Housing LIN

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Guide

Can self-funders afford housing with care? A guide for providers and commissioners

This Housing with Care Affordability Guide aims to help providers and commissioners of housing with care understand affordability from the perspective of self-funding residents (prospective and current). It suggests a number of considerations and policy measures that can help make housing with care an accessible, viable and cost-effective option, by addressing the interplay of commissioning decisions, funding, costs and welfare benefits/state help, and their impact on affordability.

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Based on research conducted by Jenny Pannell, Imogen Blood and Ian Copeman of the Housing and Support Partnership, supported by and reproduced with permission of the Joseph Rowntree Foundation

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1. Why Affordability Matters

1.1. Introduction

This **Guide** aims to help providers and commissioners of housing with care (HWC) understand affordability from the perspective of self-funding residents (prospective and current). It suggests a number of considerations and policy measures that can help make HWC an accessible, viable and cost-effective option, by addressing the interplay of commissioning decisions, funding, costs and welfare benefits/state help, and their impact on affordability.

The **Guide** will also be of importance to those organisations participating in the Department of Health Care and Support Specialised Housing Fund, bidding to develop specialised housing for older persons and people with disabilities particularly where potential residents will include self-funders of housing, care and other services.

There is no single model of HWC. Both individual dwellings and schemes vary enormously: in size/scale, services and costs to residents. There are significant variations in provision and policy context across the UK. HWC visited for the *HWC affordability study* (on which this Guide is based) included:

- extra-care and very sheltered housing;
- retirement villages (sometimes mixed-tenure and/or with a care/nursing home on site);
- assisted living developments (private sector HWC);
- housing for social rent, full and shared ownership (leasehold), market rent;
- housing association, charitable and private sector providers.

The **Guide** is aimed primarily at a ‘technical’ audience, i.e. commissioners of HWC, providers of HWC and policy makers. It:

- provides detailed analysis and explanation of the complex factors and issues that affect the affordability of HWC for current and future self- funding HWC residents;
- includes perspectives and experiences of older people and their families, and also providers and commissioners concerning affordability of HWC;
- sets out the policy considerations and implications for local authorities and providers of the issues affecting affordability of HWC for current and future self-funders and their families.

The **Guide** applies primarily to the situation in England although it is also relevant to the devolved nations. Qualitative data and quotes are from residents and professionals interviewed for our JRF-funded research.

The **Guide** complements other Housing Learning and Improvement Network (LIN) publications:

- the forthcoming ***Housing LIN Technical Brief-Funding of Extra Care Housing*** (2013) (referred to as the *Housing LIN Technical Brief*); and
- the ***Strategic Housing for Older People: Planning, designing and delivering housing that older people want*** resource pack (2011) (referred to as the *SHOP resource pack*).

It also draws on other outputs from JRF-funded research:

- our report for the Joseph Rowntree Foundation (JRF) ***Affordability, Choices and Quality of Life in Housing with Care*** and the **JRF *Findings*** which focuses on affordability considerations from an older person’s perspective, particularly people with high support needs (referred to as the *HWC affordability study*);

- the New Policy Institute report ***Affordability of retirement housing in the UK*** and **JRF *Findings: Who can afford retirement housing?*** By Jenny Pannell and others for JRF/Age UK which analysed published data (e.g. older people's income, savings, house prices, rents and service charges) to reach conclusions on overall affordability (referred to as the *NPI affordability study*);
- our report for JRF ***Whose Responsibility? Boundaries of roles and responsibilities in Housing with Care*** (referred to as the *HWC Whose responsibility study*), the **JRF *Findings*** and the related ***Practice Guide***, which focus on roles and responsibilities considerations from an older person's perspective, particularly people with high support needs.

1.2. Why does affordability matter to providers and commissioners?

> *"We need to help older people to think about financial planning in the context of their life expectancy, and particularly planning to avoid a crisis. If we do this appropriately I think … extra care housing for many people will be a positive option both in terms of lifestyle and affordability".*
>
> (English county council social care commissioner A)

The interaction between the affordability of HWC for older people, the state and the deliverability of HWC from the perspective of providers is a highly topical issue.

There has been previous work on HWC (Baumker *et al*, 2008; Croucher *et al*, 2007; Netten *et al*, 2011) with a focus on affordability and cost-savings (and cost-shunting) for commissioners and the impact on providers. But until our study, there has been very little on the impact on residents, especially full and partial self-funders, nor on affordability for leaseholders (whether in not-for-profit or private HWC).

> *"There is Supporting People funding in place at the moment but this is under review … If this [is withdrawn] the existing extra care schemes will not be able to operate effectively ...[and] this lack of clarity [means] providers are increasingly experiencing high void rates, which also threatens the viability of the schemes".*
>
> (District council housing commissioner, two-tier English county)

Commissioners and providers need to understand the impact of commissioning decisions and costs on self-funding residents, not only because of the impact of costs and affordability on their current and prospective residents, but also because of:

- future cuts to welfare benefits/State funding;
- "run-outs" for care charges (i.e. residents who "run out" of savings and become entitled to public funding);
- more owner-occupiers seeking social rented HWC;
- most new HWC being private or mixed-tenure;
- more HWC residents self-funding housing, support and care.

> *"We have a particular concern about the 'nearly poor' i.e. those older people who are just above the benefits threshold but have limited income even if they are (modest) home owners. Rising costs within HWC may mean that this group are either priced out of HWC if they are not eligible for any benefits or they simply see HWC as an option that they can't afford".*
>
> (English county council social care commissioner B)

Our *HWC affordability study* found that:

- Commissioning decisions by local authorities have important implications for affordability, but their main focus has been on their budgets, rather than affordability for self-funding residents.
- Claiming disability and means-tested benefits helps residents afford housing with care, but more advice is needed. Proposed changes to benefits will impact on affordability of housing with care, especially for people under state pension age.
- Home ownership is not automatically the preferred option: a third of interviewees were former homeowners who were now happily renting.

Affordability may be part of a wider range of considerations for older people when opting to move into HWC; from our *HWC affordability study* we found that reasons for tenure-swapping were very varied and included very little or no HWC for sale being available in a locality (e.g. in Northern Ireland, Scotland, some parts of England). We also know from our research that local authority and providers' policies and practice affect affordability of HWC for self-funders, so this is addressed in the **Guide**.

> *"We do know that some people are concerned about running out of money once moving into a HWC scheme; although this is a difficult issue we have tried to position our service charges in such a way that they remain affordable if a person becomes eligible for welfare benefits, however this does vary between schemes".*
>
> (National retirement/HWC private provider)

1.3. Definitions: affordability and self-funders

'Affordability' is a contested concept, and there will be different views both within and between:

- older people themselves
- their families
- providers of HWC housing, care and support services
- commissioners, statutory and voluntary organisations.

Decisions about whether we can afford something are partly shaped by our judgement on whether or not we think it represents good value for money, compared with the alternatives; and, partly, by the impact we expect that buying it (compared with not buying it) will have on our quality of life. We found that value of money for older people rests in what it enables them to do, and in the sense of control over personal circumstances that it gives; housing with care delivers a high quality of life to most residents.

All our studies decided not to use quantitative measures of affordability as used for working-age households (e.g. percentage of income/residual amount left after paying for housing). These make no sense in HWC, given the uncertainties/inconsistencies around entitlement to public funding and the range of costs. We do, however, identify and quantify the costs of HWC (for housing, support and care).

Self-funders are defined as tenants and owner-occupiers paying some or all the costs of their housing, care and support, including people with a personal budget.

Many **social tenants** are full/partial self-funders, because their age/income/savings exclude them from any/full benefits and state help. Not all **leaseholders** will be self-funding (except for the initial purchase): for example, some may be entitled to full benefits if all their equity has gone into a shared or full ownership lease.

1.4. Why is affordability important for existing and prospective residents?

"One of my daughters worked it all out, when I realised how much it cost I said 'Bloody hell!' but I came anyway."

"My solicitor made a point of checking that I did understand what the costs would be. He thought it was dreadfully expensive and he asked me if I could afford it – he was concerned about whether I could afford the charges to live here once I had bought a bungalow."

"My family all lived into their 90s – a cousin lived to 102 – I'm only 76! If I knew I only had five years to live I'd probably go on a cruise, but what will I do when I have to pay for more help?"

Our *HWC affordability study* found that:

- Older people face many uncertainties when making decisions about moving into and remaining in housing with care. Is it affordable at the outset? What if charges and care needs increase, but savings (and perhaps income) decrease? What state help is available?
- Overall, 85% (of 78 residents interviewed) were very happy in housing with care. Most reported positive views across different aspects of quality of life. This was especially the case for couples: they could stay together, and partner carers received support.
- The majority of people saw housing with care as good value for money, despite higher costs than mainstream housing. Some had mixed feelings and a small minority thought it poor value; residents wanted more transparency over charges and better consultation overall.
- Age and health influenced whether housing with care was (and would remain) affordable: residents who were very old or in poor health thought their money would probably last (even if care needs increased); younger residents had to plan over a much longer timeframe so were more anxious. Unexpected/unplanned changes of circumstances caused concern, especially for couples.

1.5. Structure of the Guide

The structure of the Guide is as follows:

SECTION 2: The Affordability Maze for Self-funders: Commissioner and Provider Policies and Practice

This section covers the affordability 'maze' facing self-funders, local authority and provider policies and practices and the impact for affordability. Key questions covered are:

- How do providers consider the costs and affordability of HWC for self-funders?
- How can self-funders understand the affordability of living in HWC?
- How important are welfare benefits and state help for self-funders?
- Charging in HWC and affordability
- Is equity release the solution to affordability? Can older persons access equity if they need it to fund on-going costs?
- How can older people (or their families) exit from HWC if they need to?

- Does the way that support is funded make any difference to affordability for self-funders?
- Are provider and local authority interests in HWC affordability mutually exclusive?
- Modelling the service costs of HWC for self-funders by local authorities
- The impact of local authority procurement and contracting policies on self-funders
- Personalisation: does it mean everybody living in HWC will become a self-funder?

