

PUBLIC PURSE & SOCIETAL SAVINGS: **SOCIAL & ECONOMIC IMPACT OF EXTRA CARE HOUSING**

The debate around the delivery of care services and suitable accommodation for elderly and vulnerable residents across England is extremely prescient. The current “Cost of Living Crisis”, Covid 19, the War in Ukraine and long term under investment in social housing and care services, combined with an ageing and longer living population, continue to put public and private stakeholders under considerable stress. We see media reports describing “unfit for purpose” housing, preventable early deaths, patients remaining in hospital beds when they could be at home and long ambulance queues waiting to deliver emergency patients to hospital for urgent care.

In addition to real financial savings and investment within the local and wider economy, the delivery of modern, bespoke Extra Care Housing (‘ECH’), aligned to properly assessed care packages, can generate significant benefits for residents, their families, the nursing and care professionals looking after them and help address these important issues of today.

FINANCIAL BENEFITS (SUMMARY)

For a typical 80 apartment ECH scheme:

- **Minimum public purse savings of £800,000 per annum,**
- **Total public purse savings of £20 million over a typical nominations period (25 years),**
- **£16 million investment into the local community via construction contract.**

If 5% of the total number of new retirement living properties required in England each year (see Mayhew Review) is delivered as Extra Care Housing, total savings will equate to:

- **Minimum public purse savings of £25 million per annum,**
- **Total public purse savings of £625 million over a typical nominations period (25 years),**
- **Investment via construction contracts of circa £500 million per annum (supporting local employment and associated revenues to UK Treasury).**

CONTEXT

The Mayhew Review: **“Future-Proofing Retirement Living. Easing the Care and Housing Crises”** was published in November 2022. The report states the number of over 65s is set to reach past 17 million by 2040. The Government should initiate an accelerated programme of constructing older people’s housing with up to 50,000 new homes per year on top of the currently 7,000 built annually. Achieving this growth would help older people stay healthy for longer and reduce the burden on the NHS and care homes. The report notes that each new home would free up housing and surplus bedrooms for younger families and first-time buyers, making housing more affordable. In addition, new developments could play a major part in revitalising declining high streets.

In October 2017, Housing LIN produced a report for Keepmoat Regeneration/Engie which states almost a third (29%) of all households aged over 55 are looking to downsize. This increases to nearly two thirds (63%) of those living in houses with more than two bedrooms. The most common reason for not going through with a move is a lack of suitable properties (25%).

Unquestionably, there is a link between the inadequate supply of housing and the increasing burden on public services.

There are a number of initiatives which can be implemented through better interaction between state, local and private stakeholders which combined will:

- increase the wellbeing of vulnerable adults and children,
- reduce the cost burden on the public purse,
- increase the number of available hospital beds,
- reduce ambulance waiting times,
- assist in “levelling-up” local and national economies.

The provision of ECH is a considerable and valuable part of the overall solution to the many problems society is facing due to its ageing population.

SOCIAL BENEFITS

Long term ‘wellbeing’ benefits to residents of ECH are well documented in terms of improving quality of physical and mental health at a time when residents might otherwise be vulnerable to feelings of loneliness, depression, anxiety and a loss of purpose.

The Extra Care Charitable Trust Research 2015-2018, published in March 2019, updates and continues previous work carried out for the period 2012 – 2015 and states:

- There are significant improvements in Extra Care (‘EC’) residents’ health and well-being,
- Residents enjoy more physical exercise and have improved memory and cognitive abilities (exercise by EC residents increased by 75%),
- In critical health factors that are expected to increase with age (e.g. functional ability, independence or worsening cognitive ability) residents within ECH showed no such declining trend was emerging (risk of falls reduced by 18% over the first 2 years of living within ECH; 23% reduction in anxiety levels; 24% improvement in memory),
- EC residents’ levels of depression are low, social well-being is high and they enjoy lower levels of loneliness than the national average (86.5% of EC residents are “never or hardly ever” lonely),
- EC residents have changed the way they use health care resources such that age related frailty status are delayed,
- EC residents’ unplanned hospital stays reduce from 8-14 to 1-2 days,
- EC residents reduce planned and routine GP visits by 46%.

These “**Social / Wellbeing**” benefits are a major catalyst to providing real financial gains to the public purse. There is little published data which attempts to fully and accurately calculate these financial benefits to society as whole – not least because the data is held within the treasuries of various Local Authorities, separate NHS Trusts and Central Government. A co-ordinated and centralised piece of research by Central Government would be welcome and encourage further investment in the sector.

However, there are a number of independent studies which attempt to evaluate the financial benefits of ECH.

FINANCIAL BENEFITS

Local Authorities have been commissioning housing with care (referred to as Extra Care Housing) since the early 2000s. This has been driven by a desire to extend the range of housing options available to older and disabled people and the need to have more cost-effective models of care. There is increasing interest amongst care commissioners in the long-term benefits of housing with care in terms of improved quality of life for residents and also the financial benefits to the health and social care systems.

