



Local Integrated Service Trusts - A Sustainable Funding Model to Deliver Extra Care Housing?

With a recent Social Care White Paper setting out a new direction for adult social care, this Viewpoint explains how Local Integrated Service Trusts could provide a sustainable vehicle for effective joint ventures between local authorities, social housing providers, charities and the private sector to develop capacity and investment in care at home in extra care housing. It draws on a round table discussion recently hosted by Bevan Brittan LLP which explored the scope for “Mission Investment” to help meet the challenges of funding housing for older people and people with long term conditions.

Written for the Housing Learning & Improvement Network by **Stephen Hughes**, Senior Partner at Bevan Brittan LLP

July 2012

The Context - why is a Local Integrated Service Trust needed

The outcome of the last Comprehensive Spending Review made clear that public services needed radical transformation not just in the nature of the services that are delivered but in integrating delivery between public sector bodies. The work already completed on Total Place provided real evidence of how much financial waste and inefficiency exists and painted some very vivid pictures of how much benefit a radical approach to change could bring. Its replacement, the new Community Based Budgets, will be an important feature of government policy going forward and shaping future local investment decisions across both public bodies and the enterprising involvement of the private and third sectors. However, this will require closer strategic partnership working, a better understanding of local markets and, where there are shared outcomes, trust to develop local integrated services.

To this end, participants in the roundtable discussion suggested that Registered Providers and Charities may be well placed to make investments not only as part of their commitment to local communities but also to produce future income for the operation of their organisation. In addition to investment funds derived from income, many Registered Providers have considerable assets where there may be opportunities to borrow against and many charities have substantial endowments whereby they are free to use the income from the endowment but are not to expend the capital in the delivery of its objectives. It is estimated that there is over £15billion of endowment funds invested by charities in the UK.

With regard to the latter, it was noted that there has been a recent policy change emanating from a desire to see the multi-billion asset bases of charities raised for the public good. This has resulted in a change to the Charity Commissioners rules on social investment. This presents charities with a new opportunity to see the investment decisions that they need to make as a means of not only providing financial return but also providing social return that can be closely aligned to their charitable objectives.

In the wider public service market, it was highlighted that there is a recognition that support for the most vulnerable members of our communities is not delivered effectively, whether planning new forms of supported housing or developing person-centred services that reflects their needs and aspirations. Participants stressed the need for a greater emphasis on early intervention with public sector commissioners and further evidence about the 'dividend' of moving resources from fire-fighting the effects of poor prevention to payments direct to individuals with chaotic lives to meet their lifestyle choices and any social care and support needs paid for by social care and the NHS (see Housing LIN viewpoint no.21¹).

It was also pointed out that the government's recent announcement in the Budget of a consultation of Real Estate Investment Trusts and the creation of the Big Society Bank, could also lever in opportunities to access funding to develop a mix of affordable housing, including extra care housing, where it can be demonstrated that there is a favourable return on investment above lending base rates (see Housing LIN paper on Social Finance²).

What is a Local Integrated Service Trust

The purpose of this 'viewpoint' is to look at one model that can provide an opportunity to bridge the gap by creating a local social enterprise, one owned by the local public sector stakeholders that can broker the change, backed by social investment funds where necessary, including bonds. Indeed, many Registered Providers (RPs) and charities are already looking at how to raise finance on the capital markets as reductions in public expenditure such as subsidy and grants begin to bite. Indeed, the Housing Investment Corporation report that in 2011/2012 RPs raised a total bond portfolio of £1billion (more than

¹ www.housinglin.org.uk/_library/Resources/Housing/Support_materials/Viewpoints/Viewpoint_21_Prvention_and_Early_Intervention.pdf

² www.housinglin.org.uk/_library/Resources/Housing/Support_materials/Viewpoints/Viewpoint16_Institutional_Investors.pdf

half the amount set aside in the National Affordable Housing Programme (administered by the Homes and Communities Agency) to fund their new affordable housing initiatives and/or make improvements to existing stock.

In this model, developed by Bevan Brittan working with several local authorities, the social enterprise - the body we have called the local integrated service trust (LIST) - would be owned by as many local public bodies as possible to access the Coditel exception, designated as a body in its own right and with the benefit of the de-regulation and contracting out order so that it can act on behalf of various local public authorities. The role of this LIST would be to:

- Broker budgets between the commissioners and apply an integrated budget towards services that would improve the lives of the most vulnerable through early intervention and transformation services, such as extra care housing;
- Act as a conduit for social investment to accelerate the application of funds in intensive support in the many areas proven to deliver cashable savings sufficient to repay the investment, albeit over a longer timeframe;
- Engage with its community in co-producing such interventions and in the process develop a sustainable supply chain of local enterprises viable in the longer term with the capability to 'invert the triangle of care' and reduce/divert demand for more costly health and social care.

