



Think Piece: Housing with Care for Older People

Objectives

1. This paper reports on the findings from a workshop held with stakeholders at the event on the 'Future of Older Persons Housing in Kent.'
2. The objectives of this workshop were to consider the barriers to delivering specialist housing for older people, specifically, housing with care, and to identify possible solutions to enable this sector to grow.
3. This paper has been drafted for Kent Housing Group so that actions can be identified and taken forward in the future activities of the group and so that KHG can influence other organisations, including Central Government, where specific actions are required. It is also for use by the South East Local Enterprise Partnership in order that housing for older people can be considered as part of its remit to facilitate economic growth, particularly where housing plays a key role in supporting or delivering economic development objectives. The Kent Housing Strategy is being refreshed in the spring 2015, and this think piece will feed into the Strategy.

Why is Specialist Housing Needed?

4. The population of Kent and the UK as a whole is ageing. The Kent Housing Group's strategy Better Homes: Housing for a Third Age estimates that the population in Kent aged 55 and over will increase by 50% by 2031 compared to 2008 – an additional 230,000 older people. On average, people are living longer and the baby boom generation – a particularly large population cohort – is reaching old age.
5. The prevalence of specific conditions including physical disabilities, sensory impairments and dementia increases with age and these health problems tend to trigger the need for care and accommodation and other forms of support. The Department of Health estimates that 75% of those aged over 65 will need care at some point in their life. The Alzheimer's Society's research Dementia UK in September 2014 shows that 1 in every 14 people age 65 and over has dementia. The research expects the number of people living with dementia to increase by 40% over the next 12 years (to 2025).
6. Whilst there is a growing need for care, there is also a determination to move away from providing care in an institutional setting because it does not promote independence and dignity and also because of the high cost of providing care in these settings. Personalised care budgets are also giving older people more choice over how their care is provided, with the option that it is delivered to them in their own home.
7. However, mainstream housing is not always a suitable place for care to be provided. Existing alternatives, such as care homes and sheltered housing, are declining in



popularity amongst the generation of older people who are used to owning their own home. Furthermore, much of the sheltered housing stock was not designed to provide care and so in many ways is no more suitable than mainstream housing for supporting older people with care needs in later life.

8. A form of housing, known as housing with care – termed Extra Care when provided by the public sector or Assisted Living when delivered by private providers – is emerging as a form of independent housing where older people can also receive care when they need it. However, housing with care has not expanded in line with the growth of the older population.
9. The initiation and development of housing with care has been led by developers in the housing sector – public and private. It has been funded, overwhelmingly, by the housing sector – either through private individuals selling their homes and buying into schemes or through Registered Providers securing land and subsidy to build affordable housing schemes.
10. However, housing with care is also providing older people with health and social care services. There is widespread acknowledgement that the health sector needs to be better engaged in the delivery of housing with care and, in particular, to recognise the benefits in terms of preventing ill health that this form of housing can deliver. The legislative and policy framework to integrate housing with health and social care is starting to emerge. The Care Act (2014) provides the legislative framework for joining up health, care and housing and recognises the importance of housing to wellbeing. The Kings Fund's Health and Social Care Commission, chaired by Kate Barker, also recommends the integration of health and social care budgets and commissioning – effectively merging social care with the NHS.

What are the benefits?

11. It is important to emphasise that the benefits of providing housing with care for older people are multi-faceted. These benefits are also experienced by a range of organisations and individuals, not just those individuals directly affected. The key benefits are:
 - **Improved quality of life for older people** needing care: Fundamentally, housing with care allows older people to live independently with all of the benefits that this brings in terms of their wellbeing and in particular their physical and mental health. An evaluation of extra care undertaken in East Sussex showed that housing with care delayed moves into residential and nursing care among older people and also helps carers providing unpaid care to their partners to keep caring for longer. The fact that housing with care replicated peoples own homes, but with services available to tap into, meant that family members and friends were also more likely to maintain existing levels of contact.



