

THE BUSINESS CASE FOR EXTRA CARE HOUSING AT CONGLETON ROAD IN MACCLESFIELD

**EVIDENCE AND INFORMATION IN SUPPORT
OF THE DEVELOPMENT OF SPECIALISED
SUPPORTED HOUSING FOR OLDER PEOPLE**



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1. INTRODUCTION

This business case describes a process for commissioning, funding, designing and developing extra care housing. The business case has been commissioned by HBV Supported Living from Social Care Strategies Ltd. to inform commissioners, operators and investors of the levels of demand for new purpose built extra care housing in Macclesfield.

Social Care Strategies' experience and expertise includes:

- Managing whole system change in partnership with social care leaders and commissioners.
- Developing practical alternatives to residential care for older and disabled people.
- Enabling councils to achieve sustainable revenue savings.

www.socialcarestrategies.co.uk

Social Care Strategies has engaged two other partners to provide specific technical expertise in financial analysis and socio-economic profiling.

Valuing Care Financial Management has undertaken the financial analysis in this business case:

- Valuing Care is expert in analysing and negotiating the cost of care.
- Its services have been used by over 100 local authorities and 40 NHS organisations to help commissioners set the cost of care.
- The company's independent cost models and data averages are widely recognised in the industry and have been used by the Department of Health and Department for Education in setting national policy.
- Valuing Care possesses a database of over 6000 line by line unit costs records collected from care provider surveys over the last decade.

www.valuingcarefm.com

Rose Regeneration has undertaken the socio-economic profiling in this business case:

- Rose Regeneration is an economic development business which works with national and local government, communities and businesses to help them achieve their full potential.
- Rose Regeneration has a portfolio of over 100 completed projects for clients including the Department for Environment, Food and Rural Affairs, Commission for Rural Communities, Welsh Assembly Government, Big Lottery and the Rural Services Network (a national consortium representing over 100 rural local authorities in England).
- The company is currently leading a commission to develop a National Centre for Rural Health and Care on behalf of United Lincolnshire Hospitals Trust
- Rose Regeneration has provided bespoke evidence bases for Sheffield City Council, Pennine Prospects, Cotswolds Conservation Board, Tees Valley Rural Community Council and East Lindsey District Council.

www.roseregeneration.co.uk

This document performs several functions:

- A guide to how the end-to-end process works in practice.
- An explanation of the roles of partners engaged in the process.

- A gathering of information and evidence in support of the requirement for the development in a specific location.
- An analysis of the potential financial benefits to the local authority as commissioner.

2. SUMMARY OF THE MODEL

WHAT IS EXTRA CARE HOUSING?

Some people use the same terms to describe different things. In this report extra care housing describes purpose-built housing with integral assistive technology and 24-hour support for older people. There are other forms of extra care housing which have different characteristics (for example, tenants with few social care needs, mixed tenure, capital subsidy) and which are not relevant to this business case.

Specialised Supported housing is defined by statutory regulation as supported housing:

- (a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support to enable them to live, or to adjust to living, independently within the community,
- (b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home,
- (c) which is provided by a private registered provider under an agreement or arrangement with—
 - (i) a local authority, or
 - (ii) the health service within the meaning of the National Health Service Act 2006(11),
- (d) in respect of which the rent charged or to be charged complies with the agreement or arrangement mentioned in paragraph (c), and
- (e) in respect of which either (i) there was no public assistance, or (ii) if there was public assistance, it was by means of a loan secured by means of a charge or a mortgage against a property.

THE CASE FOR EXTRA CARE HOUSING

Extra care housing can make an important contribution to managing the tension between increasing demand on social care services and inadequate public finance to deliver those services. In summary:

- Since 2010 adult social care funding has reduced by £4.6 billion.
- Between 2005/06 and 2014/15 the number of people aged 65+ increased by one fifth and the number aged 85+ increased by one third.
- Extra care housing prevents the need for residential care for older people in 40% to 63% of cases.
- Extra care housing can help older people stay independent for longer.
- Most people prefer to stay in their own homes.
- The cost of supporting older people in extra care housing can be half the gross cost of residential care placements.

Key features of the model, which are described in this business case, include:

- Putting the local authority as commissioner in charge of key decisions about what is required, where it is required and how it will be provided.
- Introducing to the local authority a developer with all the resources and expertise required to fulfil specified commissioning requirements.
- Building a partnership between local authority and developer which combines knowledge and expertise to create the best solution to local need.
- Introducing to the local authority other partners - registered provider, technology provider and support provider - who will collaborate in the implementation of the new development.
- Bringing together housing, technology and support within a single integrated model.

3. INTRODUCTION TO THE PARTNERS

This business case is based on the simple premise that experts in their individual fields will produce the best outcome when their expertise and resources are combined. The success of extra care housing – in terms of design, quality and outcomes – is dependent on effective partnerships between professionals, organisations and private citizens.

LOCAL AUTHORITY AS SOCIAL CARE COMMISSIONER

Although this model does not require the local authority to provide any revenue or capital resources, it does need to contribute proactively to the partnership by:

- Providing evidence of current and future need.
- Specifying the outcomes that it wants to achieve.
- Providing costs of current services to facilitate financial analysis.
- Supporting discussions with housing benefit officers.

The local authority will be asked by the registered provider to sign a nominations agreement. This confers no financial liability, but gives the commissioner full control over referrals to the scheme.

HOUSING DEVELOPER: HBV SUPPORTED LIVING

HBV Supported Living was established in 2011 to respond to the urgent requirement to build homes for vulnerable people who would otherwise have to live in residential care or other unsuitable housing. HBV Supported Living is not simply another housebuilder, but a company committed to providing quality homes for people with the most complex needs. It recognises that innovation in design and specification is essential if tenants are to live happily and successfully in their homes. This innovation includes a commitment to incorporating the best in assistive technology in the design and delivery of all new developments – personalised technology which is tailored to individual risks and aspirations rather than technology which simply reacts to what has already happened. Innovation which routinely learns from experience is vital for a private sector company which must achieve profitability by focusing sharply on value for money at every stage of the development.

HBV Supported Living is 50% owned by Morgan Sindall, who provide working capital to operate – e.g. finding land, developing proposals, and managing the planning process. The developments themselves are funded by long-term institutional investors and local authority pension funds who share HBV Supported Living's values and objectives.

Once HBV Supported Living, in partnership with the local authority, has made a commitment to develop a specific scheme, its immediate priorities are to secure the capital funding to acquire the land and build the scheme and introduce the registered provider which will sign the lease.

Capital funding comes from investors such as the Northern Ireland and Strathclyde pension funds and the University Superannuation Scheme. From the investor's perspective the return on the investment in a specific scheme is determined by two factors:

- The investment is chosen to meet the requirements of pension holders - i.e. index-linked long-term income which derives from a predictable level of demand. The security of this investment is guaranteed because there is always at least an indirect link to local and/or central government.
- The covenant strength (i.e. financial capability) of the registered provider which guarantees to underwrite the rental income. In order to make this commitment the registered provider must have

confidence in the evidence of need for the proposed development.

