

# Housing Learning & Improvement Network

## Yorkshire & the Humber Region Extra Care Housing Regional Assessment Study:

### Executive Summary

This is a summary of the regional analysis for Extra Care Housing in the Yorkshire and Humber region. It identifies the supply and demand for Extra Care Housing over the next 10 years, taking into account demographic changes and market influences, and sets out a number of recommendations to support the further development of Extra Care Housing within local housing with care economies in the region.

Prepared for the Housing Learning & Improvement Network by  
**URS Corporation**

Care Services Improvement Partnership 

Health and Social Care  
**Change Agent Team**

The Health and Social Care Change Agent Team (CAT) was created by the Department of Health to improve hospital and social care associated arrangements. The Housing Learning & Improvement Network, a section of the CAT in the newly formed Care Services Improvement Partnership, is devoted to housing based models of care and support for adults.

## Other Housing LIN publications available in this format:

- Factsheet no.1:       **Extra Care Housing - What is it?**
- Factsheet no.2:       **Commissioning and Funding Extra Care Housing**
- Factsheet no.3:       **New Provisions for Older People with Learning Disabilities**
- Factsheet no.4:       **Models of Extra Care Housing and Retirement Communities**
- Factsheet no.5:       **Assistive Technology in Extra Care Housing**
- Factsheet no.6:       **Design Principles for Extra Care**
- Factsheet no.7:       **Private Sector Provision of Extra Care Housing**
- Factsheet no.8:       **User Involvement in Extra Care Housing**
- Factsheet no.9:       **Workforce Issues in Extra Care Housing**
- Factsheet no.10:      **Refurbishing or remodelling sheltered housing: a checklist for developing Extra Care**
- Factsheet no.11:      **An Introduction to Extra Care Housing and Intermediate Care**
- Factsheet no.12:      **An Introduction to Extra Care Housing in Rural Areas**
- Factsheet no.13:      **Eco Housing: Taking Extra Care with environmentally friendly design**
- Factsheet no 14:      **Supporting People with Dementia in Extra Care Housing: an introduction to the issues**
- Factsheet no 15:      **Extra Care Housing Options for Older People with Functional Mental Health Problems**
- Factsheet no 16:      **Extra Care Housing Models and Older Homeless People**
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- Case Study Report:   **Achieving Success in the Development of Extra Care Schemes for Older People**
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- Technical Brief no 1:   **Care in Extra Care Housing**
- Technical Brief no 2:   **Funding Extra Care Housing**
- Technical Brief no 3:   **Mixed Tenure in Extra Care Housing**

## YORKSHIRE & THE HUMBER REGION EXTRA CARE HOUSING REGIONAL ASSESSMENT STUDY - EXECUTIVE SUMMARY

### Recommendations and Expected Outcomes

Strategic Recommendations	Expected Outcomes
<ul style="list-style-type: none"> <li>▪ Establish a target for the Yorkshire and Humber region of 7,000 ECH places by 2015;</li>   <li>▪ ECH schemes should replace a combination of residential and sheltered housing schemes over time;</li>   <li>▪ Growth in ECH should be made up of new builds and remodelling of existing stock;</li>   <li>▪ Create balanced ECH communities where residents include a mix of those people in need of 24 hour care as well as those that may need support from the neighbouring community;</li>   <li>▪ As a guide the mix of people should be approx 45 to 50 % who would otherwise be in residential care with the remaining from sheltered housing and other low care support environments – although this would be dependant on individual older people’s need for care;</li>   <li>▪ Stakeholder consultation and promotion of ECH benefits to government decision makers and potential users; and</li>   <li>▪ Undertake further analysis on the demand, costs and non-monetary benefits of ECH and funding – particularly private sector funding.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cost effective with potential financial savings of up to £16 million over the period to 2015 via remodelling existing housing and care stock;</li>   <li>▪ A change in the mix of care with ECH increasing from its current level of 1 % to 5% of the spectrum of care by 2015;</li>   <li>▪ Decreases in the percentage share of residential care and sheltered housing schemes over time;</li>   <li>▪ Increased choice for older people that enable a more independent lifestyle;</li>   <li>▪ Improved quality of life for residents of ECH schemes via improved health, well being and social interaction;</li>   <li>▪ Increased informal care from fellow ECH residents, friends and family; and</li>   <li>▪ Improved decision making by older people, government and providers of housing and care.</li> </ul>