- **Substantial cost savings to the NHS:** older people account for 55% of GP visits, 68% of outpatients and 78% of patient bed stays (Personal and Social Services Research Unit, University of Kent). Housing with care reduces hospital admissions amongst older people by preventing care needs from turning into a crisis, through improved nutrition which prevents illness and improves wellbeing, domiciliary care which maintains health and helps to avoid injury and through homes that are designed to be safe and accessible for older people and preventing falls. Housing with care may also provide 'intermediate care' which provides a temporary step for older people who need rehabilitation following an illness and to prevent hospital admission or to allow hospitals to discharge older people who need care before they can return to their own homes. There are huge differences between the costs of providing care in a hospital bed compared to in an 'own home' environment. KCC's own figures suggest the cost of a bed in an acute hospital ward is around £70,000 per annum, compared to £30-40,000 in a care home setting (cost halved) and costs halved again if care is provided in the home or in housing with care.
- **Cost saving to social care:** evidence suggests that at least 30% of people in care homes do not need to be there, at least not when they entered it. The East Sussex evaluation found that 2/3 of residents in extra care would have been in residential or nursing homes if it were not for the schemes. The evaluation found that EC was 50% cheaper than these alternatives. Various academic research has shown that savings of £15-20k per annum can be saved by delaying a move into residential care (PSSRU, University of Kent).
- There are **economic benefits** associated with the delivery of housing with care schemes. These include the jobs provided as part of the construction phase, though this is no different to any housing development, as well as jobs associated with the provision of care and other services on site. Importantly, most of these jobs are likely to be taken up by local people, with direct benefit to spending in the local economy as well as the additional spending from the occupants. Schemes also provide services for the local community and good practice should ensure that these enhance what is available locally e.g. café/ restaurant, pharmacy so that local residents as well as occupants benefit.
- **Increased mobility within the housing market by freeing up family housing:** older people aged 75+ are less likely to move home than other age groups in the population (English Housing Survey). The majority of older people in the owner occupied sector also under-occupy their homes, as well as a substantial proportion of those living in social housing. Providing attractive housing which allows older people to downsize has beneficial impacts on the rest of the housing market by freeing up larger housing and allowing other households to 'move up' and releasing a chain of moves/sales. This freeing up process is particularly valuable in the social sector as it can result in housing/re-housing of multiple households through the chain that is initiated by an older person downsizing.



- Downsizing amongst older people also provides them with the **opportunity to release equity from their homes**. This often results in transfers of funds to the younger generation, particularly grand-children to help them enter the housing market.

Why Has Provision Not Expanded?

12. In understanding why the housing with care sector has not expanded to cater for the growing ageing population it is necessary to make a distinction between private sector provision and schemes which are developed by housing providers (RPs). Although they face some common barriers to expansion, there are particular problems associated with these two different models. Furthermore, the fact that there are these two different models may in itself be a barrier to the expansion of the sector since neither provides the 'complete package'.
13. Private sector provision of housing with care has generally been delivered by a few specialist developers (e.g. McCarthy & Stone, Churchill) and is marketed as 'Assisted Living'. It is estimated by the Housing LIN that around 25,000 private assisted living units exist, compared to almost 500,000 bed spaces in privately managed care homes.¹ Schemes delivered by the private sector tend to deliver predominately for open market sale with some affordable housing. There is no opportunity to rent privately. The model these developers employ is one of short term build and sale, with the housing management and care sub-contracted. Nevertheless, the longer term nature of older persons housing – including slower take up rates and ongoing involvement in housing management mean that mainstream housing developers are largely unwilling to enter the market.
14. On the whole, private schemes tend to have more limited communal facilities. A greater reliance is placed on securing locations which have services available and which residents can access. This means that developers are often competing with other developers (mainstream housing or commercial) for sites, in particular favoured town centre sites.
15. Private schemes also tend to house those with more limited care needs, though these may increase over the lifetime of the scheme as residents grow older.
16. Housing with care that is developed by the public sector, primarily registered providers, is often called 'Extra Care'. As they are led by RPs, they predominately provide affordable housing for rent or shared ownership. Furthermore, locations in which RPs provide schemes and in which they are able to acquire sites are often less suited to open market sale and, even where sales can be made, prices may not be high enough to cross subsidise other tenures.

¹ Housing LIN View Point by Ben Hartley, Carterwood, Will the Private Extra Care Market Take Off in 2014?



17. Greater effort appears to be made to offer a full range of communal facilities and RP schemes also tend to house those with greater care needs. Nominations (moves) to Extra Care schemes are managed by local authorities and RPs and so there is hands-on management of the mix of people in the scheme and the overall level of care needs.