REGISTERED PROVIDER

Registered provider is the term used to describe the housing association which will manage the scheme. The registered provider will sign a long-term lease on the property and so becomes liable for the rent over the life of the lease. In signing the lease the registered provider needs to be reassured not only that there will be sustainable demand for the tenancies, but that the cost of any void tenancies will be met. The risk of voids can be covered either by the council as commissioner or by the support provider.

The registered provider will levy management, maintenance and service charges in addition to the lease rent when an indicative application for housing benefit is submitted. This is standard industry practice and the charges represent the actual costs incurred by the registered provider in delivering a housing management and maintenance service. Charges are also levied for planned and cyclical maintenance and a sinking fund is accrued to cover major repairs during the life of the lease. These charges are reviewed annually.

Tenants are also entitled to expect a service in return for the management charge. They can expect the housing managers to help them to manage their tenancies successfully. This may include filling in forms, contacting benefit agencies, ensuring bills are paid correctly, debt management, budgeting, organising shopping online for delivery or enabling someone to go to the local shops, and helping to make appointments.

SUPPORT PROVIDER

The support provider employs and manages the staff who will support the people who live in the housing development. The support provider will be regulated by the Care Quality Commission. It is likely that the support provider will be required to cover the cost of void tenancies. The support provider's costs can be met by any or all of the following means:

- The council as social care commissioner
- The individual tenant who is in receipt of a direct payment from the council
- The individual tenant who elects to pay from their own resources

The support provider should be expected to have experience of providing care and support services in extra care housing – in practice this means offering a direct alternative to residential care. Such care and support will include help with personal care, medication and nutrition support. Staff must be trained and supported to meet a wide range of complex needs, including, for example, sensory impairments, multiple sclerosis, Parkinson's disease, Huntington's disease and dementia.

The support providers team is likely to include:

- Registered Manager
- Administration assistant
- Senior care workers
- Care and support workers
- Waking night workers

Traditionally the delivery of care and support services has been arranged around the provision of specific tasks for the individual in defined time segments. This model has often been extremely rigid and stifled independence. In extra care housing both commissioner and tenant should expect an outcome-based approach to care and support services which focuses on the end result that the particular service achieves for the individual. It could be an improvement outcome, which sees the individual gain or regain increased

independence, or it could be a maintenance outcome whereby the service supports the person to retain the current level of independence and quality of life.

HOUSING BENEFIT

Housing benefit is a means-tested state benefit – administered in this case by Cheshire East Council.

At an early stage the registered provider will want to see a supported housing market analysis to establish whether the proposed rent and service charges for the development are within the spectrum of rents already established:

- If yes, then the precedent has already been established or market doesn't yet exist in the area.
- If no, the registered provider will determine why the rent is higher than those currently established, bearing in mind that rent must be considered reasonable.

The registered provider will then construct a technical rent approval submission pack which includes:

- Transparent lease rent calculation
- Transparent gross rent and service charge breakdown inclusive of registered provider costs and allowances
- Local authority and/or health commissioner support, confirmation that development is required, and that it fits within the local strategic priorities
- Summary of regulatory position and case law precedent establishing that the proposed development is compliant with the relevant provisions and that the proposed rent is reasonable.

This pack provides the basis for negotiation with the local housing benefit authority in respect of the development in order to secure approval in principle to the proposed rent. This approval enables the registered provider to sign the agreement for lease.

The lease rent is approved based on the costs incurred in developing the building and will be approved for all assured tenants that enter that building. Once approved the level of benefit is extremely unlikely to reduce for the duration of the lease unless there is a significant change in the regulations. This is unlikely given the significant costs that would be associated with re-provision for this particular tenant group and because the current regulations have been in force for the last twenty years.

TECHNOLOGY PROVIDER

The cost of development includes cabling infrastructure for the provision of personalised assistive technology for all future tenants. Housing, support and technology should form an integrated whole to ensure that complex and changing needs can be met. The technology provider should work in partnership with the commissioner to ensure that technology is designed to achieve the twin objectives of better personal outcomes for individuals and better financial outcomes for the council. Technology should always be personalised and based on the assessed needs of the individual. In extra care housing technology will be able to help with:

- Medication management
- Remote health management
- Centralised care plan management
- Keeping in touch with family and friends
- Information and entertainment
- Reminders and alerts

Research and experience tell us that people's experience of assistive technology is usually based on

perceptions of yesterday's vision of technology. HBV Supported Living's model of integrated housing and technology avoids this problem by working collaboratively with the commissioner, support provider, health and social care professionals, and prospective tenants to design both building and technology as an integrated whole in response to the way people want to lead their lives.

4. SOCIO-ECONOMIC AREA PROFILE

EXECUTIVE SUMMARY

Macclesfield is an affluent and well-connected town at the eastern edge of south Cheshire. It is considerably less deprived than England. It has a good stock of businesses in some high impact and earning categories. It has a profile which is very similar to the national average in terms of its workforce and retirement population. It has a smaller proportion of ethnic minority residents than the national average. It has lower levels of benefit claiming than the national average and a distribution of properties in terms of council tax bands which are very much on a par with the overall distribution across England. The area is relatively self-contained in terms of commuting with some relatively well-developed interplay into Manchester and Stockport as key work locations. The population of the area is forecast to grow relatively modestly over the next 25 years compared to England as a whole. The estimated demand for extra care housing in the town is 285 spaces required in 2017 and 514 spaces required in 2039.

