

McCarthy and Stone

**Local area economic impact
assessment**

Report

March 2014

Contents

1	Introduction.....	3
1.1	Policy context	3
1.1.1	Health and social care policy	3
1.1.2	Planning and retirement housing	4
1.2	Method	5
1.3	Structure of the report.....	6
2	Health and social care	7
2.1	Health and well-being	7
2.2	Use of health and care services	9
2.3	Assisted Living as an alternative to residential care	11
2.4	Independence through design	12
3	Social capital	14
3.1	Contribution as volunteers.....	14
3.2	Contribution as carers	14
3.3	More appropriate housing.....	15
3.4	Social isolation.....	16
4	Capital investment and community benefits	17
4.1	Development	17
4.2	Section 106 payments and New Homes Bonus	18
4.3	Regeneration.....	18
4.4	Employment	19
4.4.1	Employment during development and construction	19
4.4.2	Ongoing employment.....	20
4.5	Releasing equity.....	20
4.6	Releasing family housing.....	21
4.7	Retaining and attracting older people	22
4.8	Environmental.....	23
4.9	Council tax.....	23
5	Additional expenditure in the local economy	23
5.1	Use of local shops, services and facilities	23
5.2	Local Income Effect.....	24
5.3	Quantifying local economic benefits	29
6	Limitations of the study.....	33

7 Conclusion.....	34
Health and social care	34
Capital investment	35
Community benefits.....	36
Additional expenditure in the local economy.....	36
Social capital	37
Appendix 1: Profile of respondents.....	39
Appendix 2: Formula for local income effect.....	40

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Report

1 Introduction

McCarthy & Stone commissioned the Institute of Public Care at Oxford Brookes University to update and develop the work by Roger Tym and Partners' *A Better Life: Private Sheltered Housing and Independent Living for Older People* (2003) with a local area economic impact assessment of their Retirement Living and Assisted Living Extra Care developments across England, Wales and Scotland. This project aimed to provide independent, objective and robust evidence about the extent to which there is a strong case for Retirement Living and Assisted Living Extra Care schemes in terms of the local economic and wider social impact of these schemes.

1.1 Policy context

1.1.1 Health and social care policy

Specialist housing for older people has a key role to play in an integrated health and social care system, where the system prioritises preventative care and speeds recovery to independence. The White Paper [Caring for our future: reforming care and support](#) published in July 2012 argued that there is a particular need for housing for older people who are home owners; and the Care and Support Specialised Housing Fund aims to support and accelerate the development of the specialised housing market, particularly at a time when wider economic factors may place limitations on the growth of this market.

The government has stated that "*Housing plays a critical role in helping older people and disabled adults to live as independently as possible, and in helping carers and the wider health and social care system offer support more effectively. However, evidence suggests that there are currently not enough specialised housing options available for these groups, especially for those who wish to own their own home*"¹.

¹ <http://www.homesandcommunities.co.uk/ourwork/care-support-specialised-housing-fund>

1.1.2 Planning and retirement housing

The National Planning Policy Framework (DCLG, 2012) sets out the Government's planning policies for England and how these are expected to be applied. It aims to provide a framework within which local authorities can produce their own distinctive local and neighbourhood plans, which reflect the needs and priorities of communities, and improve the economic, social and environmental conditions of the area. The framework defines the role of the local planning system:

- ***“An economic role – contributing to building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure,***
- ***A social role – supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations; and by creating a high quality built environment, with accessible local services that reflect the community's needs and support its health, social and cultural well-being; and***
- ***An environmental role – contributing to protecting and enhancing our natural, built and historic environment; and, as part of this, helping to improve biodiversity, use natural resources prudently, minimise waste and pollution, and mitigate and adapt to climate change including moving to a low carbon economy.”***

Although there is wide recognition of the role of specialist housing for older people in contributing to their health and well-being (and in freeing up general needs housing) among those concerned with housing, care and support, the planning community appears to be somewhat less advanced in developing its thinking and understanding of the issue.