ECH enables local authority residents with support needs to maintain independence and avoid longer term residential care. Cost savings are derived from the delivery of flexible care and care procurement efficiencies through providing centralised care at single 'community' sites rather than spread across multiple sites.

There are various publications, including collaborations with sector specialists, ***Housing Learning Information Network (HLIN)*** and others, highlighting positive impacts on the health care economy. This includes reductions in the number of GP and community health nurse visits, non-elective admissions to hospital, reductions in length of stay and delayed discharges from hospitals and reductions in ambulance call outs. It is now broadly accepted that many people with minor care needs are currently housed within Care Homes at far greater cost and with far worse outcomes than would be experienced if sufficient ECH accommodation could be provided. Direct savings to the public purse are found through:

- ***NHS Cost-Benefits & Savings:*** Fewer GP visits; fewer community nurse appointments; fewer ambulance call-outs; fewer and shorter unplanned hospital admissions,
- ***Savings Compared to Residential Care:*** Delayed moves to a residential or nursing care setting; lower overall health costs,
- ***Reduced Care Needs/Reduced Growth in Care Needs:*** Less costly social care packages (especially for those with higher care needs),
- ***Increased Efficiencies:*** Care workers ability to treat many residents without moving from home to home,
- ***Improved Outcomes for Individuals:*** Increased sense of autonomy and security; fewer falls; reduced loneliness and depression; better mental health and quality of life; lower death rate in the period following moving in,
- ***Local Authority Housing Budgets:*** Freeing up homes for families and others on social housing waiting lists; reducing temporary accommodation costs.

Salford Council suggest in their Extra Care Strategic Development Report June 2019 that costs of £246 per week per resident (**£12,792 per annum**) could be avoided through care needs being met through ECH rather than by residential care.

Whilst not specifically targeting ECH, one of the most recent studies is a Report by Hyde Group and Sonnet Advisory & Impact published in July 2021 ***"The Value of a Hyde Tenancy 2020/21"***. It calculates the direct cost savings to society for each of its tenancies is **£14,781 per annum**.

Some of these benefits, such as savings to the Police, Justice and Education, will not necessarily apply to EC residents but there will be additional savings generated from ECH due to less reliance from residents on significantly more expensive residential care homes.

Preferred Homes Limited ('PHL') is currently working with local authorities who are assessing the financial benefits of ECH over alternatives in terms of both the housing and care needs of the elderly/vulnerable. This includes cost comparisons with alternative residential care homes and homecare alongside a more efficient use of existing social housing stock through better matching of housing to actual needs.

Taking into account inflationary pressures experienced over the past year alone, PHL estimates the financial benefits enjoyed by the public purse to be at least £10,000 per resident (potentially as much as £15,000) within an ECH supported living community.

For a typical 80 apartment Extra Care scheme, this would translate to annual savings of at least £800,000 or **£20 million** over a typical nominations period of 25 years. These savings will be enjoyed by a combination of stakeholders including the NHS, Local Authority care services and Local Authority housing budgets. A new 80 apartment ECH facility will typically inject approximately £16 million into the economy through total construction costs, supporting local jobs and associated contributions to the Treasury.

In a report published in 2016, The Strategic Society Centre and Anchor found that *"For one new retirement housing unit occupied by one person for at least 10 years, potential total savings are around £83,100 over the long-term. If two people occupy this unit for at least 10 years, potential total savings are around £111,400 over the long-term. Such potential economic effects can also be expressed at a population level. For example, using these figures we can estimate that if one couple for every 50 older homeowners moved into a new unit of specialist retirement housing for at least 10 years, this would yield savings in the long-term of between £675 million and £2.6 billion depending on the region or **£14.5 billion** across the country."*

Of the necessary 50,000 per annum new homes for elderly residents the Mayhew Review identifies, if just 5% (2,500 units) of this housing stock was given over to affordable EC residents, we estimate society would benefit from annual public purse savings of **£25 million** and an annual injection into the economy via the construction industry of **£500 million** – all of which will help to drive UK growth, help "level-up" sectors of the country and increase societal well-being.

Current government policy allows for the market sector to deliver housing stock - the market has not adequately responded particularly in poorer areas of the Country. However, Social housing should not be solely market led. The delivery of social housing should be promoted to a much greater extent by stakeholders (many of whom have conflicting budgetary constraints) and through legislative changes to allow Housing Associations, Registered Providers and developers to deliver a far greater proportion of the required housing stock.

