Other Housing LIN publications available in this format:

Factsheet no.1:	**Extra Care Housing - What is it?** *(28.07.2003 updated August 2004)*
Factsheet no.2:	**Commissioning and Funding Extra Care Housing** *(28.07.2003 updated August 2004)*
Factsheet no.3:	**New Provisions for Older People with Learning Disabilities** *(23.12.2003 updated August 2004)*
Factsheet no.4:	**Models of Extra Care Housing and Retirement Communities** *(04.01.2004 updated August 2004)*
Factsheet no.5:	**Assistive Technology in Extra Care Housing** *(20.02.2004 updated August 2004)*
Factsheet no.6:	**Design Principles for Extra Care** *(26.07.2004)*
Factsheet no.7:	**Private Sector Provision of Extra Care Housing** *(21.07.2004)*
Factsheet no.8:	**User Involvement in Extra Care Housing** *(24.08.2004)*
Factsheet no.9:	**Workforce Issues in Extra Care Housing** *(04.01.2005)*
Factsheet no.10:	**Refurbishing or remodelling sheltered housing: a checklist for developing Extra Care** *(04.01.2005)*
Factsheet no.11:	**An Introduction to Extra Care Housing and Intermediate Care** *(04.01.2005)*
Factsheet no.12:	**An Introduction to Extra Care Housing in Rural Areas***(04.01.2005)*
Factsheet no.13:	**Eco Housing: Taking Extra Care with environmentally friendly design** *(04.01.2005)*
Factsheet no 14:	**Supporting People with Dementia in Extra Care Housing: an introduction to the issues** *(04.01.2005)*
Factsheet no 15:	**Extra Care Housing Options for Older People with Functional Mental Health Problems** *(04.05.2005)*
Factsheet no 16:	**Extra Care Housing Models and Older Homeless People** *(06.06.2005)*

Case Study Report:	**Achieving Success in the Development of Extra Care Schemes for Older People** *(July 2004)*

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Funding Extra Care Housing

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1. Introduction

This technical brief provides an overview of the principle ways Extra Care Housing developments are financed. It builds on the existing Housing LIN factsheets, in particular fact sheet no. 2, by providing further technical information on:

i. The principle sources of **capital** funding for bricks and mortar
ii. The different sources of finance and variables that interact to create a viable scheme – **financial modeling, and**
iii. the basic elements in meeting the operating and care costs – the **revenue** side

As we strive to develop better commissioning and strategic plans for older people's services it helps if all the parties commissioners, developers, care providers, planners have at least a broad understanding of how extra care is funded. There is usually a relationship between each agency's desires and priorities and what is financially deliverable.

This brief is intended to be a contribution to building a common understanding.

2. Capital Funding

The sources of capital finance are considered in three blocks:

- Basic core funding
- Additional funding
- Receipts from sales

Capital is only half the story. There is also a cost minimization element to achieving a viable extra care development.

Extra care programmes have a variety of origins and the drivers vary. It may be the re-provision of residential care homes and existing homes have to be incorporated in some way, or the re-modelling and updating of sheltered housing. There may be a clear strategy to extend choice and improve quality through new build on cleared sites. It may be additional provision to meet a shortfall of "middle range" care and support. In the future extra care may be part of market renewal.

For some companies, extra care is simply another commercial activity responding to demand. The effect of the origin and drivers alter the balance and possibly sometime extend the mix of types of funding. The essentials are however much the same across all developments albeit that risks and return for risk will be influenced.

Core Funding

The basic capital finance for most Extra Care Housing schemes, at least where there is a large social rental element, are in the main Social Housing Grant, Department of Health Grant (to Social Services Authorities), private finance in the form of a mortgage (or similar loan mechanism) and contribution of land and/or buildings from one of the partners involved in the development.

However, it is also important to note that there is increasing interest from private sector developers/providers of leasehold retirement housing, as well as those in the residential or nursing care, who see a market opportunity to either develop new build Extra Care Housing for sale , decommission or remodel existing care home provision.

The table below, sets out both the common capital and revenue streams that are in use, whether a housing association, independent or private sector developer/provider.

Source	Comment
Social Housing Grant (SHG)	Only available to Registered Social Landlords (RSL). Often will only in practice meet a proportion of costs of "excellent" model of extra care partly because may well not fund full range of communal services characteristic of extra care. 80% of Housing Corporation allocation now goes to 71 associations only. Extra care is competing with all other needs. Need housing authority (District/Borough/City) Councils to prioritise bid by RSL to Housing Corporation to have chance of success. Important therefore where Social Services are the lead agency to involve and inform the relevant housing authority very early on. Allocations to associations from the Housing Corporation are now made on a 2 year cycle around July time it is therefore essential to have a clear strategy in place well in advance.
Department of Health Grant	At present there is an opportunity for Social Services Authorities to bid for grant funding for extra care from the DH. The total fund available is limited, part is already pre-allocated and

	competition is considerable. Bids are scrutinised using criteria similar to those used to appraise RSL bids. Details for the 2006-2008 arrangements to be announced. It is possible to have both DH Grant and SHG together. The DH expect the HC to be aware of any bids being made by a registered Housing Association in partnership with a Social Services Authority.
Mortgages	The developer, particularly if a housing association or private company, will be borrowing part of the capital required against their Extra Care Housing scheme and/or other assets. The rental stream – including rents on any shared ownership properties – will often also be used to make loan re-payments. Note of course it is only net rents, after allowing for management, maintenance and a sinking fund for longer term major repairs, that is available to make repayments. Larger associations may not strictly speaking have a mortgage linked to a particular scheme but may have a variety of sources of long term finance such as bonds in place to fund a portfolio of development.
Free or low cost land	Commonly provided by local housing or social services authority. Sometimes via a charity or housing association; for example, as part of redevelopment of sheltered housing or in social services case reprovision of a residential care home.