In particular, and as illustrated in Appendix Two, it was pointed out that the LIST would be able to:

- Identify projects where investment in service change would provide an overall benefit in reducing waste; achieve efficiencies or cost savings, or making quality improvements for users. The outcomes of Total Place pilots would provide the starting point for many localities. An extra care housing LIST with its requirement for close cooperation between commissioning, funding and delivery partners could offer a 'win-win' situation for housing, health and social care economies;
- Broker the change by transferring the risk of delivery away from individual organisations, pooling the opportunities and benefits, supported by social investment funds where necessary. This is illustrated in a hypothetical example, "Downshire" in a short piece which is attached;
- In its brokerage role, the LIST would be principally a facilitator, extending to supply chain manager, but it could also assume a role as part commissioner and that commissioning role could expand over time, building on past successes with the encouragement and support of its member organisations;
- Keeping it simple would mean that this LIST should pick up easy targets to start with but over time and where there is local ambition to do so, it could develop into a procurement hub for services more generically e.g., to manage some of the 'up front' capital and revenue risk;
- Profits over time can be re-invested in projects that meet local priorities, some of which may have higher risks or longer term payback.

Taking forward the LIST

The model outlined in the roundtable discussion is shown diagrammatically in the flow chart attached at Appendix One. The current government has shown itself much less prescriptive about the form that delivery takes – the lack of structure around Local Enterprise Partnerships is a good example – and we think that there is very little, if anything, that prevents such a model being implemented now. In addition, with less public grant available

for affordable housing and fewer PFI contracts let, public organisations are in real need of an effective forum to identify partnership working and real service transformation; a LIST could provide a forum for achieving not just strategic direction but practical implementation. Furthermore, with the demise of primary care trusts, there is a particular need to engage with GP commissioning consortias in integrating health and social care at a delivery level which is outside of the ambit of any Health and Well Being board.

The discussion group also recommended that more thought be given to some of the legal and commercial issues that would need to be addressed. For example:

- Whether the LIST acts as principal or agents for its members?
- The need to satisfy EU procurement rules and the potential to exploit the Teckal exemption;
- The contractual basis for sharing risk and reward between the LIST and its members on a project by project basis – in effect, how to create the incentives to implement the findings of Total Place;
- Access to and use of social investment funds, including bonds;
- Bringing on board appropriate private sector expertise in managing projects and risk;
- The choice of organisational form for a LIST;
- Constitutional and government arrangements, including key terms for the shareholders/members agreement.

Conclusion: a sustainable offer?

The roundtable discussions highlighted that there is an opportunity for housing to combine the need to preserve charitable endowments and safeguard asset management in safe investments and thereby release social value. As the recent evaluation of the Department of Health extra care housing programme demonstrated, access to housing, including specialist housing such as extra care, can be integral to transforming the lives of many vulnerable people (see PSSRU summary for details³).

However, to develop programmes such as extra care housing at scale requires new and imaginative methods of accessing capital. The roundtable discussion felt that even if a small proportion of the £15billion endowment funds held by charities could be released, the social capital would be enormous and would help stimulate greater shared equity. Augment this through a LIST partnership with commissioners focussed on early intervention, partly funded by social investment and with a focus on pooled budgets/integration and there would be a potential to transform the nature and outcome of public services, both in commissioning and procuring new innovative housing with care solutions – the bricks and mortar – but also the way services are managed and delivered, including self-funded markets.

It was reported that this approach has previously been similarly applied with health and social care agencies through local infrastructure finance trust (see Housing LIN case study no.47⁴). However, unlike local investment financial trust, a LIST partnership could entail:

- The construction of a purpose-build accommodation for older people e.g. extra care housing or supported housing;
- A service level agreement (SLA) between the council and any other commissioners to offer on-site housing support and person-centred care;
- The charity making funding available to pay for the construction, i.e. as a secured

³ www.housinglin.org.uk/_library/Resources/Housing/Research_evaluation/PSSRUsummary.pdf

⁴ www.housinglin.org.uk/_library/Resources/Housing/Practice_examples/Housing_LIN_case_studies/Case_study_47.pdf

loan on the property (or a share or geared to accommodate any other loans secured by the developer e.g. Registered Provider or housing association, and

- Consideration of retaining any nomination rights within the SLA over the built units, or delegate to the local council or housing association to ensure that they remain in use to fulfil its charitable objectives.