## **Chapter-by-Chapter Executive Summary**

### **Chapter 1 Introduction**

URS was commissioned by the Department of Health's Housing Learning Improvement Network to undertake the development of an Extra Care Housing (ECH) Strategy for Yorkshire and the Humber Region. The strategy and associated analysis in this report builds on the earlier URS report entitled, *Extra Care Housing in Yorkshire and the Humber, Stage One: Supply and Demand Analysis* (URS Stage 1 Report).

The objective of the study is to support the development of an Extra Care Housing Strategy for the Yorkshire and Humber region. The strategy is to assist in directing the future level of ECH in Yorkshire and the Humber as part of the spectrum of housing and care services for older people.

In addition, one of the key purposes of the strategy is to promote ECH as a means of meeting older people's housing and care needs. The concept of ECH is consistent with recent policy developments, which have seen a shift away from institutional care towards models of support, which encourage independence and activity.

### **Chapter 2 Background**

The analysis for this study was undertaken in the context of a number of changes in the structure of initiatives, funding programmes and views considering housing needs both nationally and in the Yorkshire and the Humber Region. This section of the report sets out the background to the work, describing the region itself, reviewing the current policy and strategic context. In addition a brief review of the findings of the URS Stage 1 report are provided along with information on the concept of ECH and funding arrangements.

### **Chapter 3 Methodology**

A number of specific tasks were undertaken in the development of an ECH strategy. These centred on consultation with stakeholders, development of options and the generation of an appraisal framework.

URS consulted with a number of stakeholders including the Department of Health (DH), local government and health authorities within the Yorkshire and the Humber Region. In addition, private and social sector providers of housing were consulted along with older people to gather insights into the implications of ECH including older people's experiences with different types of housing as well as the potential benefits of ECH.

A range of information was collected and reviewed regarding the costs, benefits and demand for older peoples housing and care. This information was drawn from DH data, published reports and publicly available information.

A number of ECH options were also developed and fined tuned with feedback gathered via consultation with stakeholders along with research gathered via the literature review. The options developed focused on the level of ECH compared

to other forms of care, the services provided and the size of schemes. This allowed URS to undertake an economic appraisal of the options focusing on the cost of providing housing and care within the Yorkshire and Humber. The focus of the option appraisal was on capital and operational costs in terms of the cost effectiveness of ECH.

The results of the economic appraisal allowed URS to provide strategic recommendations on the provision of ECH supported by information and findings via the literature review such as expectations for demand and how to best maximise the benefits of ECH.

#### **Chapter 4 A Review of the Demand for Formal Care**

Older people's aspirations and choices are increasingly at the centre of policy. These aspirations are rising with wider improvements in the standard of living, and the population of older people is also growing. The demand for various types of formal care and associated housing reflects both the changing need within the older population, and also the potential benefits of different care types.

This section examined the health and needs characteristics of people in Yorkshire and Humber for whom ECH could be an appropriate. It also compared the characteristics of people receiving other forms of care and housing, including home care, sheltered housing, residential care and nursing care. This analysis allowed URS to estimate the potential demand for ECH in the Yorkshire and Humber region along with the implications for care and housing services.

Based on our demand analysis we estimate that it would be appropriate to plan for around 137,000 people to be living in care and accommodation settings along with receiving home care by 2015 in the Yorkshire and Humber region. This is in line with our assumption that the proportion of the population requiring care services will remain approximately the same as of today at approximately 15 % of people over 65. It is also important to highlight that we recognise that some older people will remain in their existing homes and therefore may demand home care supported by services such as telecare.