OVERVIEW STATUS REPORT

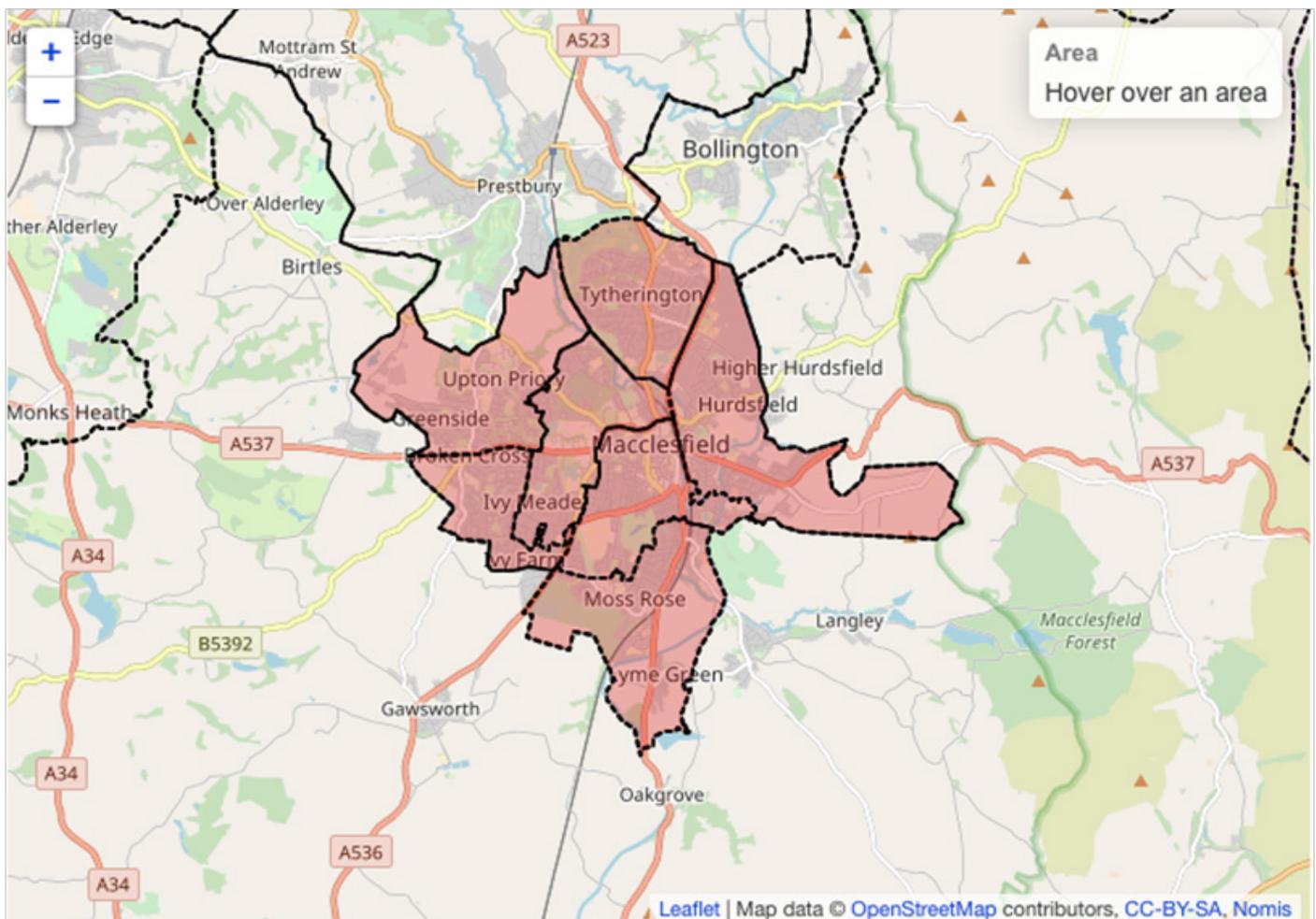
This status report uses a Red/Amber/Green approach to providing an 'at a glance' view of how Macclesfield compares to England. Where the data reveals a score for an area of analysis which is more than 25% worse than the England average that feature is shaded red; where it is worse than but within 25% of the England average it is shaded amber; where it is better than the England average it is shaded green.

Indicators Compared to England Average	Macclesfield
Deprivation (English Indices of Deprivation 2015)	
Overall Deprivation	Green
Income	Green
Employment	Green
Education	Green
Health	Green
Crime	Green
Barriers to Services	Green
Living Environment	Green
Employment	
Job Density	Yellow
Commuting	Yellow
Benefit Claimants	
Pensioner Credits	Green
Working Age Benefits	Green
Age Profile	
Over 65s	Green
Working Population	Yellow

Macclesfield is an affluent area with a relatively young demographic. It fares better on a par with the England average for levels of relative deprivation against all the measures in the English Indices of Deprivation.

RELATIVE DEPRIVATION

This profile provides a comparison between key socio-economic indicators for the agreed population catchment area for the proposed Macclesfield extra care housing development and England. This is defined by the following statistical units of geography: Middle Super Output Areas 014-19 and 21. A map of the area is set out below:



The English Indices of Deprivation (2015) are a relative measure across the whole of England of the characteristics of each neighbourhood measured at a specific level called a lower super output area. Each lower super output area usually has a population in the region of 1500. The indices of deprivation cover: how poor people are; how hard it is for them to find work; how skilled they are; their health; levels of crime; how easy it is to access services and housing; and the quality and feel of the place they live in. The technical description of each of these features is set out below:

- The income deprivation domain measures the proportion of the population experiencing deprivation relating to low income.
- The employment deprivation domain measures the proportion of the working-age population in an area involuntarily excluded from the labour market.
- The education, skills and training deprivation domain measures the lack of attainment and skills in the local population.
- The health deprivation and disability domain measures the risk of premature death and the impairment of quality of life through poor physical or mental health. (The domain measures morbidity, disability and premature mortality but not aspects of behaviour or environment that may be predictive of future health deprivation).
- The crime domain measures the risk of personal and material victimisation at local level.
- The barriers to housing and services domain measures the physical and financial accessibility of housing and local services. (The indicators fall into two sub-domains: 'geographical barriers', which

relate to the physical proximity of local services, and ‘wider barriers’ which includes issues relating to access to housing such as affordability).

- The living environment deprivation domain measures the quality of the local environment. (The indicators fall into two sub-domains: The ‘indoors’ living environment measures the quality of housing; the ‘outdoors’ living environment contains measures of air quality and road traffic accidents).

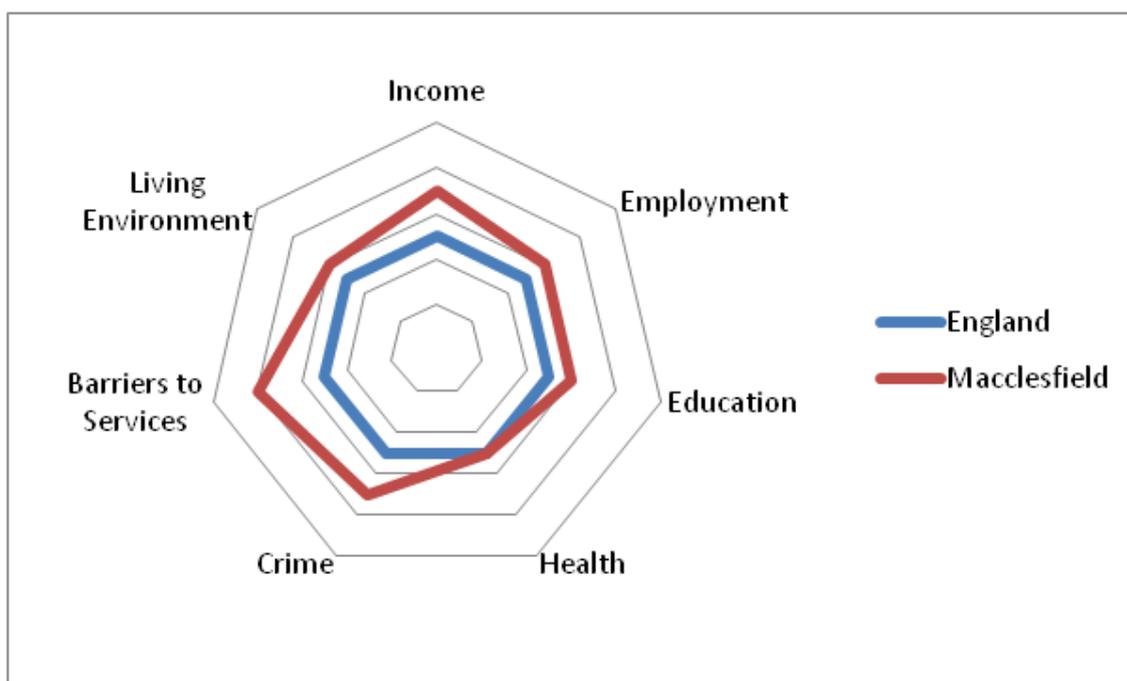
The Macclesfield catchment area has 34 lower super output areas. We have produced an average score for Macclesfield from these lower super output areas for each domain.