SECTION 3: What does HWC cost? Where does the money come from to help older people to afford HWC?

This section looks at:

- How costs in housing with care differ from other housing;
- How, when and by whom affordability decisions are made;
- Availability of help from public funds with housing and support/care costs;
- Other sources of help, including financial products (especially equity release), provider initiatives and help from family.

SECTION 4: Conclusions and Policy Measures

This section covers the considerations and policy implications in relation to the key questions set out in Section 2. What can providers and commissioners do to improve affordability of HWC?

SECTION 5: Resources and References

This section indicates where to get more information, additional resources/links and references.

2. The Affordability Maze for Self-funders: Commissioner and Provider Policies and Practice

The way that HWC is commissioned, funded and operated has a tendency to make the affordability for self-funders a matter of considerable complexity; affordability is influenced by a range of commissioner and provider driven practices and factors including:

- local authority policies and practices, or an absence of them, in relation to commissioning, procurement and contracting;
- the funding that is available for housing, care and support within HWC;
- the ways in which care and support services are provided and the way that they are charged for;
- the emerging thinking and application of 'personalisation' to HWC;
- different 'models' of HWC in the social, charitable and private sectors;
- Policies and practices, or an absence of them, in relation to meeting the on-going costs of HWC, the effect of changes of circumstances (e.g. widowhood, increasing care needs) and exit arrangements if this becomes necessary.

This section seeks to provide an understanding of the affordability 'maze' for self-funders based on a number of 'key questions' and issues which reflect evidence from our *HWC affordability study* and from discussions with commissioners and providers as part of developing this guide. Particular attention is given to how the policies and practices of local authority commissioners and providers affect and impact upon the affordability of HWC for self-funders.

2.1. How do providers consider the costs and affordability of HWC for self-funders?

Providers adopt differing approaches to 'modelling' the affordability of HWC. Private providers we spoke to for this guide and our *HWC affordability study* generally identify the purchase price as the key affordability 'threshold' for potential residents; less so the on-going costs of the service. Affordability for self-funders is modelled in terms of income, wealth and, particularly, property equity as a basis for identifying the affordability threshold for purchasing into HWC.

Some private providers have a range of financial incentives to address the initial affordability concerns potential residents may have in relation to both purchase price and the costs of moving, such as part exchange schemes and 'move for free' schemes where the costs of moving are met by the provider.

Some social and charitable providers have also undertaken this type of modelling where schemes are mixed tenure and they are adopting cost modelling specifically aimed at self-funders. One charitable provider told us that they do undertake a thorough market assessment, assessing local house prices, income levels and other demographic factors, as part of assessing both scheme viability and affordability for potential residents, both in terms of purchasing and on-going costs.

However, there is evidence from discussion with providers that the assessment of affordability of HWC is typically not the responsibility of one department/manager within an organisation so may not always be assessed in a 'holistic' way, to include housing, support and care costs as these may be the responsibility of different staff (or even different organisations).

2.2. How can self-funders understand the affordability of living in HWC?

> *"I worked out that the costs of running and maintaining my old house were pretty much the same as the service charge for living here in a brand new flat with all the facilities and none of the upkeep".*
>
> Leaseholder

Both private and social providers model the comparative costs of living in HWC with living in residential care, both for their own purposes and to share with potential HWC residents. Providers believed that this type of modelling does show that for most self-funders HWC will represent better value for money, as well as having the advantage of retaining housing equity, and that this is a strong argument to sell the affordability of HWC to potential residents. However, see also Section 3 below on other aspects of decision-making by owner-occupiers.

Private and social providers identified the importance of having a transparent 'open book' policy in relation to the full extent of service charges, particularly at the point of purchase/moving in, to assist potential residents to understand and be aware of the full costs of living in HWC and to avoid any impression that there may be 'hidden' costs once an individual moves in.

Several providers said that the on-going service costs within their HWC schemes were treated as a 'cost centre' rather than a 'profit centre', which made it easier to be transparent with residents/potential residents.

Private and social providers compared their care costs with local domiciliary care providers in order to make the 'in house' care services attractive and more affordable than external competitors. From our *HWC affordability study* several older person participants living in private HWC identified the easy and flexible availability of good quality and affordable on-site care as an important factor within the HWC 'package'.

One local authority was engaged in discussion with local Independent Financial Advisors generally about the type of financial advice and information older persons will need to take informed decisions about moving into HWC.

> One private provider uses 'comparator tools' which enable an individual to assess the real costs of their current circumstances (housing running costs, maintenance, utilities, care if applicable) with the equivalent costs of living in HWC with the intention of demonstrating the real cost comparison between remaining in-situ or moving to HWC. From our recent interviews with older people *(HWC affordability study)* who had made this move into HWC (social and private) there was evidence that some individuals had been persuaded by a proper assessment of their current living costs compared with living in HWC (as well as other quality of life factors).
>
> *(McCarthy & Stone)*

2.3. How important are welfare benefits and state help for self-funders?

> *"When we decided to take it [HWC flat] we went into it [the finances] then – a couple of ladies from the council came to see me and we decided that I could just about afford it. The rent is high here, and care is very expensive if you have to pay it all – I couldn't do it. It's £27 a week more here than the rent in my council bungalow".*
>
> Social tenant

Both social and private providers identified the role of state benefits in helping residents to afford HWC (see section 3). Some private providers, as well as social providers, have been proactive in training their own staff and/or appointing specialist benefits advisers to maximise benefits take-up (see three models of providing benefits advice in our *Practice Guide*). However, our research found that not all providers offered benefits advice and this was much more likely for social tenants than for leaseholders.

For some social providers the introduction of higher 'affordable rents' is an issue in relation to affordability, i.e. for tenants who are not eligible for housing benefit the move towards 80% market rents will lead to affordability concerns, as will changes to benefit entitlement with the 'bedroom tax'[1] for those under state pension age.

2.4. Charging in HWC and affordability

The impact of charging for affordability in HWC is affected by:

- the contracting model used by the local authority (for social HWC);
- the approach to charging for services adopted by the provider;
- whether the individual is eligible for local authority financial support with care/support costs; and
- the type of local authority 'Fairer Charging' assessment used.

Some of these factors are discussed below. There are different approaches to charging for care and support in HWC. Out of many potential combinations (discussed in detail in the *Housing LIN Technical Brief*), there are three main charging models for care:

- *Charges related to banding* (typically low, medium, high care needs;
- *Core and top-up*: typically the core element covers night cover, with a top-up based on individual assessment;
- *Individualised*: based on hours of care per resident (whether paid by the resident, the local authority, or a mix for partial self-funders.

  (*Charging in Extra Care Housing* by the Institute of Public Care for the Housing LIN, 2010)

The *SHOP resource pack* (Section B, p37) points out that support charges will depend on commissioning, and whether it is linked to tenancy or as a combined care and support service.

1 Housing Benefit and Council Tax Benefit Circular HB/CTB A4/2012

2.5. Is equity release the solution to affordability? Can HWC residents access equity if they need it to fund on-going costs?

> *"If I needed a lot more care and help I think I could stand about six to eight years from my capital if my care needs increased dramatically. I did look at some care insurance type products but have been put off by the size of the up-front payments. If the costs could be met on death that might be more attractive".*
>
> Leaseholder

Several providers identified equity release as being an option that can make HWC affordable for older persons. However, this is often considered at the point of purchase into HWC, i.e. many older persons will be 'trading down' to buy an HWC property and release equity at that point. There is an assumption that an older person 'trading down' at this point will retain some equity which may be required to potentially fund some of the future on-going costs in HWC.

Although some providers we spoke to have sought to make equity release an option after an older person has moved into HWC, these options tend to be limited and not well developed (see further discussion in Section 3 below, page 16). Very few local authorities we spoke to for this guide or for our *HWC affordability study* had given significant consideration to the issue of older persons releasing equity to fund the on-going costs of HWC nor how they might assist with this process, for example by providing signposting to relevant information.

2.6. How can older people (or their families) exit from HWC if they need to?

The evidence from our *HWC affordability study* was that most older persons wanted to stay living in HWC until end of life; however, older persons and their families were concerned about what happens if they do need to move out of HWC and what happens to the property after their death.

Several providers we spoke to were conscious of these issues from an older person's perspective and did provide information to potential residents at the point of purchase into HWC. There was recognition amongst some providers that what might be viewed as unattractive exit arrangements and costs by older persons and their families can act as a disincentive to purchase. Amongst commissioners, there is generally a low level of awareness of exit 'issues' from an older person's perspective. One local authority that is commissioning mixed tenure HWC did appreciate that exit arrangements are important to many older people and their families; for example, in the current housing market, those inheriting a leasehold HWC property may not be able to sell, or be permitted under the lease to rent out, and in addition, they usually have to pay the service charges until the property is sold.

2.7. Does the way that support is funded make any difference to affordability for self-funders?

The funding for support, as distinct from personal care, has been subject to substantial change recently, particularly in relation to 'Supporting People' (SP) funding. In HWC without SP funding, support and care funding varies greatly; see the *Housing LIN Technical Brief* for detailed examples and discussion. For tenants, leaseholders and shared owners in social-rented and mixed-tenure HWC, help with support and care charges will depend on commissioning and funding decisions, for example whether SP funding remains available, whether it has been superseded by funding for support defined as 'wellbeing' services or whether it has been withdrawn entirely.

The support available within HWC schemes, particularly the 24/7 component, is a core feature of the model. In HWC with SP funding, providers have typically contracted with the local authority for ‘housing-related support’. However, local authorities have increasingly re-tendered support contracts or no longer provide SP funding (particularly in England). These shifting and highly variable approaches by commissioners to funding for support in HWC affects the affordability of HWC for older people. However, some local authorities confirmed that they had retained block contracts with HWC providers for support or ‘wellbeing’ services in part specifically to try to make HWC as affordable as possible for self-funding residents, in effect subsidising the cost of support for all residents.