Utilising this key assumption of 15% of older people over 65 demanding some type of care, we estimated that ECH could increase from 1% to between 5% and 15% of the share of housing and care for older people by 2015. In terms of numbers of people, this would result in between 7,000 to 20,000 people residing in ECH by 2015. This increase could be derived from general population increases in the people over 65 but also replacing residential care and sheltered housing over time.

The demand for ECH range also set the context for subsequent stages of this report that developed growth options for ECH over time up to 2015 allowing the appraisal to be undertaken.

## Chapter 5 ECH Options of Analysis

Along with the demand for various housing and formal care service an important consideration in the development of an ECH strategy for the Yorkshire and Humber region is that of the cost of providing housing and care services to older people via both the private and public sectors.

To examine the cost implications of the growth in ECH, a number of options were developed based on the current supply of housing and care services for older people along with the expectations for demand. This allowed the consideration of capital and operating / revenue costs and how ECH costs compare to other forms of care.

The options included a base case and a three ECH growth options:

- **Base Case:** A base case is often referred to as the do nothing approach but taking into account likely future expectations such as growth of the population. In this analysis we assumed that the current percentage share of housing and care remained the same over the analysis period (up to 2015).
- **Option 1:** ECH increases to 7,039 spaces by 2015. In this option we have assumed that ECH increases in line with population growth and replaces 16 % of residential care (3,621 spaces) and 1 % of sheltered housing (2,032 spaces) when compared to the base case;
- **Option 2:** ECH increases to 13,170 spaces by 2015. In this option we have assumed that ECH increases in line with population growth and replaces 40 % of residential care (9,054 spaces) and 2 % of sheltered housing (2,730 spaces) when compared to the base case; and
- **Option 3:** ECH increases to 20,323 spaces by 2015. In this option we have assumed that ECH increases in line with population growth and replaces 68 % of residential care (15,393 spaces) and 3.5 % of sheltered housing (3,544 spaces).

All the above options are based on the development of newly built ECH schemes over the analysis time frame compared with newly built schemes for other types of care. This was undertaken for consistency purposes. Importantly a number of other assumptions were incorporated into the options. Further information on these is outlined in Section 6 of this report.

Although Option 1 through to Option 3 assumes that ECH replaces a certain level of residential care and sheltered housing compared to the base case over time, these two types of support and care play an important role in the whole spectrum of care for older people. It is also envisaged that levels of nursing care will remain relatively static or show a modest rise, in particular to meet people with a higher level of dependency.

Given the complex nature of estimating an appropriate level and mix of care to meet a wide variety housing and care needs for older people along with their associated costs, it was thought that sensitivity analysis should be undertaken on

a number of key variables. These variables included capital and operating costs, mix of care and a combination of these variables.

## **Chapter 6 Modified Economic Appraisal Base Case and Options**

Once options were finalised, information was collected and aggregated to allow the undertaking of a modified economic appraisal. We have termed this appraisal a “modified economic appraisal” as it focuses on the capital and operating costs. Therefore the costs of each option were compared since the appraisal sought to determine the cost effectiveness of the options, rather than calculate the difference between benefits and costs.

URS gathered information on the capital and operating costs of providing formal care to older people including nursing care, residential care, ECH, sheltered housing and home care. This information was sourced from a number of publicly available sources along with confidential information via the Department of Health, individual ECH schemes and associated stakeholders.

Variations in capital cost data were reported, however, on average ECH housing was estimated to have the highest capital cost per head at £86,882, followed by sheltered housing £62,554, residential care £56,256 and nursing care £44,006. The capital costs are based on new build costs for each type of care on a per head basis.

