes.

The scale of the problem

DWP data suggests that in May 2021 there were in the region of 153,000 exempt tenancies in Great Britain, a 62% increase from the 95,000 cases recorded in May 2016.²⁶ Around 90% of claims are in England.

While this data demonstrates the rapid scale of growth in recent years, it does not convey the extent to which providers are satisfactory or problematic. We also do not currently have a picture of the extent to which provision is split between the registered provider and non-registered sectors. Analysis by Birmingham City Council of their caseload data suggests that across Birmingham registered providers make up about 90% of the sector. This may not, however, be reflective of the situation nationally.

There is an urgent need for further investigation to quantify the scale and profile of exempt provision and the extent to which providers in any area are considered problematic. This will in turn help target national and local government action to respond to the challenge of poor provision. But regardless of scale, it is clear that action is needed to safeguard the interests of those whose life chances are already being damaged by poor quality exempt provision and to prevent further escalation of the problem.

²⁴ <https://springhousing.org.uk/wp-content/uploads/2020/12/Charter-Of-Rights-Provider-Guidance.pdf>

²⁵ <https://www.gov.uk/government/publications/the-charter-for-social-housing-residents-social-housing-white-paper>

²⁶ Crisis Freedom of Information Request to Department for Work and Pensions September 2021

What is the Government doing?

Government has been aware of the challenges associated with the emerging exempt sector for over a decade.²⁷ It consulted in 2016 and 2017 on proposals to reform the funding system which would have given local authorities the powers and resource to commission the enhanced housing management component of supported housing funding (but not to restore a funding stream for commissioning support). Following concerns from many supported housing providers these reform proposals were dropped, and Government announced that it would instead work with providers, local authorities and representative bodies to develop a new, robust oversight regime.²⁸

This led to the publication of a National Statement of Expectations (NSE) for Supported Housing in 2020.²⁹ This sets out the Government's vision for accommodation standards, quality and value for money in supported housing, addressing the accommodation element but not the provision of support itself. The NSE provides guidance, but adherence to the guidance is not a regulatory requirement.

While welcome in so far as it goes, it does not provide the full range of tools that local authorities need to tackle the problems outlined in this briefing.

At the time the NSE was published the Government also announced that it was funding five pilots to improve quality, enforcement, oversight and value for money in five areas: Birmingham, Hull, Blackpool, Bristol and Blackburn. The pilots were originally due to end in March 2021 but have been extended for six months. It is understood that an evaluation of the pilots is also being carried out. In a letter to Crisis the former Secretary of State, Robert Jenrick, commented that any Government response must be proportionate, targeted and well tested so as not to put at risk good quality provision. While this is clearly critical, it should not become an excuse for further delays in Government action.

What more needs to happen?

1 Systems change to reduce dependence on non-commissioned supported housing

The demand for non-commissioned exempt housing has grown in response to the long-term decline in availability of social rented housing and reductions in spending on housing related support. The most effective way to deal with this problem will be to reduce dependence on the exempt sector by restoring investment in social housing supply and providing local authorities with a sustained funding stream to commission support services that meet local needs.

Crisis wants to see fundamental reform of the way housing and support are provided for people experiencing homelessness, embedding a housing-led approach that separates funding for support from housing costs. A housing-led response to homelessness avoids the need for transitional accommodation wherever possible. This reduces the time people are forced to spend in expensive and unsuitable housing which can itself exacerbate mental health issues and increase the extent to which individuals need support to sustain their tenancies. Housing-led responses to homelessness include Housing First, which provides a permanent, settled housing and intensive, open ended support targeted at people with high and complex support needs. There is a strong evidence base

²⁷ Boath, M., Baker, E. & Wilkinson, H. (2010) *'Exempt' and supported accommodation*. DWP 2010

²⁸

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732692/Supported_Housing_Funding_Consultation_Response.pdf

²⁹ <https://www.gov.uk/government/publications/supported-housing-national-statement-of-expectations/supported-housing-national-statement-of-expectations>

demonstrating the effectiveness of Housing First; the vast majority of Housing First tenants sustain their tenancies and many see significant improvements in well-being, which in turn means that it is cost effective, generating reductions in spending of around £1.24 for every £1 spent. Other interventions such as Critical Time Intervention can also play a part in enabling people to make the transition from institutions such as prison to a settled home in a carefully planned way.