18. Extra Care schemes delivered by RPs require subsidy. They are unviable unless land is provided for free or subsidy provided through grant or other means. Figure 1 provides an illustration of this using an example of a viability calculation on recent RP scheme in Kent, using different scenarios. Red shading indicates that this does not meet the RP's development parameters. The key messages from this and other RP schemes in Kent are:

- Even with free land (or S106 subsidy) housing with care does not work without substantial grant for either rent or sale. This is alongside the subsidy that RPs choose to allocate to each scheme using their own resources.
- Even with grant (column 1 & 3) these schemes do not breakeven until after year 30.
- To comply with HCA requirements for tranche sales for older persons shared ownership (column 4) without grant is unviable, never reaching breakeven and producing a negative Internal Rate of Return.
- RPs in Kent and nationally are having to find an innovative solution to make the finances viable on each scheme
- It is far easier and cheaper to deliver general needs housing than housing with care

Figure 1: Kent Extra Care Scheme showing Viability under Different Scenarios

Extra Care Appraisal Summary					
	1	2	3	4	5
	RENT	RENT	Sale	Sale	Sale
Sale Tranche/rent			75%/0	75%/0	up to 80%/2.75
Subsidy pu.	£37k	ZERO	£30k	Zero	ZERO
Land	Free	Free	Free	Free	Free
1st cumulative breakeven year	32	40	33	∞	20
IRR	5.75	3.69	5.75%	-8.58%	5.75
Extra Care Appraisal Summary					
	1	2	3	4	5
	RENT	RENT	Sale	Sale	Sale
Sale Tranche/rent			75%/0	75%/0	up to 80%/2.75
Subsidy pu.	£46	ZERO	£33k	Zero	ZERO
Land	Rural Exception Value <£5k perplot				
1st cumulative breakeven year	32	41	28	∞	31
IRR	5.75	3.39	6.26%	-24.10%	6.34

19. Although exceptions can be found, few schemes are able to cover their capital costs and these cannot be recouped in rent or service charges without exceeding what can be paid



in Housing Benefit/ LHA under the affordable rent model. This is therefore not a sustainable model for delivering housing with care in the long term.

Barriers to Delivery

20. Discussions with those involved in developing housing with care in both the private and public sector have identified a number of common barriers to the expansion of provision:

- **Land supply:** in many ways the development of housing with care for older people encounters the same barriers as mainstream housing. Insufficient supply of land for new housing was identified by the Barker Review of Housing Supply in 2004 and recently in the Lyons Review (2014, undertaken for the Labour Party). Issues around land supply are complex and are not simply a case of insufficient land being allocated in plans.
 - Local Plans allocate land for housing and for employment purposes but do not specifically identify land for housing with care. There may also be reluctance amongst planners and local Councillors to allow housing development for older people on employment land because of the perceived loss of employment space and the ability to provide jobs.
 - Developers must compete for land in the open market against developers of mainstream housing and commercial developments. Housing with care may be outbid by these developers for a number of reasons.
 - Communal space and services within housing with care schemes may make them less profitable and therefore developers will not be able to pay as much for land.
 - Whilst housing with care can be delivered on relatively small sites (c.1 acre in urban areas) the perception amongst RPs is that the best schemes are low rise and low density. It is impossible to compete with commercial developers in the land market on this basis.
 - This is compounded by the cost of providing affordable housing in housing with care schemes and CIL contributions.
 - This is why many developers of housing with care have argued for a separate Use Class for specialist housing as a means of protecting the supply of land and to avoid the extra costs associated with development contributions.
 - This makes securing the right location difficult since housing with care is competing with other types of development. The right location is critical to the delivery of a successful housing with care scheme since it determines the scale and type of services that need to be provided on site and the extent to



which this accommodation is truly integrated within the local community and thus able to deliver the benefits in terms of wellbeing and independence for the older occupants.

