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BRIEF

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Welcome to the fifth issue of CT Brief. Aimed at organisations with which we work, the purpose of the bulletin is to keep you informed of work we're doing, trends we see emerging and elements of best practice that come our way.

In this issue

Also inside...

The future for extra care housing

By Nick Abbey

The number of older people in the UK is growing fast. The vast majority live in 'mainstream housing' and most (71%)* as owner-occupiers, with no mortgages. Yet there remains a lack of options for older people thinking of downsizing, especially those who currently live alone but would welcome being part of a larger community.

'Extra care' has become the accepted term for a wide range of housing with some common features: principally a self-contained apartment with access to personal care (if required) and some communal facilities. A 'traditional' model in the public/charity sector for such housing is generally built with a large element of grant funding and might involve around 40-60 rented apartments with a dining room/restaurant, common room, hairdressing salon and perhaps a shop. Many of these extra care schemes have replaced residential care homes and so all residents tend to require at least some personal care (typically low/medium/high, 33% each).

Whilst these developments have their place, the ExtraCare Charitable Trust has for the past few years been developing (both alone and with RP partners) a unique brand of retirement village with very different characteristics.

Shenley Wood Village - Opened this year in Milton Keynes

First, they are larger – around 250 flats or bungalows. Second, they contain a mix of rented, shared ownership and full ownership homes pepper potted throughout. Third, although all apartments are suitable for people with care needs, not everyone needs personal care – around a quarter of residents only. The remainder choose to live there for the lifestyle offered and the opportunities as part of a vibrant community of 400+ enjoying a wide range of facilities – all those you would normally expect, plus others including greenhouse, woodwork room, craft room, café and gymnasium.

** English Housing Survey 2010-11, Communities and Local Government, 2012*

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Sharing services - an idea whose time has come? - See page 7

The future for extra care housing

By Nick Abbey

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ExtraCare residents and staff - About to embark on their own 715 mile Olympic Tourch relay around 29 schemes and villages. (Nick Abbey, 3rd in from the right).

Residents take an active role in running some of the facilities and the activity-based lifestyle is supplemented with a 'well-being nurse' (whose services are available to all residents) and a 'Locksmith®' who is there to assist those who develop dementia or have other mental health needs.

Although capital grant has been sought for some villages, others can be developed with minimal or no grant because of the cross-subsidy from sales. Research is beginning to show that people living in ExtraCare villages live longer and more healthily than those living elsewhere.

There has never been any doubt about the appeal of rented extra care housing. What is striking about the ExtraCare retirement villages is the demand to purchase, with all sale apartments in the Trust's second Milton Keynes village being exchanged before handover, thus releasing substantial numbers of large homes back into the local sale and rented markets.

The Government is keen to reinvigorate the housing market and find innovative and cost-effective forms of housing with care for older people. The experience of the Trust's 12 retirement villages is that they are highly popular for those wishing to downsize, and are instrumental in improving health and well-being.

Too good to be true? Come and visit one....

Nick Abbey is Chief Executive of The ExtraCare Charitible Trust
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The ExtraCare Charitable Trust

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Where do you get your assurance from?

Looking beyond Internal Audit

By Liz Wilson

A key aspect of governance is the identification and management of risk. As Boards face increased challenges to develop a workable strategy in a rapidly changing environment, how can they be sure that they have identified the right risks, made a realistic assessment of the likelihood and impact of each risk, and identified appropriate steps to be taken to mitigate those risks? And where do Boards get assurance that what is discussed at Board meetings is reality?

Historically, Boards have used internal audit to provide them with assurance that corporate assets are safeguarded and corporate policies enforced. As such, internal audit functions had a tendency to focus on financial controls, looking primarily at where cash could be extracted from the organisation.

More recently, internal audit has adjusted its remit in response to Boards' focus on risk management to become risk-focused. So internal audit programmes have extended beyond the finance function into all areas of the business, with audit plans designed to address the perceived risks in all operational areas. However, internal audit techniques are still primarily designed to test compliance with policies and controls, albeit with less of a financial bias. This can lead to an expectation gap at Board level between the assurance needed and the assurance provided by internal audit.

