

Housing Learning & Improvement Network

Commissioning and Funding Extra Care Housing

Summary of essential facts about commissioning extra care and other housing based solutions for care. Most important facts about funding, what is involved, who has to be involved and how long projects can take.

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The Health and Social Care Change Agent Team (CAT) was created by the DoH to improve discharge from hospital and associated arrangements. The Housing LIN, a section of the CAT, is devoted to housing-based models of care.

Other Housing LIN publications available in this format:

Factsheet no.1: Extra Care Housing - What is it? *This factsheet gives essential basic information, explains the various forms extra care housing takes, and describes key ingredients and central principles (28.07.2003 updated August 2004)*

Factsheet no.2: Commissioning and Funding Extra Care Housing *Summary of essential facts about commissioning extra care and other housing based solutions for care. Most important facts about funding, what is involved, who is involved, who has to be involved and how long projects can take.(28.07.2003 updated August 2004)*

Factsheet no.3: New Provisions for Older People with Learning Disabilities *An introduction to the characteristics and needs of an emerging group to be provided for in developing new housing and services for older people. This includes extra care (23.12.2003 updated August 2004)*

Factsheet no.4: Models of Extra Care Housing and Retirement Communities *An explanation of the different types of retirement community and examples of how key decisions about the choice of model are made (04.01.2004 updated August 2004)*

Factsheet no.5: Assistive Technology in Extra Care Housing *AT can play a part in supporting people in extra care housing. Summary of the most common applications, with examples and where to get more details (20.02.2004 updated August 2004)*

Factsheet no.6: Design Principles for Extra Care *Basic information about key design principles and issues to consider when designing and developing a brief for a new Extra Care Scheme. Variety of models and ways of developing a range of different sites (26.07.2004)*

Factsheet no.7: Private Sector Provision of Extra Care Housing *The private sector has had an involvement in the provision of extra care housing for at least 20 years. This factsheet is intended to help statutory authorities commissioning extra care housing and private developers work together with a better understanding (21.07.2004)*

Factsheet no.8: User Involvement in Extra Care Housing *The role of the users in the development and management of extra care schemes, linked to concepts of independence, self determination, control and choice, key themes in national policy (August 2004)*

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Commissioning Housing Based Models for Care

Essential Short Facts: Extra Care Housing

Fact Sheet 2. Commissioning and Funding Extra Care Housing

This factsheet summarises essential facts about commissioning extra care and other housing based solutions for care. It also sets out the most important facts about funding, what is involved, who has to be involved and how long projects can take. The factsheet is intended to help Housing LIN members become familiar with commissioning, the funding opportunities and constraints. The factsheet is one of a series of resources commissioned by the Department of Health Change Agent Team, or made available to them for Housing LIN members. It is important to read the factsheet in conjunction with other resources www.changeagentteam.org.uk/housing

Commissioning extra care in context

Planning and commissioning extra care housing and services should be one component of a broader reconfiguration and high level commissioning strategy for older people's services (for more information see DH and ODPM February 2003, *Preparing Older People's Strategies. Linking Housing to Health, Social Care and other Strategies*, and see Extra Care Briefing Paper (Housing LIN Fact sheet 1) on the Housing LIN website.

Who plans and commissions extra care?

Planning and commissioning extra care has to be done as a partnership between PCTs, social services, housing, Supporting People and regeneration. It cannot be done by PCTs in isolation from these other partners because housing (and often regeneration) funds or resources, and approvals are required. There may be long lead in times for new developments, which require planning approvals and the support of local authority housing authorities just to get into bidding rounds for funds. Re-using existing buildings may be a quicker route but agreements have to be in place to support the mix of services required. Some buildings may require remodelling and refurbishment works and capital for this has to be identified and obtained. Strong partnerships that are prepared to develop a joint commissioning approach are essential in all cases.