- There are **additional costs** with developing housing with care: these include the costs of providing communal living space, office for carers and warden, laundry facilities, onsite restaurants and commercial space for onsite services. All of these provisions reduce the development value of the scheme when compared with mainstream housing and so reduce the amount that can be paid for the land. For schemes led by registered providers, these extra costs demand additional subsidy since, by and large, RPs cannot achieve sufficient returns from rents to cover the capital costs of investment. If subsidy is not available, extra costs are recouped through rent and service charges, which may make the schemes unaffordable to those they are targeted at.
- However, RPs must bid for **grant** from the HCA for extra care under the same criteria as mainstream housing schemes. Against the same measures, Extra Care appears more costly and less able to deliver value for money against the HCA's criteria. RPs have relied on other sources of subsidy from local authority funds, NHS care and support funding and RPs own borrowings to plug the gap. However, none of these represent a sustainable source of funding for Extra Care, rather on a scheme by scheme basis, RPs have to fish around for subsidy to make their schemes viable with different funding streams coming or going up from one year to the next.
- **Restrictions on tranches sales of older persons shared ownership** also affect the viability of schemes. Under HCA requirements, older people can purchase up to 75% of their shared ownership home and do not pay rent on the remaining 25%. Where RP schemes are modelled without HCA funding are therefore free of restrictions on tranche sales this can make a substantial difference to viability.
- **Complex decision making associated with move in later life:** despite the large potential market for housing with care, moving home in later life involves a range of complex decisions including financial implications of a move, emotional attachment to the family home and the pressures and wishes of family members. In practice, this often means that older people delay a move until it is essential and the decision to move takes much longer than average, with the result that there is slower take up on both private and RP schemes when compared to mainstream housing. This has financial implications for developers, with slower cash flow affecting the scheme's profitability. This is another factor which makes development of housing with care less attractive to developers and confined to a specialist group of developers and another reason that housing with care is less able to compete in the open market for land.
- **Housing with care schemes are complex to deliver because of the combination of the two services.** The provision of 24/7 care onsite adds a service charge to the



scheme on top of the service charge associated with the housing element (e.g. management of housing, grounds etc). These different elements may be difficult to separate. For example, to what extent is the restaurant part of the care package because of the nutritional benefits it provides residents and the opportunity to socialise and reduce isolation or is it defined as part of the housing offer in terms of communal space? In a social/affordable rented scheme the social/affordable rents put an overall cap on what an occupant can pay and this may not be enough to cover the actual rent and service charges, leaving a gap in the viability of the scheme.

- The **provision of high levels of care in the home** may act as a disincentive for older people with care needs to move into specialist housing. There is a circular situation where the limited scale of the housing with care market means that older people may not be able to find a local scheme and therefore care needs to be provided in their home. Because high levels of care *can* be provided in an older person's own home, including adaptation, domiciliary care, Telecare and meals on wheels, there may be no imperative to move into housing with care. This is likely to limit demand for housing with care and the ability of the market to scale up.

Solutions

21. Given these barriers, there are a range of actions which might help to unlock the expansion of the housing with care sector:

- Local planning authorities could allocate land or identify broad locations for housing with care in their Local Plans. This would give a stronger indication to the market about the type of schemes that are desired in particular locations. THHP understand that local authorities are permitted to do this by the NPPF, though it is likely this would need to be underpinned by the evidence base since in the current climate, policies which appear to impose restrictions on land use may be challenged by developers. However, they may be reluctant to do so as there is some uncertainty about whether housing with care units count against a local authorities housing targets. Paragraph 50 of the NPPF states that:

"To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

- *plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, **older people**, people with disabilities, service families and people wishing to build their own homes);*
- ***Identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand...*** [our emphasis]



