

## Consultation on funding supported housing Submission by Anchor, Hanover and Housing & Care 21

Anchor, Hanover and Housing & Care 21 are the three leading providers of sheltered housing in England. Together, we provide services for almost 100,000 residents. We welcome the publication of the policy statement and the opportunity to comment on the consultation document on funding sheltered housing. As specialist providers of housing for older people we have focussed our submission on the funding of sheltered housing.

We congratulate the Government in listening to the sector and older people and publishing proposals that can deliver a sustainable future if implemented appropriately. This represents very significant progress. We have identified a number of issues that require clarification so that providers of specialist housing for older people can have confidence to sustain existing services, develop new schemes and bring forward investment in new technology to assist vulnerable people.

The 'Sheltered Rent' concept appears to recognise the essential and varied role that this type of housing plays for older people, their individual wellbeing and the benefits it creates for health and social care, as well having the potential to reflect the true cost of providing these services. It recognises the crucial role played by housing for older people in reducing the requirement for higher-cost social care and health services (estimated in recent research sponsored by us as a saving of around £450m per year to the NHS - Demos (2017)<sup>1</sup>), as well as the urgent need for the development of additional sheltered housing.

Nevertheless there is still a significant volume of detail missing on how these proposals will work in practice. We are keen to work with government to find appropriate solutions to ensure we can deliver the specialist housing for older people that we all want to see.

- What are the indicative government spending plans to fund supported housing and how is this split between sheltered housing, short-term supported housing and long-term supported housing? This will indicate the likely impact, helping the sector to contribute to the design of the system.
- What evidence on the true cost of providing sheltered and extra care housing will be used to set the regulated sheltered housing rent and will there be regional (or other) variations in the regulated rent?
- How will the regulated rent be calculated in future years and how will this impact on existing schemes? The level of the regulated rent in the future is obviously a key factor in determining whether providers are confident to invest in developing new schemes.
- The consultation refers to a greater role for tenants but what does this mean in practice? We already work effectively with tenants to help them to understand their charges and provide input into how services are provided through the provision of clear information and effective consultation.

## Responses to the questions within the consultation document

**Question 1: We would welcome your views on the following:**

**a) Sheltered Housing definition: what are the features and characteristics of sheltered housing and what would be the practical implications of defining it in those terms?**

**b) Extra Care definition: what are the features and characteristics of extra care housing and what would be the practical implications of defining it in those terms?**

**c) Is there an alternative approach to defining this stock, for instance, housing that is usually designated for older people? What would be the practical implications of defining sheltered and extra care supported housing in those terms?**

Sheltered housing helps older people to maintain their independence and reduces the risks of them needing higher-cost social care and health services through providing high quality accommodation and support services. It does this by:

- Preventing falls which can be serious in older people, as well as costly;
- Allowing existing conditions to be managed;
- Heading off crises that would otherwise end up in A&E;
- Allowing safe discharge from hospital and preventing re-admissions;
- Tackling loneliness and isolation;
- Responding to the needs of those with substance misuse and mental health issues; and
- Creating a sense of community which helps mitigate the impact of social isolation and gives a greater sense of security.

Specialist housing for older people allows older people to move to smaller homes that are more affordable, accessible and easier to maintain. This also frees up valuable family housing, making better use of the existing housing stock.

It is important that definitions of sheltered housing and extra care housing are sufficiently flexible to recognise the range of current provision, allow change in the future to respond to the changing environment and support innovation in developing new models of housing and services. As a result, we recommend that there should be a series of indicators of each type of housing which providers use to designate schemes as sheltered or extra care housing. Boards should be expected to complete this process fairly and any failure to do so could reflect poorly on that organisation's governance.

Our recommended definition of **sheltered housing** is housing let to older people that reflects a number of the following indicators:

- Linked to an emergency call system;
- Visiting or on-site manager part of the week;
- A minimum age criteria of 55 unless there are exceptional circumstances for individuals;
- Some communal facilities such as well-maintained gardens, a lounge, and a laundry;

- Physically designed to offer good accessibility standards;
- Accommodation located within a common boundary;
- A mutually supportive community of older people, increasing their sense of security and wellbeing; and
- Support services aimed at initiating timely interventions, helping to maintain individuals' independence within their home and reducing their need for health and social care.

Our recommended definition of **extra care housing** would include some or all of the following additional indicators:

- Aimed at frailer older people who have, or anticipate, a care need;
- A greater amount of communal space and facilities (e.g. assistive bathing, rooms for visiting services, hairdressers);
- Restaurant or a café;
- Care services available 24 hours a day;
- Lettings normally completed through a process that involves the provider, adult social care and the housing authority; and
- The aim to maintain individuals' independence with the support of the care team.