Professor Michael Ball and colleagues in 2011² found that build rates of owner occupied retirement housing were low, and needed to grow four times from that achieved even before the 2007/8 downturn, in order to cope with just a moderate increase in demand. Forecasts in the research showed a potential increase in the use of this accommodation from 2% currently to 5% of housing for those aged 65 and over the next decade or so.

Ball concluded that public policy constraints stand in the way of developing more private housing for older people, but that these obstacles can be easily removed. The report expressed optimism that the National Planning Policy Framework, combined with the “Localism” agenda, would provide an

² Ball, M (2011), *Housing markets and independence in old age: expanding the opportunities*, University of Reading.

opportunity to equip communities to become more responsive to the local housing needs of older people.

Similarly, in 2011 the Centre for Social Justice³ was critical of how the current UK housing market does not reflect the types of choices older people aspire to. Their report noted a serious shortage of new housing specially designed for older people and called for a shift of culture amongst local planning authorities which recognises the value of new housing for older people and makes decisions accordingly: “*Without any kind of overall strategy for older people’s housing, too many planning authorities treat each application on an isolated, case-by-case basis, with no real understanding of what provision is needed in their locality*”.

1.2 Method

McCarthy and Stone provide a range of housing for older people including: Retirement Living and Assisted Living schemes. Retirement Living (RL) schemes offer purpose-built apartments with a comprehensive security system, a 24-hour monitored emergency call system and a dedicated House Manager or Estates Manager. Assisted Living (AL) schemes are fully wheelchair accessible and designed to Lifetime Homes standards. AL schemes offer a 24 hour management presence, a qualified team to provide flexible personal care and support packages to suit individual needs, as well as a lunch-time restaurant, and one hour’s domestic help per week as standard.

To obtain evidence about the local economic and other impacts of Retirement Living and Assisted Living schemes, IPC used a range of methods which aimed to capture both quantitative and qualitative data about the direct and indirect impact of schemes. IPC explored the economic impact on local areas from two perspectives: (a) a view of the impact of a sample of schemes and (b) a look at the impact in a different way through following the pathway of a number of residents into and through a scheme.

A sample of ten schemes was drawn from across England, Scotland and Wales, including the five English regions and a range of area types: city, town and rural locations, to ensure that a good cross-section of schemes was included.

The study involved obtaining data on the construction and operational (including staffing) phases of the schemes from headquarters and scheme managers. In eight of these schemes (and an additional pilot scheme), interviews were conducted with a sample of owners residing in the schemes to obtain quantitative and qualitative data about their current spending and perceived changes in their circumstances following their move to the

³ Centre for Social Justice (2011) *Old Age Review: Age of Opportunity*.

scheme. Efforts were made to ensure a mixture of households in terms of age and composition (single people and couples).

McCarthy & Stone have a standing independent advisory group of residents (InFoRM - the Independent Forum of Residents of McCarthy & Stone) and members of the group provided valuable feedback on the proposed questionnaire. A revised version of the owners' questionnaire was then piloted in a Retirement Living scheme to ensure that questions were clear, unambiguous and reasonably easy to complete.

Scheme managers provided assistance with arranging interviews, and a letter and copy of the questionnaire was sent to each participant detailing the material to be covered, and the purposes to which it would be put in advance of the interview. Face to face interviews were then conducted with 100 owners. Owners' responses were provided on an anonymous basis and informed consent was sought before any interview took place. A profile of those who were interviewed is provided in Appendix 1. Although in some cases the data were based on people's recollections, others were able to refer to their own records. Circulating the template in advance gave respondents time to reflect (and if necessary prepare) before the interviews took place. Information was recorded and analysed on SPSS - a statistical analysis software package.

Comparisons of economic impact were made between the McCarthy and Stone schemes with general housing where possible and relevant. For example, comparative data from the Office of National Statistics' annual Living Costs and Food Survey provided comparative data on household expenditure.

1.3 Structure of the report

The report addresses the following questions about the impact of Retirement Living and Assisted Living schemes:

- What is likely to be the benefit in terms of health and social care?
- What is likely to be gained in terms of social capital?
- What is likely to be gained from the capital investment in the area, including planning gain and employment?
- What additional expenditure is likely to be generated in the local area?