Additional sources of capital funding

The four types of funding listed above (in varying combinations) are likely to be fundamental to most Extra Care Housing schemes and together meet the majority of the land and building cost (including fees). There are many additional sources of funding but usually these play a secondary role. These include:

Charitable funding	A few schemes include an element of charitable funding but this is unlikely to contribute more than a few percent of costs. It is usually easier to fund-raise for equipment or a special facility than bricks and mortar. A few of the major village developments have attracted significant charitable funding either from an established charity already involved in provision for older people or from individual wealthy benefactors. Lottery funding has occasionally contributed to meeting elements of development.
PFI/Public private partnerships	PFI Housing projects are usually initiated by Local Authorities as a way of improving or replacing existing services. A PFI company will contract to rebuild,manage and repair properties for a fixed term of years by raising private sector loans. PFI companies can be RSLs or Builders or a combination of both. The lender also holds equity in the PFI company.The loan is serviced by income from the commissioners which is supported by Government. A service specification is agreed by the commissioners and the providers and this is self monitored but subject to audit. Tenancies can remain in the name of the commissioning authority At least one PFI project has been established to improve the sheltered housing stock and is the basis of a local strategy for older persons housing ,including Extra Care Housing.
Developers own resources	Sometimes developer housing associations have put in a small amount of capital from their free reserves to make schemes work financially. This is more likely/attractive when the developer: i. Will also be providing long term management and

	maintenance services ii. Will be the support and/or care provider either directly or via a linked organisation such as a care provider subsidiary.
Section 106 agreements	On larger sites planners may require private developers to enter into what are called Section 106 agreements. These require the developer to make available a proportion of the site or dwellings for social housing as a condition of planning consent. There are different ways of formulating agreements and meeting the planning requirements which may result in either a plot of land suitable for extra care becoming available as part of a wider development or in effect a subsidy for a building elsewhere.
Business activities	An experienced provider would be expected to prepare a business plan for significant community services. Some services can produce a very limited additional income to help meet the direct cost of providing the facility through rental payments, sale of a lease or franchise. This is more likely in bigger developments where hair dressing, the gym, bar/café, restaurant may be sufficiently attractive to produce a net income to contribute to building costs. It should be stressed this source is likely to be relatively very modest. A prudent assumption is break even on the supply of communal services.
Primary Care Trusts (PCT)	In principle PCTs could fund health related facilities such as consultation/treatment room, and intermediate care facilities directly or indirectly (See Housing LIN factsheet no.11: *An Introduction to Extra Care Housing and Intermediate Care*) Similarly, Social Services might also fund specialist equipment or telecare packages eg funded 2006-2008 through the DH Preventative

	Technology Grant arrangements (details at www.icesdoh.org/telecare). In practice contributions have been small. PCTs seem to prefer to lease facilities. In one village community under development a GP's surgery has been included serving the wider community as well as the residents of the village. Some PCTs are also working with their local Strategic Health Authorities to develop more integrated NHS estates. For example, new primary and community health facilities where there is land available on a community hospital site, or as part of a Local Improvement Finance Trust (LIFT) programme.
Social Services	Either Social Services or the relevant housing authority (District or Borough Council) could choose to part fund schemes through either capital finance from the authority's ordinary budget or by contribution "in kind". Typically this is additional land or buildings. Housing Benefit and/or Supporting People Grant which are revenue sources may be able to, in effect, meet some of the capital costs of equipment such as alarms/assistive technology through the service or support element of payments to eligible individuals. Note, this is a very minor aspect.
Combined/Mixed use development	Scale economies sometimes help to make schemes viable. It does not double the cost if you build a 2 storey rather than a single storey building – there are in effect scale economies. This principle has sometimes been used to make smaller developments viable. As examples, one authority has imaginatively combined the building of a library with extra care provision. Prime town centre sites, have combined commercial development with retirement housing.

The above list is not exhaustive and developers can exhibit considerable ingenuity for example around ways of finding or connecting with other forms of development or subsidy as part of other programmes or in relation to say landfill land tax. There have also been some attempts at public, private partnership schemes.

Sales

It is increasingly seen as desirable to offer some extra care for sale:

- For demographic reasons
- To create a balanced community
- Meet demand
- Meet needs of asset rich, cash poor older owners
- Offer a choice

It may also be necessary to sell a proportion of dwellings to achieve financial viability both in terms of against any borrowing requirements but also with regard to revenue levels. For example, to miminise reliance on Supporting People funding.

The effect of selling some properties is twofold:

- The receipt from properties sold reduces the amount of borrowing required
- To the extent the market value of dwellings sold exceeds costs the "profit" element can be used to subsidise the provision of dwellings for rent. How some developers view this is that sales in effect provide a means of funding or part funding extensive communal facilities of extra care.

Sales may be outright or on shared ownership terms.

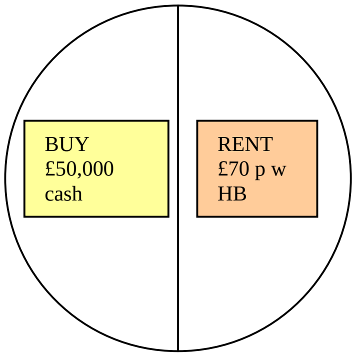
Shared ownership allows sales to be tailored to the financial circumstances of individuals. For poorer owner occupiers, for example, moving from poor condition property, the attraction over renting is that if proceeds from the sale of their property are reinvested in new property this does not count as an asset for the purposes of either IS/Pensioner Guarantee or HB thresholds.

Shared Ownership

The principle of shared ownership is that a purchaser buys part of the equity in a property – whatever share they can afford. The other part is owned by the developer – usually a housing association. This part is rented from the associations.

Initially with Housing Corporation shared ownership models the shared owner acquires a lease of between 25% and up to 75% of the value of the property

Using a simple 50% purchased 50% rented example:



The applicant for extra care lived in a small cottage which had a low market value because virtually no repairs had been done for 20 years. The person was in their 80's and had become quite frail and very lonely. They sold the cottage for £55,000. They could not afford £100,000 for a one bed flat but were happy to invest £50,000 to acquire a half share. The part they do not own is rented to them at a cost of £70 per week (including management and maintenance charges).

As the resident has only a state pension to live on and less than £16,000 in savings having reinvested most of sale proceeds to buy their share, the rented part is funded by Housing Benefit. (The limit is £19,000 for someone with Guarantee Pension Credit).

Contemporary, high quality, Extra Care Housing is at present a scarce commodity so dwellings for sale may carry a premium. In one development currently being sold sales prices typically exceed the cost of the dwellings by over 20%. This will not always be the case and research needs to be done to establish the price differential between values of properties being vacated by owners and the cost of providing extra care dwellings as part of the financial assessment.

Occasionally it may be relatives who buy property on behalf of parents/grandparents. Again, shared ownership allows a wide range of purchasers to access the scheme in an affordable way. It has been a little surprising to find that some purchasers have bought with a mortgage rather than only using proceeds of the sale of previous property.

Note that leases need to make provision for an equitable contribution to management, maintenance and sinking funds.

There are many complex variations on simple shared ownership sale. Joseph Rowntree Foundation's Hartrigg Oaks village and their subsequent "extra care" schemes illustrate some of the possibilities. These developments offer a variety of ways of paying for care and the property. Some options use insurance principles and actuarial calculations so that for example in return for a lump sum payment care is guaranteed for life irrespective of age or needs. Another option allows care to be purchased simply as required at a set rate. Property may be occupied by making a one off payment less than the market value – but the deposit is not refundable is a further option. For further information, see Housing LIN factsheet no.4 *Models of Extra Care Housing and Retirement Communities*.