Once accommodation is designated as sheltered housing or extra care housing this should be a permanent designation. Providers should be expected to recognise when a designation should change due to a change in use or services provided.

We must point out that some of the terminology used in the consultation document does not reflect that currently used by providers and customers. Sheltered housing is no longer a term that is widely used in the sector. Providers tend to use terms such as retirement housing. The term extra care housing is widely recognised. Providers do not employ staff in roles called Wardens. These roles are called Court Managers, Location Managers or Estate Managers, reflecting their role in managing schemes as well as contributing to the support provided.

**Question 2: Housing costs for sheltered and extra care housing will continue to be funded through the welfare system. To meet the Government's objectives of ensuring greater oversight and value for money, we are introducing a 'Sheltered Rent' to cover rent inclusive of eligible service charges. How should the detailed elements of this approach be designed to maximise your ability to commit to future supply?'**

The calculation of the Sheltered Rent includes the existing method to calculate the rent element that is already regulated by the Social Housing Regulator and is monitored through the annual Statistical Data Return. The additional element that is proposed to be covered by regulation is the eligible service charge element. It will be more effective if this element is controlled separately rather than applying the control on the gross charge. In some small geographical areas there can be relatively large variations in the formula rent due to the calculation being based on house values and average earnings. If the Sheltered Rent is set nationally or according regional bandings this will penalise those schemes with a high rent because there will be

relatively less service charge capacity between the formula rent and the gross regulated rent.

It will be preferable if the additional regulation would apply to the eligible service charge element. As a result, the maximum gross rent for **each property** would be:

***Formula rent + or - 10% plus regulated maximum eligible service charge for that banding***

This approach would allow rents to reflect the local market while the service charge can reflect the true cost of providing the services with some control to tackle service charges which are excessive and unreasonable.

Service charges are a method to recover the true cost of providing services on schemes. The setting of service charges is governed by legislation that allows tenants to challenge any charges they believe to be unreasonable, providing a significant level of control in the level of service charges.

The cap for eligible service charges should reflect the true cost of the services covered by the charge so schemes with reasonable costs remain viable under the new funding model. It will be beneficial to complete a data collection exercise through which providers submit their rent and service charges broken down into a limited number of main headings. The data should then inform whether there should be bandings to reflect location, scheme size or other key variables. Analysis of our joint data does not indicate any clear pattern across geographical regions but there will need to be data analysis across the sector to understand if there is the need for regional bandings of the cap.

Costs also vary according to the type of accommodation. For example, extra care housing tends to have greater amounts of communal areas leading to increased energy, cleaning and maintenance costs. As a result, we recommend that there should be two bands based on the definitions of the different types of accommodation provided earlier in our submission (sheltered housing and extra care).

The Regulator uses the rent data collected in the Statistical Data Return to identify and challenge outliers in providers' current rent levels. The eligible service charge data collected through the Statistical Data Return could be used to identify charges that are above the regulated level for this element, allowing the Regulator to challenge these costs, requiring an explanation or agreeing a plan to reduce those costs. If this 'comply or explain' method is used the definitions and data collected in the Statistical Data Return will need to be reviewed to ensure that the data collected is consistent and appropriate for comparison.

An area of concern is the annual fluctuations that can occur when variable service charges are used. There can be elements of the service charge that can lead to legitimate variations in charges such as major repairs to lifts or costs outside of the control of the provider such as energy costs. The level of the regulated controls on service charges needs to allow capacity for such legitimate fluctuations. Otherwise,

some schemes could see their regulated rent and service charge being below the maximum one year, above it the next and below it again the following year.

Separating the method to calculate the regulated rent and service charge cap allows separate approaches to how each of these elements are reviewed each year. The rent should change in line with the increases / decreases applied to the sector as a whole. As a result, the rent element should increase by CPI + 1% when the new regulatory rent is introduced in 2020.

The method used to calculate the service charge 'cap' in future years needs to reflect the known changes in the market. For example, most providers are concerned about future increases in the cost of energy for communal areas, the cost of cleaning and grounds maintenance due to Brexit and the need to install more costly technology such as digital emergency call systems. The annual increase in the 'cap' should not follow CPI but rather a basket of costs applicable to service charges. The Social Housing Regulator could complete this analysis using the data available to it.