The availability of financial assistance to leaseholders, including those in HWC, with support costs has been highly variable since the introduction of Supporting People in 2003. The evidence from our *HWC affordability study* indicates that this position has not changed and arguably has worsened in that there appears to be increasing variability between local authorities as to whether or not leaseholders can apply for and receive any financial assistance with support charges.

2.8. Are provider and local authority interests in HWC affordability mutually exclusive?

Several social providers identified a growing issue with meeting the costs of the core support functions within HWC including the costs of the 24/7 service component: this can be provided in different HWC models by waking cover (e.g. support staff, care staff, porters) or sleepover (linked to telecare). In our *HWC affordability study* some providers said that commissioners expected them to re-define support costs as service charges that would be eligible for housing benefit; for residents who are self-funding, i.e. not eligible or only partially eligible for housing benefit, this will typically increase the costs of the service to them.

One social provider said they had been told by a local authority commissioner to pass on the full costs of the support service including the 24/7 component to future residents on the basis that all residents should be eligible for Attendance Allowance and should therefore use this to fund the support charges. However, these approaches are effectively creating a ‘trapdoor’ for self-funding residents who may become liable for the full costs of support, making costs so high that would potentially affect the viability of the model for providers.

Several providers said that, where the number of self-funders is likely to be rising, the nature of the relationship between the provider and the local authority needs to change, particularly in relation to tendering and contracting. As affordability of HWC for self-funders becomes more relevant to social providers, then applicable local authority policies, such as contracting for housing, care and support separately, introduce a potential pressure reducing affordability. This is because more organisations are involved in the delivery and costs of providing the services. In the context of providers taking investment risks, several said that it is preferable to be the single provider both in terms of having control of service delivery and the factors affecting affordability. One social provider characterised this as

> *“local authorities can’t have it both ways; they need to decide whether we are a contractor or a partner”*
>
> (Festival Housing)

Several private sector participants identified planning disputes and affordable housing contributions required by local authorities as factors adding to scheme costs which in their view is ultimately passed on to customers affecting affordability.

2.9. Modelling the service costs of HWC for self-funders by local authorities

From our *HWC affordability study* there is evidence that more local authorities are starting to take an interest in having a mixed HWC economy and working with providers who cater for self-funders.

We found that local authorities that have commissioned mixed tenure HWC schemes have tended to give more consideration to the impact of their commissioning decisions on affordability for self-funders.

One local authority participant (East Sussex) had assessed the affordability of a new HWC scheme for both those residents who may be eligible for housing benefit and for self-funders. They took into account people who they described as the 'nearly poor', i.e. those older people who would be just outside the thresholds for eligibility for housing benefit and financial assistance with care and support costs. The commissioner's approach to the 'modelling' of affordability was to take the service charges (and rent where applicable) as the 'base' and then to factor in the other costs such as meals and different potential care costs and to compare this with likely income levels of potential 'nearly poor' residents.

2.10. The impact of local authority procurement and contracting policies on self-funders

The impact of procurement decisions on affordability of HWC for self-funders varies. Where there is separation of the functions within HWC, with delivery by different organisations, there is the potential for higher overall costs with consequent impact (of higher costs) for self-funders.

The drive by local authorities to use procurement as a mechanism to achieve best value for money and/or savings may also have the effect of reducing the costs of the support and care services within HWC, whether they are delivered by different or the same organisation. Some local authority participants (East Sussex, Worcestershire) have given additional 'weighting' within HWC tender evaluation processes towards the 'affordability' of the services to current/future residents, although this is in part driven by the wish to also reduce the costs to the local authority.

But, conversely, where local authorities are seeking to shift some of the costs within HWC, such as support and/or 24/7 costs, to providers as a deliberate part of a procurement process, then a potential consequence is that these costs are likely to ultimately fall on residents to pay, with the greatest impact on self-funders.

Providers can change for many reasons (especially local authority procurement decisions, and organisational change or failure) and this can have a significant effect on costs and on residents' quality of life. Residents may have little or no control over such changes, as discussed in the *HWC Whose responsibility? study*.

2.11. Personalisation: does it mean everybody living in HWC will become a self-funder?

Most local authorities have not adopted a wholesale approach to introducing the use of personal budgets for social care funding within HWC. There is a potential tension between local authorities introducing personal budgets for care and support in HWC and providers having a minimum level of income to maintain the viability of a scheme (Berrington, 2012). However, some of the local authorities we spoke to for this guide and our *HWC affordability study* had started to roll out a local version of personalisation within HWC.

One local authority (East Sussex) has introduced a model of personal budgets at the most recent HWC scheme in its area. With this model residents with a personal budget are required to use part of their budget to purchase a 'core' volume of hours from the on-site provider but with flexibility to purchase additional care/support from any provider. In this case, the local authority provided a block contract to the provider for the support service and this helped to keep down costs for self-funders.

We spoke to only one local authority where 'personalisation' and personal budgets have been introduced systematically in relation to HWC. The local authority adopted a model of a mix of grant funding for support but with some of the cost passed on to residents as a way of balancing the authority's need to spread its available expenditure across the maximum number of schemes and minimising affordability concerns as far as possible for self-funders and personal budget holders. The local authority did undertake some modelling of the impact on affordability for current and future residents of its approach to personalisation and the use of personal budgets.

The grant subsidises a range of costs (which could include catering, activities, support, 24/7 emergency, etc.) and while the grant goes to the landlord, it would depend on how they set-up and integrate services; e.g. if it's a separate care provider it could make sense for them to deliver the support, or some of it could be floating support from outside.

The grant model allows the costs to be shared between the Council and residents to make it more affordable. A personal budget is used for assessed care needs only, with a buffer to provide flexibility in care needs. Personal budget holders use their allocation to purchase care, typically from an on-site provider but potentially from any provider.

The grant is a preventative subsidy towards the other services provided within HWC including a 24/7 care response in emergencies. Residents are key in deciding what services will actually be delivered and what the costs will be. The local authority has found that what has reduced costs is integrating the services delivered in a scheme, rather than managing and delivering them all separately.
(Staffordshire)

3. What does HWC cost? Where does the money come from to help older people to afford HWC?

This section identifies the factors and context within which older people and their families have to make decisions about affordability, quality of life and value for money, including:

- how costs in housing with care differ from other housing;
- how, when and by whom affordability decisions are made, at the outset and over time;
- availability of help from public funds with housing and support/care costs;
- other sources of help, including financial products (especially equity release), provider initiatives and help from family.

3.1. Costs of HWC for residents

When someone is thinking about moving into HWC, they will be comparing costs with current housing, and with alternative housing/care options, including perhaps sheltered/retirement housing (i.e. without care) and for some, care/nursing homes.

Existing social or private tenants may have limited or no choice amongst HWC schemes, and accessing HWC for affordable (social) rent will probably depend on local allocation/nomination arrangements.

For owner-occupiers, their choices will depend on:

- the value and sale-ability of their existing property;
- the availability and purchase price of HWC in their chosen area (usually either locally to where they live, or moving to be nearer to family);
- whether their local HWC providers offer a ‘try before you buy’ or short-term rent option whilst they await a sale (especially useful for crisis movers);
- whether there is shared ownership HWC available (especially useful for those with limited equity);
- whether they are allowed to access HWC for social rent, or can only gain access through shared/full ownership (which is increasingly the case in many areas);
- the (currently very limited) availability of private or market rent HWC;
- whether they would face financial penalties by leaving mainstream owner-occupied housing (for example if they have already taken out an equity release lifetime mortgage, and may face a penalty).

Table 3.1 (Annexe 1) identifies what makes HWC costs different from other housing options in terms of:

- Initial purchase price (owner occupied housing)
- Rent
- Service charges
- Council tax
- Utilities
- Food costs

HWC has a wider range of costs than mainstream or retirement housing. The facilities, services and care/support are all part of the ‘offer’ and residents have little or no control over the on-going costs once they have moved in (see Blood *et al* 2012, Pannell *et al* 2012 and Aldridge *et al* 2012).

For a self-funder, HWC will usually work out as a less costly and more flexible option (in terms of revenue spend) than a care or nursing home, unless someone has very high care needs: average weekly fees across the UK in 2011/12 were £542 (residential care) and £722 (nursing care) although these show wide regional/country differences (Laing & Buisson 2012).

Table 3.2 (Annexe 2) provides weekly indicative costs of HWC from published data:

- social rent HWC (England); rent, service charges and support charges: £95–£170 per week;
- HWC for ownership (private sector and not-for-profit mixed tenure): ground rent, service charges, support charges and major repairs/sinking funds:
    - not-for-profit owners (mixed tenure HWC) £30-£90 per week;
    - private owners (England) £65-£112+ per week

Because of differences between models/providers in what is included (or not) in service/ support charges, and how care and 24/7 support is commissioned, the costs are indicative: note that these figures exclude most personal care and individualised one-to-one support. Leaseholders will also have paid the purchase cost.

Costs at our *HWC affordability study* fieldwork sites were across a wider range than in Table 3.2: for the more expensive private sector leasehold HWC, weekly costs ranged from £120 to £180, and for many of our housing association/charitable HWC, weekly costs were towards the upper end of the CORE data figures.

3.2. Affordability of housing with care and pensioner incomes

Self-funders rely on state retirement pension and benefits, occupational or private pensions, and income from savings. Annexe 5 has more details on pensioner incomes. The DWP Pensioners’ Incomes Series 2010-11 shows average net incomes for ‘quintiles’ (20% slices) across the income distribution from the poorest to the richest:

Table 3.3. Pensioner Income

Weekly net income	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	Overall mean
Single pensioner	£129	£180	£224	£280	£391	£256
Pensioner couple	£221	£313	£399	£524	£815	£497

Source: The Pensioners’ Incomes Series 2010-11, DWP (Table 4.1 page 57)

Couples have nearly twice as much income as single pensioners across all the quintiles. These figures include younger pensioners who are likely to be better-off (because of earnings and higher occupational/private pensions) than prospective or existing HWC residents (who are likely to be older and disabled). For example, in the top quintile there are twice as many recently retired single pensioners and couples compared with those aged 75+, and there are more single females than males in the lower quintiles (DWP Table 4.2, page 59).