Homebuy is one variant of shared ownership whereby the individual owns all the property and does not rent part. Instead they buy 75% of the equity and get the balance through an interest free loan. A form of this scheme called leasehold scheme for the elderly ran until 1989. The ODPM is currently consulting on additional models of Homebuy.

Costs

Although this fact sheet concentrates on **income** to fund development the building cost is not an absolutely fixed given. Similarly, land cost may be negotiable around either value or area to be used for building. Where getting a viable scheme is problematic careful appraisal and re-examination of costs may be the answer rather than simply looking for more capital finance.

A detailed examination of costs and how to get economic Extra Care Housing is beyond the scope of this fact sheet but to give three examples:

Cost reduction

1. In a recent exercise to appoint a provider for an extra care scheme five housing associations tendered to the same specification for the same site. The most expensive proposal was double the cost of the selected association.

2. By appointing a consultant to provide a project management service for the re-development of three sheltered schemes into extra care a City Council effectively got this service free, created a valuable additional resource and ensured quality and timely delivery because the project manager was able to negotiate a reduction in fees of the other professionals involved.

3. A County Council's in-house architect suggested a site could only accommodate around 30 dwellings making the scheme unviable. Consultants suggested this was too low and the scheme proceeding in fact has more than 40 dwellings making it much more economic in both construction and operating costs.

3. Financial Modelling

The purpose of the "black art" of financial modelling is simply to see whether a scheme is economically viable. What this means is working out whether or not, over the expected life of a project (or loan) the income received will be sufficient to repay any borrowings. (There will also be a separate consideration of the economics of the running and care costs).

Models can be very sophisticated and complex. Financial modelling of this type is something housing associations (and private developers) are very used to in terms of both the "yield" (income levels) but also the forecasted demand over 25, 30, 40 or more years. Many providers have developed or purchased computer software that can produce extensive analysis. Social Services and care providers are likely to be less familiar with long term capital modelling of Extra Care Housing (although they will have experience of their residential and home care markets) and consequently may be at a significant disadvantage in considering and judging proposals from housing experts.

Below is a simple example of financial modelling of an extra care scheme – without the pages of spreadsheets and formulas used to derive the results!

Financial Viability – Capital

To illustrate how the key financial variables involved in developing Extra Care Housing interact, the following charts provide examples of the cash flow for a minimum 30 unit extra care scheme built without subsidy.

The charts show the value of the annual loan requirement for the scheme and are based on spreadsheets that test various scenarios using popular assumptions for modelling the financial viability of Extra Care Housing schemes. The outcomes are based on whole life costing of the project up to 40 years and include typical component life cycle renewals.

The model assumes that loan finance will be secured through a long term, draw-on-demand facility, which is the typical arrangement for this type of scheme.

For a scheme to be acceptable, a strong trend of net revenue surplus, which shows as a negative, should be established by 30 years.

The charts test various ways of funding a scheme by mixing loans, rental income and sales in different proportions to achieve financial viability with the most attractive funding arrangement and the least exposure to major risk.

Units that are sold will continue to make a contribution to management and maintenance charges but this will vary with each scheme, depending on the location of the units and the service model. Some may contribute full management and maintenance costs whilst others will make only a nominal contribution for the use of facilities.

The key assumptions in the following examples are:

- **Total Scheme Cost**, (TSC) includes the building cost, all professional fees, land, administration and any VAT that is applicable. At this early stage there may still be a risk of unknown costs to consider eg any abnormal ground conditions and the streaming of sales income affecting development finance.

- **Interest rate** 6% rising to 6.5% in year 10 except as shown

- **Shared Ownership**, (SO) is 50% or 90% equity at £175,000 per unit or as shown. SO contribute full maintenance and management charges and also contribute to a sinking fund for long term major repairs

- **Outright sales** are £175,000 per unit or as shown. The market may be responsive to higher values with better finishes or better location within the scheme and this will be a consideration in the financial assessment

- **Outright sale units** contribute £15 pw for use of communal facilities to pay for capital and maintenance

- **Self financing revenue is excluded from the model,** eg service charge costs for scheme managers, alarms etc

- **Inflation is assumed to be** 2.5%

Our starting point (Chart 1) is a scheme of 30 properties which is estimated by the Quantity Surveyor and Architect to cost £3.7 m in total. The local authority is committed to widening choice for older people so a mixed tenure development is proposed with one third rented, one third for sale at an average of 50% equity share and one third 90% shares sold. Discussions with the Housing Benefit Department indicate a rent of around £90 per week will be acceptable. Market research of local property values suggests the dwellings will sell for around £175,000 each at the point when sales can start.

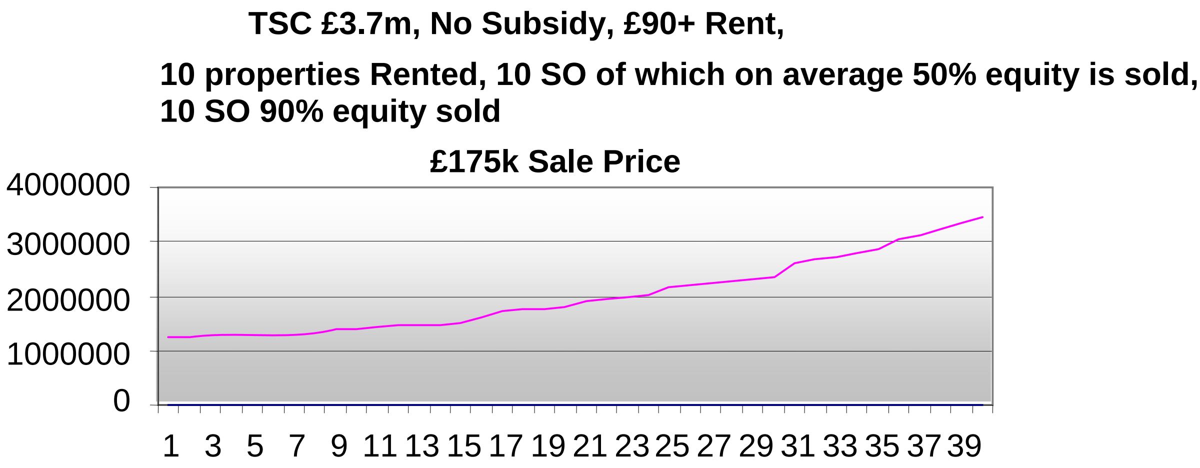


Chart 1 Insufficient income for a viable scheme despite rents of £90pw compared to Housing Corporation Target Rent of £68pw for this location. The loan grows rather than falls!