There is the need for clarity on whether schemes in development will be treated as existing schemes when the new system is introduced. Schemes in the pipeline have been appraised based on current anticipated rent and service charge levels so it would be beneficial to confirm that those schemes that are let before April 2020 and those already approved for funding by the HCA should be treated as existing schemes, even if they complete after April 2020. This will avoid any existing schemes in the development pipeline stalling due to concerns about future income levels.

**Question 3: We are keen to make appropriate allowance for eligible service charges within Sheltered Rent that fairly reflects the costs of this provision, whilst protecting the taxpayer. What are the key principles and factors that drive the setting of service charges (both eligible and ineligible)? What drives variations?**

The law about service charges is mainly found in the Landlord and Tenant Act 1985, sections 18 to 30, as amended by later legislation. Our organisations operate variable service charges. The tenancy agreement will set out the range of services each tenant will receive. The charges are set on an annual basis and will vary each year. The service charges reflect the true cost of maintaining communal areas and providing services. Each year we estimate the costs for each scheme, consult with tenants and finalise the charges that are appear on tenants' accounts every month. When the actual cost of providing the services are known a surplus or deficit is carried forward to the later year, ensuring tenants only meet the actual costs.

This annual process of consultation and the controls within the Landlord and Tenant Act (as amended) ensure that service charges reflect the true cost of providing the services. This will apply controls that will stop providers inflating their services charges should they below the cap level.

Analysis of our charges shows that the factors that could lead to variations between schemes are:

- Age of the scheme;
- The timing of major repairs and replacements of major items of equipment;
- The size of the scheme;
- The amount of communal facilities and space; and
- The level of on-site or visiting staffing.

We achieve value for money through:

- Accurate budgeting and good quality information, being available to discuss queries and options;
- Promoting the fact that tenants can challenge the level of the service charge; and
- Approaches to procurement such as longer term contracts, larger contracts that across a number of locations and reviewing service levels to achieve economies of scale and to give consistency of cost.

**Question 4: The Select Committee and a number of other sector representatives have suggested that we use a banded approach to reflect variety of provision across the sector. We are interested in understanding more about this. How do you think this might work for sheltered and extra care housing?**

We know that there are variations in costs between different schemes so a banding approach may be an appropriate solution to reflect this variation where it reflects the true cost of providing the accommodation.

As explained in our response to question 2, we believe that the regulation of the gross rent should be split with the formula rent calculation being used to set the rent element with a banded 'cap' applying to the eligible service charge element. As a result, the maximum gross rent for **each property** would be:

***Formula rent + or - 10% plus regulated maximum eligible service charge for that banding***

We support a data collection exercise that will inform how the cap is set to ensure it is based on the true cost of providing services on schemes. The data will identify where there are significant variations in costs that should be reflected through bandings based on scheme type (sheltered housing and extra care housing), location or any other key variable.

**Question 5: For providers, on what basis do you review eligible service charges? What drives changes?**

- More than once a year
- Annually
- Every two years
- Every 3-5 years
- Every 5 years or more
- When a new tenant moves out of the property
- Other (please state).

Service charges are set in line with legislation mainly found in the Landlord and Tenant Act 1985, sections 18 to 30, as amended by later legislation. This applies controls to the process and what can be charged.

Our estate and housing managers engage with residents annually to discuss the budget for services paid for through the service charge, the elements where there are options and the performance of contractors. Quotes are obtained where necessary and opportunities to involve residents are taken where possible, for example on matters such as the appointment of a contractor. Expenditure is regularly monitored during the year and at any time the services provided may be added to, removed or varied in consultation with residents and after at least one month's written notice of the new amount.

If the actual cost of providing services is lower than the amount charged, there will be a surplus on the service charge accounts for the scheme. This may occur because a service that was budgeted for was in fact not provided and an alternative could not be provided or was not required. We carry forward the surplus, reducing the charge in a later year.

If the actual cost of providing services is higher than estimated there will be a deficit on the service charge accounts for the scheme. This may occur because a service cost more than anticipated or because a service was introduced mid-way through the year at the request of the tenants. We carry forward the amount owed and collect it by increasing the charge in a later year.

**Question 6: Of your service charges, what percentage is paid by:**

- Welfare payments - through eligible service charge
- Local authorities - for example, through supporting people
- The tenant
- Any other reflections

We estimate that 70% to 80% of eligible service charges are paid through welfare payments with the rest being paid by tenants. We cannot be fully accurate on this figure because some tenants will have their welfare benefits paid to them rather than directly to their landlord.

Each organisation will provide greater information in our individual submissions.

