

Briefing paper

A joint response by CRISPP and CHNI on the impact of the 'Programme for Government' on the Supporting People budget for financial years 2008-2011

The Committee Representing Independent Supporting People Service Providers (CRISPP) is the regional body representing supported housing providers in Northern Ireland. This body is representative of the voluntary, community and private sectors.

The Council for the Homeless Northern Ireland (CHNI) was founded in 1983 to represent organisations working with homeless people throughout Northern Ireland, providing training, information, research and collective representation. Currently, CHNI membership comprises over 100 organisations from the Community / Voluntary, Statutory and private sectors across Ireland and UK.

NIFHA is the umbrella organisation representing, supporting and promoting the activities of the 36 registered and 7 non-registered Housing Associations in Northern Ireland. The Federation's purpose is to enhance the ability of housing associations to improve the social well-being of people in Northern Ireland.

Supporting People (SP) recently announced that their budget has received no inflationary increase for the financial years 2008-2011. As a result, the budget has been base lined at £61m for the period.

This effectively represents a net cut in funding. There are very serious concerns about the destabilising effect this is likely to have on a sector, which has been subject to a major and ongoing programme of reform in recent years. Lack of any new funding for existing services is contrary to general government policy direction in favour of expansion of the Voluntary and Community Sector in service delivery¹. The evidence is overwhelming in favour of the net benefits the supported housing programme brings to the public purse. Limiting these funds threatens these benefits.^{2*} Organisations in the sector have absorbed above inflation increases in costs in the past few years. This is not sustainable.

An Audit Commission report into SP in England states that ‘there needs to be a long-term commitment and a financial framework to underpin minimum standards’.³ A similar commitment is necessary in Northern Ireland.

An immediate impact of these budgetary changes has been further erosion of confidence in budgeting, long-term planning and investment. There is a very real threat to the sustainability and quality of services, not least due to staff retention problems caused by the implications of low pay⁴. The

¹ *SP services are required to be strategically relevant in relation to NI policies for the care and protection of vulnerable people. Therefore, the commitments made within "Positive Steps" should be adhered to. SP services are delivered in the main by the voluntary sector and this funding stream is the most significant single government revenue in the sector. The delivery of these services is consistent with Building a Better Future -Draft Budget and Programme for Government 2008-2011 and Draft Investment Strategy 2008-2018 to eliminate all forms of inequality including disadvantage caused by poverty and financial exclusion through the overarching priority of promoting tolerance and inclusion and well-being.*

² *"SP has saved £2.7 billion per annum to the public purse in England"; source – Phil Woolas MP in a speech to the Local Government Associations (27 Nov 2006)*

^{*} *"Housing related investment avoids costs elsewhere" – source – CLG- commissioned report on the financial benefits of the Supporting People programme (Jan 2008):*

³ *<http://www.communities.gov.uk/publications/housing/supportingpeoplefinance>*

⁴ *<http://www.audit-commission.gov.uk/Products/NATIONAL-REPORT/8864D8E9-48F5-4a64-9FAB-87B049E05B2E/SupportingPeople13Oct05REP.pdf>*

⁴ *Training needs and Organisational Development Analysis, Asset Skills / NICVA, 2006, p21*

consequences of this are likely to be severe for an already under-resourced supported housing sector.

The impact of this financial decision and its implications upon those who use services cannot be ignored. The SP programme currently⁵ funds a range of housing support services in over 900 schemes, providing support to approximately 23,000 service users at any one time, including families, the elderly, single homeless, as well as individuals with specific vulnerabilities (e.g. physical and mental disabilities, substance misuse issues etc). Services range from staffing provision in sheltered housing schemes to housing-related advice services. These services play a crucial role in enabling vulnerable people to secure or maintain a tenancy or remain in their own home. A further financial constraint upon supported housing providers places those most vulnerable at risk. It also undermines the core principles of the SP programme⁶.

Cost Pressures on Providers

There are a number of costs pressures to which our members are legally obligated to attend. For example, most are contractually committed to NJC terms and conditions in respect of salary and incremental increases. Many are also engaged with the NILGOSC⁷ and other pension schemes. These are major issues, since expenditure on salaries comprises the major cost component (75%) in the supported housing sector. For the smaller number of our members who are not legally bound to pay increases under the above schemes, there is still a huge pressure on them to fund increases to avoid erosion on rates of pay and avoid losing staff due to low pay. Additionally:

- Organisations must fund increases in other (in)direct overheads, many of which have increased substantially in the past year. 'Positive Steps' states that '*voluntary and community organisations must be able to include full*

⁵ Source: *Supporting People, Changing Lives. The Supporting People Strategy 2005-2010*, NIHE, Belfast.