There is no specific audit code of practice for the housing sector. There is no regulatory requirement for social housing providers to have an internal audit service. Many years ago the Housing Corporation had an audit code of practice, but over time moved to a policy of 'controls assurance', leaving housing associations with flexibility in how they sought assurance over their key risks - internal audit representing just one of those sources.

So what should Boards be doing to ensure that they have the assurance they require? And in such a way that it does not cost the earth?

Recent research by Campbell Tickell has identified the following emerging best practice:

1. Boards should determine where they need assurance, at both operational and strategic levels;
2. Identify sources of assurance currently provided, looking beyond internal audit - these may include tenant scrutiny panels, internal quality checks, KPI reporting and monitoring, and peer reviews;
3. Analyse the gaps between what is needed and what is currently provided;
4. Look realistically at what assurance can be provided by internal audit, bearing in mind that most internal auditors are most comfortable providing assurance on controls, procedures and compliance, particularly in financial and the main operational areas;
5. Plan how to plug the remaining gaps in the assurance matrix, looking particularly at:

   a. Strategic risks - is Board-level assurance required that the right risks have been identified and are being managed appropriately?

   b. High risk areas - is specialist assurance needed in areas such as long term financial planning, or health and safety?

   c. Experience in delivering risk assurance - does the Board need assurance from more experienced reviewers than operational management may require?

To discuss how you can take a holistic approach to your business assurance, contact Greg@campbelltickell.com.

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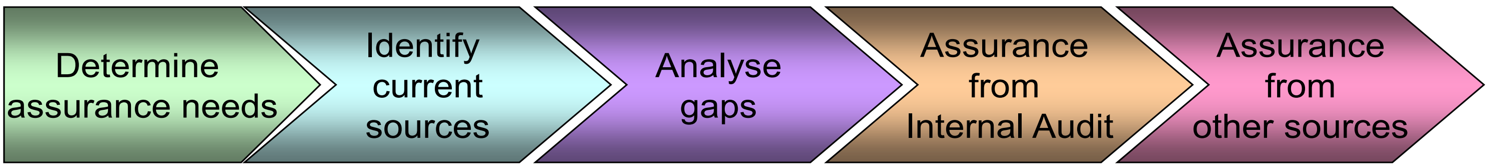


Service Charges

Are you getting them right?

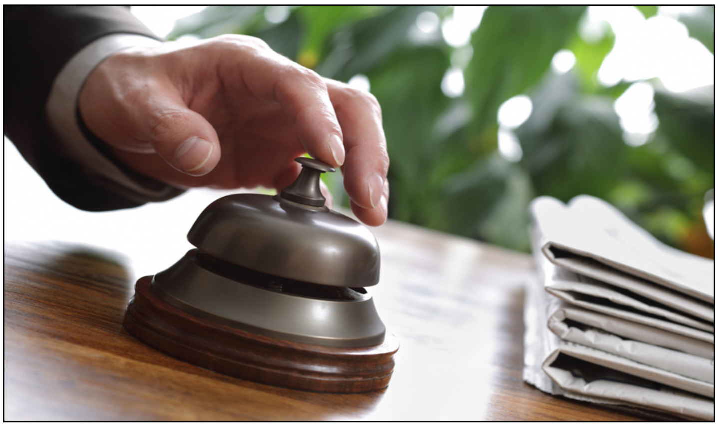
By Elaine Ganderton & Julia Greenwood

There has never been a more important time for social landlords to get their service charges right, across all tenures. Council landlords are now operating self-financing arrangements. Increases in service charge costs which could be passed on through fixed and variable charges now have to be absorbed within affordable rents. Supporting People grant cuts have put pressure on landlords to maximise service charge income in sheltered and supported housing. Centralised universal credit will end local negotiations with Councils to resolve service charge issues. And all housing providers have a regulatory responsibility to demonstrate value for money.

Applying charges legally and correctly

Service charging is a complex area.