- The identification of sites for housing with care might help developers to compete for sites since it should remove some of the planning risk associated with acquiring sites for housing with care. Conversely, it would *increase* the risk to other developers of acquiring such sites since they would have to argue for a different type of development. This ought to be reflected in the price that developers are prepared to pay for sites and may help developers of housing with care to outbid other developers for appropriate sites.
- As part of employment land reviews, which are undertaken by local authorities on a periodic basis, local authorities could consider whether employment allocations which have not been taken up would be suited to the development of housing with care in addition to, or instead of, mainstream housing. Local authorities may have decided that some employment sites should be retained for employment uses but may be willing to consider housing with care on these sites given the jobs created in managing the scheme and caring for residents on an ongoing basis and the potential for this schemes to contain commercial uses e.g. restaurant, shop, hairdressers, pharmacy etc.
- Local authorities could also undertake to consider the economic merits of housing with care schemes which are proposed by developers, particularly where they are proposed on employment sites. It is within local authorities' powers to decide to do this and policies could be included in development management documents to give considerations a more formal basis. However, Government might wish to consider whether a ministerial statement which encourages local authorities to take account of the economic merits of housing with care could be given alongside the Autumn Statement. Such a statement would not require any change to existing NPPF policy but would have weight in planning decisions.
- Local authorities are already permitted to develop their own policies on the density of development, based on local evidence. Nevertheless, higher density schemes may help to improve viability in some locations and it would be useful to have examples of how such schemes can be designed sensitively (e.g. Kidbrooke scheme). This may allow local authorities to consider schemes that they might otherwise have ruled out.
- There is a well-rehearsed argument around whether private housing with care schemes should include affordable housing, or pay CIL contributions and, if so, how much. In principle, there is no reason why they should not be treated like other housing or commercial developments in terms of making contributions. However, given the extra costs of these developments and in particular, the space 'lost' to provide communal areas or other services on the scheme which would otherwise be capable of delivering extra units and increasing overall development value, local authorities should ensure that they take account of this when requiring contributions. In the absence of a nationwide policy on this matter, a Kent-wide approach to assessing affordable housing and CIL contributions on housing with care



schemes would be valuable. It could be argued that the provision of an Extra Care scheme reduces impact on local infrastructure and therefore should be exempt from CIL. Clearly they do not impact on Education needs, but as described earlier they also help to reduce the call on Health and Social Services; the high quality of open space provided within these schemes could be contribution to semi-public open space; they do not increase traffic volumes and yet are providing additional homes which bring New Homes Bonus.

- Housing and planning teams within local authorities should consider whether more housing with care should be delivered through S106 affordable housing contributions and the extent to which it could count for some of the affordable housing quota required of developers. This might prove appealing to developers as some claim the delivery of housing with care does not affect the sales values of open market homes. Whether additional housing with care at the expense of general needs housing can be justified by local authorities will depend on local needs and in particular whether family sized social homes can be freed up as older people who are under occupying move to housing with care. However, in many areas values are such that even with the “S106 discount” schemes are unviable (particularly rent elements) and therefore there would need to be an exemption from the HCA to allow funding into the S106, or the use to be governed through planning conditions rather than the S106.
- Schemes that are led by RPs and which deliver predominately subsidised housing are likely to continue to need upfront capital subsidy and/or free land to be viable. The extra costs of delivering housing with care, including the complexities around the service charges on top of rent, mean that the HCA should consider higher levels of grant subsidy compared to mainstream housing schemes. It may help to assess the value for money benefits of these schemes in terms of releasing family sized social housing for re-let and creating a chain of lettings in the housing stock rather than purely on the number of people housed directly. Government and HCA need to acknowledge housing with care has a differing assessment criteria for funding or has a differing set of rules
- Given the cost savings to the NHS through the prevention of ill health and avoidance of hospital admissions, there should be greater consideration given by CCGs to housing with care schemes when allocating NHS resources. Greater resources for housing with care might be achieved through some form of specific funding stream via the NHS. In the past, the NHS’s Care and Support Fund has contributed to funding of some Extra Care schemes, though these have usually been restricted to those which have specialist dementia care.
- Specific consideration should be given to the appropriateness of sites/buildings for housing with care when the NHS disposes of land holdings. This would require strong political will given the difficulty of getting public sector bodies to dispose of land for less than market value. There are already efforts to encourage public sector bodies



to release land for housing in order to secure a boost to housing supply and release of this land has proven difficult to achieve in practice. It is more likely that strong relationships at the local level and a commitment to joint working between housing, planning, NHS (CCGs) and social care will help to create the right framework for releasing surplus sites for housing with care when they become available. If these organisations can present a joint vision and case for the use of surplus sites for housing with care, it is likely to be considered more seriously than any top down 'tick box' exercise that forces public sector land holders to consider other factors before selling on the open market.