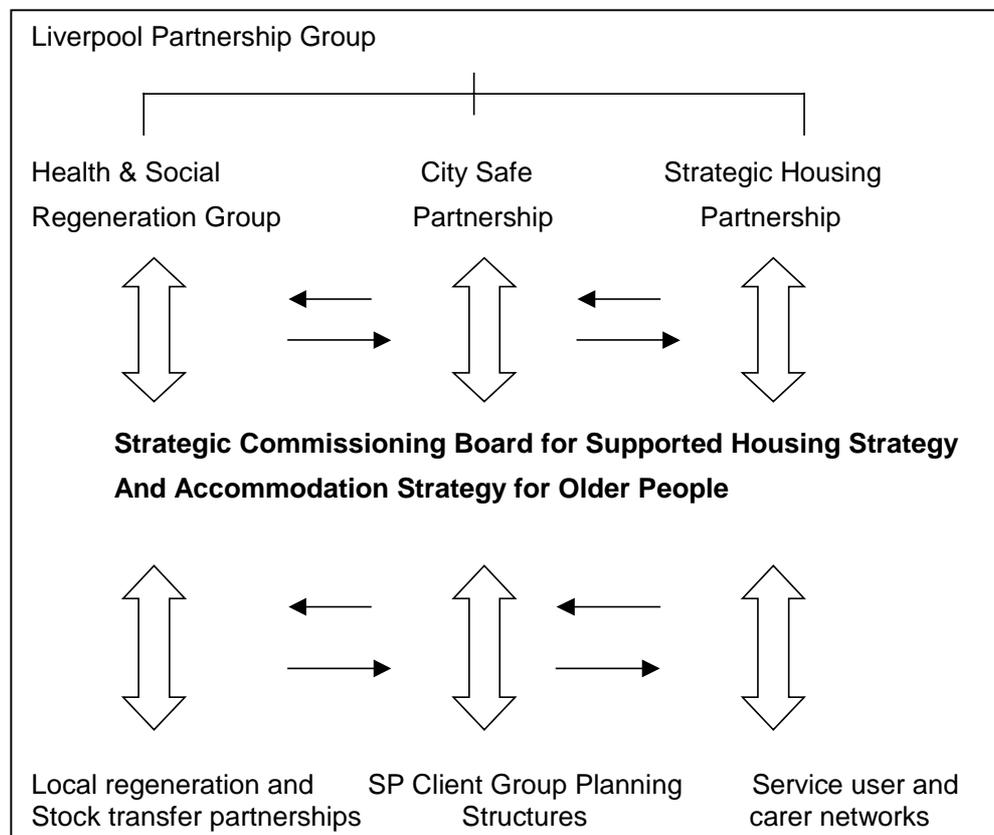
How can the partners work most effectively?

The principle of joint commissioning between health and social care is well established but involving a wider range of partners is less common. Some areas have set up a Commissioning Board in order to bring a wider range of partners together to jointly commission.

Example of a Commissioning Board

The Liverpool Strategic Commissioning Board has representatives from Housing, Supported Living (social services), Supporting People and Regeneration within the City Council and from the PCTs. It also follows the principles in *Building Capacity and Partnerships in Care*, by including as members the voluntary sector, the Strategic Housing Partnership, housing associations and the Housing Corporation, and private sector residential care and home care providers. For the first time in the City the Board brings together the planning of capital investment for housing with planning of health, support and care services. This gives the Board the ability to plan both capital and revenue investment in a strategic way across services for older people and other vulnerable groups with housing care and support needs.

Partnership and planning structure



What is the planning and commissioning process for future services?

Assuming there is a strategic direction and vision for the future that all services will follow, the key steps for planning and commissioning extra care and housed based care services are:

- Identifying the level of need
- Agreeing the commissioning process
- Clarifying which providers will provide what services

- Agreeing the capital funding route and revenue implications.

Identifying the level of need

To identify the level of need for housing based models it is necessary to have a good understanding of the whole supply of accommodation i.e. what exists already and how it could be used and, need for services amongst the older population to help them live independently, avoid entry into hospital or residential and nursing care and help people regain independence. What exists already includes specialist accommodation covering nursing, residential care, extra care and sheltered housing. Also, existing provision for people with dementia, older people with a learning disability, or intermediate care. Thought should be given to what services are required to support older people in ordinary housing, in line with the Department of Health's PAF target of supporting as many older people at home as possible.

Planning must address the diversity of the older population, particularly Black and minority ethnic (BME) groups, and different tenures. For example, if the BME population in a local area is ageing it makes sense to plan for the future diverse population. If a high number of older people are owner-occupiers it is sensible to think about leasehold extra care as well as, or instead of, rented properties.

Agreeing the commissioning process for extra care housing and services

Commissioning extra care housing and services and any housing based services for care is a dynamic process. It has various stages. A key stage is deciding to commission extra care and housing *projects (stage 1)*. When projects are completed the process continues. This is because part of the commissioning process has to focus on ensuring continuity (*see stage 9*) Continuity is achieved through having ongoing agreements including agreements on investments over time between partners who jointly take on responsibilities to make everything work. The partners also agree on responsibilities they each have to make up the whole. The over arching objectives are to benefit the older population and ensure that the outcomes being sought are clearly identified in the commissioning process.