1. The starting point is tenancy agreements and leases. You may have a mix of assured, secure, market and affordable rent tenancies, shared ownership, LSE and RTB leases. Each agreement must accurately reflect legislative requirements and the actual services you provide.
2. In addition your agreements may specify or imply fixed or variable service charges. Individual agreements may still come under the old fair rent regime or the new affordable rents system.
3. With so many variations, staff need to be clear which legislation applies when setting and reviewing charges for different schemes and when consulting residents on works to the scheme and other changes.
4. With the SP grant reductions, you will need a plan in place to review services to vulnerable residents and how they might be funded.
5. You need to make sure you are charging correctly for new features on existing and new developments, for example arising from the green agenda. The rules vary according to tenure.
6. Regularly checking sinking fund and provision levels against past replacement programmes and planned replacement profiles will help ensure depreciation rates are correct and that sufficient sums are available for future work. Leaseholders often find unexpected costs for major works difficult to meet.



Are your charges affordable and value for money?

Developing new schemes or transferring relets to the affordable rent regime means asking searching questions about the life cycle cost of communal service elements. That 'fancy car park barrier system from Germany that's always being vandalised or breaking down' will drain money out of the affordable rent. This is an ideal opportunity for organisations to revisit the procurement of the service and to market test their suppliers' charges and standard of service delivery.

Involving residents in procurement exercises can really pay off for all parties. It's an opportunity to review service delivery specifications against likely costs so residents can make an informed choice about what they are prepared to pay for - especially important where residents pay their service charges themselves. Service charge processes typically involve a lot of people across departments: Development to specify and build new schemes; Finance to manage accounts and sinking funds;

Housing Management to supervise estates, Supported Housing and Leasehold teams to manage specialist schemes; Asset Management to deal with day to day repairs, planned maintenance and replacements. Processes can easily get inefficient over time. Good quality IT for service charges is not always available. Time is wasted manually manipulating data or chasing information.

If you are nearing the end of the initial promise period after transfer or merger, you need to ensure your service charging is fair to all residents so everyone pays for the services they get, rather than subsidising other residents.

Are you managing your service charge risks?

You should be able to demonstrate that:

- Only legally allowed service charges are collected;
- Service charges cover allowable service costs including overheads, sinking funds and provisions, without subsidy or unduly high profits being made;
- Charges on individual schemes are reasonable and value for money;
- Residents provide regular positive feedback on service delivery;
- Action is taken to deal with service charge related complaints;
- Residents are involved in service charge procurement;
- Legislation is followed for resident consultation exercises;
- Overheads for service charge administration are reasonable and cover costs.

These are just a few of the issues to consider. Landlords cannot afford to slip up in handling service charges if they are to maximise the income to which they are entitled, and without disadvantaging their affected residents.

For advice on reviewing your service charging arrangements, please contact Sue Harvey at sueharvey@campbelltickell.com.

Elaine Ganderton & Julia Greenwood are both Associate Consultants of Campbell Tickell.

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CT Favourites Gallery

Hakonechlea Macra 'Aureola' - Picture taken by Senior Consultant Sue Harvey doing in-depth research at Chelsea Flower Show.

ExtraCare residents Barbara Roberts (left) and Jean Nicholls (right). Gardening is one of up to 50 activities a week available to residents living with ExtraCare.

Recently completed block at the Stonebridge estate run and managed by Hyde Hillside, formerly Hillside Housing Trust and, prior to that, Stonebridge HAT.

Financial Inclusion:

Responding to people's needs

By Paul Bragman

The financial health of many social housing residents is worsening with rising fuel and food costs, and high unemployment. The picture is likely to worsen with the advent of welfare benefit reforms, affordable rents and - in London in particular - the housing benefit cap. Social landlords for their part face rising arrears and reduced financial resources. Meanwhile reduced funding from local and national government is leading to a reduction in debt advice services, especially face-to-face and welfare rights services.

In this climate, financial inclusion support is sorely needed. There are various elements to this: good financial decision-making, capability, and access to suitable products and services. We have seen a huge diversity of schemes over the past 10 years, such as money/debt advice, capability training, accessible insurance schemes, savings schemes, access to banking, money mentors, and financial inclusion champions.

Many housing associations provide financial inclusion support, although this varies and access may be limited. Many larger associations have financial inclusion strategies offering access to debt prevention and early intervention; others offer debt advice once crisis point is reached. Some use internal resources; others outsource provision to third parties or refer clients to debt advice agencies. A survey of 223 associations by the Tenant Services Authority found that access to professional debt advice services through specialist in-house teams or formal referrals was much lower than basic support from rent arrears staff or informal referrals.