Couples have significantly higher occupational and private pensions than single pensioners: Table 3.11 (Annexe 5) shows gross (before tax) weekly occupational pensions of £380 (top fifth) and £206 (next fifth), whereas single pensioners have less than half as much. Contrasts in investment income are even more marked. In our research we found many self-funders who were relying on these two sources of income to meet HWC charges.

When we look at average service charges (all tenures) and rents (social rent) in para 3.1 above, it is clear than even better-off (especially single) pensioners in the middle and top two quintiles may either need more help through benefits and state help (if eligible), or else may need to draw on capital in order to afford HWC costs, especially if their care needs/charges increase.

3.3. How affordability of housing with care can change over time

> *"I have worked it all out that my wife would get half my pension, and her state pension and Attendance Allowance and she can still afford to stay here even if she needs full care, which would cost £700 to £800 a month on top of the housing costs of around £700 a month."*

Social tenant

> *"We have started to include additional top up funding for end of life care but we haven't really bottomed out how this will work for self-funders, i.e. what they would need to pay themselves in these circumstances."*

Commissioner, London

There are three stages:

- affordability at the outset;
- continuing affordability over time and as circumstances change;
- leaving HWC (and getting equity out, or letting the property, for owner-occupiers and their families).

Table 3.4. indicates affordability issues at different stages.

Table 3.4. Affordability: a resident's perspective

Stage	Change of circumstances	Owner	Tenant
Stage 1 before moving in	Need/choose to move from existing housing	Can I afford to buy? Is HWC for rent available to me? Can I afford the service and support charges? Can I afford to pay for care (if needed)? Will I get any help from benefits/the council?	Can I afford the rent? Will I get any help from benefits? Can I afford the service and support charges? Can I afford to pay for care (if needed)? Will I get any help from benefits/the council?
Stage 2 living in HWC	Income lower/ charges higher; increased care needs; death of partner; partner needs care/nursing home	Can I afford the service and support charges? Can I afford to pay for care (if needed)? Will I get any help from benefits/the council? Can I access the equity in my HWC property (e.g. meet service or care charges)?	Can I afford the rent? Can I afford the service and support charges? Can I afford to pay for care (if needed)? Will I get any help from benefits/the council?
Stage 3 resident moving out	HWC no longer suits needs (e.g. disabled partner dies); increased care needs result in move to care/nursing home (single / widowed)	Can I sell? Does the provider buy-back? Is there an exit fee? Am I allowed to let the property privately to meet the on-going service charges etc?	
Stage 4 family after death	to release equity or provide income if can't sell easily	Can I sell? Does the provider buy-back? Is there an exit fee? Am I allowed to let the property privately to meet the on-going service charges etc?	

Families are often important in making decisions to move into HWC, especially for older people who are buying; some also help with purchase price or on-going costs. However, they may be especially concerned about longer-term revenue funding and exit arrangements.

3.4. Choices for owner-occupiers

> *"I feel happier renting. I can control what to do next without being penalised for owning my own home".*
>
> Social tenant

Owner-occupiers have a range of options with different impacts on initial and longer-term affordability:

- outright purchase: equity is tied up in property, may be entitled to benefits/state help depending on income and remaining capital, but may be difficult to access equity (see section about equity release);
- shared ownership purchase: if most equity used for shared ownership lease, more likely to be entitled to benefits/state help;
- renting, affordable (social) rent: rents probably within local Housing Benefit limits, but sales proceeds will probably mean no entitlement to help until capital run down (to meet housing support and especially care charges);
- renting, private (market) rent: sales proceeds and higher rents will probably mean no entitlement to benefits/help.

3.5. Help with housing, support and care costs for HWC residents

Potential sources to pay for the costs of HWC include a range of benefits and help from the state, and the older person's existing and potential financial resources from other sources (with further details in section 3.6.)

The benefits system and state help with care and support costs in HWC

An important difference is between benefits for people of working age and pensioner benefits. HWC prospective and current residents who are under State pension age are already disadvantaged compared with those entitled to pensioner benefits. With the shift to Universal Credit, the increase in State pension age, and entitlement to Pension Credit changing (so that both people in a couple have to be over State pension age to qualify) this will become more marked: see the forthcoming *Housing LIN Technical Brief* for more detail of the potential effects of the Welfare Reform Act (which remain unclear at the time of writing, November 2012).

The *NPI affordability study* and *JRF Findings* point out that the benefits system and State help do not provide a reliable income floor, because there are 'trapdoors' caused by:

- ineligible costs;
- different savings limits for different benefits/State help;
- different eligibility for help depending on tenure (with owner-occupiers and private tenants usually entitled to less help than social tenants).

The interplay of different benefits and state help

The main benefits/state help for HWC residents over State pension age are:

- Pension Credit (Guarantee Credit and Savings Credit);
- Attendance Allowance (AA) and Disability Living Allowance (DLA);
- Help with assessed care costs;
- Housing Benefit (HB);
- Council Tax Benefit (CTB).

There are a number of reasons why the interplay of benefits is especially complex for HWC residents (as well as more generally for older people), and why they may be entitled to more help from the state than is generally understood:

- the different "cliff-edges" and "tapers" for savings which affect the benefits/state help summarised above;
- the effect of links between different benefits which boost income (a sort of reverse taper or "escalator");
- the effect of "passporting" between some benefits which have the result of boosting incomes through reduced expenditure.

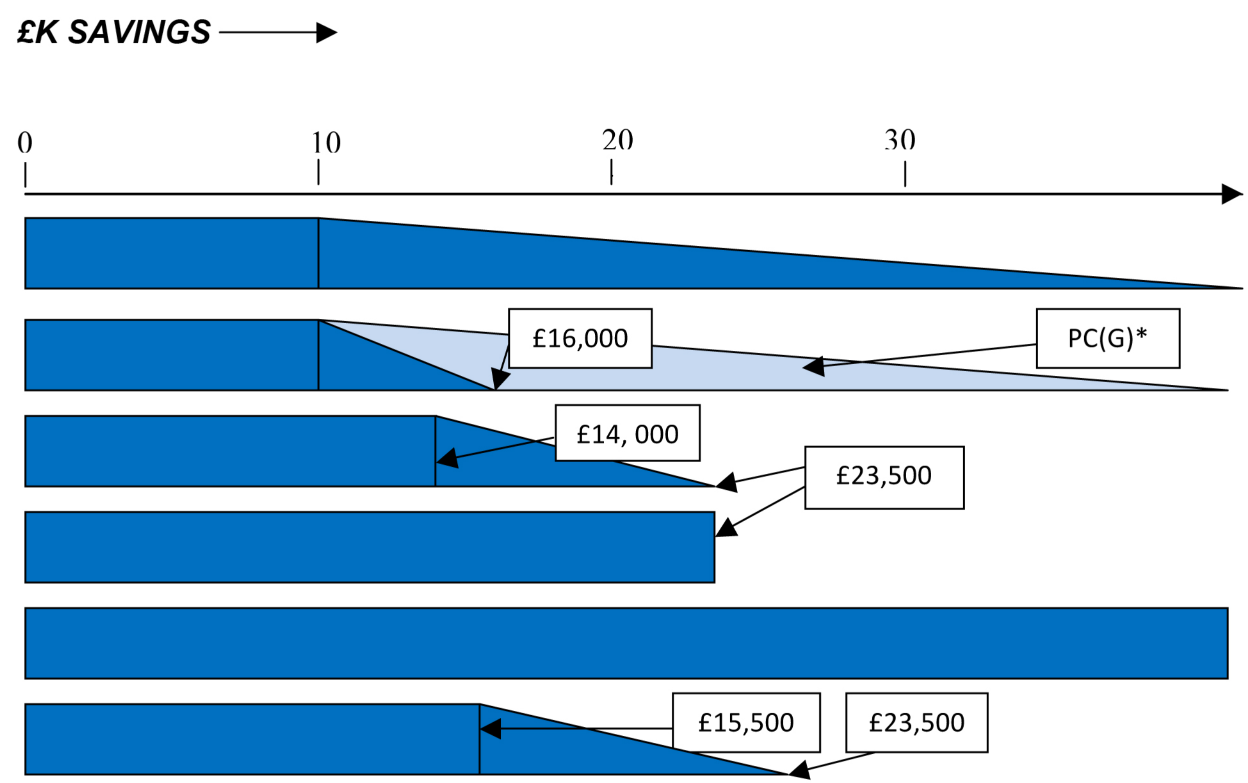
Here we examine each of these briefly in turn; further explanation and details follow.

Cliff edges and tapers

> *"I want to stay here if I have the money, but I have to transfer £1,000 a month and you're allowed £16,000 and its coming down to that now … I do worry a wee bit but I think that I don't need to – when the money is gone, I wouldn't want to be kicked out but I don't think it would come to that – I haven't asked but I'll wait and see what happens".*
>
> Leaseholder

Figure 1 (below) shows capital limits for eligibility for help (April 2012- April 2013): it is no wonder that HWC resident interviewees did not understand the different savings limits. For means-tested benefits/help, in some cases there are "cliff-edges", beyond which no help is available, whereas for others there are "tapers" (which appear as downward slopes) where entitlement is withdrawn gradually. There are also some differences between the four nations (care charges and some support costs). Note also the differences for the two types of Pension Credit: for Guarantee Credit, there is no upper capital limit, so a very long "taper".