In addition, the roundtable discussion drew out that similar arrangements could be applied to a whole range of vulnerable client groups and develop premises and/or utilise former NHS land, that could be used for other commissioned services for older people e.g. sub-acute and wider community health services such as intermediate care and reablement services, with an emphasis on care for those with a long term condition, keeping patients out of hospital or if they need an episode of acute care to make their length of stay as short as possible, or even facilitate the provision of end of life care at home. Such objectives could potentially not only meet the objectives of charities supporting older people generally but also those supporting specific conditions such as dementia, learning disability, mental or sensory impairments (see One Housing Group paper⁵).

And finally, it was also noted that where an authority has undertaken a Market Position Statement (see the Housing LIN/ADASS Strategic Housing for Older People Resource Pack, 'Planning designing and delivering housing that older people want' for details⁶) and assessed the future demand for affordable and mixed tenure extra care housing and associated on-site and community services, a LIST could be the ideal joint venture to increase the supply of extra care housing and meet both local residents lifestyle aspirations and a health and social care need. For Registered Providers and charities, some of the key questions identified to take this forward were:

- What funds do they already hold and are therefore available to invest in extra care housing?
- Are there any restrictions on these investments?
- What are the likely implications of welfare reform on rent and services charges?
- What are the likely implications of personalisation and future commissioning of personal care and support 24 hours a day?
- What is the Registered Provider/Charity investment policy or charitable investment objectives?
- What return are the Board or Trustees looking for on an investment, both financial and social value?
- How does potential investment in assets also meet service priorities? Do the two need to be linked?
- What security does the Registered Provider or Charity want to secure? From whom? And over what period?
- What is the gearing on the investment?
- What are the implications on other private investments or institutional loan arrangements?
- Is there scope in attracting partners to invest in an extra care LIST?
- Who else would one need to involve e.g. Homes and Communities Agency, Housing Finance Trust, the Charity Commissioner, other?

⁵ www.housinglin.org.uk/pageFinder.cfm?cid=8523

⁶ www.housinglin.org.uk/SHOP_resource_pack

Acknowledgement

I am grateful to Jeremy Porteus at the Housing LIN for his additional contributions.

The views expressed in this paper are those of the author, and not necessarily those of the Housing Learning and Improvement Network.