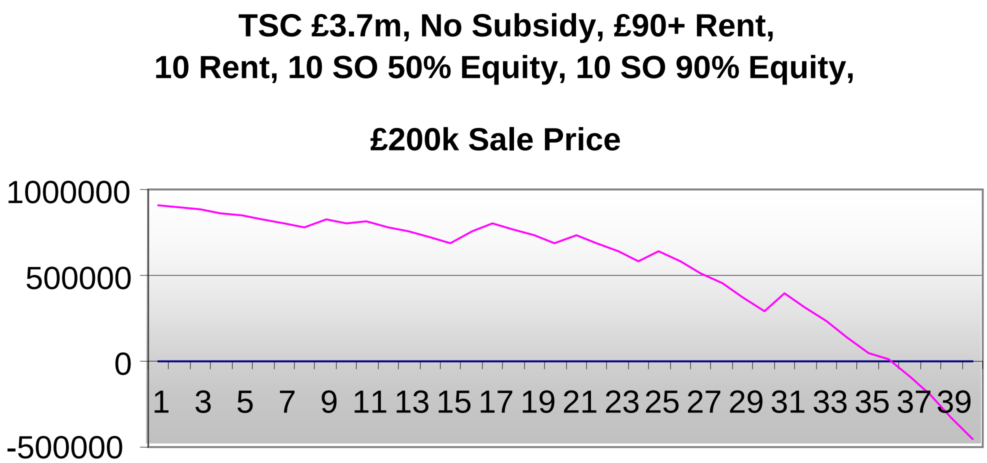


Chart 2 More up front capital from increased sales price helps but there is risk exposure to a higher interest rate and break even is late at year 36. (The alternative to higher sales income is to increase rents by £20pw)

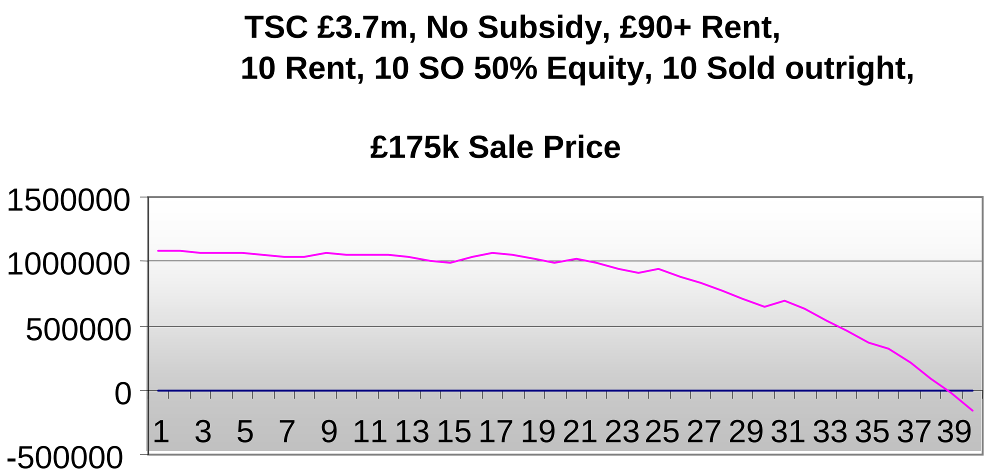


Chart 3 Increasing some equity sales to 100% at £175k increases up front capital but revenue is not significantly reduced as a £15pw levy is charged for the use of communal facilities and services

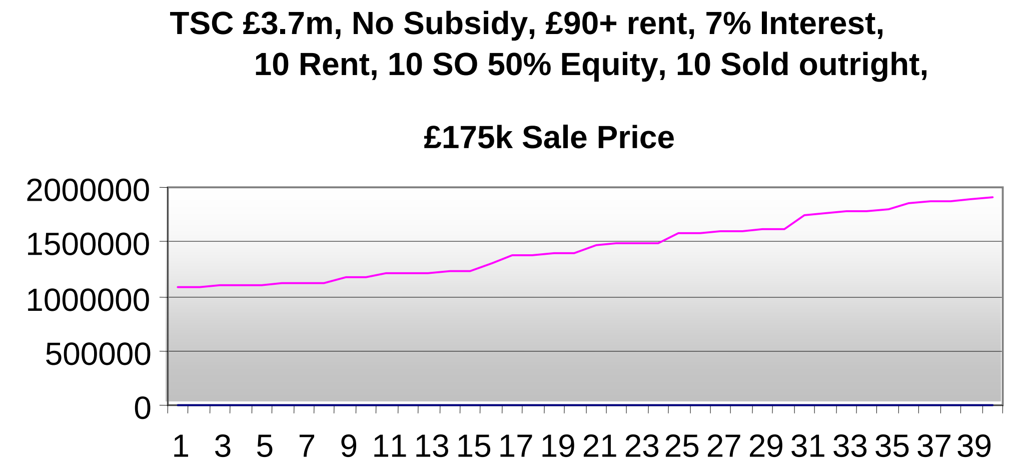


Chart 4 *The variables are the same as the previous model but we now show the possible impact of a small rise in interest rates. The long time exposure to high loan values introduces a risk to higher long term interest rates.*

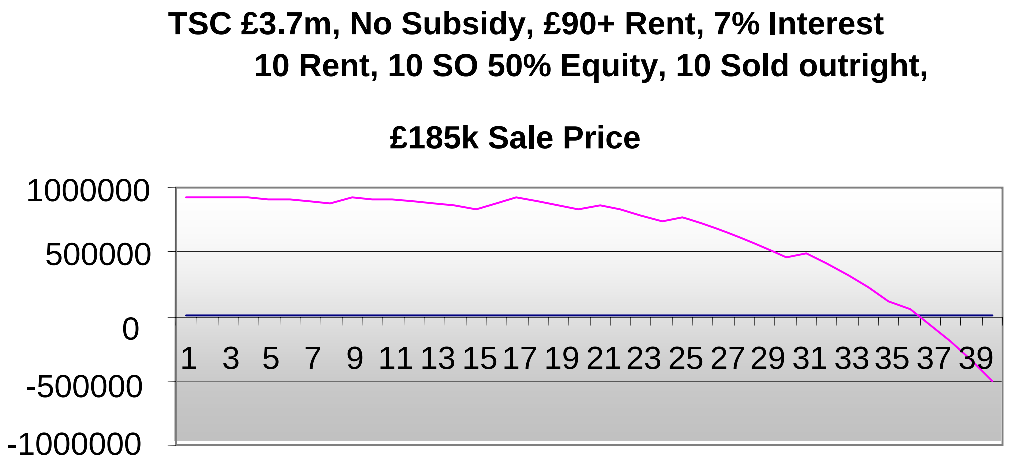


Chart 5 *The risk of a higher interest rate is mitigated by a further capital injection of £150k from either sale price (now increased to £185,000) or capital subsidy or by reducing build cost. Alternatively rent could be increased by £12pw*