In terms of operating costs, variations were also reported. Nursing care the most intensive type of care for older people was estimated to have the highest cost per head per week at £359, followed by residential care £338, ECH £185, sheltered housing £142 and home care £73 per week. These costs appear to be consistent with the level of care – although we note that home care can be intensive, however, this figure is based on average care levels. The operating costs include the cost of provision of care and associated services such as salaries, care costs and overheads of operating different care schemes. Salaries represent the largest operating cost for all types of care.

Along with costs, URS examined the potential benefits of ECH. These included:

- Improved physical and mental health;
- Potential additional operating cost savings;
- The social environment of ECH schemes; and
- Provision of a wider community resource.

All of the above benefits are important considerations in the development of an ECH strategy.

## **Chapter 7 Net Present Value and Analysis**

This section of the report compares the base case with each option enabling an estimate of the net economic benefit (cost saving) or net cost. Comparisons were undertaken using discounted cash flow techniques to determine the Net Present Value (NPV) of costs of the base case and the options. This reflects the

fact that the analysis is primarily seeking to examine the cost effectiveness of ECH replacing other forms of care overtime.

Discounted cash flow is a technique of appraising projects and policy changes based on the idea of “discounting” future costs (in the case of this analysis) to their net present values. The discount rate used for the NPV analysis was 3.5 % in line with UK Treasury guidelines. The discount rate is a real rate, as cash flows have not been adjusted to take into account inflationary price changes over time. The full cash flows over the analysis period are outlined in Appendix A with a further explanation of net present values and discounted cash flows in Appendix C of this report.

The base case NPV of costs discounted at 3.5 % was estimated at £11,460.6 million over the analysis period up until 2015. The base case NPV is lower than that of the options analysed, i.e. all options have a higher cost than the base case as outlined below:

- NPV option 1 - £11,482.9 million;
- NPV option 2 - £11,603.6 million; and
- NPV option 3 - £11,842.6 million.

The net cost of each of the options compared to the base case is outlined below<sup>1</sup>:

- NPV net cost option 1 - £21.9 million;
- NPV net cost option 2 - £143.0 million; and
- NPV net cost option 3 - £381.9 million.

Option 3 has the largest net cost of £381.9 million followed by option 2 with £143 million and option 1 with the lowest net cost of £21.9 million. Based on the above, Option 1 is preferred option given it has the least additional cost.

Sensitivity analysis was also undertaken on a number important variables. Sensitivity analysis can provide further insight into the development of a strategy – in this case to support the development of an ECH strategy for the Yorkshire and Humber Region. Sensitivity analysis centred on:

- Remodelling of existing housing and care stock lowering capital costs for ECH;
- Previous research on the impact of ECH on old people suggests a more independent lifestyle further lowering the cash cost of care over the long term; and

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<sup>1</sup> Please note this is based on our option assumptions regarding the replacement of residential care and sheltered housing. The ability for people to move into ECH would need to be assessed on an individual basis.



- The assumption that for the model of ECH to work at is best it should include a mix of people requiring no care to those that seek the availability of 24-hour care.

Combining of these factors improves the NPV of the options as follows:

- NPV net benefit option 1 - £5.4 million;
- NPV net cost option 2 - £74.6 million; and
- NPV net cost option 3 - £262.9 million.

Based on the sensitivity analysis tests, it shows that the cost effectiveness of ECH can be achieved (Option 1) with a number of practical assumptions as part of the spectrum of care for older people. Option 2 and Option 3 both remain negative after taking into account changes in key variables at negative £74.6 and £262.9 million.

In addition URS examined the issue of ECH affordability for older people. Based on our analysis some type of public sector subsidy would be needed to ensure affordability for lower income older people, whether this is in the case of upfront capital grants via the DH ECH fund or other similar public sector funding mechanisms and sources.

Although, it should be mentioned that in the future older people's incomes are likely to be higher, for example:

- Average pensioners incomes grew by over 60 % between 1979 and 1997<sup>2</sup>;
- More recently pensioner incomes grew by 26% between 1994/95 and 2002/03<sup>3</sup>; and
- The purchasing power of pensioners in 25 years time will be 50 % higher than today<sup>4</sup>.