In Scotland, plans are underway to introduce the Grameen model of microfinance. Started by Mohammed Yunus in Bangladesh, it supports local people to form groups of borrowers. It starts by providing a loan to two people. If the first two borrowers repay with interest, then other members of the group become eligible themselves for a loan. This means substantial group pressure to keep individual records clear: collective responsibility of the group serves as collateral for the loan.

Toynbee Hall

Learning from local action developing national solutions

Toynbee Hall leads a partnership with Tower Hamlets Council and 40 local organisations and agencies working to create a financially inclusive borough. This focuses on raising levels of financial capability, supporting the provision of better financial inclusion services and reducing the impact of financial exclusion on service providers.

Circle

Enhancing Life Chances

Circle Group is developing a robust evidence base for financial inclusion activity. They have developed a Financial Inclusion Profiling Project supported by Lloyds Bank to enable better understanding of the financial needs of their residents. Over 1,300 surveys have been completed Groupwide. The profiling will be repeated annually.

The Financial Inclusion Centre recently produced a report evaluating the role of debt advice for social housing tenants. The report includes a toolkit to help housing associations calculate the value of debt advice in reducing rent arrears.

So the message is: growing need alongside many positive initiatives, but patchy coverage; real benefits for residents through effective financial inclusion support; and potential benefits for social landlords from stabilised and reducing rent arrears.

To discuss potential support available in developing or improving financial inclusion services, please contact paulbragman@campbelltickell.com.

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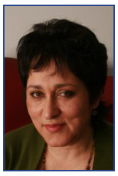

Sharing services - an idea whose time has come?

By Maggie Rafalowicz

Major spending cuts can focus people's minds and lead them to radical and unexpected approaches. Nowhere more so than in local authorities at present. Councils have to find 28% savings over a four year period. One year into those spending reductions and the great majority of the cuts are yet to be found in most authorities. Plus further cuts from government are widely expected.

Some argue that the only way councils will achieve the reductions needed will be through sharing services. And an increasing number of authorities is focusing on this approach. Some would say that it is an agenda that should sensibly have been addressed years ago.

Shared services in action:

- Westminster, Kensington & Chelsea, and Hammersmith & Fulham have committed to joint working on a range of strategic and operational services, and two of them share a CEO
- West London Boroughs Alliance joint procurement of Adult Social Care services
- East Kent 'Shared Services ALMO' managing 18,000 homes on behalf of Dover, Canterbury, Shepway and Thanet Councils
- In Cornwall, the individual Councils' retained housing stock is being joined with Carrick Housing to create a combined 10,000 home ALMO
- Babergh and Mid-Suffolk DCs share delivery of a range of services, including housing
- Horsham, Mid Sussex, and Adur DCs jointly procure ICT and share financial services
- Staffordshire Moorlands DC carries out all procurement on behalf of High Peak BC

There are examples of cross-sector joint commissioning on a large scale, such as Procurement for Housing and CYNTRA. At the level of individual organisations, there is relatively little sharing of services between housing associations on the one side, and local authorities and ALMOs on the other. The HA sector, however, has plenty of shared services arrangements of its own, most obviously development partnerships, many of which have been operated since 2004.

There is, it is fair to say, a degree of suspicion of housing associations on the part of some councils. Too often one hears council complaints of lack of responsiveness by the HAs operating in their areas. Despite this, there should be good potential for joint working from which all parties can benefit, especially in a time of economic stringency. We sense a growing openness in LAs to cross-sector working. The keys are common commitment to working together and shared local focus.

One area of possible collaboration is in relation to local authorities with retained housing stock. In the wake of Housing Revenue Account reform, the new self-financing regime means these councils now have to manage and maintain their housing as stand-alone businesses, with 30 year business plans. This calls for a level of strategic asset management that few councils have had the opportunity to address effectively in the past. For HAs though, this approach is the norm and many have the skills and resources to deliver effectively. Another area is new build development, which a growing number of councils are interested to progress themselves. Yet few have the expertise to deliver such programmes – in contrast with HAs with well-established development teams. We see good potential for HAs and LAs to work together in these and other areas for their mutual financial and operational benefit.

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