Comparative results for this neighbourhood are set out in the table below. There are 32,844 lower super output areas in England. The Index rates them from 1 (the most deprived on any given measure) to 32,844 (the least deprived). We have shown the decile our areas fall into in relation to each measure compared to England.

IMD Decile	England	Macclesfield
Income	5	7
Employment	5	6
Education	5	6
Health	5	5
Crime	5	7
Housing Barriers	5	8
Living Environment	5	6

English Indices of Deprivation 2015

The radar chart below shows these results in diagrammatic form. Where the Macclesfield lines are within the blue line the area is more deprived than the England average; where they are outside the blue line the area is less deprived than the England average:



Macclesfield is less deprived than England or on a par with it for all measures and performs particularly strongly in relation to the low crime, barriers to service and good levels of income.

BUSINESS PROFILE

The table shows (in the Location Quotient column) how the number of jobs in each profession in the Macclesfield catchment compares to the England average. Where there are a far higher proportion of jobs than the England average we have shaded the profession green.

Sector	LQ	Sector	LQ
A: Agriculture, forestry and fishing	0.00	K: Financial and insurance activities	1.40
B: Mining and quarrying	0.00	L: Real estate activities	0.81
C: Manufacturing	1.76	M: Professional, scientific and technical activities	1.56
D: Electricity, gas, steam and air conditioning supply	0.00	N: Administrative and support service activities	0.45
E: Water supply; sewerage, waste management and remediation activities	2.09	O: Public administration and defence; compulsory social security	0.27
F: Construction	0.46	P: Education	0.85
G: Wholesale and retail trade; repair of motor vehicles and motorcycles	0.91	Q: Human health and social work activities	1.65
H: Transportation and storage	0.35	R: Arts, entertainment and recreation	0.96
I: Accommodation and food service activities	0.88	S: Other service activities	0.65
J: Information and communication	0.73		

Business Register and Employment Survey 2016

The comparative analysis of Macclesfield and England reveals particular economic strengths in the area in terms of manufacturing, finance and insurance, professional and technical jobs and health and social work activities. Most of these strengths fall into what are known as knowledge-based industries, reflecting the high wage rates paid in the area.

There are over 27,000 jobs in the area. It has a working population of 33,498. Dividing the stock of jobs by the working population – a useful indicator of the economic vibrancy of an area gives a percentage called job density – the job density for the area is 0.81%. This is slightly lower than the England average of 0.84%.

PENSIONER CREDITS

Pensioner Credits provide a useful proxy for the relative affluence of the older population of an area. The table below provides a comparison between Macclesfield catchment and England:

Date	Macclesfield	%	England	%
Feb 2015	1,600	17	1,968,900	21
Feb 2017	1,350	14	1,695,300	17

DWP 2017

The area has lower levels of pension credit claiming, albeit the number of pension credit claimants is falling more slowly than the England average.

WORKING AGE BENEFITS

The table below shows the percentage of people in the Macclesfield catchment compared to England as a whole claiming working age benefits in November 2016:

Macclesfield	England
9.7	11.2

DWP 2017

These figures indicate an area with considerably fewer people claiming working age benefits than the national average.

POPULATION

The population of the Macclesfield catchment area is 56,945.

Using mid-year population estimates for 2014/15 (the most recently available in the context of the geographies under consideration) the analysis indicates a low proportion of the population of the area who are aged over 65 years – only 17.9% compared to an average around 20% for England. The area also has a working age population on a par with the England averages.

The key population percentages for each area are set out in the table below:

Area	Macclesfield	England
% over 65	17.9	20.2
Working Population	64	65

DWP 2017

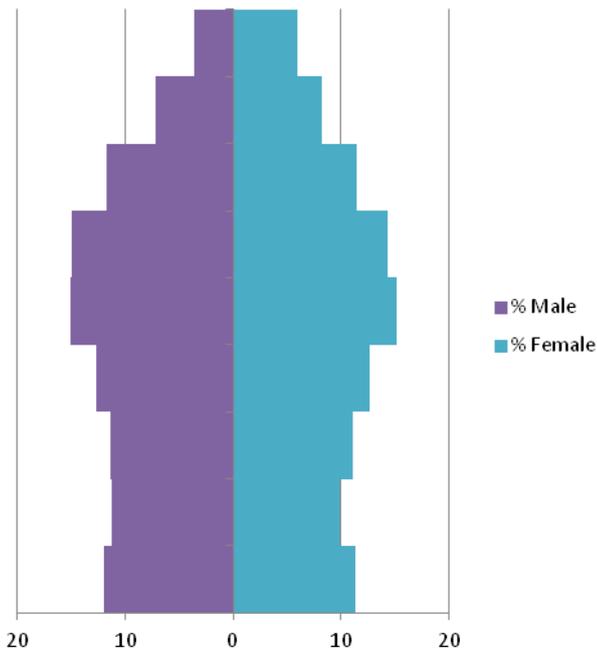
The table below shows the projected population change for the Macclesfield catchment area between 2014 and 2039. It is illustrated in diagrammatic form below alongside the current and projected population figures for England to provide a comparison. This has been calculated by aggregating the middle super output area population figures for the catchment. The projected population percentage increase from 2014-39 (only available at local authority level) for each 10-year age band in the table has been applied to the middle super output areas in each local authority area. All the middle super output areas have then been combined to give an overall figure.