Each chapter reviews the existing published research evidence where appropriate, and presents the data obtained from the surveys and interviews in the McCarthy and Stone schemes.

2 Health and social care

2.1 Health and well-being

An independent review of the evidence on the health gains from retirement housing⁴ by the Institute of Public Care identified a wide range of evidence about the health and well-being benefits of Retirement Housing and Assisted Living extra care housing. It concluded that *'for many people there was a substantial improvement in health, a diminution in the volume of care and support required and a greater sense of security and well-being'*.

A number of studies have found that residents report higher levels of well-being in specialist forms of housing, including an improved ability to look after themselves. For example, Ball reported that the overall balance of residents' perceptions of being able to manage their health was that it was better since their moves.⁵ The PSSRU evaluation of Assisted Living Extra Care housing found that *"for most of those who were followed up, their ability to look after themselves either stayed the same or improved after they moved in."*⁶ Clearly, this is important as a potential indicator of reduced demand on formal health and social care services.

Several studies have highlighted the impact on hospital discharge for older people living in specialist housing. Ball⁷ identified a number of health benefits of living in owner occupied retirement housing, including that the accommodation is designed to cope with the needs of those with impaired mobility and other health-related problems, while more assistance is at hand than in non-specialist housing. He found that 28% of residents said that they could now manage their health better, and 60% of the residents who had had a stay in hospital said that they had found it easier to return home since moving into retirement housing. There were also indications that residents spent fewer nights in hospital than was the case for that age-cohort in the population as a whole.

Kingston et al's study of a retirement community⁸ found that, although many people had moved because of poor health, they assessed their own health as better than a matched sample of older people living in the locality where many of the retirement community's residents used to live. The self-reported health status of the locality sample declined over time, whereas there were few changes in the health status of the residents. The authors conclude that security, peer support, a general sense of optimism and the knowledge that care and support needs would be met by scheme staff

⁴ IPC (2012) *Identifying the health gain from retirement housing*, IPC

⁵ Ball, M et al (2011) *Housing Markets in Old Age*. Henley Business School, University of Reading

⁶ Netten et al (2012), *Improving housing with care choices for older people: the PSSRU evaluation of extra care housing*, PSSRU.

⁷ Ball, M et al (2011) *Housing Markets in Old Age*. Henley Business School, University of Reading.

⁸ Kingston P et al (2001) *Assessing the health impact of age-specific housing*, *Health and Social Care in the Community*, 9; 4, pp 228–34.

rather than by relatives, all contributed to the residents' physical and mental well-being.

Croucher⁹ identified a range of benefits with a particular emphasis on community health services for older people living in a retirement community, which may be equally relevant to Retirement Living and Assisted Living extra care developments:

- Ease of access in terms of the numbers of people in one geographical location.
- Ability of on-site care staff to work with other service providers to ensure resources are used efficiently.
- Ability of on-site care staff to act as a triage point, and also to notice something is wrong before it reaches a crisis point: *'Potential cost savings are not insignificant; for example, costs for a home visit from a general practitioner are estimated to be £3.49 per minute'*.

In terms of Assisted Living Extra Care housing, Netten and colleagues¹⁰ found considerably lower mortality rates than a matched sample of people in care homes, and an evaluation of an Assisted Living Extra Care housing scheme in East Sussex¹¹ noted the importance of the provision of meals in scheme restaurants for a number of reasons, including improved nutrition: *'the central location of a restaurant and the pivotal role it played in providing a scheme with its heart, resulting in many additional benefits including increased socialisation, improved nutrition (issues frequently highlighted in assessments) and facilitating community involvement in a scheme'*.

When people were asked about whether their McCarthy and Stone apartments had a range of benefits related to their general well-being compared with their previous home, their answers highlighted a range of important benefits (Table 1).

Table 1: Do you think your current home has any of the following benefits compared with your previous home?