Fig.1: Cliff edge and taper figures



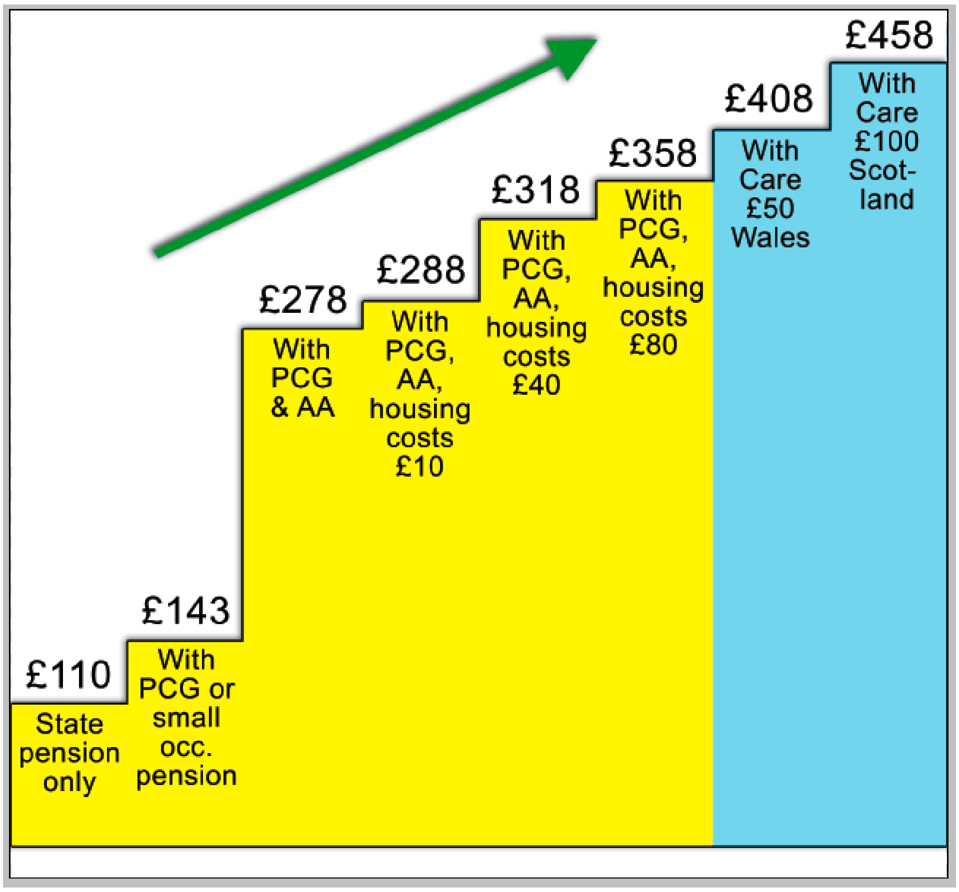
Escalators

There are two reasons why HWC residents in particular (as well as other older people) may get increased Pension Credit. Many HWC residents will be entitled to AA or DLA and therefore to the disability premium (see Table 3.5 Annexe 3). For leaseholders, eligible service charges and ground rent count as 'housing costs'. Both of these act as a sort of "escalator" (see Figure 2) to increase the base figure for calculating entitlement to Guarantee Credit. AA/DLA for all residents, and housing costs for leaseholders, can bring HWC residents into entitlement for Guarantee Credit even if they have fairly high incomes and savings.

In Figure 2 (below), note that with a basic income of only State pension (c. £110 a week) there would be entitlement to Guarantee Credit to bring up to the £143 minimum income; however if there is an occupational pension bringing up to this level, there would be no entitlement to Guarantee Credit - unless the person has DLA/AA and therefore the Pension Credit disability premium (which has the effect of raising the minimum income guarantee to around £200). Because disability benefits are disregarded when calculating entitlement to PC, there is also the increased income from the AA/DLA on top. In fact this disregard of disability benefits is another (sort of) trapdoor; for fairer charging for care costs, disability benefits are taken into account.

Note that in our example, for simplicity we have assumed less than £10,000 capital. However, someone with more than £23,250 capital could still be entitled to Guarantee Credit (depending on their income and housing costs) but (in England) they would get no help at all with care costs.

Figure 2: Escalator figures



Passporting

Entitlement to even the minimum amount of Guarantee Credit will passport to other help, especially dental and optician's costs, and full Housing Benefit and Council Tax Benefit. Because there is (at present) no upper capital limit, someone with more than £16,000 capital (the cut-off for Housing Benefit/Council Tax Benefit) may still be entitled to 100% HB/CTB. Note too that HB also passports most social tenants to 100% of their housing-related support charges (SP) as discussed below (see Figure 1).

An estimated £2.9 billion of Pension Credit is unclaimed each year at an average of £52 per person per week, or 1.5 million people (Housing 21, 2012). The Wise Guide (Independent Age 2012) points out that claiming and getting just £2 a week Guarantee Credit can increase income by up to £200 per week, plus at least £14 a week because of paying no Council Tax. HWC provider benefits advisers can increase resident incomes significantly by encouraging claims for AA/DLA and PC (Davey and Vallelly 2012): one benefits adviser told us that "even residents who are reluctant to claim benefits become enthusiastic when told they can also escape paying Council Tax!" (average £14 a week: Housing 21, 2012).

State help and benefits

State benefits/help for pensioners (i.e. aged 61 and rising) are summarised in Table 3.5 at Annexe 3 (weekly amounts: April 2012-April 2013) and discussed below.

Disability benefits (not means-tested): Attendance Allowance, Disability Living Allowance/Personal Independence Payment

AA weekly rates (April 2012) are £77.45 (higher) and £51.85 (lower) rate. AA and DLA are very important because as well as helping with disability costs, they also increase entitlement to Pension Credit. There are currently no plans to change AA. However, the Welfare Reform Act will abolish DLA and replace it with the less generous Personal Independence Payment (see *LIN Technical Brief*).

Only people entitled before reaching pension age continue receiving DLA in later life, so this is a proxy indicator of long-term disability and health conditions, and it is likely that DLA recipients will have lower incomes/pensions/savings if their disability is longstanding.

DLA includes a very useful mobility component; AA has no mobility component. There is an assumption in the social care funding system (see below) that AA/DLA will pay for care and support for people with only low or moderate needs. However, as Dilnot points out, the assessment systems are quite different. Organisations representing people with sensory impairment (RNIB, RNID) point out that many people with such impairments qualify for AA/DLA but not for social care funding (Davey and Vallelly 2010).

Pension Credit (Guarantee Credit and Savings Credit): means-tested

For people aged over State pension age (currently 61 and increasing), Pension Credit provides a minimum income guarantee. Younger people are not entitled to Pension Credit (or any of the passported benefits that follow) until they reach State Pension Age

If income is lower and capital is below £10,000, then Guarantee Credit makes it up to the amounts stated in Table 3.5.(Annexe 3) If savings exceed £10,000, a weekly 'tariff income' is calculated (£1 per £500 excess capital). The minimum income figure can increase considerably through 'premiums' for disability, for carers, and for eligible housing costs (for home owners).

On top of (or instead of) Guarantee Credit, Savings Credit can provide up to £18.54 (single person)/£23.73 (couple) per week for people (65+) with either savings or occupational pension, but the ‘passporting’ to other help applies only if it is paid with Guarantee Credit.

Help with housing costs: means-tested

For those on lower incomes/with limited savings, help with housing costs depends on tenure: note that Housing Benefit and Council Tax Benefit will change when the Welfare Reform Act is implemented:

- *Social tenants*: Housing Benefit for rent and for most (i.e. ‘eligible’) service charges, but not for ‘housing-related support’ (see below); the normal savings limit of £16,000 for HB claims is removed for those entitled to Guarantee Credit.
- *Private or market rent tenants*: possible entitlement to HB, depending on circumstances, up to Local Housing Allowance (LHA) rent limits: private rents usually include service charges/ground rent (because the property owner is legally liable for these); private rents in HWC are likely to be well above LHA limits, as are not-for-profit ‘market’ rents.
- *Owner-occupiers*: in theory entitled to help with some service charges and mortgage interest (if applicable and with an upper limit) through Guarantee Credit (and also ground rent for leaseholders).Owner-occupiers may have to pay into a sinking fund and/or major repairs fund, but this is ineligible for the housing cost element of Guarantee Credit. Aldridge *et al* 2012 point out that whilst this impacts on affordability, such funds ‘are for the upkeep of the property which for an owner represents an investment … [so] we have not included this in our affordability model as it is technically a form of forced saving.’
- Depending on the lease, in certain circumstances leaseholders may be entitled to help through HB, and for shared owners, help may come through HB and/or Guarantee Credit.

Help with housing costs is broadly similar across the UK. However, there is some local discretion for Housing Benefit and Council Tax Benefit, considerable variation between Pension Service offices for housing costs (service charges/ground rent) payable through Guarantee Credit, and significant local/regional differences in LHA limits (which are geared to local private rents). Note that, as highlighted earlier, the incoming “bedroom tax” will apply to HWC residents under state pension age, whereby HB will be restricted for those in a 2-bed property.

Support costs

There are a number of different scenarios concerning help with support costs (and especially 24/7 costs) which link to commissioning decisions and HWC scheme arrangements as well as to benefits, as set out in Table 3.6.

HWC social renters, and shared owners, living in publicly-funded retirement housing and receiving any Housing Benefit (however small) are usually exempt from charges for SP housing-related support services. Because of ‘passporting’, anyone receiving Guarantee Credit should be passported for HB and so should not have to pay, regardless of their savings (even if above the normal limits for HB).

Table 3.6: Availability of help with support charges and 24/7 costs

Support costs (incl. 24/7) funding	Social tenants	Private tenants	Full owners	Shared owners
Support provided in HWC where Supporting People funding is in place (see note)	NIL-100% (passported in full if receiving any HB)	Probably NIL	Probably NIL	Maybe if paying rent & getting HB
LA commissions scheme & funds 'well-being charge' or similar	Varies, up to 100%	Probably N/A	Varies: NIL to 100%	Varies: NIL to 100%
LA commissions scheme & leaves charging to provider (e.g. through service charge)	Varies	Probably N/A	Probably NIL	Varies
Private/charitable HWC, no LA involvement	Probably NIL	Probably NIL	Probably NIL	Probably NIL

Note: The availability of local authority funding for support via 'Supporting People' is highly variable; some HWC which was commissioned with SP funding may have lost it, or be at risk of losing it, which could impact on help with support costs for residents.

Charges for all other self-funders will vary. Government guidance says they should be linked to Fairer Charging (see below). In practice, it is a postcode lottery: many local authorities completely exclude leaseholders from any help with SP support charges; others will continue for people who moved in prior to 2003 (or other dates, or at frozen amounts); some will only consider cases on hardship grounds; others will only help leaseholders in HWC where they have a SP contract with the support provider (see examples from web search e.g. East Sussex 2011; Torbay 2008).