Age Band	2014			2039		
	Male	Female	Total	Male	Female	Total
1-10	3,332	3,282	6,614	3,277	3,221	6,498
11-20	3,155	2,871	6,026	3,336	2,990	6,326
21-30	3,171	3,236	6,407	3,212	3,198	6,410
31-40	3,535	3,654	7,189	3,587	3,470	7,058
41-50	4,218	4,414	8,632	3,697	3,278	6,975
51-60	4,172	4,166	8,338	3,634	3,809	7,443
61-70	3,278	3,327	6,605	3,198	3,424	6,622
71-80	2,013	2,373	4,386	3,175	3,703	6,878
80+	1,017	1,731	2,748	2,591	3,475	6,066
Total	27,891	29,054	56,945	29,708	30,568	60,277

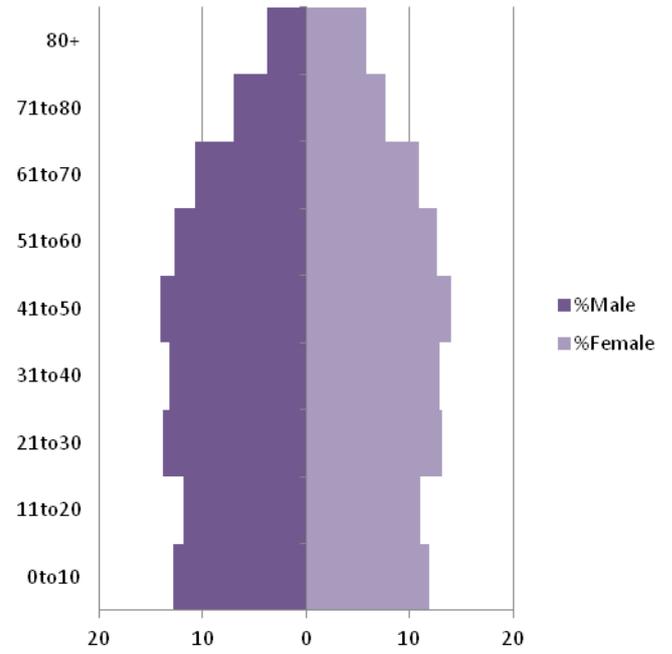
ONS Population Projections

These results indicate a slow growing area projected to grow by 6% which compares to an all-England projection of 16.5%. In line with England the proportion of over 75s will increase significantly over this period. This can be seen in the population pyramid charts below which compare Macclesfield and England.

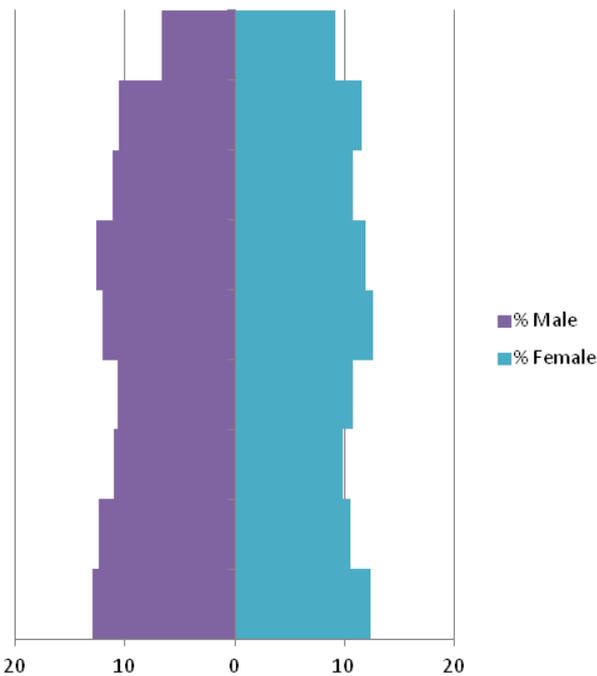
Macclesfield 2014



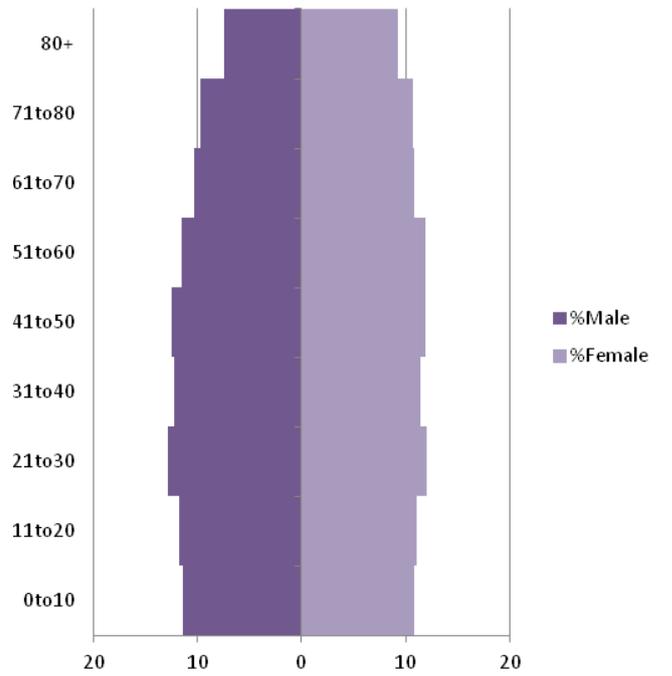
England 2014



Macclesfield 2039



England 2039



ETHNIC MIX

The Macclesfield catchment area has a less diverse ethnic mix than the England average as shown in the table above, with a higher proportion of 'white' people than England as a whole.

Ethnic Group	Macclesfield % rounded	England % rounded
All categories	100	100
White	96	85
Mixed/multiple ethnic group	1	2
Asian/Asian British	2.5	8
Black/African/Caribbean/Black British	0.4	3
Other ethnic group	0.1	1

ORIGIN AND DESTINATION DATA (2011 CENSUS)

The table below shows the number of people from the Macclesfield catchment who commute to other locations in the near sub-region for work. The second column (shaded green) shows the number of people who commute to work in the area from each local authority in the area. The bottom row (shaded green) shows where people from Macclesfield commute to.

Place of Residence	Place of Work								
	Macclesfield	Stoke-on-Trent	Cheshire East	Cheshire West and Chester	Manchester	Salford	Stockport	Tameside	Trafford
Macclesfield	11,104	145	16,848	256	1,338	166	1,206	88	422
Stoke-on-Trent	228	60,210	3,774	360	290	67	122	8	115
Cheshire East	17,057	4,057	94,009	7,996	9,445	1,273	6,808	611	3,510
Cheshire West and Chester	343	267	9,041	80,360	2,886	696	701	166	1,670
Manchester	614	172	4,162	767	108,658	10,090	11,713	3,729	17,100
Salford	89	43	729	280	18,919	39,355	1,640	751	12,461
Stockport	1,415	102	8,560	492	25,549	3,203	55,275	4,392	5,780
Tameside	158	30	1,130	165	17,483	2,576	8,518	41,324	2,996
Trafford	271	85	2,786	686	24,760	6,496	3,998	985	41,677

2011 Census: Origin and Destination (Output Area Level)

This origin and destination information demonstrates that the area has a major employment relationship with Cheshire East as a whole with over 50% of work journeys analysed being linked to the area. The area also provides employment for over 6000 workers based in Cheshire East within other parts of the local authority. The area also has other relatively significant (if modest compared to Cheshire East) commuting links with Manchester and Stockport.