Benefit	Percentage
The present home is easier to maintain	91
I feel more secure	80
The present home is more accessible for people with disabilities	78

⁹ Croucher K (2006) *Making the case for retirement villages*, York: Joseph Rowntree Foundation.

¹⁰ Netten et al (2012), *Improving housing with care choices for older people: the PSSRU evaluation of extra care housing*, PSSRU.

¹¹ Weis W & Tuck J (2013) *Case Study 78 The business case for extra care housing in adult social care: an evaluation of extra care housing schemes in East Sussex*, Housing LIN.

Benefit	Percentage
The present home is more convenient for local services	73
I feel warmer	71
I feel less socially isolated	65
I have a better quality of life	65
I feel less lonely	58

Other benefits mentioned included better transport links and the reassurance of a house manager at the scheme.

From the responses to this question, it is clear that both Retirement Living and Assisted Living developments play an important part in meeting a range of needs which contribute to improved well-being and quality of life: 80% felt more secure, 71% felt warmer, 65% said that they have a better quality of life and felt less socially isolated. A number remained neutral, possibly because they felt it was too early to say as recent arrivals.

2.2 Use of health and care services

A survey by ORB in 2004¹² of 345 residents at forty-four McCarthy and Stone developments found that whilst a slightly higher percentage might receive an in-patient episode, they remained in hospital for less than half the time of those not living in retirement housing. This was estimated as producing a significant annual cost saving to the NHS of £2,598 per resident per annum. The International Longevity Centre concluded that extra care housing is associated with a reduced level of nights spent in hospital, and residents are less likely to enter residential care than people living elsewhere receiving home care¹³.

Admissions to hospital as an in-patient

Although the data are not like-for-like comparisons given the different age groupings, the table below indicates that the rate of hospital in-patient admissions among owners of McCarthy and Stone accommodation is lower than the rate in the general population of older people (Table 2).

¹² ORB (2004) *A Better Life: Private Sheltered Housing and Independent Living for Older People*.

¹³ Kneale D (2011) *Establishing the extra in Extra Care: perspective from three Extra Care Housing Providers*, International Longevity Centre.

Table 2: Rate of in-patient hospital admissions per year per person receiving no social care in England by age¹⁴, compared with residents of McCarthy and Stone schemes

Age group	M&S rate of admission %	Age group	Average rate of admission in England %
65-74	6	N/A	N/A
75-84	32	75-79	39
		80-84	41
85-94	35	85-89	42
		90-94	39
95+	N/A	95+	34

People were also asked about the number of times they had been admitted as an in-patient in the 12 months before moving, and the last 12 months in their new McCarthy and Stone home. Across the schemes covered by the study, there were a total of 13 fewer admissions in previous year, or 0.13 fewer admissions per resident per year in their new McCarthy and Stone home than before.

According to the PSSRU's analysis of the costs of health and social care¹⁵, the average cost of a short non-elective in-patient admission was £523 (the lower end of the spectrum). This would mean for a typical scheme of 50 residents, a reduction in costs to the NHS of £3,400 per annum for hospital in-patient admissions.

Visits to the GP

On average, residents reported that they had made 4.0 visits to their GP in the last 12 months. By comparison, a paper by Polisson (2011)¹⁶ found the average number of annual visits to a GP in England was 7.4 for women aged 65 and over, and 6.7 for older men. This indicates that owners of McCarthy and Stone apartments make lower demands on general practitioners than the typical older person.

Across the nine schemes where interviews were carried out, owners had made 67 fewer visits to their GP in the previous 12 months compared with the 12 months before they moved into the McCarthy and Stone scheme; or 0.66 fewer visits per resident. Although, some were a little uncertain about

¹⁴ Bardsley M et al (2012) [Overlap of hospital use and social care in older people in England](#), Nuffield Trust.

¹⁵ Curtis L (2012) *Unit Costs of Health & Social Care 2012*, PSSRU.

¹⁶ Polisson M (2011) *Do waiting times matter in primary care? GP visits and list sizes in England*, University of Oxford Department of Economics Discussion Paper.

how many visits they had made in the year before moving into their new home, this does indicate an improvement in overall health, and in addition a reduction in costs to the NHS.