⁶ Objectives stated in *Supporting People, Changing Lives. SP Strategy 2005-2010 (NIHE)*, pages 19-25

overhead costs related to delivering a contracted service. This has been endorsed by HM Treasury and guidance issued to all NI Government Departments.⁸ However, many of them will not be able to do so.⁹

- Services face additional pressures to modernise, build capacity, and deliver improved value for money. Services will face significant cost increases in the coming year for enhanced regulatory compliance.
- Due to increased financial pressures upon Housing Associations, despite historical low rent agreements with partner organisations, some have substantially increased rental charges to their Joint Management Partners, in some instances 10% has been quoted. Whereas some Joint Management Agreements provide a clause for negotiation over rental increases, in many instances there is no such scope. This has the potential to create tension between Housing Associations and Joint Management Partners.
- Evidence of legacy funding distribution across the sector is anecdotal, but indications are that some services are under-funded and are already operating in deficit

Organisations continue to be flexible and progressive about implementing reforms. However, they face many barriers, including the implications of this latest SP budget.¹⁰ This announcement, essentially, impacts upon both efficient and inefficient services indiscriminately, disincentivising organisations from making savings.

7 Employers contributions to NILGOSC will increase by a minimum of 4% over the next 2 years – source – NILGOSC Nov 2007

8 Positive Steps, p12, 6.1 - http://www.dsdni.gov.uk/positive_steps.pdf

9 A panel survey carried out by NICVA Research Unit in September 2007 found that the proportion of organisations believing that the strategy has had limited or no impact on how their organisation operates or interacts with government has risen from 61% to 76% in the last year. Of the groups that have received or renegotiated funding in the last year, only 18% said it was over a longer time frame (7-10 years); 81% said their funding did not include full costs, as envisaged by Positive Steps. Source: http://www.communityni.org/index.cfm/section/News/key/still_little_impact_positive_steps

10 The National Audit Office has pronounced that funding mechanisms for the VCS need to be “substantially improved” Working with the Third Sector – <http://www.nao.org.uk/pn05-06/050675.htm> - p4

Income Pressures on Providers

- In recent years, services have absorbed the net increase in staff costs due e.g. to the cumulative impact of NJC and NILGOSC after any SP uplift. One large Housing Association has already made savings of 14% on existing services. Year on year efficiency gains are not sustainable.
- SP has strict rules about the amount of surpluses an organisation can accrue, what these can be used for, and organisations would not have access the funds to address these issues. This removes any opportunity for organisations to cross-subsidise, or transfer surpluses towards salary uplifts
- There is a risk that as funders are forced into positions of deficit they will look to alternative sources of funding thereby negating progress made on the stated object⁶ of the SP reform programme.
- Housing Benefit and SP are working more closely to ensure fair cost identification and apportionment. However, there is no assured methodology to ensure that services will not suffer as a result of the ongoing repositioning of both.

Recommendations

- In the immediate term, our members would benefit from Departmental approval of an inflationary uplift for 2008/2011, no less than Retail Price Index.
- Additional funds realised from in-year bids, as part of the monitoring rounds, should be ring-fenced for uplift as a default if the above option cannot be achieved.
- Enable the NIHE to adopt a more flexible approach to organisations in realising extra funding to fund an uplift, in the absence of viable alternatives

- Strategically, the Department needs to shift from annual awards, in favour of longer term (7-10 year) funding for the sector in accordance with Positive Steps
- DSD to clarify whether funding is given contractually or as part of a grant award. Clearly, this has implications in respect of what services may be allowed to do with surpluses generated from efficiency gains.¹¹
- Finally, there is an urgent need to develop and improve channels of communication with bodies such as the CRISPP group to improve joint working around these issues.

¹¹ *The language of the NIHE is that they fund services via contracts; the wording in standard SP documentation seems to indicate that the agreement with providers is contractual. This manifests itself in the level of control they seek to impose over providers in the way in which they conduct their affairs.*

Adopt CLG good practice guidelines in respect of efficiencies in the supported housing sector. These require authorities to realise savings and improvements in value for money through a structured, evidence-based programme of scheme reviews and assessment of services.