The above income statistics combined with the fact that three quarters of older people are likely to own their own home by 2010 suggests that not only should ECH schemes be considered for older people on low incomes but also for people medium to high income levels.

With the potential for rising incomes of older people in the future it is possible that the provision of ECH schemes would be more attractive to private sector developers and those pursuing mixed tenure developments. Based on the current information available much of the private sector development remains largely opportunistic but there is growing evidence that private sector developers and local authorities are beginning to work together more closely to broaden the housing and lifestyle choices available to older people.

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<sup>2</sup> DH

<sup>3</sup> ONS

<sup>4</sup> DH

## **Chapter 8 Strategic Recommendations**

The analysis outlined in this report supports the further development and provision of ECH schemes in the Yorkshire and Humber. Based on the evidence provided in this report ECH schemes have the potential to provide positive economic benefits in terms of cost savings in delivering housing and formal care to older people. In addition, the concept of ECH schemes can make a positive contribution to residents in terms of quality of life factors and potentially as a local community resource.

Outlined below are brief descriptions of the strategic recommendations:

### ***ECH Target***

Based on the options presented in this document, we recommend that Option 1 should be introduced as a target ECH level within the Yorkshire and Humber region. Option 1 provides a balanced growth rate in ECH along with being cost effective. It was estimated under this option that by 2015 an estimated 7,000 people could be placed in ECH - an average growth rate of approximately 580 per annum.

### ***What should ECH replace?<sup>5</sup>***

ECH should aim to replace both residential and sheltered housing schemes over time in line with Option 1. Based on our analysis the target assuming new builds should be to replace 16 % of residential care and 1 % of sheltered housing when compared to the base case. This would result in approximately 50 % of people who would otherwise have been in residential care and the remaining from sheltered housing and low-level care and support.

### ***New Build versus Remodelling and Size***

Growth in ECH should be made up of a combination of new builds and remodelling of existing stock. Incorporating remodelling of existing stock into our analysis allows an increased number of people that would otherwise have been located in sheltered housing and less from residential care.

Based on our analysis, remodelling 15 % of existing stock into ECH, would enable ECH to replace 14.5 % of residential care and 1.5% of sheltered housing. This would result in approximately 48% of people who would otherwise have been in residential care and the remaining from sheltered housing and low support types of care.

We also recommend the Department of Health and stakeholders investigate increasing the average number of ECH units per scheme given the potential cost savings in upfront capital and operating annual costs over time.

### ***Stakeholder Consultation and Promotion of ECH***

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<sup>5</sup> Please note this is based on our option assumptions regarding the replacement of residential care and sheltered housing. The ability for people to move into ECH would need to be assessed on an individual basis.

We recommend that some form of stakeholder consultation and promotion of ECH be undertaken through the evidence presented via this study. The audience should include central government, regional and local government, providers of care and potential users. The consultation and promotion should focus on:

- The presentation and promotion of a clear definition of what ECH is and what services and facilities they provide;
- The potential demand for ECH schemes; and
- The potential financial benefits / cost savings and non-monetary benefits of ECH as a part of the spectrum of care for older people.

#### ***Focused market research and collection of data***

A lack definitive and consistent data exists regarding this important area of government policy. We recommend that future work include more in-depth analysis and associated research focusing on the following:

- Information on the needs / demand of older people in relation to care services;
- Consistent data regarding the cost of provision of ECH and to some extent other forms of care such as telecare; and
- Research quantifying the value of non – monetary benefits of older peoples care.

#### ***Review of Funding Arrangements***

A review of sources and funding mechanisms should be undertaken taking into account possible changes to public sector funding criteria, reallocation between recurrent and capital funding programmes, avenues to increase private sector participation and greater co-ordination of local and regional funding of ECH and other inward investment streams.