The commissioning process for extra care services – stages

Stage 1	Deciding to commission extra care and housing based services as part of an overall reconfiguration plan for older people's services
Stage 2	Getting partners together and deciding on the partnership vehicle including commissioning agreements. Involving expert developers as partners and advisors (there is an alternative approach shown as stage 7.)
Stage 3	Mapping supply and needs
Stage 4	Deciding how much is required – what and when
Stage 5	Developing a business plan – agreeing on investments and timescales to underpin the service commissioning objectives. Ensuring that the plan is capable of following all necessary bidding, funding and approvals cycles.

	Ensuring that partners purchasing and contract arrangements are in line with the business plan, particularly where flexibilities are needed.
Stage 6	Developing a detailed project plan and timetable covering all new developments, and re-modelling and re-use of existing buildings/services.
Stage 7	Developing a project brief and specifications. Setting up a pre-tendering process, inviting developers to tender. Selecting developers as contractors.
Stage 8	Establishing a project management team to monitor and manage the projects according to service objectives. Reporting progress back to the commissioning partnership
Stage 9	Ensuring that all arrangements are in place to enable the commissioning partnership vehicle (e.g. a Board) to continue so it can meet its next objectives, commission further projects and monitor current services against service objectives. Arrangements should cover monitoring and service review procedures and processes to ensure that the partnership/Board receives such information in order to take appropriate decisions in line with stage 1

More on engaging developers at different stages

Development partners can be engaged at different stages (see stages 2 and 7 above). Two examples are given on the next page to illustrate what this means. There are advantages and disadvantages in each approach but experience so far suggests it is counter productive for commissioners to tie down the inputs so tightly that a provider is unable to contribute their experience and skills to both the building and service models, and the development process. Unless the commissioners are extremely experienced in extra care housing it can result in developments and service models that do not achieve good value for money. Put bluntly, experienced housing developers can teach inexperienced commissioners a great deal.

Housing developers include strictly commercial companies with track records in retirement housing and various equivalents of extra care. They have particular expertise in developing models of housing with care or support aimed at older people who want to purchase or lease properties. Bearing in mind that there are often more older people who are owners than renters in many localities it is worth approaching them to see if there is potential to develop in the locality. They can provide much needed housing with services for people who can afford to pay.

Involving developers at different stages: Two examples

Example one: The negotiated or partnership approach

The commissioning approach involves selecting one or more development partners (usually housing associations & commercial developers) to turn the vision and outcome objectives into deliverables. Commissioners use the experience of the development partner(s) on capital and revenue funding, on building standards, and on service models, to shape how extra care development/s are developed. Gateshead MBC used this approach with Housing 21 Housing Association.

Example two: The developer as contractor or agent

Alternatively, detailed brief and tender documents might be produced for an extra care development or programme that details key inputs (for example design details, staffing skill mix and numbers) as well as outcome requirements. A search then commences to find potential developers who are prepared to become involved in a detailed tender exercise to provide to that specification. The provider(s) who come closest are selected. County Durham Social Services used this approach in selecting Hanover Housing Association to develop a programme of extra care schemes in the County.

There will be other examples too and the Housing LIN is interested to receive these from you. Please email them to housinglin@e-a-c.demon.co.uk.

Clarifying which providers will provide what

There is the development or building, and then there are the services. Services can be configured in various ways. Here are two popular approaches.

- An integrated approach where the same organisation owns the building and provides the housing management, care and support services
- Separating housing and care so that the developer provides the housing management services and another service provider delivers the contract for the care and support services. This model is often used when the organisation providing the building and housing management services is not a domiciliary care services provider

Which services and models should be agreed?

Views differ on the level of direct services that need to be provided on site. Some commissioners think it is vital to have 24 hour cover on site. Others believe all that is needed is a good communication system such as a community alarm service that gives individuals quick effective links to a flexible overnight visiting care and support service e.g. provided by an upgraded mobile warden/rapid response service. The keys are:

- The dependency profile of people living in an extra care development, and the 'market' being aimed at, and
- The level of flexibility and responsiveness that the night-time visiting/rapid response service is capable of providing.

There are revenue implications from service levels. We look at them later under funding.

Is there an optimum size of development?

Opinions are divided. Larger developments can achieve economies of scale, but small developments are sometimes all that is required particularly in rural areas. Clearly, the smaller the development the less opportunity there is to achieve economies of scale for occupants, although economies may be made by using the development as a place to locate other services for the wider community (see Fact sheet 1: *Essential Short Facts: Extra Care Housing* on the Housing LIN website).