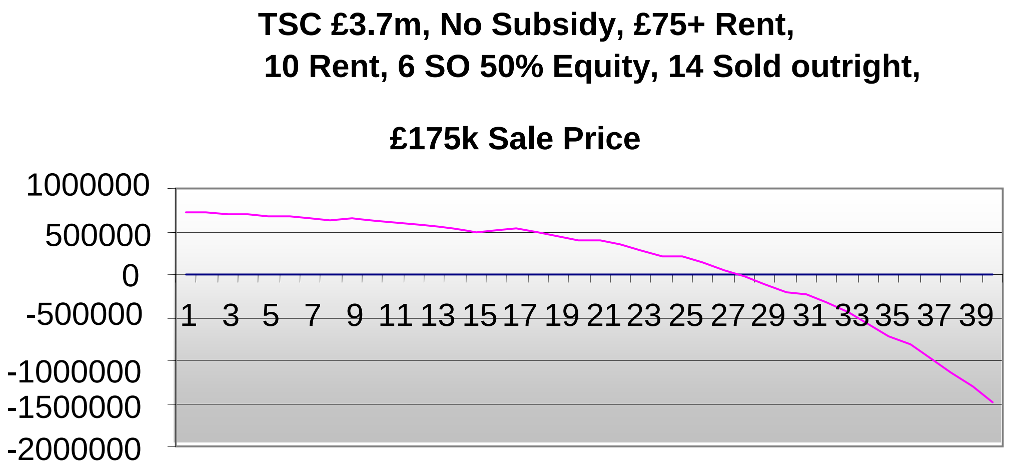


Chart 6 *We could sell more properties outright – have increased to 14. More up front capital from equity sales enables rents and sales price to be reduced. If interest rates increase to 7% + then loan redemption for this model extends to year 39*

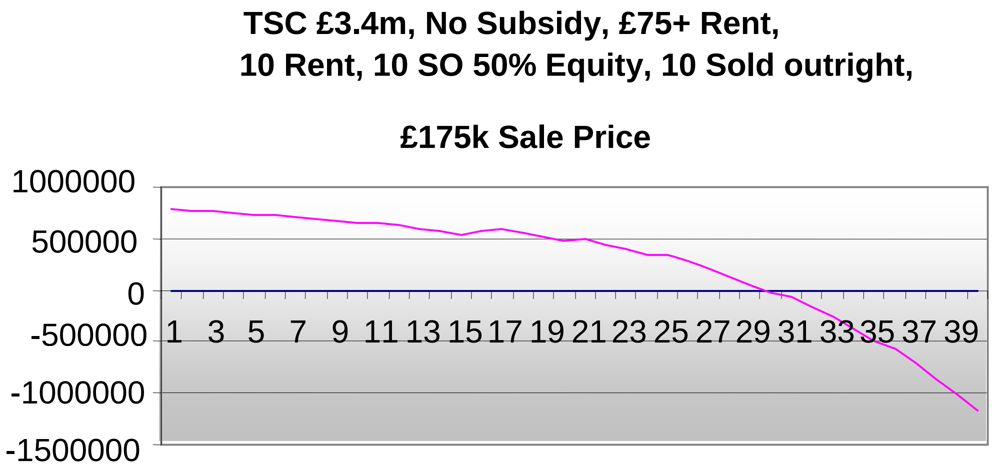


Chart 7 If total scheme cost could be reduced to £3.4m, rents can be lower at £75 pw and sales reined back to the original third: third: third ratio. If interest rates rise to 7% +, break even is year 39

Key to abbreviations
Subsidy = capital subsidy required
Rent = rent per week
SO = Shared Ownership
PU = per unit
Interest = Interest rate

4. Revenue Funding

The fundamental principle applying to the revenue funding of Extra Care Housing is that it is housing and not care. The same rules generally apply to residents of Extra Care Housing as apply to people living in other forms of housing of the same tenure type.

Extra Care Housing brings together a number of different funding streams in order to provide a range of services which despite their disparate funding sources are well co-ordinated and cohesive at the point of delivery.

Service costs and funding sources

The fundamental services provided in Extra Care Housing can be broadly broken down into the following categories:

- Accommodation
- Housing management and other accommodation-related services
- Support services
- Care services

Each of these categories may be funded from a range of revenue sources including:

- Housing Benefit
- Supporting People Funding
- Social Services Funding
- Residents themselves, including use of Attendance Allowance and Direct Payments

The proportion that each of these funding sources contributes towards a given service will depend on a range of factors including:

- The way in which the landlord has defined and therefore apportioned certain activities, for example the Estate Manager service and the alarm service
- The financial status of each resident

The way in which the contribution of each funding source is structured can vary. Differences will depend upon:

- The chosen model – for example in some models the scheme manager post may be funded entirely through Housing Benefit and Supporting People (varying proportions), while in others, Social Services may also make a contribution
- The tenure of the resident – for example, someone with a lease will receive a Supporting People subsidy direct from the Supporting People Administering Authority (SPAA) rather than the subsidy being paid to the support provider

In this part of the Brief we will clarify as far as possible the basic rules and variations in each of these areas.

Housing Costs and Housing Benefit

Rents and Service Charges

The apportionment of costs between rent and service charge varies between providers. Housing Benefit will cover the rent for those residents who are eligible and also some service charges.

Rent commonly described as "net rent" essentially covers the cost of accommodation and landlord tasks such as administering the tenancies, signing up new tenants, rent collection and arrears maintenance, and arranging day-to-day repairs and property adaptations.

Whilst it needs to be sufficient to cover the cost of any loan taken out to build the scheme, social housing rents also need to fall within convergence rent limits set by the Housing Corporation. Provided they conform, there is not usually any problem getting agreement from Housing Benefit authorities to cover the rent, although it is always prudent to check with them.

The accommodation-related service charge is the charge made by the landlord for all aspects of the service provided as part of the tenancy which are not covered by the rent or Supporting People. Many of these services are eligible for funding from Housing Benefit.