According to the PSSRU's most recent analysis of the costs of health and social care, a brief (11.7 minutes) consultation with a GP costs £43. This would mean for a typical scheme of 50 residents, a reduction in costs to the NHS £1,419 per annum for GP visits.

According to Pulse magazine, people aged 85-89 years old visit their GP on average about 13 times a year. In contrast, the residents of the schemes aged 85-94 had visited their GP on average three times in the last 12 months, which indicates that they are healthier than the general population of similar age.

Visit from District Nurse

People were also asked about the number of visits from a District Nurse in the 12 months before moving and the last 12 months in their new McCarthy and Stone home. Across the schemes covered by the study, there was a slight increase of 0.28 more visits per resident in the last 12 months in their new McCarthy and Stone home than before.

2.3 Assisted Living as an alternative to residential care

There is a growing range of evidence about potential cost savings of Assisted Living Extra Care housing. The International Longevity Centre (ILC) report mentioned earlier found that while about 8% of residents in extra care housing in the study entered institutional accommodation from extra care housing after five years of residence; compared to those living in the community in receipt of domiciliary care, those in extra care housing were less likely to enter institutional accommodation.

Research undertaken by the Extra Care Charitable Trust¹⁷ also indicates the potential savings that may result from a move into Extra Care (or Assisted Living) housing:

“The superficial physical assessment score jumped more than 50 per cent on average; there was a mobility improvement of more than 35 per cent; a 20 per cent improvement in daily living functions; a 10 per cent increase in sensory ability; and a 25 per cent reduction in medication use. The majority of residents had transferred from hospital or nursing homes, and the greatest improvements were seen in the first 10 weeks in extra care”.

¹⁷ Extra Care Charitable Trust (2006) cited in *Securing Good Care for Older People* (The Wanless Review), Kings Fund.

Weis & Tuck¹⁸ found that 63% of residents in Extra Care (or Assisted Living) housing would otherwise need to be in residential/EMI/nursing care with the costs associated with these forms of institutional care. Their study concluded that Extra Care Assisted Living housing presented significant savings for adult social care in terms of both gross and net costs.

If it is assumed that a similar proportion (63%) of residents of a typical 55 apartment Assisted Living scheme would otherwise have needed residential or nursing care (where annual cost of residential care is assumed to be £30,000), this would cost just over £1 million per annum (55 x 0.63 x 30k) .

2.4 Independence through design

The design of housing can have a real impact on the level of risk from falls, and on quality of life more generally. In a study for the Joseph Rowntree Foundation, Croucher et al reported that purpose-built accommodation removes many of the difficulties and dangers of living in inappropriate accommodation, in particular the risk of falls¹⁹. It also enables the effective targeting of occupant groups for health promotion initiatives such as immunisation, exercise programmes and health checks. The recent evaluation of Assisted Living Extra Care housing in East Sussex found that *“the accessible environment, not the care, was a significant factor in enabling independence”*.²⁰

A study seeking to evaluate the impact of building to Lifetime Homes Standards calculated that building-related hazards cost approximately £2.48bn per annum in direct health costs, or £40bn as a potential cost to society.²¹ The study suggested that building to current building regulations may provide direct NHS health cost savings per dwelling of more than £4,000 during a 60-year expected lifespan; whilst building to Lifetime Homes Standard could provide an extra £194 of savings over 60 years. It went on to suggest higher savings when considering the potential cost to society, with meeting current building regulations saving £83,000 during a 60 year lifespan, and a further £1,600 of savings if building to Lifetime Homes Standard.

Pannell²² noted that older people are less likely to live in the oldest and the newest properties (50% older households live in properties built between

¹⁸ Weis & Tuck (2013), *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*, Housing LIN.

¹⁹ Croucher K, Pleace N and Bevan N (2003) *Residents' views of a Continuing Care Retirement Community*, Joseph Rowntree Foundation.

²⁰ Weis W & Tuck J, (2013) *Case Study 78: The business case for extra care housing in adult social care: an evaluation of extra care housing schemes in East Sussex*, Housing LIN.