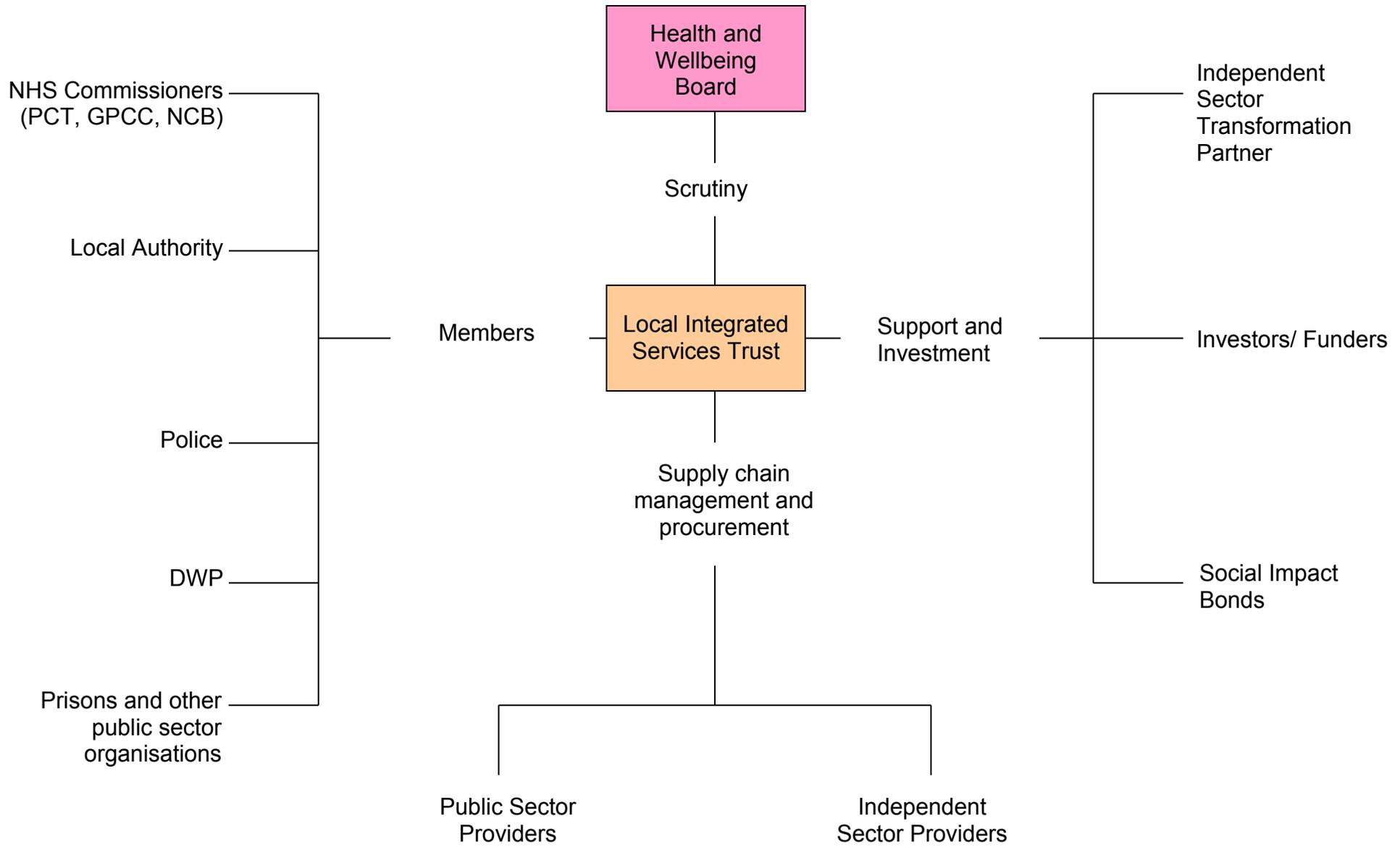
About the Housing LIN

For further information about the Housing LIN and to access its comprehensive list of on-line resources on housing with care, visit www.housinglin.org.uk/resources

The Housing LIN welcomes contributions on a range of issues pertinent to Extra Care Housing. If there is a subject that you feel should be addressed, please contact us.

Published by:
Housing Learning & Improvement Network
c/o EAC,
3rd Floor, 89 Albert Embankment
London SE1 7TP
Tel: 020 7820 8077
Email: info@housinglin.org.uk
Web: www.housinglin.org.uk

Appendix One



Appendix Two

Downshire Integrated Service Trust

A Five-Year Review

Downshire Integrated Services Trust (“DIST”) was formed 5 years ago by the principal public authorities which delivers services in Downshire to improve and integrate public services within the County. Whilst not extra care housing specific, it demonstrates how a LIST could be applied to deliver public services and lever in capital and revenue funding to sustain local services.

In DIST, the problem was that each of the public authorities were commissioning or cutting public services which impacted on the volume and nature of the services which other public authorities were commissioning and no-one was holding the ring between them. The critical point came when Downshire County Council cut 50% off its road safety budget and turned off the safety cameras to save £250,000, resulting in an estimated increased cost of £100,000 to the Ambulance Trust and £100,000 to the Fire Authority in responding to road accidents, and £200,000 to the Upton Hospital Trust’s A&E Department. As a consequence, the Hospital Trust cancelled 200 hip replacement operations to save £500,000 and stay within budget, leaving Downshire County Council with an additional cost of £700,000 in additional domiciliary care for residents who were unable to care for themselves as a result of incapacity. This also cost employers in Downshire (including the County Council, the Hospital Trust, the Fire Authority and the Ambulance Trust) an estimated £500,000 in statutory sick pay, temporary employment cover and loss of production. This example was replicated across the public authorities as the cuts began to bite.

The Downshire authorities had known this was a problem, but a total of 5 Overview and Scrutiny Committee meetings and 6 Joint Chief Executives’ and Leaders/Chairman’s meetings had failed to come up with a practical solution. In frustration, the Chief Executive of Upton Borough Council made the authorities a proposal, as follows:

“Upton Borough Council and its neighbour Middleton District Council propose to share a Chief Executive, and I am prepared to volunteer for redundancy. But rather than my take half a million in redundancy and bringing my pension forward by 5 years, Upton is prepared to use that money to establish an Integrated Service Trust as a company limited by guarantee, owned by all the public authorities, to act as a common commissioner of services for those authorities, and I will act as the Director of DIST at 75% of my present salary.