**Question 7: Attached to the policy statement is a draft National Statement of Expectation. We would welcome your views on the Statement and suggestions for detailed guidance.**

There should be a supported housing needs assessment process involving social care, housing, health and other stakeholders. There should be a consistent, national approach to the assessment of needs so that the same data sources and assumptions are used. This should involve local authorities developing a better

understanding of the range of housing for older people in their area and how people access that accommodation.

Local authorities should coordinate the identification of priorities through an older people's housing board that would draw together health and social care, housing authorities, and other appropriate local stakeholders, producing a joint housing for older people strategy. This should recognise the value of preventative services and that many are based on meeting a balance of needs (some people have the immediate need for the services whilst some people may have a lower level of need but small interventions avoid their needs increasing). There is the risk of concentrating on specifying outcomes for those with higher levels of expressed need, losing the preventative benefits of housing for older people and seeing a gradual increase in expressed needs.

**Question 8: The National Statement of Expectation encourages greater partnership working at local level regarding supported housing, including sheltered and extra care housing. What partnership arrangements do you have for sheltered and extra care housing at the local level?**

We value our partnerships with all local authorities. Each of our organisations works with well over 100 local authorities because we are each national specialist providers. As national specialist providers we work with national organisations such as the Elderly Accommodation Council and the National Housing Federation. The development of expectations at the national level will help to establish a good practice framework in which local authorities and providers can operate.

The strength and effectiveness of these partnerships vary. There can be a number of factors including:

- How proactive local authorities are in engaging with the providers of housing in their area;
- The relative priority of housing for older people for the local authority;
- The size of our stock within each local authority;
- Whether we are developing new homes within the area; and
- Whether we have extra care schemes within the area because this builds closer relationships with adult social care over the allocation of homes and the provision of care on schemes.

Where we have concentrations of stock there is an increased potential of having more regular contact with the local housing authority around lettings. In most areas housing providers receive nominations for lettings from the housing authority, although nominations have been superseded by choice based lettings systems in a number of areas. It would be beneficial if local authority housing for older people strategies could examine whether these lettings arrangements are appropriate to meet the range of needs that will be identified locally and are appropriate for older people.

When local authorities complete their local needs assessment they should use the definitions of different types of housing that will result from this consultation. This will give a consistent approach to needs identification and understanding supply.

There are strong partnerships relating to most extra care schemes because the allocations process usually involves the provider, adult social care and the housing authority. There are also many links with adult social care ensuring appropriate arrangements around the care provided on extra care schemes. However, we have some concerns about how we ensure that the care provided on schemes is of sufficient quality when we are not the providers of that care.

**Question 9: Government has moved the implementation of the reform on sheltered and extra care accommodation to April 2020. How will you prepare for implementation in 2020, and what can the Government do to facilitate this?**

We are already completing analysis of the potential impact of the regulated rent, identifying any outliers and modelling the financial implications. However, this will be better informed when the methodology to set the regulated rent is clarified and the levels of the 'caps' is known.

There is clearly a renewed focus on service charges so we will review our approach to service charges working with tenants. However, our current approach is transparent and delivers value for money so it will be more focussed on understanding outliers and reducing service and cost where required.

The implementation timetable will need to accommodate appropriate allowance to give providers time to apply the new rules and deliver service charge budget statements to tenants after the full details of the methodology and its impact are clear.

The National Statement of Expectations stresses the importance of local authorities developing their strategic planning role. We will need to engage in contributing to this strategic planning ensuring housing and services respond to identified local needs, hearing the voice of older people. As national providers of specialist housing our stock is very dispersed, making it difficult to engage fully with all our local authority partners. This is a challenge to which we will need to respond. This would be assisted if local authorities adopted a similar housing needs assessment process and common outcomes against which we can assess and report our performance.

**Question 10: Deferred implementation will allow for additional preparatory measures. What suggestions do you have for testing Sheltered Rent?**

It will be beneficial to test the new regulated Sheltered Rent. There are a number of issues on which the detail will be important in identifying the potential impact. These include the methodology used to set the level of the regulated rent, whether a banding system operates according to type of scheme and location and how the regulated rent will be reviewed in future years. It is important to recognise that the impact of the proposals should not just be focussed on the first year of implementation but also how changes in the cap may impact tenants and the sector over a number of years.

The sheltered housing rent should be tested through a desktop exercise which would give an indication of the impact by scheme and location. This could be completed through a data collection exercise allowing modelling of various options. We cannot see the benefits of running a regional pilot as the impact of the proposed approach should be shown through a desk-top exercise.