²¹ Roys, M (2012), *Assessing the health benefits of lifetime home standards*, DCLG.

²² Pannell, J et al (2012), *Market Assessment of Housing Options for Older People*, New Policy Institute.

1945 and 1980) and about one-third are living in non-decent homes. The ability to move to warmer and more fuel efficient homes presents an opportunity to reduce risks to both physical and mental health. The Marmot Team²³ highlighted the link between cold homes, fuel poverty and health problems, ranging from exacerbating arthritis, causing respiratory problems, and threatening mental health, to excess winter mortality.

There is also a relationship between approaches to design and quality of life. A study²⁴ looking at aspects of design in Assisted Living Extra Care Housing and the relationship with residents' quality of life, found that security-related design features were linked positively to quality of life for residents. However, the authors noted a negative relationship between quality of life and design features relating to accessibility and safety, which they suggest could reflect the institutional look of those features directed to safeguard the frailest residents.

Those owners taking part in the case study interviews were asked about their health before and after moving into their McCarthy and Stone apartment, and whether they needed any help with the activities of daily living, such as walking, climbing stairs, getting dressed, eating or drinking, personal care or taking medicine. The great majority (98%) of respondents appeared to have needed no help with these activities before moving. Two people had needed help climbing stairs and others had used a stair-lift. Since moving, they no longer needed help with this, although three need help with dressing. This indicates the potential of retirement housing and assisted living to contribute to greater independence through design features.

In addition, as Table 1 (above) indicated, more than 70% perceived important design-related benefits in their current home compared with their previous one: specifically, feeling more secure, being more accessible, and feeling warmer.

Nine per cent of owners had a mobility scooter. The ownership of mobility scooters when compared with the very low numbers reporting that they received help with moving around indicates that the design of the schemes enables people to live without additional help in their own homes, even when they require a mobility aid for moving around outside the scheme.

²³ Marmot Review Team (2011), *The Health Impacts of Cold Homes and Fuel Poverty*, Friends of the Earth & the Marmot Review Team.

²⁴ Orrell et al (2013), The relationship between building design and residents' quality of life in extra care housing schemes, *Health and Place*, 21 (2013) 52-64.

3 Social capital

3.1 Contribution as volunteers

Research carried out for WRVS²⁵ suggested that older people currently provide formal and informal volunteering services worth over £10 billion to the national economy. This is expected to rise to just under £15 billion by 2020. The research estimated the annual average contribution of the over 65 year old as:

- 104.6 hours of informal volunteering effort per person aged over 65
- 54.5 hours of formal volunteering effort per person aged over 65

If the minimum wage rate of £6.31 is applied to these average figures, this suggests a potential annual contribution from informal volunteering of £660, and from formal volunteering of £344.

Over one-third of residents (37%) in the McCarthy and Stone schemes contributed to their local area through their involvement in community activities. These ranged from faith groups and womens' groups to volunteering at a local hospice and a stroke club. From the nine schemes in which interviews were conducted, owners provided an overall total of 140 hours of voluntary activity a week, equivalent to £883 a week (at minimum wage rates). Per scheme this would be equivalent to an annual contribution of just over £5,000. A number of others were planning to get involved in some voluntary activity, but had not had time since moving in to their apartment.

About one in ten (11%) of those interviewed said that they received some voluntary support from friends or local groups, compared with 14% who had received voluntary support in their previous home. This suggests either a reduced need for support, or fewer links to friends and voluntary groups. Overall, residents appeared to be net contributors to their communities in terms of voluntary activity.

3.2 Contribution as carers

A number of studies have explored the economic impact of informal carers. Carers UK estimated the contribution of older people as carers to have been in the order of £30 billion in 2007²⁶; WRVS suggested £34 billion in 2010 and estimate that this will increase to nearly £52 billion by 2030.²⁷

²⁵ WRVS (2011) *Gold Age Pensioners: valuing the socio-economic contribution of older people in the UK*

²⁶ Carers UK (2007) *Valuing carers – calculating the value of unpaid care.*

²⁷ WRVS (2011) *Gold Age Pensioners: valuing the socio-economic contribution of older people in the UK.*

The 2011 census highlighted a 35% increase over the last ten years in the number of older carers²⁸ so these figures may be under-estimates.