Examples of *eligible services* include:

- Wardens or scheme managers, caretakers (though some aspects might be defined as rent)
- Services to communal areas such as cleaning, lighting and heating
- Refuse removal
- Maintenance and servicing of equipment such as lifts, fire detection equipment
- Repair of equipment
- Renewal of equipment, e.g. furnishings in communal areas
- Radio and television relay
- Portering
- Entry phones
- Emergency or social alarm system (in accommodation specifically designed or adapted for older and disabled people)

Examples of *ineligible services* include:

- Water and fuel (except to communal areas)
- Personal services such as nursing or care
- Cleaning (except for communal areas)
- Laundry (except for provision and maintenance of facility)

- Window cleaning (except for communal areas and outside of windows where no-one in household capable)
- Emergency alarm system (except for hardware)
- Counselling and other housing-related support services are no longer covered by Housing Benefit, but fall within the remit of Supporting People
- Leisure items including TV rental and licence
- Transport

Meals Provision

Day-to-day living expenses such as laundry and meals are not eligible for Housing Benefit. However, meals which are described as ineligible for Housing Benefit can in practice normally be covered by Housing Benefit, minus a standard deduction, if they are provided as part of the tenancy and the cost is deemed reasonable.

Thus, the cost of a meals service, if made a condition of tenancy, can be covered by Housing Benefit minus the following deductions: part board - £13.35, full board - £20.25 per week.

Maintenance in Shared Ownership

In rented property if someone is eligible for Housing Benefit then because the rent includes an element for management and maintenance this will be met through Housing Benefit. What is the position if a shared owner is eligible for Housing Benefit?

The normal Housing Corporation model shared ownership lease for sales to families/first time buyers puts all the maintenance obligation on the owners. The maintenance clause can however be amended so the maintenance obligation becomes the landlord's just as it will be with tenants. In Extra Care Housing schemes this is arguably a desirable position as it ensures all properties can be properly maintained, to the same standard. Also a frail or unwell resident does not have to worry about doing or arranging maintenance.

In shared ownership, rent will be paid on the part of the equity owned by the landlord. Despite the fact that shared ownership is a form of ownership the rental payment is eligible for Housing Benefit in just the same way as it would be for a normal tenant. The subtle effect of the landlord being responsible for maintaining a shared ownership property is that because a rent is charged on the share of the equity owned by the landlord maintenance can be funded by Housing Benefit.

Eligibility for Housing Benefit payments on rents, and referral to rent officers for a determination of an acceptable rent, including those in shared ownership, differ according to the status of the landlord. The above description applies to a Housing Authority and a Housing Association (See Part III of SI 1987, No 1971 for details).

Income Support Mortgage Interest

Income Support Mortgage Interest (ISMI) is a system whereby disabled people eligible for income support may get additional payments to cover interest payments on a mortgage. The maximum loan is £100,000 and it is only interest payments that can be met.

The key criteria are:

- The individual must be disabled
- Eligible for IS
- In need of alternative accommodation more suited to their specific needs as a disabled person.

ISMI is often combined with shared ownership as the £100,000 limit is invariably less than the cost of a suitable property over much of the UK. A 50% shared ownership property costing £200,000 can however for example be afforded within ISMI limits.

There are many problems with using ISMI in practice including difficulties in finding mortgage lenders prepared to offer interest only mortgages, to older or disabled people who wish to use benefits to repay the loan. It is however an option that has been used occasionally and might for example fit the circumstances of a younger disabled person moving into Extra Care Housing because it is particularly suitable to their needs and circumstances. Further models may be developed following the recent Department Of Health allocation of Extra Care Housing funds to providers developing innovative schemes to support people with a learning disability access housing with care of their choice.

Housing related support costs

Supporting People

In April 2003, Supporting People replaced Housing Benefit as the source of funding for housing- related support services.

The primary purpose of housing-related support is to develop and sustain an individual's capacity to live independently in their accommodation. Supporting People services are those that support the most independent living arrangements and are not general health or personal care services.

There is no definitive list of tasks which are eligible for Supporting People. The range of services which may be eligible includes:

- Help in setting up and maintaining home or tenancy
- Developing domestic/life skills
- Developing social skills/behaviour management
- Advice, advocacy and liaison, signposting to other services
- Help in managing finance and benefit claims

- Emotional support, counselling and advice
- Help in gaining access to other services
- Help in establishing social contacts and activities
- Help in establishing personal safety and security
- Supervision and monitoring of health and well-being
- Supervision and monitoring of medication
- Peer support and befriending
- Help finding other accommodation
- Provision of community or social alarms
- Help in maintaining the safety and security of the dwelling
- Cleaning of own rooms (as defined under THB)
- Risk assessment
- Advice and support in repair work/home improvement work
- Help with shopping, errand running and good neighbour tasks
- Access to local community organisations
- Management of handyperson services

Within these categories lies some considerable qualification which cannot be covered in this guide. However, the driving principle is that these are services which enable people to do things for themselves. They tend to exclude services which do things for residents.

Many of the services which were quite properly covered by SP when it was introduced appear to be being squeezed out, if not universally, by some Supporting People Administering Authorities (SPAAs). These include individual flat cleaning and a contribution to the night-time staff presence and even, it has been mooted, long-term services generally. Some providers of extra care are seeking alternative ways of funding services as they believe the combination of tightening eligibility and a high level of bureaucracy make the effort not worth the return. However, this varies from authority to authority and provider to provider.

Care Costs

Social Services Funding

In the social housing sector, it is usual for social services to pay for the provision of domiciliary care in an Extra Care Housing scheme. The accompanying Housing LIN Technical Brief No.2, *Care in Extra Care Good Practice Guide*, looks at the various aspects of this provision in detail: the type of contract; Direct Payments or individualized budgets; charging for care; features of the care service; and staffing. These aspects will not be replicated in this guide.

It is best for the core care service to be top-sliced and purchased under a block contract, although it may be topped up by spot purchasing and/or Direct Payments in future. The way in which this is done varies between authorities and providers.

Primary Care Trusts

Primary Care Trusts may well contribute to any health services provided at an Extra Care Housing scheme, and will almost certainly be involved in revenue funding for any units in an extra care scheme which are used for intermediate care. Intermediate Care services do not count as housing and are not eligible for funding from either Housing Benefit or Supporting People.

Charges to Residents

Housing-related Charges

In terms of housing-related costs, residents in an Extra Care Housing scheme will be responsible for paying rent, accommodation-related service charge and support charge.

As has been described, residents on low incomes are eligible for financial assistance with most of the above costs. They will need to pay themselves for any aspects not covered by Benefits. Like older people elsewhere, they will be eligible for a variety of state benefits including the state pension and Pension Credit.

Care Charges

In addition, they may have to pay a charge for care, depending on the local non-residential charging policy. This charge is usually based on the amount of care received (whether defined in terms of hours or bands) and ability to pay following a financial assessment under Fairer Charging. For further information on Fairer Charging and Fair Access to Care, visit the Department of Health's website at www.dh.gov.uk

Self-Funders

Self-funders are expected to pay all the charges themselves. Some non-means tested benefits are available to those on means-tested benefits and self-funders alike, for example Attendance Allowance, which some charging policies tend to count as available income.