- Health and Wellbeing boards need to be fully briefed on benefits of housing with care, including how it can prevent ill health amongst older people and reduce need for primary and hospital care. There is the potential through these Boards to join up the activities of health, social care and housing and to ensure that housing's role is considered as a key part in improving health and wellbeing. It is essential that housing is represented on Health and Wellbeing Boards so that the potential benefits of housing with care can be promoted to other practitioners. A number of consultees felt that GPs should be made more aware of the schemes that are available and to offer them to those who might otherwise be steered towards residential care. This might be an awareness raising or marketing activity that could be undertaken through the Health and Wellbeing Boards.
- Greater flexibility over the tenure of units within housing with care schemes could help RPs in particular to fill schemes quickly which would impact on cash flow, reduce the ongoing costs of servicing debts and overall improve the viability of schemes. For example, the ability to offer private renting for those older people who may be unwilling to commit to selling their home and buying into the scheme initially, with the option to buy at a later stage, could help older people to make a decision more quickly and hasten the take up of housing with care. This would require flexibility around grant levels and the conditions attached to it from the HCA. To help further with take up, Government could consider underwriting the sale of an older person's home where they are moving in to housing with care.
- Tax incentives to promote downsizing may help to stimulate demand for housing with care and encourage faster take up on schemes – whether led by a private developer or RP –and thereby improve scheme viability. McCarthy & Stone claim to have undertaken research which shows that there would be a net gain to the Exchequer if stamp duty relief was given to older people who downsize. This gain is based on the chain of sales which are created as an older person (at the top of the chain) sells up and moves out and releases their home for another buyer, who then releases their home for another buyer and so on. An alternative tax incentive would be to offering some exemption from inheritance tax for those who are downsizing (to move into housing with care and/or to release equity to help a family member enter the housing market). This might prove a powerful incentive for older people who are facing complex and multi-faceted decisions about whether to move. The



prize associated with this would not just be a boost in demand and take up of housing with care but also a more efficient use of the housing stock and some redistribution of housing equity between the generations.

Actions for KHG

22. There a number of actions which KHG or SELEP might be able to take quickly, without the need for other partners and which might help to support housing with care schemes:

- Encourage the evaluation of existing housing with care schemes in terms of the economic and social benefits they are delivering. Identify the outputs and outcomes that the scheme has generated so that these examples can be shared with decision makers when considering proposed schemes.
- Consider developing a simple proforma/checklist for demonstrating the economic benefits of housing with care – e.g. jobs created on site, jobs created during the construction phase, local spending generated, new services brought to the local area etc.
- Consider developing a proforma/checklist for demonstrating the benefits to health – e.g. cost savings as a result of reduced numbers of GP appointments, hospital admissions etc
- Raise awareness, promote and market proposed and newly developed schemes to key stakeholders in Kent, including GPs and organisations supporting or referring older people.
- Ensure the housing sector, including someone with housing with care expertise, is represented on the Health and Wellbeing Boards in Kent.

ASKs of Government

23. There are a number of 'asks' that could be made of Government in order to support the expansion of housing with care:

- Government should encourage local planning authorities to allocate land or identify broad locations for housing with care in their Local Plans.
- Government should clarify that housing with care counts towards local authorities' housing targets.
- Government should encourage local planning authorities to actively consider whether housing with care could be provided on employment sites which have not been taken up and giving consideration to the jobs which will be created on these schemes.



- Government should consider whether a ministerial statement which encourages local authorities to take account of the economic merits of housing with care could be given alongside the Autumn Statement.
- Government should set out guidelines on how housing with care should be treated in terms of affordable housing and CIL contributions.
- Government and HCA should acknowledge housing with care has differing assessment criteria for funding or has a differing set of rules and that higher levels of grant may be justified compared to general needs housing.
- Government and HCA should reconsider restrictions on tranche sales of older persons low cost home ownership which currently limit the sale of up to 75% of the home with no rent paid on the remainder. Government could also consider underwriting the sale of an older person's home where they are moving in to housing with care.
- Government should consider allocating greater resources for housing with care, which might be achieved through some form of specific funding stream via the NHS recognising the role of housing with care in preventing hospital admissions and use of other health resources.
- Government should renew calls on public sector bodies, particularly the NHS to consider the appropriateness of sites/buildings for housing with care when disposing of land holdings.
- Government should consider tax incentives to promote downsizing and moves into housing with care, either through Stamp Duty Relief of Inheritance Tax relief.