January 2023

Relevant Publications & Extractions:

The Mayhew Review November 2022

<https://www.housinglin.org.uk/assets/Resources/Housing/OtherOrganisation/The-Mayhew-Review-Future-proofing-retirement-living.pdf>

ECCT Report March 2019

<https://www.extracare.org.uk/media/1169231/full-report-final.pdf>

Extra Care Strategic Development Report 2019

<https://sccdemocracy.salford.gov.uk/documents/s19713/07%20-%20Appendix%202.pdf>

The Value of a Hyde Tenancy 2020/21

<https://www.hyde-housing.co.uk/media/6419/hyde-value-of-a-social-tenancy-2020-21-report.pdf>

Valuing Retirement Housing: Exploring the economic effects of specialist housing for older people – August 2016

<https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj5qajjjsn7AhVGi1wKHVTJADwQFnoECAkQAQ&url=https%3A%2F%2Fstrategicsociety.org.uk%2Fwp-content%2Fuploads%2F2016%2F08%2FValuing-Retirement-Housing.pdf&usq=AOvVaw04PKr6JBETfh62e4mkTOO3>

Extra Care Housing Evidence Base 2015 - London Borough of Richmond Upon Thames

Extra Care also offers cost savings to local authorities as households maintain independence and do not require residential care. These cost savings are derived from provision of flexible care and procurement efficiencies (providing care on one site rather than multiple sites) amongst other factors. Research shows that each year a resident postpones moving into residential care, the State saves on average **£28,080**.

Sonnet & Anchor Hanover Social Impact Report 2020

Social housing offers individuals and families communities of support and stability and provides a platform that enables people to enhance their lives. This delivers not just improvements in individual and community wellbeing and associated measurable savings in public service costs, but also real economic improvement in the workplace and in local area economic activity. Using the framework established in the value of a social tenancy research undertaken for the Hyde Group, we estimate that through the provision of a decent home at affordable rent the value of a social tenancy, for an older person who is not working and does not have young children, is at least **£3,400** a year.

The level of service provision in Anchor Hanover's Extra Care estates offer significant savings to both the local authority, in the form of reduced care costs, and the NHS, by tackling malnutrition and physical inactivity. In total, we estimate that Extra Care delivers savings of at least **£6,700** per resident per year.

Housing LIN Case Study 78 - The Business Case for Extra Care Housing in Adult Social Care: An Evaluation of Extra Care Housing schemes in East Sussex 2013

Enhanced services and value for older people - as people grow older their housing needs change. Supported housing responds to those needs by providing accommodation specifically designed to cater to them. Residents often move into supported housing in preparation for growing older or after experiencing a significant life change. Such changes might include retirement, the loss of a partner or the onset of a health issue. Unexpected loss, challenging situations and illness are part of our lives, but can cause significant stress.

As a result, many residents either enter supported housing at a point in their lives when they are vulnerable to isolation, depression, anxiety and a loss of purpose, or are likely to experience those life changes

*Extra care housing acts as a preventative model, supporting independence and avoiding admissions into residential care. Extra care housing is a more cost effective model of care delivery than other models, including residential care and care in the community. The resultant findings revealed that the financial impact of the findings was considerable, with the evaluation indicating that the cost of extra care housing was on average **half the gross cost** of the alternative placements.*

Leeds City Council – Extract 4.1.1 from Executive Board Report 2020

*Financial comparisons on the average cost of residential care (local authority and independent sector provision) versus Extra Care Housing reveal that Extra Care Housing, even with all care recipients having high care and support needs, provides the opportunity to realise significant system cost savings. Based on the minimum projected efficiency saving of £240 per week for an individual with high support needs applied against 100% of the scheme being affordable rent and the Council receiving 100% nomination rights for a 60 unit scheme, this would generate an estimated system cost saving of approximately **£748,800 per annum (£12,480 per person per annum)**.*

Housing LIN Case Study 129 – Evaluating Extra Care Housing in North East Lincolnshire 2016

*An estimate of savings to the Local Authority of home care or care home services compared with the likely costs estimated from the Control Group are £260k pa, which is an average of **c£4,600** per person.*

Southampton City Council & HLIN 2019 - Identifying the Health Care System Benefits of Housing with Care

While the body of research available that identifies the health impacts of housing with care has been relatively limited, all the identified evidence suggested positive impacts on the health care economy, which included:

- *Reductions in the number of GP visits (by housing with care residents).*
- *Reductions in the number of community health nurse visits (amongst housing with care residents).*
- *Reductions in the number of non-elective admissions to hospital (by housing with care residents).*
- *Reductions in length of stay and delayed discharges from hospital (amongst housing with care residents).*
- *Reductions in ambulance call outs, typically linked to reduced incidence of falls (amongst housing with care residents).*

*When quantified, it was possible to estimate that for each person living in the housing with care settings, the financial benefit to NHS was approximately **£2,000** per person per annum (calculated as a costs benefit to the health care system).*

Oxfordshire County Council - Market Position Statement Supplement Relating to ECH 2019.

*When making a business case for ECH compared to care homes/homecare etc we use a crude calculator that estimates a £85k annual saving based on 60 units – **£1,417** per person per annum.*

Cumbria County Council – Extra Care Housing and Supported Living Strategy 2016-2025

*As service users choose Extra Care Housing Accommodation rather than Residential Care Accommodation there is an estimated saving of around **£9,000** per year per placement. However, this strategy does not assume a cashable saving at this stage. In support of its strategic commitment, the Council is developing a capital programme to invest in and facilitate the ongoing development of Extra Care housing in Cumbria.*

North East Lincolnshire Council and HLIN Case Study 2016

*This report concluded Extra Care savings to the local authority over traditional homecare or residential care home services equated to an average of **£4,600** per person per annum in 2016.*