COUNCIL TAX BANDS

Band	A	B	C	D	E	F	G	H
England	5,869,590	4,707,100	5,227,820	3,698,840	2,284,110	1,207,430	841,740	140,850
% rounded	24	20	22	15	10	5	4	1
Without Corby	4,120	7,730	4,470	3,690	3,110	2,000	1,550	140
% rounded	15	28	18	14	12	7	6	0.5

Valuation Office Agency 2017

Taken as a whole the area has a slightly higher proportion of houses in bands A and B than the England average. Overall the distribution of housing follows the profile for England as a whole pretty closely.

PROJECTED REQUIREMENT FOR EXTRA CARE HOUSING

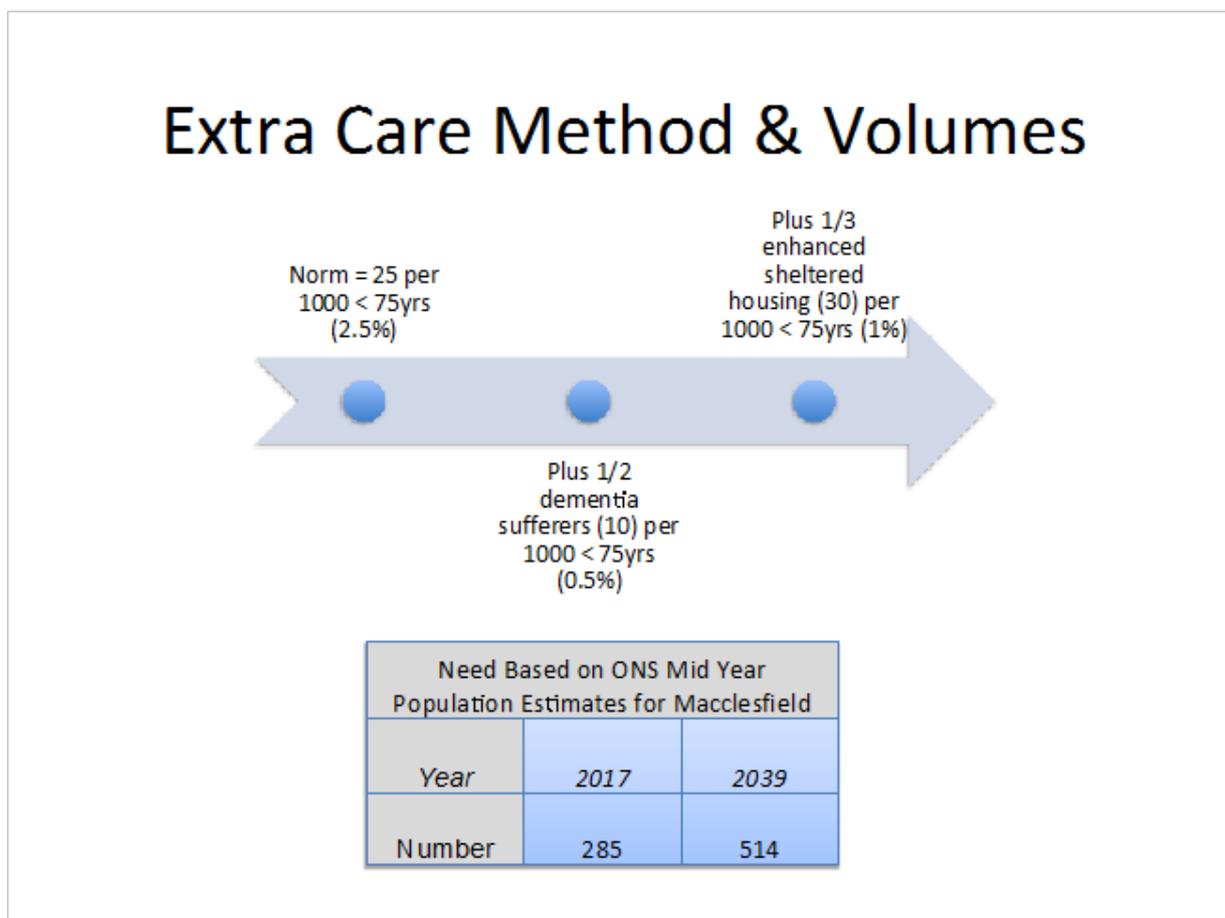
The norm for estimating the number of people who may require extra care housing is 25 over 75s per 1000 population (2.5%). Applying the Macclesfield population projections to 2039 as a percentage of all over 75s in the area provides an indication of a requirement in 2017 of 117 and in 2035 of 211.

The Planning4Care methodology suggests we should add 50% of those over 75s likely to have dementia, which it suggests is 10% of the population. We therefore have added 5 extra people per 1000 (0.5%).

The Planning4Care methodology also suggests we should add 33% of those over 75 suitable for enhanced sheltered housing which it says nationally is 30 people per thousand. We have therefore added a further 10 people per 1000 (1%).

Using ONS mid-year estimates and projections this methodology gives a figure for Macclesfield of 285 spaces required in 2017 and 514 spaces required in 2039.

We have summarised methodology and findings in the diagram below:



ECONOMIC IMPACT AND MULTIPLIER

Using tables setting out the impact of development on employment and expenditure in an economy developed by the Scottish Government called 'Input-Output' tables we can show the full economic impact of investment.

The economic impact of an activity is based on three elements – the direct value of the expenditure

concerned, the indirect value of the expenditure concerned)namely the beneficial impact of the direct expenditure on the suppliers of the service concerned - how much of the money they receive circulates in the economy) and the induced impact of the expenditure concerned (namely the impact of the indirect expenditure on their suppliers -how much of the money they receive circulates in the economy).

The level of impact is determined by the nature of the economic activity and it can be expressed in terms of either jobs or money (through a process called 'gross value added'). As these two ways of expressing impact have different roots – one in jobs the other in money - their multiplier impact is not always identical in percentage terms.

The projected number of jobs directly employed at the proposed facility is 17 full time equivalents. We know that the indirect effect of this is a further 60% or 10 jobs and the induced effect is a further 20% or 3 jobs based on the employment effect in the Input-Output tables for Residential Care and Social Work – which is the best match for the nature of the jobs concerned.

The projected turnover of the facility is £450,000. The indirect effect of this is 60% - £270,000 and the induced effect is 40% - £180,000 – these figures are again based on the Residential Care and Social Work multipliers in the tables.