Some commissioners wish to develop larger schemes of 40-60 flats/bungalows to achieve economies of scale, and to have a wider mix of residents in terms of dependency levels and health and care needs. There is certainly evidence from older people living in extra care housing that a mixture of more active older people (who may also have health conditions or disabilities) together with frailer older people makes for a more normal 'healthy' community, and reduces the likelihood of having an 'institutional' feel.

It may be unnecessary to have on site 24 hour cover. Successful extra care schemes have been developed as part of a re-provisioning plan for residential care without 24-hour care or support services on site. However, the lack of waking night cover on site may limit the range of referrals that can be supported as an alternative to residential care. Commissioners have to seriously consider what is required.

Agreeing the capital funding route and revenue implications

As we noted earlier, an important part of the commissioning process is agreeing the capital funding route and, revenue implications and agreeing on how these will be met. To get these elements agreed it is necessary to understand where the funding comes from, how, who assembles it, and when. We give a basic overview next. See forthcoming Housing LIN fact sheet will provide much more detailed information on capital and revenue.

Funding

How is extra care funded?

Funding is best seen as a series of different inputs. They are:

- Capital > for building costs
- Revenue > to repay loans for capital building costs
- Capital and revenue > for services

Capital

There can be big variations according to, for example, differing land values in different parts of England, as well as more local factors such as location, site, and standards for the development. Two examples are given below

Building from scratch ('new build') example

A development with 35-40 flats for 'affordable' or low cost rents

Build costs £4m

£2.6m-£2.8m (65-70%) public subsidy required to achieve target rents

Remodelling an existing building example

Re-modelling a suitable existing sheltered housing 'scheme' to re-provide 30 extra care flats with 'affordable' rents

Average building costs £2m

£2.2m public subsidy required

Revenue

In rented extra care housing tenants pay rent for their flats and people with low incomes can get Housing Benefit to help cover the cost. Rents are generally between £100 and £150 a week including service charges.

There are various links between revenue and capital that have to be understood. Looking at rents first, rent levels impact on amounts of private finance that housing associations can borrow towards the capital costs of new schemes. At present housing association rents are being restructured and targets for rents are tending to be kept down in order to make them affordable to low income groups. Taking support services next, occupiers in all extra care schemes are expected to pay for the support they receive. If they have low incomes or they get Housing Benefit the support charges will be paid by the local Supporting People Fund. Obviously one of the considerations for commissioners and service providers is ensuring that the costs of providing support services can be covered, with some degree of certainty, by an identifiable revenue stream. Typically this involves self-payers and/or people whose costs are met by Supporting People.

As far as charges for care are concerned all occupiers of extra care schemes (tenants, owner-occupiers and leaseholders) have to pay all or a minimum amount (depending on income) for their care costs. Care costs run between £40 and £100+ per week. The amounts charged depend on several factors. Most importantly on the level of care provided (e.g. 24 hour cover), how care is commissioned, and who provides it. Other factors also come into play such as, the local market, labour availability and local pay levels.

Care commissioning and revenue implications

Care could be commissioned on an individual client basis or for the scheme as a whole using the economies of a block, or cost and volume contract. Block and cost and volume contracts have the added advantage of providing more flexibility, for example, enabling providers to step up care for a short time for someone who needs it, and then reduce it later.

Where the purpose is to offer an alternative to residential care, or intensive intermediate care, and it is desirable to have a 24 hour care team on site, then a minimum of around 300 care hours a week are generally needed to make it

financially viable. There are quite complex permutations about size of development and service commissioning arrangements that have implications for revenue as this illustration shows.

A leading developer¹ estimated in 2003 that if service commissioners want overnight cover to be provided on site 40 apartments or living units would have to be developed that would be occupied by people with some dependency needs as a minimum to make overnight cover on site financially viable (in terms of revenue).

Identifying the capital funding route

Four main routes have been used. They are:

- 1 A capital programme largely funded by the Commissioners, together with private finance raised by the developer. Few, if any commissioners currently have the capital to pursue such a route
- 2 A capital programme funded through the above plus Social Housing Grant (SHG) from the Housing Corporation. This is the most used funding mix at the present time²
- 3 Using the Private Finance Initiative route. Hammersmith and Fulham are an example
- 4 Working with a private developer who develops a leasehold extra care development and passes the capital costs on to the private purchaser of the extra care flats or bungalows. This is a common and well-tried route used by Bovis and McCarthy & Stone amongst others. It depends on getting planning consents from local authorities (and in future from regional bodies).