In future, there will be also greater use of direct payments and/or individualized budgets to enable users of services to "buy in" the care they want or require, or have it managed on their behalf.

Bringing the Strands Together

The principle sources of revenue for someone eligible for Housing Benefit are illustrated below:

REVENUE AND FUNDING

COSTS		FUNDING
Rent (including some services)	→	Housing Benefit
Council Tax	→	Council Tax Benefit
HomeCare/Domestic assistance	→	Attendance Allowance/Disability Premiums
Support to maintain tenancy/lease	→	Supporting People Grant
Personal Care	→	Care Contract Funded by Social Services
Heat, light and power within dwelling	→	Pension or other income

The next table sets out the range of costs and related financial assistance available for both tenants and owner-occupiers.

THE COST COMPONENTS IN EXTRA CARE HOUSING – TENANTS AND OWNERS

COSTS	TENANTS	OWNER OCCUPIERS
Property and property maintenance/management costs	Rent and some non SP eligible service charges – paid by the individual but may be covered wholly or partly by (means tested) Housing Benefit	Individual responsibility to be met from pension/other personal resources. A shared owner eligible for Housing Benefit or part rented can get management and maintenance costs meet their HB
Individual heat, lighting, power, water charges	To be met from pension/other personal resources	
Council tax	To be met from pension/other personal resources – means tested council tax benefit may apply. Single person rebate and disability reduction will apply as appropriate	
Housing related support	Means tested Supporting People grant. Otherwise from pension/own resources	In theory Supporting People Grant available to owners who are eligible

Personal care and support	Care contract funded by Social Services but subject to prevailing charging policy and the further development of direct payments	To be met from pension/other personal resources plus any attendance allowance/disability premiums etc, and the further development of direct payments
Help with housework	May be included within care package for more disabled people. Otherwise, to be purchased from pension/other personal resources which could include Attendance Allowance and the further development of direct payments.	
Additional services	Self purchase arrangements and/or subsidized through wider community use eg leisure and sports facilities, shops, pub and so on	

Putting some figures for an individual resident aged eighty and with a high dependency rating against the funding mechanisms shown earlier (The Cost Components In Extra Care), we give below an example of how costs could be met for a pensioner with a low income and savings of less than say £3,000.

It can be seen from this that the net cost to social services is in the order of £70 per week as opposed to perhaps twice this figure for purchased residential nursing care places. As compared with residential care, it also leaves the individual with considerably more disposeable income (but also with more expenses to set against that income) - £67.05 for food, clothes, household bills, personal items, entertainment etc as compared with the £18.80 personal allowance left after meeting social services' charges.

INDICATIVE EXAMPLE OF HIGH CARE MODEL OF EXTRA CARE (£/WEEK)

EXPENDITURE		INCOME SOURCE	
	£		£
Rent (including some housing services)	115.00	Housing benefit	115.00
Council tax	8.00	Council tax benefit	8.00
Heat, light, power	15.00	Pension	82.05
Food, clothes, household bills, personal items, entertainment etc	67.05		
Housing Related Support	20.00	Supporting People grant	20.00
Personal care and support	173.50	Pension Credit/severe disability addition Attendance Allowance (higher rate part) Social Services contribution	72.90 30.60 70.00
Help with housework	30.00	Attendance Allowance (higher rate part)	30.00
TOTAL	428.55		428.55

Note: Income source does not necessarily mean income to an individual.

The position for someone who is above benefit thresholds and perhaps a "lifestyle" choice to enter extra care is that:-

- they would be able to claim whatever State and other pension they are entitled to
- irrespective of financial circumstances, they may claim Attendance Allowance - this is a non-means tested benefit
- they will be responsible for their own rent, service charges and council tax,
- depending on the specific arrangements for the scheme:-
  - ~ Social Services may still provide/arrange care under a contract - in which case the individual would be means tested and asked to contribute under the councils prevailing charging policy
  - ~ alternatively, the individual may purchase their care and support package direct from the provider or conceivably an alternative provider eg funded all or partly by a direct payment.

Someone who was asset rich but income poor could protect their asset by purchasing. If they purchased outright, they would then have no rent to pay. They might, however, be required to make some contribution to overall scheme maintenance and the communal services, included in the rent in the

above example, which are incurred irrespective of tenure. The precise arrangements would be determined by the model/providers.
An example of some of the costs and what they relate to is reproduced below.

Summary of the core cost of living at Denham Garden Village

Service	What you receive	Frequency	Price
Domestic help and support	▪ Cleaning ▪ Laundry/ironing ▪ Shopping ▪ Collecting prescriptions ▪ Preparing light meals ▪ Home valet service (spring cleaning) ▪ Oven cleaning ▪ Help with reading/writing letters ▪ Paying bills ▪ Facilitating contact with family and friends ▪ Escort to and from social events, appointments etc	As required	£10 per hour
Personal care	▪ Assistance with mobility ▪ Help to get in and out of bed ▪ Help with toileting, washing and bathing ▪ Food preparation and help with eating and drinking ▪ Assistance with medication ▪ Assistance with personal hygiene	As required	£10 per hour
Handy person	The handy person service is available to help with jobs around the house, for example hanging pictures, decoration or facilitating other individual works.	As required	£15 plus VAT per hour
Service Charge	▪ 24 hour emergency support ▪ Dedicated customer services team ▪ Enjoyment of well kept grounds and communal facilities ▪ Laundry facilities ▪ Window cleaning ▪ CCTV security	Budgeted annually in consultation with residents	Approximately £85 per calendar month

	▪ Monitored emergency, burglar and smoke alarm ▪ Buildings insurance ▪ Access to satellite TV ▪ Use of health and fitness centre ▪ Village "golf buggy" transportation		
Repairs and maintenance fund	Cyclical works (e.g. external re-decorations), reactive repairs and technical inspections (e.g. gas boiler servicing)	Budgeted annually in consultation with residents	Approximately £28 per calendar month
Sinking fund	Major property related repairs, replacements, renewals and improvements. Includes all works to roofs, windows, buildings structure, gas boiler etc	Deferred cost payable on re-sale or re-let	Calculated as 0.25% of purchase price plus Retail Price Index (inflation) for each year of occupation
Ground rent		Annual invoice	£150 per annum

With thanks to Anchor Trust – edited extract from published purchasers information pack.

Some Variations

Possible Posts

Revenue costs contribute towards the maintenance and running costs of facilities and the provision of a range of services. Most services are delivered by people, so much of the funding goes towards staffing.

There is enormous variation in the range of posts across the sector, and the funding sources for each can vary. The following range of posts is found in Extra Care Housing schemes.