Additionally, not all 'support' is classified as 'housing-related' and the definitions are fluid (see the forthcoming *Housing LIN Technical Brief* for further discussion). So an individual who has a local authority care assessment (see below) may have some (non-'housing-related') support funded through the care system. Charges for anyone having to self-fund would be assessed differently than for SP 'housing-related' support through SP: savings above £23,250 would exclude them completely in England: see below for Scotland and Wales.

Note too that the bulk of the cuts (in England) to local authority social care budgets have impacted on housing-related support (for all groups, not just older people: ADASS 2012).

Care costs: help with funding

The funding of care is extremely complex, currently in a state of flux in many authorities, and subject to great variation between different areas: details of charging policy should be available from the relevant authority. Care funding is devolved: entitlement to state-funded social care (in HWC and elsewhere) varies across the four nations (see Table 3.6. Annexe 4). Managing uncertainty about future care costs should in theory be less of a problem in Scotland (with limited free personal care) and in Wales (with a £50 per week cap) than in England. Across the UK, publicly funded social care is based on a needs assessment by the social care body (local authority/health board in Northern Ireland). In most areas in England (but with some exceptions), needs assessed as 'critical' or 'substantial' are likely to be funded, but older people will probably have to pay themselves for needs assessed as 'moderate' or 'low'.

Note that the Dilnot Commission has proposed radical change with a lifetime 'cap' of £35,000 (Commission on Funding of Care and Support 2011). See the *Housing LIN Technical Brief* for further details and discussion on care charging and NHS funding in England. See Wiseman (2011) for discussion of the limitations to 'free' personal care in Scotland. In Northern Ireland, from our fieldwork, more costs appear to be covered by SP funding than in England.

Instead of/alongside social care funding, the NHS may also pay some or all the costs, but NHS funding in HWC is also very complex and variable. Certain client groups living in HWC (e.g. people with a learning disability) may attract some NHS funding, as can older people with increasingly high care needs, where the need is primarily for health reasons. Older people and some providers interviewed for our research gave examples where NHS partial funding, or full (Continuing Health Care) funding had been accessed; in some cases CHC had not been easy to get and there were fears that it could be withdrawn. NHS funding can be relevant for older self-funders in HWC for two reasons: end-of-life decisions (see Housing LIN/NHS End of Life care programme) and for self-funders where one partner is in a care/nursing home and the other still has to pay for their HWC, as discussed in more detail in our affordability report

Costs that fall outside the scope of state help

When considering affordability of HWC, we must also remember housing, support, care and other living costs that generally fall outside state help (regardless of the resident's income or savings), including:

- most care needs assessed as low or moderate (with some exceptions, e.g. where the overall care package is primarily meeting needs assessed as substantial or critical);
- care needs that have not been assessed at all;
- help with tasks such as housework, laundry and shopping (usually excluded unless assessed as substantial or critical in the care plan);
- tasks that are clearly support, not personal care, and not covered within a housing-related support plan (e.g. help with finances, correspondences, accompanying to medical appointments); and
- transport (e.g. to medical appointments).

In addition, there are other costs where what is eligible/ineligible for state help varies between individuals.

The calculation of housing costs to determine eligibility for Pension Credit Guarantee by different Pension Service offices can vary considerably for residents within the same HWC scheme, and also between HWC schemes with similar charges from the same provider (personal communication from four benefits advisers, May 2012). Note that the issue here is not differences between individual residents' income or savings, but in the amount of eligible housing costs which are included when determining the minimum income on which the award of Guarantee Credit is based; one adviser said it was difficult to get the Pension Service staff to understand this difference! However, this is crucially important because a higher housing cost will bring some people into Guarantee Credit entitlement that they would otherwise miss, with the knock-on effect of a range of 'passported' benefits, especially not having to pay any Council Tax, which has the effect of significantly raising disposable income.

These aspects of care, support and housing costs which have to be paid for without state support have the effect of lowering a resident's disposable income, perhaps even below the Pension Credit level. For costs that fall outside of the scope of state help, there is no income 'floor': costs will have to be met through disposable income or by running down savings.

3.6. Other sources of help with housing, support and care costs in HWC

> *"My family were really supportive and said if I couldn't afford it any stage they would pay for me."*
>
> Leaseholder

> *"… living here I do have some flexibility to trim the costs if I need to – I can always ask my son to do more for me rather than paying for additional help from the staff here".*
>
> Social tenant

In addition to the range of benefits and help from the state, there are existing and potential financial resources from other sources:

- State Retirement Pension, occupational and private pensions;
- drawing on investments and savings (with significant reductions over recent years as interest rates have plummeted);
- proceeds from sale of previous housing;
- (in theory) mortgage for owner-occupiers, but mortgages are normally restricted to under-75s, so mortgage availability for HWC purchase would be restricted, and with high repayments e.g. at age 65, maximum mortgage term would be 10 years;
- financial products including lifetime mortgages;
- help from the provider (e.g. rent-to-buy whilst awaiting sale; shared ownership/ reverse staircasing);
- help from family in cash or in kind (including help with initial purchase or ongoing charges, and with care, support and transport): note that this can disadvantage residents with no family, or whose families are distant or estranged.

This section briefly covers financial products and help from the provider.

Financial products: Equity release

Equity release can enable HWC (housing with care) residents to boost their income to meet housing, support and care costs, as costs increase and income/savings decrease. Age UK's factsheet (Age UK 2012) should be referred to for more detail on the main principles; here we focus on HWC issues.

There are different equity release products, the most common mainstream product now being the **lifetime mortgage**. Older people living in mainstream housing can access a percentage of the equity, subject to certain conditions (including their age, and the value of their property). However, drawing down capital can also increase savings, thereby reducing or removing current/future entitlement to means-tested benefits. The Age UK factsheet points out the need for independent financial and legal advice (including a benefits check), and the potential high cost of equity release products (especially the way that rolled-up interest increases the amount owed). There is usually an exit penalty for early repayment (except at death or a move to a care home). The availability and cost of lifetime mortgages fluctuates according to economic factors (e.g. property markets, interest rates): there have been periods in the past decade when no provider was taking on new business.

There are specific issues for older people living in, or thinking of moving into, HWC (and other retirement housing) that HWC providers, local authority commissioners and families need to know.

For **existing HWC owner-occupiers**, access to lifetime mortgages may be more restricted, and offer lower amounts, than for owner-occupiers in mainstream housing:

- Not all leading equity release providers will consider housing with care/retirement housing, and some schemes may be excluded.
- Age-restricted housing may have lower values than mainstream housing, and therefore lower loan-to-valuation figures (LTVs): this is because of the restricted market, and/or buy-back clauses/sinking funds/exit fees.
- There is also anecdotal evidence of resident concern about low valuations (for equity release) in HWC/retirement housing, restricting the amount that can be borrowed.
- Some HWC providers have leases that do not allow assignment, so lifetime (or indeed other) mortgages are not allowed under the lease (although some providers offer other draw-down options e.g. converting to shared ownership – see below.

For **prospective new HWC owner-occupiers**, buying into HWC/retirement housing may be more difficult (or impossible) if an owner-occupier already has a lifetime mortgage on their existing property:

- Although the lifetime mortgage can usually be ‘ported’ (i.e. transferred) to another property (subject to conditions including valuation) it cannot be ‘ported’ if the provider does not accept the proposed retirement/HWC property; also the LTV may be too low.
- If the lifetime mortgage cannot be ported, the owner-occupier will have to pay back the lifetime mortgage plus rolled-up interest, and may not have enough equity left to afford to buy into HWC/retirement housing.
- Unless moving to HWC is considered similar to a care home (which is discretionary and not guaranteed), an exit fee may also be payable.
- Even if the lifetime mortgage can be ported, the new HWC property may have a lower value, which could trigger a partial pay-back/ full/ partial exit fee.

Help from providers and commissioners

There are a number of ways in which providers can make HWC more affordable, as discussed in Section 2. In addition to the way that the scheme is set up, and help such as benefits advice, there are other routes. Examples from our research include:

- Rent to buy: this enables someone who cannot sell to rent (typically on an assured shorthold tenancy for up to 1 or 2 years) until they have sold, even if they have no other way of affording their move (e.g. from family or savings).
- Shared ownership/reverse staircasing/other financial arrangements: some providers offer methods by which a resident may be able to defer payment of charges, or draw down on their equity, in order to fund service/support charges and/or care costs: these can provide an alternative to a mainstream equity release product as described above.
- Availability of market rent: this enables owner-occupiers who choose not to buy, or who don't have enough equity to buy (and to afford on-going costs) to enter HWC, especially if (as is often the case) they are excluded from HWC for social rent.

When local authorities are looking into the provision of new HWC schemes, they may be able to broaden affordability by asking providers whether they offer such options.

4. Conclusions and Policy Measures

4.1. Reflections and conclusions

Much of the work so far about HWC has focused on affordability and cost-savings for commissioners and the impact on providers, but almost nothing on the impact on residents and especially on full and partial self-funders.

For providers affordability is a key consideration. In the private sector this has always involved the affordability of the cost of purchase as well as the on-going costs of living in HWC. The anticipated growth in mixed tenure HWC, with social providers needing to sell units to make schemes viable, will mean that affordability for self-funders of both purchase costs and on-going costs is an essential consideration for all types of providers.

Providers will need to understand the ‘tipping point’ for affordability of rents (whether ‘affordable’ or private market rents) and of service and support charges as well as variable costs (such as for care) within HWC to identify the on-going affordability ‘thresholds’ for different groups of current and potential HWC residents.

From our *HWC affordability study* the evidence was that local authorities typically consider affordability in terms of costs to *their* budgets, and rarely in terms of affordability for self-funding HWC residents. However the role of local authority commissioning is likely to change as more self-funders enter HWC particularly as many social providers develop more mixed tenure schemes.