Overall then we can demonstrate that the investment concerned will generate 30 jobs and £900,000 of GVA annually.

SUMMARY OF DATA SOURCES

Area of Analysis	Data Source
Deprivation	English Indices of Deprivation - Department of Communities and Local Government 2015
Business Data	Business Register and Employment Survey - Office for National Statistics 2016
Pensioner Credits and Working Age Benefits	Department of Work and Pensions - 2016/17
Population	Office of National Statistics 2014-39
Ethnicity	2011 Census
Origin and Destination	2011 Census
Council Tax Bands	Valuation Office Agency 2017

5. THE FINANCIAL CASE FOR EXTRA CARE HOUSING

EXECUTIVE SUMMARY

The financial analysis shows that there is a strong business case for developing extra care housing in Cheshire East as an alternative to residential care. Depending on the mix of needs the Council could achieve annual revenue savings of approximately £186,000. This is a saving of approximately 17% on the cost of providing traditional residential care and home care support.

INTRODUCTION

The benefit to the commissioner of signing the nominations agreement with the registered provider is that it can then control referrals. This means that the local authority can offer extra care housing as a genuine alternative to residential care. It is important to understand, therefore, the relative costs to the council of purchasing residential care for the individual or offering extra care housing as an alternative.

This section makes the financial case for extra care housing as an alternative to residential or high cost domiciliary care. For the purposes of this business case we have modelled the potential costs of support in extra care housing based on a mix of needs within the proposed scheme of 80 one-bedroom apartments. The model is based on research in East Sussex. This research – published nationally by the Housing Learning and Improvement Network – provides a benchmark for the sector and offers a detailed evaluation of extra care housing schemes in East Sussex to inform future decisions about whether extra care housing:

- Acts as a preventive model, supporting independence and avoiding admissions into residential care.
- Is a more cost-effective model of care delivery than other models, including residential care and care at home.

Although we have based our analysis on the East Sussex model, other studies have also shown that financial savings can be achieved through extra care. One such study was conducted by Aston University in 2015 based on a three-year longitudinal evaluation. This research reports average social care savings of £1,222 per resident year and up to £4556 for high needs residents. The Aston University research also suggests a reduction in NHS costs of £1,115 per resident year, due to a reduction in GP visits, hospital appointments and admissions. This is in addition to the social care savings.

Although the Aston University findings add weight to the financial case for extra care, the underlying data are confidential. Therefore, the East Sussex model has been used as the basis for the financial case as the underlying model as it can be tailored to match the local costs and resident numbers

The financial case is based on scenario modelling of residents either previously in support of social care funding or assessed as requiring funding for assistance in alternative settings such as residential care. The model examines the cost and benefits of supporting the residents instead in the proposed extra care scheme.

The East Sussex report is particularly helpful in identifying the results of an independent process to identify the services that would otherwise be required by 189 residents living in extra care. While the report overwhelmingly upheld 'that extra care is a more cost-effective model of care delivery than other service models,' the financial analysis supporting this conclusion was not published and cited as confidential.

To make a financial evaluation of the potential benefits of extra care housing in Cheshire East, we have modelled two options which vary the mix of needs within a scheme of 80 one-bedroom flats.

- Option A reflects the independent assessment of the 189 residents living in extra care in East Sussex, replicating the mix of residents' needs, their care requirements in extra care and the services they would otherwise require
- Option B models East Sussex proposed mix of needs in future schemes (30% high needs, 50% medium and 20% low), which aims to increase the proportion of medium needs services users.

Option A - Estimated revenue cost of extra care

The following table estimates the revenue cost of providing extra care in a notional scheme of 80 one-bedroom flats in Cheshire East, replicating the reported mix of needs and care requirements of residents living within East Sussex schemes. We have estimated the cost of supporting residents within each needs group by multiplying their average care requirements by the average price paid by the Council for extra care in Cheshire East of £13.20 per hour. (Please note that the average care requirements exclude community nursing care services).

The rate paid for extra care in Cheshire East will logically include provision for management and administration of the service, who are likely to be based at the scheme and will consequently provide an element of cover. To be prudent we have made additional provision for a basic level of core staffing, assuming two waking care staff on duty 24 hours per day. We have also assumed that all service users are financially unable to contribute to the cost of their social care.

Level of Need	High	Medium	Low	None	Voids	Total
Reported SU in each needs group	26	22	20	8	4	80
Dependency levels in rented flats	15+ hrs	10-14 hrs	5-9 hrs	0 hrs	-	-
Estimated care hour requirement per week	17.5	12	7	0	-	-
Cost of extra care /hr	£13.20	£13.20	£13.20	£13.20	-	-
Estimated Cost per SU Week:						
Estimated cost of home care /wk	£231.00	£158.40	£92.40	£0.00	-	-
Estimated contribution to basic core staff /wk	£58.36	£58.36	£58.36	£58.36	-	-
Total Cost for 1 SU per Week	£289.36	£216.76	£150.76	£58.36	-	-
Total Cost per Week (for 76 SU)	£7,523	£4,769	£3,015	£467	-	£15,774
Total Cost per Annum (for 76 SU)	£392,287	£248,652	£157,219	£24,344	-	£822,501

The table shows the cost of social care for each resident to range between £58 and £290 per week, depending on their level of need. Based on the replicated mix of needs, this equates to a total cost of £15.8k per week for the care of 76 service users (allowing 4 places for voids) or £823k per annum.

Option A - Estimated revenue cost of alternative services

The following table estimates the revenue cost of providing alternative/replacement services for those currently living in extra care (i.e. should extra care not be available). The percentage of service users requiring each alternative has been applied to a population of 76 service users to facilitate comparison with the cost of extra care reported above. In this model all 48 service users identified as having either medium or high needs (receiving more than 10 hours of care per week) were assessed as otherwise requiring a care home place.

To estimate the cost of alternative care home places we have assumed the current approved fee tariff of Cheshire East Council. (Please note that the cost of nursing care services excludes NHS-funded nursing care, as the cost of community nursing was not included in the revenue cost of extra care above).

The estimated cost of home care for a low needs service user is based on the provision of seven hours care per week, procured at the average rate paid by the Council for services in the community of £14.20 per hour. This price is higher than the rate for care delivered in an extra care scheme as it typically includes

provision for travel time between appointments and transport costs.

Finally, we have assumed that all service users living either in residential or nursing care are entitled to pension credits, providing them with a guaranteed minimum income of £159.35 per week (at 2017/18 rates). This would require them to contribute approximately £134.45 per week to the cost of their care after deduction of the statutory minimum Personal Expenses Allowance.