“My job on DIST will be to identify areas where the public authorities are commissioning services where there are such clear overlaps, and come to each authority with a proposal under which each authority can commission its services through DIST.

“For example, I know that, by paying a bit more than the County Council would ordinarily spend on family support for problem children, and commissioning enhanced services, DIST can produce a bigger saving for the Police Authority in not having to deal with criminality by those children. So I can say to the County Council that, if they use DIST to commission family support services and promise DIST the current budget minus 5%, DIST will buy a 25% increase in family support service. Then DIST can go to the Police Authority and say that, if DIST can produce a reduction in the Police Force’s costs on dealing with youth criminality from these families over the next 5 years, they will pay DIST half of the saving every year.

“I can replicate that for such areas as –

- highway maintenance and dealing with traffic accidents and insurance claims;
- extra domiciliary care enabling earlier discharge from hospitals; or
- extra health education saving expenditure on hospital admissions and outpatients, on family breakdown and extra housing costs arising from teenage pregnancies.

“I can even take it into the private sector to give cash incentives to retailers to cut packaging, saving the District and County Councils costs on waste collection and disposal. It is my job to identify those opportunities, to set up the deals, and to act as contract manager to ensure that those savings and service improvements are delivered.”

DIST started off at a relatively small scale, cherry-picking targets where the authorities had failed to reach agreement and acting as an independent broker. Its great advantage was that it could act as honest broker between public authorities and offer a mix of service enhancement and cash savings. The principal public authorities gave it a loan guarantee which it used to borrow working capital which it invested in service enhancements which had longer pay-back periods.

It really took off when it persuaded DCLG to make an order under the Deregulation and Contracting-Out Act 1994, which enabled the public authorities to delegate functions to DIST, so that it could have statutory powers directly delegated to it. That has enabled it to commission road and housing improvements directly, and to enter contracts with both the authorities and with private and voluntary sector organisations for the delivery of the enhanced services. So we are moving to a position where, increasingly, each public authority determines the service levels which it needs to meet its statutory obligations and makes that budget available to DIST, and then DIST, working with the authorities' professional staff, identifies the opportunities, puts a proposal to each authority, and then undertakes the commissioning or procurement of the enhanced or integrated services on behalf of those authorities. Not every case has paid off. Sometimes the extra investment has not produced the saving for the other authorities, but, overall, DIST's ability to pick winners has paid off. But as profits arrived, it has put 75% of the profit into paying off that initial debt, researching new opportunities and investing in deals which have a longer pay-back period. The other 25% is covenanted into a separate charity fund at arms length from the public authorities which has a Board of community representatives and is committed to their priorities for improving Downshire as a place to live and work.

The legal structure as a company limited by guarantee enables each of the public authorities to play a positive role in DIST. The trust model secures the financial benefits of charitable status and ensures that savings are ploughed back into service enhancement and community benefits. But above all, it enabled the authorities to develop a strong financial incentive in DIST's success and positioned it as a trusted, honest broker between the public authorities. The end result for each of the public authorities has been:

- Cash-back savings for the public authorities;
- Enhanced and more effective services for the same cost;
- Integrated services procured on behalf of a number of public authorities;
- More focus on the achievement of measurable outcomes;
- Win-win, low risk solutions for the public authorities;

- A simple and proven mechanism which can accommodate changes in the responsible authorities, for example from PCTs to GP Commissioning bodies;
- A brokerage service between the public authorities even where no cash savings are available, encouraging a climate of openness and joint working;
- Retaining democratic control and accountability in each public authority, but increasing public respect for the capacity of those authorities to deliver co-ordinated services; and
- A strong community-managed fund with real spending power for improving Downshire.

In all this, the key factor is the steadfast refusal of DIST to go beyond the boundaries of Downshire and its commitment to incremental development. It is those factors which have retained local confidence and loyalty, and enabled DIST and its participating authorities to flourish. Could such a model be developed to achieve sustainable extra care housing in your area?

We are grateful to Bevan Brittan LLP for allowing the Housing LIN to update and reproduce this example. Bevan Brittan retain the original copyright.