- Scheme manager and/or
- Housing manager and/or
- Care manager/ team leader or
- Care and support manager/ team leader
- Deputy or assistant manager(s)
- Senior care/care and support worker(s)
- Care workers or
- Care and support workers
- Personal assistants (where have direct payments)
- Housing assistant/housing officer
- Administrative assistant/secretary

- Finance officer/administration
- Chef/Cook
- Cook assistants
- Waiter/waitress
- Activities organiser
- Posts to run or provide communal facilities such as hairdresser, café, bar, gym
- Receptionist
- Driver
- Maintenance manager
- Handy person/maintenance officer/operatives
- Other specialist support/care roles such as physiotherapist or well-being advisors
- Cleaner/domestic staff
- Gardener(s)
- Porter/site security

Which posts exist in a particular scheme will depend on a number of variables.

- Size – some posts are only found in the larger developments.
- Service Delivery model – some providers of Extra Care Housing will employ all the staff directly, whereas others will outsource some of the services, for example cleaning and gardening, with the scheme manager supervising the contracts
- Whether the housing and care management are kept separate or combined will have a bearing on which posts there are as well as the staffing structure.

Funding Sources for particular posts

Separate Housing and care management

In some models of Extra Care Housing, usually those where the housing and care management and staffing is kept separate, there are quite clear lines between the funding source and the staff who deliver the particular services, and related costs such as administration – at least between Social Services and the housing related sources

Post	Rent	Service Charge	Supporting People	Social Services
Scheme Manager	20%	40%	40%	
Care Team Leader				100%
Care workers				100%

Combined care and support

A half-way mark is where Social Services and Supporting People funding combine to pay the round the clock care and support service, but the housing management remains separate

Post	**Rent**	**Service Charge**	**Supporting People**	**Social Services**
Scheme Manager	15%	45%	40%	
Care and Support Team Leader			30%	70%
One care and support – day time			50%	50%
Night care and support worker			50%	50%
Additional care and support workers for care plan delivery				100%

An integrated model where a range of funding contributes to a range of posts and costs

In this approach, the varying commissioners and providers agree between them what the contribution should be from each funding source to each post plus associated cost. For example:

Post	**Rent**	**Service Charge**	**Supporting People**	**Social Services**
Scheme Manager	20%	30%	25%	25%
Shift Leaders	5%	5%	25%	65%
Care/Support workers			30%	70%
Night workers			25%	75%

An integrated model where the financial contributions are agreed but are not tied tightly into specific posts

Some Extra Care Housing providers negotiate the funding contribution per “sponsored” tenant from each source, but pool all the revenue and decide on the posts needed as a separate process. This is more likely to apply to care villages where the scale of the operation and the income generated from the residents themselves enables greater flexibility.

Leasehold/private sector model

Post	**Rent/Mortgage**	**Service Charge**	**Supporting People**	**Individual (self-funded, SSD or Direct Payment**
Scheme Manager	60%	30%	10%	
Care Team Leader				100%
Care workers				100%

Different contributions in different bands

In some schemes where costs and charges are determined on the basis of bands, the proportion of contribution from Social Services and Supporting People may vary. For example:

Band	SSD	Supporting People
Low	10%	90%
Medium	40%	60%
High	60%	40%

The Future

With the growth of the private sector and extra care for sale, as well as the increased thrust towards Direct Payments and individualized budgets, different funding arrangements may emerge. For example, Social Services Departments may pay for the minimum on site care service with individuals using direct payments or individualised budgets to buy their care and support, either from the on site provider or a different one.

Some Areas of Contention

Meals

There is much debate about the provision of a meals service in extra care, particularly if it is made a condition of tenancy. Some argue that one meal a day as condition of tenancy still leaves ample scope for encouraging independence in preparing the other meals of the day, whilst making the provision of one good meal a day financially viable because the cost, minus deductions will be covered by Housing Benefit. Others argue that it removes choice, especially since the full cost of a meal has to be paid by self-funders and has to be paid for even if not eaten.

It can be difficult to finance a pay as you go meals service in relatively small schemes. Social Services sometimes cover the cost of this service. Other options include a social business such as a learning disability training scheme providing a catering service.

Individual Flat Cleaning

Some Supporting People Administering Authorities are no longer willing to pay for this service. Sometimes social services will cover the cost of this as part of a care package, but this has become less and less common. This looks increasingly likely to become a cost to be met by the residents themselves and in our worked example above we have shown this being met from the Attendance Allowance.

Activities Organisers

In some areas, these are funded by Supporting People. In others the SPAA argues they will only fund staff to enable residents to arrange their own activities. In some areas, social services contribute to this cost.

Night Cover

Many providers took advantage of the advent of Supporting People to provide a minimum round the clock care/support presence by joint funding through social services and Supporting People. Mobile night warden services already existed as a housing-related service and it was argued that whilst a sleeping night worker was simply available to respond to an emergency call, until the call was made and the need identified, the presence was as much housing-related support as care. This falls into the category of supervising and monitoring health and well-being, as well as, potentially, help in gaining access to other services and emotional support. As Supporting People has become more individual specific, with support plans forming the basis of the provision, this earlier interpretation is being called into question by some Administering Authorities. It therefore may make more sense to quantify the hours of support needed by residents but not tie it in to a specific time of day/night.

Wider community use

The use of facilities in an extra care scheme by those who live in the surrounding area can prompt considerable debate. Some raise philosophical objection to creating a concentration of a particular group or object to “so much, for so few” arguing that at least specialist facilities should be accessible to all. Residents on the other hand, particularly where extra care is created by re-modelling an existing building and service, may object to outsiders entering their property. There may also be very real concerns about security the more open the environment.

From a purely financial perspective making commercial facilities like a shop, gym, pub, café accessible to a wider market may mean they become economically viable whereas in the absence of a volume of customers each facility might only be possible if it is subsidized in some way. Similarly, an NHS facility like a GP surgery on site may only be justifiable if it can serve the same size population as any other similar GP practice.

It is unlikely decisions on facilities will be purely economic but:

- A cost-benefit approach to analyzing the place of each element may be required – weighing up the benefits of a gym in health and other terms against the revenue stream and the cost of administration, additional security
- Each major facility should have a business plan and the scale of customer useage necessary will become evident.

Conclusion

This brief has tried to give an overview of both capital and revenue funding of extra care. It has also identified some of the more contentious areas. Those developing, planning or commissioning services will have to debate and reach their own conclusions about funding models in the light of all the circumstances. Methods of funding are likely to continue to evolve. More models based on insurance type approach common in other countries are inevitable. Greater use of equity release is almost certain. Opportunities and encouragements within both corporate and personal tax for example in relation to pension will impact.

If you are aware of other capital/revenue mechanisms or models to fund Extra Care Housing not mentioned in this brief, please inform the Housing LIN so that further updates can be made. Email any examples to housinglin@eac.org.uk.