New funding options are emerging. For example:

- The Joseph Rowntree Foundation has developed an insurance model to provide the capital finance for Hartrigg Oaks, its continuing care community in York. Here, applicants can choose three options - a full refundable residence fee; a non refundable residence fee; or an annualised residence fee
- Mixed tenure developments, where one of the aims is to cross subsidise some of the capital costs of the rented units by making a surplus on the price of the 'for sale' units. (This is a well-known route for ordinary housing developments in regeneration areas but is less well used for extra care)

The Department of Health announced on 2 July 2003 (press release reference 2003/0248) a cash injection totalling £87m by 2006 (£29m in 2004-05 and

¹ Housing 21 Housing Association

² SHG from the Housing Corporation (Approved Development Programme) and SHG funding via local authorities is now part of one funding pot and Regional Housing Boards will administer future funds.

£58m in 2005-06) to grow the development of extra care housing. DH will run the fund in conjunction with the Housing Corporation. Further guidance on the funding criteria for 2005-06 and bidding arrangements was announced on 31 July 2004. This information is available on the Housing LIN website at www.changeagentteam.org.uk/housing. (A further £60m is announced in the Spending Review for 2006-2008).

Timescales

Taking into account all the different aspects such as obtaining and purchasing land, planning approvals, assembling funding and so on, a problem free new build development can take up to four years. Re-modelling existing buildings into extra care can take less time but it depends on how much remodelling is needed, and on costs. Re-using existing buildings and making little or no changes can provide some 'quick wins'. It is important for commissioners to have realistic timetables in mind and to use all the options available.

Summary points and what to do next

This note gives essential facts on commissioning extra care, sets out the key stages in the process and describes the main funding elements.

- Extra care and other housing based projects are commissioned in line with strategic objectives to achieve certain strategic and service outcomes
- Commissioning extra care is a process
- It needs a strong partnership between housing, health, social care, Supporting People and regeneration. Without this the demand and need for extra care cannot be scoped accurately and extra care cannot be commissioned effectively
- A commissioning vehicle such as a Board is required that can oversee projects and, work through the process
- Commissioners need to decide together which models would work best and there are examples to help them. Extra care can be new or can use remodelled buildings including sheltered housing. They can be large or small in size. There are financial implications arising from size and service models
- Commissioners can decide when they involve developers. Developers may be invited early on in the process to apply their expertise and help shape the commissioning process. Alternatively they may be asked to tender for contracts later on. There are advantages in involving expert developers early on.
- Commissioning partners have to pay attention to the continuity of services. This is achieved by ensuring that agreements including investment agreements, protocols and flexible purchasing arrangements are in place between partners over time.

- Funding involves capital and revenue from various pots. The permutations get complex. Build and land costs have knock on effects on affordability for all occupants of extra care housing. The same is true of care, support and housing management costs.

More reading, contacts and links

For more on types of extra care models, commissioning and funding see:

A paper (forthcoming) from the Joseph Rowntree Foundation Task Group on the Future of Housing, Money and Care for Older People looks in detail at types of housing based models for care and key issues affecting the future older population. The paper called, *Quality of Life for Older People: From Welfare to Well Being* will be available soon – see www.jrf.org.uk.

Notes from a Two Day Master Class on New Strategic Working and Commissioning held at the University of Birmingham 7-8 May 2003. (Includes presentations on key subjects). Available from the Housing LIN website www.changeagentteam.org.uk/housing .

Extra Care Housing for Older People: An Introduction for Commissioners by Contact Consulting for the Department of Health, 2003 available from the Housing LIN website.

Citizenship and Services in Older Age: The Strategic Role of Very Sheltered Housing by P. Fletcher, M. Riseborough, J. Humphries, C.Jenkins, and P.Whittingham - Peter Fletcher Associates, published in 1999 by Housing 21.

For information on how to appraise existing provision for fitness to remodel and the do's and don'ts of remodelling see:

Involving Older People in Upheaval and Change to their Housing Environment, published in 1998 by Housing 21

Remodelling Sheltered Housing by M. Phillips, E Trotter and L Watson, published in 1997 by Housing 21.

For information on extra care housing design (including people with dementia) see:

Homes for the Third Age – available from Hanover Housing Association

Links and contacts

Housing 21 Housing Association – a good source for information, research and publications on older people’s housing and extra care. Telephone 01494 685200

Hanover Housing Association – also a good source. Visit their website at www.hanover.org.uk

Anchor Trust – another good source. See research and other publications on their website at www.anchor.org.uk

Joseph Rowntree Foundation – produces guides, research reports and short research ‘Findings’. Find them on their website www.jrf.org.uk

The Housing Corporation - funds research and good practice and has a database of research and good practice under their Innovation and Good Practice programme (including extra care.) Go to <http://cig.bre.co.uk/igp/new/main.jsp>