At a macro level, local authorities and providers will need to be aware of the overall financial impact on the affordability of HWC of:

- Welfare reform, particularly the impact for housing benefit and eligibility for benefits targeted at older people under state pension age;
- Continuing cuts in local authority funding and the impact of this on support and care funding;
- The incomes, sale-ability and valuation of owner-occupied housing, and other financial resources of older people in their area set against the current and likely costs of living in HWC.

Development of HWC is likely to be constrained for the next 2-5 years due to difficulties in securing private financing for schemes, although the Department of Health Care and Support Specialised Housing Fund will provide some assistance with capital funding. The other factor here is the reluctance of many potential residents of HWC to sell their existing properties at what they perceive to be the bottom of an economic cycle.

Based on the evidence from this **Guide**, our *Affordability, Choices and Quality of Life in Housing with Care study* and the *NPI affordability study*, the following measures are suggested to make HWC an affordable option for more self-funding older people. These are developed further in section 4.2.

- Providers will need to offer a range of financial incentives to make purchasing into HWC an attractive and more affordable option;
- Providers need to give transparent and comprehensive information about the costs of living and the charges in HWC, including comparison with the likely costs of a person living in their existing property and the potential costs of residential care;
- Commissioners and providers should ensure that all residents including self-funders have access to expert benefits advice and information;

- There is a need for a wider range of options for self-funders to release equity once they have moved into HWC;
- Providers should ensure that exit arrangements from HWC are not financially unattractive to potential residents; commissioners should ask about exit arrangements when commissioning HWC schemes for sale or shared ownership;
- Commissioners should recognise that providing funding for support can help to make HWC affordable for some self-funders;
- Commissioners and social HWC providers should seek to find mutually acceptable solutions to the funding and delivery of the 24/7 element within HWC that takes account of the impact on affordability for self-funders;
- Commissioners will increasingly need to understand and 'model' the affordability of the full costs of HWC, in the private and social sectors, for partial and full self-funders in order to strategically influence and encourage HWC that is affordable across all income/wealth cohorts of the local older persons population;
- Commissioners and social HWC providers will need to work closely to assess and manage the effects of procurement and personalisation policies in terms of their impact on affordability.

4.2. Policy and practice measures

Whether self-funders can afford HWC, or more specifically the factors and circumstances that affect whether self-funders can afford HWC is part of the complex interplay of commissioning decisions, funding, costs and welfare benefits/state help, and their impact on affordability.

Set out below are a number of 'key questions' and issues (from Section 2) that arise from the consideration of whether self-funders can afford HWC. For commissioners and providers, based on the evidence from this guide, our *HWC affordability study*, the *NPI affordability study* and other studies (e.g. Ball, 2011), measures are suggested that are likely to help to make HWC an affordable option for more self funding older people.

Affordability considerations for self-funders purchasing HWC

The types of measures that could be more widely adopted, based on the types of practical actions that some providers are taking, to address the affordability of buying into HWC:

- Providing a range of financial incentives to move;
- Part exchange schemes;
- Covering the costs of selling an existing property and moving;
- Shared equity and shared ownership models;
- HWC for private market rent.

How can self-funders understand the affordability of living in HWC?

Considerations and policy measures particularly for providers:

- Providing full and transparent breakdowns of the costs of living in HWC at or before purchase;

- Providing clear comparison of the average costs of living in residential care versus HWC as well as the attraction of retaining housing equity;
- Assisting potential self-funding residents to understand the comparison of the costs of HWC with the real costs of remaining in their current home (including full running costs, maintenance, utilities);
- Ensuring that the provision of care within HWC is cost competitive with the local domiciliary care market;
- Involving residents in discussion and decisions about balancing service provision/cost and affordability tensions.

How important are welfare benefits and state help for self-funders?

State benefits play an important role in making HWC affordable for some self-funders. Considerations and policy measures:

- Local authorities and providers should seek to fully understand the way in which benefits can assist affordability of HWC, and for which self-funders;
- Local authorities and providers should seek to establish the most effective way of supporting benefits take-up by self-funders;
- Providers developing in-house or bringing in external expert advisers in relation to benefits relevant to older people and HWC.
- Providers and local authorities signposting self-funders to appropriately experienced and qualified independent financial advisors.

Charging in HWC and affordability

Considerations and policy measures for local authorities and providers:

- Providing clear and comprehensive information about charges to residents; self-funders need to have a clear picture of the full costs of living in HWC to be able to assess affordability;
- Clarifying the method by which charges are paid and to which organisation. In our *HWC affordability study* some of the respondents were very confused by having to pay care charges to the local authority (usually where there was a block contract) rather than to the care provider;
- Ensuring that the 'back office' system used to administer charges is simple, efficient and timely; we found examples of bills being sent out months in arrears and a lack of clarity about how charges were calculated which can make it difficult for a self-funder to manage their cash-flow in such cases.

Is equity release the solution to affordability? Can HWC residents access equity if they need it to fund on-going costs?

Considerations and policy measures:

- There needs to be a range of financial options and approaches, including mainstream equity release products, but also other methods, for example 'reverse staircasing', to enable HWC to be an affordable option for more self-funders to purchase but importantly that the on-going costs of HWC are an affordable proposition for more self-funders;

- Providers, and local authorities, may need to consider developing a wider range of options for releasing equity once an older person moves into HWC if they subsequently need additional funds to manage the on-going costs of remaining living in HWC, for example enabling care costs to be ‘rolled up’ and deducted from the equity after death.

How can older people (or their families) exit from HWC if they need to?

Considerations and policy measures:

- Local authorities and providers need to be aware that the exit arrangements are an issue that older persons and their families generally consider carefully (particularly ‘careful planners’) before taking a decision to purchase into HWC; if exit arrangements are unattractive, this can be a barrier to entry. Providers need to make available very clear information about exit arrangements and the costs to residents/their families;
- Providers having in place exit arrangements that reasonably balance the interests of providers and the interests of residents/their families.

Does the way support is funded make any difference to affordability for self-funders?

Local authorities are required to deliver substantial budget savings as a consequence of reductions in central government and other funding, which negatively impacts on funding for support in HWC. Considerations and policy measures, particularly for local authorities:

- The impact on affordability for self-funders of their approaches and policies in relation to funding for, or towards, the costs of support, particularly the 24/7 component;
- Where the liability to meet the costs of support is falling on providers, how they pass on these costs to residents will affect affordability for self-funders;
- The extent to which any mechanism to provide financial assistance to leaseholders is available and if so how it is designed to address the affordability of support charges for self-funders

Are provider and local authority interests in HWC affordability mutually exclusive?

Considerations and policy measures:

- In HWC schemes where local authorities have an interest, there should be a clear understanding and agreement with the provider about how the costs will be configured, particularly for the support and 24/7 elements of the service, to avoid ‘trapdoors’ that reduce affordability of these elements of the service for self-funders;
- Local authorities and social providers may need to revise their business relationship, perhaps towards more of a partnership rather than a contractual one, where the proportion of self-funders at schemes is increasing, particularly where it is more than 50% of residents.
- In social HWC commissioners should recognise that their referral policies should help to maintain a balance of needs within a scheme; referral policies that are exclusively focussed on referring older people with the very highest needs may deter prospective purchasers and affect scheme viability (Berrington, 2012).
- Local authorities have an interest in working with private providers to understand and influence the affordability of HWC for different sections of the local self-funding population, i.e. across the income/wealth distribution.

Modelling the service costs of HWC for self-funders by local authorities

Considerations and policy measures:

- If local authorities adopt more sophisticated approaches to modelling the impact of different HWC service and cost permutations against potential residents' income and other financial resources, they will be better able to understand the impact on affordability for self-funders;
- If commissioners are aware of and understand affordability factors and concerns from an older person's perspective, they will be able to model at a 'macro level' the affordability of HWC against the income and wealth profile of their local population of older citizens.

The impact of local authority procurement and contracting policies for self-funders

Given the likely increase in the number of self-funders in HWC, considerations and policy measures particularly for local authorities include:

- How procurement decisions will affect both the delivery of the services but also the costs to self-funders within a HWC scheme;
- Using procurement approaches that specifically promote affordability for self-funders, for example weighting the affordability/value for money of the service to residents by potential service providers;
- Working with providers to minimise any unforeseen/unintended consequences of using procurement as a method for reducing costs to the local authority which ultimately fall onto self-funding residents.

Personalisation: does it mean everybody living in HWC will become a self-funder?

Although the roll out of personalisation and personal budgets to HWC has been limited to date, for commissioners that are planning such an approach, considerations and policy measures:

- The extent to which the 'model' of personal budget holding balances the potentially competing requirements of the individual, the local authority and the HWC provider/s, i.e. is it affordable for the individual and local authority and viable for the provider; commissioners and providers will need to find an approach to 'personalisation' that personalises the service without affecting scheme viability.
- Whether the assessment and Resource Allocation System used reflects the actual costs within HWC schemes by modelling the resources available to residents, from personal budgets and potentially benefits, against current and future costs within HWC schemes;
- The 'back office' systems that need to be in place to support personal budget holders 'purchasing' services in HWC.