	Nursing Care	Residential Dementia	Residential Care	Home Care - Low Need	Voids	
Percentage requiring each alternative	15%	4%	44%	37%	-	100%
Number of SU requiring each alternative	11	3	34	28	4	80
Estimated Cost per SU Week					-	
Estimated cost of alternative service /wk	£474.53	£151.34	£435.68	£99.40	-	-
Estimated client contribution	£134.45	£134.45	£134.45	£0.00	-	-
Net Cost per SU Week	£340.08	£380.89	£301.23	£99.40	-	-
Total Cost per Week (for 76 SU)	£3,741	£1,143	£10,242	£2,783	-	£17,909
Total Cost per Annum (for 76 SU)	£195,060	£59,582	£534,038	£145,124	-	£933,804

The table shows the net cost of alternative care home and home care services in the wider community to range between £99 and £381 per week depending on the service required. Based on the percentages requiring each alternative, this equates to a total cost of £17.9k per week for the care of 76 service users or £934k per annum.

Option A - Estimated revenue savings

The following table compares the estimated annual revenue cost of extra care with the cost of providing alternative service options for each level of need.

Level of Need (in extra care environment)	High	Medium	Low	None	Voids	Total
Number of Service Users	26	22	20	8	4	80
Estimated Cost of Extra Care /wk	£289	£217	£151	£58	-	-
Estimated Cost of Alternative Services /wk	£327	£301	£99	£99	-	-
Variance in Cost per SU Week	-£38	-£84	£51	-£41	-	-
Variance in Cost per SU Year	-£1,955	-£4,405	£2,678	-£2,140	-	-
Total Variance per Year (all SU)	-£50,840	-£96,902	£53,559	-£17,120	-	-£111,303

The table shows the revenue cost of extra care to be £111k less per annum than the cost of providing alternative service options (to 76 service users, in a scheme of 80 places). This represents an effective saving of approximately 12% on the cost of providing traditional care home and home care support. These savings are mainly attributable to service users assessed as having medium care needs (receiving 10-14 direct care hours/week), whose care costs are significantly lower (-£84 per person per week) as a result of living within an extra care community.

Service users assessed as having high care needs (+15hrs per week) also appear to generate savings (-£38 per person per week) assuming they receive an average of 17.5 hours of direct care. It's only when the extra care residents require more than twenty hours of direct care and support that a care home service may start to become more cost effective for high needs residents.

Only the group of service users assessed as having low care needs (receiving 5-9 direct care hrs/week), whose costs appear more expensive (+£51 per person per week) living in an extra care environment. As they reportedly receive comparable amounts of direct care living either in extra care or the wider community (approx. seven hours per week), the additional cost of supporting these service users in extra

care can be attributed to the cost of core staffing.

Option B - Estimated revenue cost of extra care

The following table estimates the revenue cost of providing extra care in a notional scheme of 80 one-bedroom flats in Cheshire East, reflecting the East Sussex proposed mix of needs in future schemes (30% high needs, 50% medium and 20% low).

The mix of needs proposed by East Sussex aims to increase the number of medium needs services users within a scheme (receiving between 10-14 hours per week). Medium needs service users were recognised by East Sussex as the greatest beneficiaries of extra care and those likely to yield the highest level of savings, as this needs group would otherwise require a care home placement.

Level of Need	High	Medium	Low	None	Voids	Total
Proposed SU in each needs group	23	38	15	0	4	80
Dependency levels in rented flats	15+ hrs	10-14 hrs	5-9 hrs	0 hrs	-	-
Estimated care hour requirement per week	17.5	12	7	0	-	-
Mears proposed cost of Extra Care /hr	£13.20	£13.20	£13.20	£13.20	-	-
Estimated Cost per SU Week:						
Estimated cost of home care /wk	£231.00	£158.40	£92.40	£0.00	-	-
Estimated contribution to basic core staff /wk	£58.36	£58.36	£58.36	£58.36	-	-
Total Cost for 1 SU per Week	£289.36	£216.76	£150.76	£58.36	-	-
Total Cost per Week (for 76 SU)	£6,655	£8,237	£2,261	£0	-	£17,153
Total Cost per Annum (for 76 SU)	£347,023	£429,490	£17,914	£0	-	£894,427

Option B - Estimated revenue cost of alternative services

The following table estimates the revenue cost of providing alternative services for the proposed mix of service users, should extra care not be available. The number of service users requiring each alternative is based on the independent assessment of extra care residents undertaken by East Sussex. Consequently, all residents with either medium or high needs (receiving more than ten hours of care per week) have been assumed to otherwise require a care home place.

	Nursing Care	Residential Dementia	Residential Care	Home Care - Low Need	Voids	
Percentage requiring each alternative	18%	5%	57%	20%	-	100%
Number of SU requiring each alternative	14	4	43	15	4	80
Estimated Cost per SU Week:					-	
Estimated cost of alternative service /wk	£474.53	£515.34	£435.68	£99.40	-	-
Estimated client contribution	£134.45	£134.45	£134.45	£0.00	-	-
Net Cost per SU Week	£340.08	£380.89	£301.23	£99.40	-	-
Total Cost per Week (for 76 SU)	£4,761	£1,524	£12,953	£1,491	-	£20,729
Total Cost per Annum (for 76 SU)	£248,258	£79,443	£675,401	£77,745	-	£1,080,847

The table shows the net cost of alternative care home and home care services in the wider community to range between £99 and £381 per week depending on the service required – this has not varied from Option A. Based on the percentages requiring each alternative, this equates to a total cost of £20.7k per week for the care of 76 service users or £1.081m per annum.

Option B - Estimated revenue savings

The following table compares the estimated annual revenue cost of extra care with the cost of providing alternative service options for each level of need.

Level of Need (in extra care environment)	High	Medium	Low	None	Voids	Total
Number of Service Users	23	38	15	0	4	80
Estimated Cost of Extra Care /wk	£289	£217	£151	£58	-	-
Estimated Cost of Alternative Services /wk	£339	£301	£99	£99	-	-
Variance in Cost per SU Week	-£49	-£84	£51	-£41	-	-
Variance in Cost per SU Year	-£2,574	-£4,405	£2,678	-£2,140	-	-
Total Variance per Year (all SU)	-£59,213	-£167,375	£40,169	£0	-	-£186,420

The table shows the revenue cost of extra care to be £186k less per annum than the cost of providing alternative service options (to 76 service users, in a scheme of 80 places). This represents an effective saving of approximately 17% on the cost of providing traditional care home and home care support. The potential savings identified in Option B have been enhanced by increasing the number of residents with medium levels of need and reducing the number of residents with either low or no needs (compared to Option A).

Maintaining this mix of needs would be key to achieving this level of saving on a year to year basis. Perhaps the main challenge to maintaining this mix, would be moving high needs service users out of extra care, when it may be more cost effective for them to live in a care home environment. This may be complicated by the tenancy rights of the residents concerned.

In conclusion the analysis shows that there is a clear business case for extra care in Cheshire East to provide a cost effective alternative to residential care based on either mix of needs.