The WRVS research found that 65% of older people regularly help out elderly neighbours, and in addition 21% of over 65s help older family members. It also found that almost half of older people who informally volunteer look after younger children or grandchildren, and a further 30% help younger (under 65) neighbours.

In the McCarthy and Stone schemes, 6% of those interviewed provided significant amounts of informal care (spouses). It is likely that by moving to more age-suitable housing, some informal carers are able to provide care for longer to their partners, thereby delaying or preventing them needing to move into residential or nursing care. This is likely to reduce expenditure on health and social care.

3.3 More appropriate housing

A number of studies have already been mentioned that demonstrate the role of Retirement and Assisted Living schemes in providing more appropriate housing and a wider choice to older people. Interviewees were asked about their reasons for moving to the schemes (see Table 3). The responses indicate the importance of a range of design and social considerations as motives for people to move into specialist housing. More appropriate housing was a factor for nearly two-thirds (65%) of those interviewed, followed by a wish to feel more secure (44%) and be closer to family members (31%). More than one-fifth (22%) of owners mentioned issues around the garden in their previous home as factor in wishing to move.

In providing housing better suited to the needs and requirements of some older people which provides opportunities for peer support and social activities, Retirement and Assisted Living plays a role in building social capital. A number of interviewees valued these aspects of the schemes they were living in.

Table 3: Reasons for deciding to move

Reason	Percentage
Previous housing was no longer appropriate	65
To feel more secure	44
To be closer to family	31
To avoid feeling lonely	22

²⁸ <http://www.carersuk.org/newsroom/item/3111-census-35-surge-in-the-number-of-older-carers?highlight=YTozOntpOjA7czo1OiJvbGRlci17aToxO3M6NjoiY2FyZXJzljtpOjl7czoxMjoiOib2xkZXIqY2FyZXJzljt9>

Reason	Percentage
Garden too much to manage	22
To receive care and support	13
To release some of the asset value of the previous home	9
To be closer to friends	4

Respondents also mentioned bereavement, health reasons and the cost of necessary repairs as factors that led to the decision to move.

3.4 Social isolation

Kneale describes socially excluded older people as often being “*those who are regarded as having lost their independence*”, with risk factors being:²⁹

- *“Age-related characteristics that are more likely to occur in later life, such as disability, low income and widowhood;*
- *Cumulative disadvantage, where cohorts become more unequal over time due to, for instance, the impact of labour market experiences on pension outcomes;*
- *Community characteristics (and the interaction with age and cohort Characteristics) which make older people more vulnerable to changing conditions like population turnover, economic decline and crime, in their local areas;*
- *Experience of age-based discrimination.”*

Social isolation is associated with poor quality of life, with a less healthy lifestyle (including physical inactivity and smoking) as well as increased blood pressure and levels of inflammatory markers (indicating presence of underlying health conditions).³⁰

Ball (2011)³¹ observes that owner occupied retirement housing reduces social isolation in two ways: firstly, ‘the dwelling effect’ of moving into accommodation where it is easier to make friends with other people living in the same building; and secondly, ‘the locational effect’ where the accommodation is close to family and friends.

The PSSRU evaluation³² of Assisted Living Extra Care housing found that: ‘*A year after moving in most residents enjoyed a good social life, valued the*

²⁹ Kneale, D. (2012), *Is social exclusion still important for older people?* Age UK/ILC-UK.

³⁰ Shankar, A., McMunn, A., Banks, J., Steptoe, A.(2011) Loneliness, social isolation, and behavioural and biological health in older adults, *Health Psychology*, 30(4) pp377-385.

³¹ Ball, M et al (2011) *Housing Markets in Old Age*, Henley Business School, University of Reading.