5. Resources and References

Resources

The New Policy Institute report ***Affordability of retirement housing in the UK*** and **JRF *Findings: Who can afford retirement housing?*** for JRF/Age UK which analysed published data (e.g. older people's income, savings, house prices, rents and service charges) to reach conclusions on overall affordability.

www.npi.org.uk/files/New%20Policy%20Institute/AffordabilityOfRetirementHousingInTheUK.pdf

www.jrf.org.uk/work/workarea/better-life

Housing & Support Partnership report for the Joseph Rowntree Foundation (JRF) ***Affordability, Choices and Quality of Life in Housing with Care*** and the **JRF *Findings*** which focuses on affordability considerations from an older person's perspective, particularly people with high support needs;

www.jrf.org.uk/work/workarea/better-life

Housing & Support Partnership report for JRF ***Whose Responsibility? Boundaries of roles and responsibilities in Housing with Care***, the **JRF *Findings*** and the related ***Practice Guide***, which focus on roles and responsibilities considerations from an older person's perspective, particularly people with high support needs.

www.jrf.org.uk/work/workarea/better-life

www.jrf.org.uk/publications/housing-care-research-practice-examples

Independent Age: ***Wise Guide - life-improving advice for over-65s***

www.independentage.org/advice/guides-and-factsheets/wise-guide.aspx

Age UK's ***Equity Release*** factsheet

www.ageuk.org.uk/Documents/EN-GB/Factsheets/FS65_Equity_release_fcs.pdf?dtrk=true

Housing LIN ***Technical Brief-Funding of Extra Care Housing***. Forthcoming 2013.

www.housinglin.org.uk/Topics/HousingLINProducts/index.cfm?tag=Report

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Annexe 1: Housing costs in HWC compared to mainstream housing

Table 3.1: Variations of standard housing costs in HWC compared with mainstream housing

Item	Type of housing	Variation for HWC
Initial purchase price	Owner-occupied HWC	Purchase price of HWC usually higher than similar-size non-retirement dwellings (e.g. leasehold flats) because of communal facilities, although some re-sale prices can be lower because of difficult market conditions, lease restrictions (age, renting out) and exit fees.
Rent	Rented (social and private) HWC	Rents may be higher than in equivalent all-age housing, but HWC includes services/facilities not available in all-age housing.
Service charge	All HWC	Service charge will be higher than equivalent all-age housing because of extent/range of communal areas/ facilities & 24/7 staff cover. But for owner-occupiers it often replaces costs in previous housing (e.g. repairs & maintenance, buildings insurance, help with garden).
Council Tax (except NI)	All HWC	Some providers report that Council Tax can be significantly higher than similar all-age dwellings because of facilities on site.
Utilities	All HWC	Sometimes included in service charge: costs depend on usage, efficiency of dwelling, other households; comparison will depend on size/efficiency of previous housing (so HWC utilities may cost less).
Food costs	All HWC	Most HWC provides a restaurant (minimum usually a midday meal most days). Charges vary: ‘pay as you go’; or included in service charge; or fixed amount per month (flexi-dining). Meal costs may be higher than buying and preparing food at home, unless resident would otherwise need to pay for support/care e.g. to shop/prepare/wash up.

Adapted from the NPI Affordability study

It should be noted that forms of shared ownership, in the context of the table above, will involve issues both in relation to owner occupied and rented housing.

Annexe 2: Weekly indicative costs of Housing with Care

Table 3.2: Weekly indicative costs of housing with care

SOCIAL RENT HWC	Rent	Service charges	Support charges	Total costs (excluding additional care / support)
England (housing associations) Source: CORE data*				
lower quartile	£65	£20	£10	£95
average	£78	£35	£17	£130
upper quartile	£90	£50	£30	£170

HWC FOR OWNERSHIP	Ground rent	Service charges	Support charges	Sinking fund / major repairs*	Total costs (excluding additional care / support)
NOT-FOR-PROFIT: MIXED TENURE	**England** (housing associations) Source: CORE data* (except ground rent)				
HWC lower quartile	Nil-£10*	£20	£10		£30-40
	Nil-£10*	£35	£17		£52-£62
	Nil-£10*	£50	£30		£80-£90
PRIVATE SECTOR	**England** Source: Newhaven Research *et al* 2011				
	£5-£12	£40+	£20+	NIL or £12 to £40+	£65-£112+

*[*Notes and sources: NPI analysis in* NPI Affordability study *of CORE data (cost to rent, service charge & support costs); indicative ground rents from* HWC affordability study *fieldwork contacts, but not all HWC has ground rents; sinking fund/major repairs contributions from Newhaven Research* et al, *but note that not all leases have provision for this, some have an exit fee instead (or in addition) at point of resale.]*

Annexe 3: State benefits and help for pensioners

Table 3.5: State benefits/ help for pensioners (weekly amounts: April 2012-April 2013)

Name of benefit	Means-tested?	Purpose	Age? Tenure?	Amounts £ per week	Notes
Pension Credit (PC):					
Guarantee Credit	YES	Minimum income guarantee	STATE PENSION AGE (SPA)	£142.70 / £217.90	To bring income to these levels (single/ couple)
Savings Credit	YES	Additional/alternative help for those with savings or occupational pension	65	Up to £18.54 / £23.73	Maximum for single / couple
PC housing costs	YES	For eligible service charges & ground rent	SPA Owner-occupiers	£0-£80	Wide variation in amounts (see text)
Disability premium	YES	Extra costs of disability	SPA	£58.20 / £116.40	if getting AA/DLA (x 2 if both in a couple getting AA/DLA)
Attendance Allowance	NO	Extra costs of disability	65+	£51.85 / £77.45	lower/upper care components; no mobility component
Disability Living Allowance	NO	Extra costs of disability	Birth-65 or older	Care: £20.55 / £51.85 / £77.45 Mobility: £20.55 / £54.05	Can keep DLA if awarded before 65 (including mobility component); includes care component (3 levels) & mobility component (2 levels)
Housing Benefit	YES	Rent, eligible service charges	Adults Social tenants	Varies; 100% for those on PC Guarantee	
HB (Local Housing Allowance)	YES	Rent	Adults Private tenants	Varies and upper limit	Upper limit set at 30% of local market rents
Housing-related support costs	YES	Elements of service charge excluded from HB/PC (e.g. % of scheme manager, community alarm)	Adults	Varies	Tenants may get this (and passported if on HB); owners probably won’t

Annexe 4: State help with care costs

Table 3.7: State help with care costs

UK nation	Age?	Free?	Lower & upper capital limits	Residual income limit	Notes
England	All	NO	£14,250 - £23,250	PC Guarantee Credit +25%	Disability benefits (AA / DLA / premiums) usually taken into account in full, but with some exceptions (See Note 1)
Scotland	Under 65	NO	£15,250 - £24,750		
Scotland	65+	Free (personal care)	N/A for personal care		Non-personal care (e.g. shopping, housework) charged as for under-65s
Wales	60+	NO but maximum charge £50 per week	£23,250	PC Guarantee Credit +35%	10% disregard of disability benefits, and see Note 1
Northern Ireland	All	NO, similar to England			Administered by health boards: no local authority involvement; lower incomes mean more people entitled to free care because below capital and income limits

NOTE 1:

When the ability to pay for care is being assessed by Social Services, they should also assess the care recipient's Disability Related Expenditure. This includes things like additional clothing and heating, private treatment (e.g. physio), complementary therapies etc. Only the remaining disability benefits and premiums should be taken into account as available for care costs. In addition, if someone receives higher rate AA or DLA care component, but only has daytime services provided, the full benefit cannot be treated as available to pay care charges: the current difference for higher rate care is £25.60 weekly.

Annexe 5: Pensioner incomes

The Pensioners' Income Series 2010-11 data

Single pensioners' income:

Table 3.8. Net income before housing costs (BHC) and after housing costs (AHC), £ per week, 2008-11

	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	Overall Mean
Net BHC	129	180	224	280	391	256
Net AHC	100	146	187	249	367	225

Source: The Pensioners' Incomes Series 2010-11, DWP (Table 4.1 page 57)

Pensioner couples' income:

Table 3.9. Net income before housing costs (BHC) and after housing costs (AHC), £ per week, 2008-11

	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	Overall Mean
Net BHC	221	313	399	524	815	497
Net AHC	197	289	379	507	799	476

Source: The Pensioners' Incomes Series 2010-11, DWP (Table 4.1 page 57)

NOTE:

Net income Before Housing Costs (BHC) is gross income with direct taxes including Council Tax payments deducted.

Net income After Housing Costs (AHC) is as above with housing costs including rent, water rates and mortgage interest payments deducted.

Table 3.10. Components of mean gross income before housing costs 2008-11, £ per week: single pensioners

	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	Overall Mean
Gross income	138	202	249	315	572	295
Benefits	118	158	189	206	203	175
Occupational Pension	9	30	42	76	180	68
Personal Pension	2	3	4	7	21	7
Investment Income	5	6	7	12	68	19
Earnings	1	3	5	12	94	23
Other	2	2	2	3	7	3

Source: The Pensioners' Incomes Series 2010-11, DWP (Table 4.3 page 61)

Table 3.11. Components of mean gross income before housing costs 2008-11, £ per week: pensioner couples

	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	Overall Mean
Gross income	243	355	464	630	1378	614
Benefits	178	229	237	222	178	209
Occupational Pension	29	71	123	206	380	162
Personal Pension	9	13	17	22	70	26
Investment Income	8	12	18	34	201	55
Earnings	16	29	67	143	534	158
Other	2	2	2	2	15	5

Source: The Pensioners' Incomes Series 2010-11, DWP (Table 4.3 page 61)

NOTES:

Gross income is income from all sources received by the pensioner unit including income from Social Security benefits (including Housing Benefit), earnings from employment or self-employment, any private pension income, and tax credits (e.g. Pension Credit).

Note

The views expressed in this paper are those of the authors, and not necessarily those of the Housing Learning and Improvement Network. We are also grateful to the Joseph Rowntree Foundation who funded the research and agreed to jointly publishing this report.

Nothing in this Guide should be construed as the giving of specific advice and it should not be relied on as a basis for any decision or action. The Housing LIN and Housing & Support Partnership do not accept any liability arising from its use. We have consulted widely and have aimed to ensure the information is as up to date and accurate as possible, but please be warned that certain areas are very complex and subject to change.

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About the Housing LIN

Previously responsible for managing the Department of Health's Extra Care Housing Fund, the Housing Learning and Improvement Network (LIN) is the leading 'learning lab' for a growing network of housing, health and social care professionals in England involved in planning, commissioning, designing, funding, building and managing housing, care and support services for older people and vulnerable adults with long term conditions. For further information about the Housing LIN's comprehensive list of online resources and shared learning and service improvement networking opportunities, including site visits and network meetings in your region, visit www.housinglin.org.uk

The Housing LIN welcomes contributions on a range of issues pertinent to housing with care for older and vulnerable adults. If there is a subject that you feel should be addressed, please contact us.

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