Moving towards a housing-led response to homelessness will require increases in Government spending on genuinely affordable housing and maintaining Local Housing Allowance rates at least a third of local rents. In combination with sustained funding for housing related support, it will enable national and local government to deliver a more cost-effective way of addressing need for housing and support.

2 Urgent action is needed to clarify the scale and nature of the problem and identify solutions

While we will continue to make the case for fundamental reform, many tens of thousands of people are already housed in the exempt sector, with unknown numbers of people affected by poor quality provision. The recent Kerslake Commission on Homelessness and Rough Sleeping highlighted the damaging impact of poor provision in parts of the exempt sector, and recommended that the Government introduces a quality assurance framework for homelessness accommodation, with a national register that requires evidence that providers are meeting minimum standards, backed by funding for local authority teams to enforce homelessness standards.³⁰

Government action is needed to ensure that the interests of exempt tenants are properly protected, that claims for exempt Housing Benefit provide value for money and that homes and support meet acceptable standards. Although the Government's pilot programme is a welcome step in the right direction and the Regulator of Social Housing has increased its focus on this area, we are concerned that progress in addressing problems is too slow for the tens of thousands of people depending on this accommodation.

Crisis is calling on Government to urgently prioritise action in this area and identify both the short- and longer-term measures that will be introduced to protect residents of non-commissioned exempt housing and the wider communities affected by poor housing standards and management. This should include further development of existing Government proposals for reforming the powers of the Regulator of Social Housing to ensure that the regulator can work proactively with local authorities to prevent exploitation of the exempt accommodation system

We would like to see the Communities & Local Government Committee support Government's intention to tackle problems in the sector by conducting an inquiry to identify the interventions needed. Critically, this would provide an opportunity to gather evidence more widely from local authorities, providers and residents (not just those involved in the pilots) to identify the scale and profile of problems in the sector. The Committee could also usefully map out key areas for change.

As well as gathering evidence on the scale and profile of the problem, we recommend that an inquiry addresses the following key issues:

- a. **Clarify what steps are needed to achieve greater consistency across all local authorities in assessing exempt Housing Benefit claims**, to ensure councils have the tools they need to limit or

³⁰ The Kerslake Commission on Homelessness and Rough Sleeping (2021) *A new way of working: Ending Rough Sleeping Together. Final report September 2021*

refuse payment where appropriate and that there is greater transparency in the way exempt rents are set. This might include:

- Revising the Housing Benefit Regulations or Guidance to clarify and potentially extend local authority powers and responsibilities
- Provision of sector-led guidance and specialist advisory support for local authorities to increase expertise in handling provider approaches and assessing exempt claims
- A review of the way exempt rents are set by registered providers addressing the applicability of the rent standard and the need for safeguards to prevent providers inappropriately exploiting the designation of exempt homes as non-social housing.

b. **Identify the package of measures and funding that will be required to enable local authorities to identify and tackle existing poor provision, working in partnership with the Regulator of Social Housing where appropriate.** This might include an expectation, backed by funding, that local authorities review all existing cases, assess the scale of the problem and identify the steps each can take to tackle problematic providers and support claimants affected by poor quality provision.

c. **Identify the additional tools local authorities and the Regulator of Social Housing need to ensure non-commissioned, shared exempt accommodation meets acceptable standards** on an ongoing basis, including:

- Strengthening and developing the National Statement of Expectations for Supported Housing so that there are effective arrangements in place in every area to
 - Assess housing & support needs and plan effectively to meet this – identifying what role non-commissioned exempt housing should play
 - Ensure there are effective assessment and referral pathways into non-commissioned exempt housing so that people are placed into appropriate and safe housing
 - Ensure the non-commissioned exempt sector delivers VFM by monitoring outcomes for residents, improving the transparency of charging and using tools such as accreditation
- Changes to selective licensing powers to allow local authorities to intervene where Houses in Multiple Occupation are provided by registered providers.
- Reviewing proposed reforms to the powers of the Regulator of Social Housing to ensure they are sufficient to prevent exploitation of the exempt accommodation system.

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