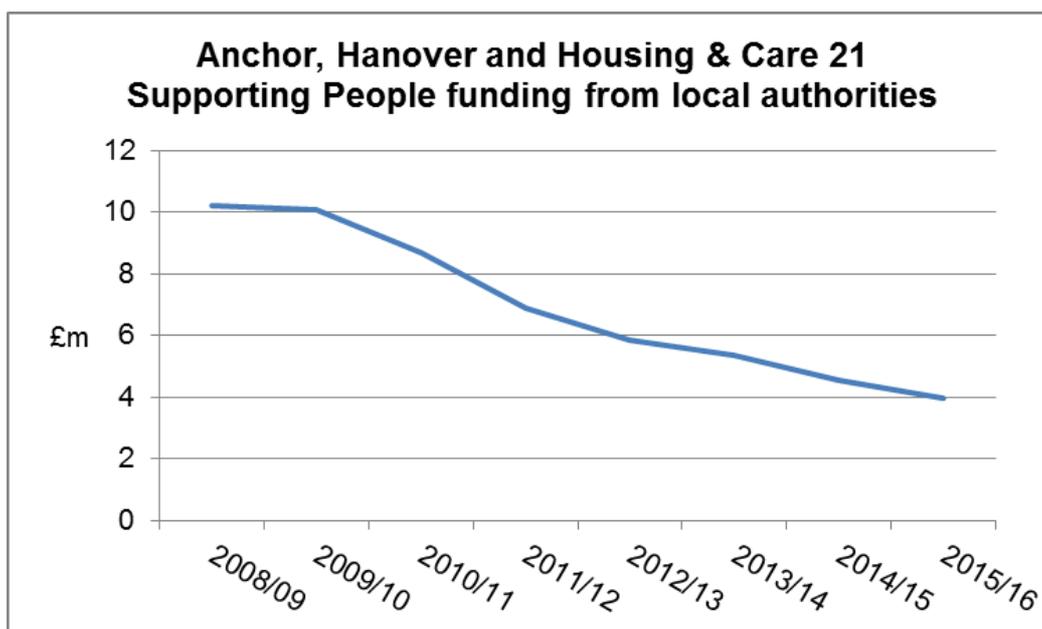
However, we must stress that there is the need to remove uncertainty as soon as possible to reduce the anxiety of some tenants and to encourage the development of new homes that will require a lead in time before delivery fully picks up again after the previous LHA cap proposals.

**Question 11: How do support services predominantly in sheltered and extra care accommodation get commissioned in your organisation or local area?**

- By local authority (upper tier)
- By local authority (lower tier)
- Through the local NHS
- Other (e.g. nationally). Please name.

The level of funding provided by local authorities to meet the costs of support services is now fairly limited and there is no consistency across different locations.

The National Audit Office in 2014<sup>ii</sup> reported that local authorities had reduced Supporting People spending by 45.3%. The graph below shows the reduction in Supporting People funding received by the three landlords since the ring-fence was removed from Supporting People funding. Residents have largely met this shortfall in funding but approximately 70% - 80% of tenants are in receipt of Housing Benefit and most are on fixed incomes so they cannot afford to significantly increase the proportion of their income that meets their housing costs.



**Question 12: We believe the sector can play an important role in driving forward improvements in outcomes and value for money, for instance through joint commissioning and sharing of best practice. What role can the sector play in driving these improvements forward?**

Registered Providers such as Anchor, Hanover and Housing & Care 21 already have a focus on value for money to deliver additional capacity but also to improve affordability for tenants and the public purse. This approach includes using different methods of service delivery and the use of consortia to procure at scale.

It will be beneficial to build on the metrics developed within the sector scorecard or those proposed by the Social Housing Regulator to introduce additional measures relating to outcomes and value for money specifically for housing for older people. Greater levels of comparison between providers will help to drive improved performance and the adoption of best practice.

It would be beneficial if there was national guidance on the key outcomes that providers of housing for older people should seek to achieve, allowing some consistency of monitoring and reporting, informing Boards how well their organisations perform. These outcomes could focus on how housing for older people contributes to outcomes for health and social care using measures such as falls prevention, avoiding hospital admissions and supporting early hospital discharges.

**Question 13: If you have any further comments on any aspect of our proposals for sheltered and extra care accommodation, please state them here.**

The Policy Statement includes the intention to give tenants a greater role. A discussion of these proposals with residents within one of our organisations showed that they were keen that providers should publish the rent and service charges for each scheme, breaking down the service charge into 6 to 10 main headings to allow comparison between schemes and providers.

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<sup>i</sup> C Wood, Demos (2017) *The social value of sheltered housing*

<sup>ii</sup> The impact of funding reductions on local authorities; National Audit Office, 2014.