³² Netten A et al (2011) *Improving Housing with Care Choices for Older People: An Evaluation of Extra Care Housing*, PSSRU.

social activities and events on offer, and had made new friends'. For older people who move to specialist types of retirement housing, there is emerging evidence that social lives and relationships strengthen, consequently lowering the risk of loneliness.³³ However, this evidence is not yet able to make the causal link between social inclusion and financial benefits, for examples through less reliance on public services.

The interviews with owners indicated that around two-thirds (see Table 1 above) felt less social isolated in their McCarthy and Stone apartment compared with their previous home – as one commented: *The communal relationship is second to none* and another: *The people are very nice*. It is likely that the proportions will rise over time, as a number of those interviewed were relatively recent arrivals.

4 Capital investment and community benefits

4.1 Development

Based on work by LEK Consulting, the CBI³⁴ describe the multiplier effect construction projects can have on the wider economy through the impact on the supply chain (for example, manufacturing, real estate, transport, planning and survey services), and suggest that every £1 investment in construction can expect to generate £2.84 of total economic activity. While Shelter cite a report by FTI Consulting that an additional £1 of demand for construction activity generates £2.09 of economic output through the direct and indirect multiplier effects associated with construction firms purchasing goods and services from other sectors, and construction sector wages and profits being spent across the whole economy³⁵.

An analysis of the total cost of the case study schemes' development by McCarthy and Stone indicates that on average, each Retirement Living scheme generated £3.60 million of expenditure (including labour, materials, fixtures and fittings); and the Assisted Living Extra Care schemes generated £4.55 million of expenditure each through the development and construction stage.

The construction phase lasted 13.8 months on average. From responses to the questionnaires, it is clear that during this period, construction and other staff contributed to the local economy through their use of local cafes,

³³ Callaghan, L., Netten, A. and Darton, R. (2009) *The Development of Social Well-being in New Extra Care Housing Schemes*. York: Joseph Rowntree Foundation; Weis W & Tuck J, (2013) *Case Study 78: The business case for extra care housing in adult social care: an evaluation of extra care housing schemes in East Sussex*, Housing LIN.

³⁴ CBI (2012). *Bridging the gap: backing the construction industry to generate jobs*.

³⁵ Shelter (2010) *Research: briefing: Housing Investment: Part 1*. Available at: http://england.shelter.org.uk/_data/assets/pdf_file/0008/276668/Briefing_Housing_Investment_Part_1.pdf

bakers, other retail outlets, petrol stations, bed and breakfasts, and in one case an adjacent council car park.

Assuming a conservative multiplier effect of 2.4 (just below the mid-point of the LEK and FTI figures), this indicates the overall impact of the construction stage of Retirement Living developments of £8.64 million; and an overall impact of the construction stage of Assisted Living developments of £10.92 million. Much of this will be spent locally benefiting the local economy, as well as the wider national economy.

4.2 Section 106 payments and New Homes Bonus

In seven out of the eleven case studies, the scheme brought a significant contribution through Section 106 payments to the local area, ranging from: £60,000 and six affordable homes to £864,000 (Table 4).

Table 4: Section 106 payments

Case Study	£	Other gains/details
Assisted Living	360,550	3 affordable housing units
Retirement Living	864,000	Paid to LA in lieu of on-site provision
Retirement Living	741,000	For affordable housing, open space, libraries
Retirement Living	574,180	For affordable housing, open space, libraries
Retirement Living	326,000	For affordable housing
Retirement Living	225,000	For affordable housing
Retirement Living	60,000	6 affordable homes

In addition, five schemes attracted New Homes Bonus funding to the local authorities. New Home Bonus sums to local authorities ranged from £292k to £396k over six years, an average of £343,000 per development.

4.3 Regeneration

Although 10 out of the 11 schemes were not part of an area regeneration or redevelopment programme; all sites were brownfield and involved a degree of site clearance and preparation. All bar two of the case study schemes were constructed on former retail or industrial sites, helping to revive and improve empty sites. Works were carried out on a couple of sites which

required removal of fuel tanks from former petrol stations, and asbestos was removed from another site.

4.4 Employment

There are clearly employment opportunities associated with the development, construction and management of retirement housing which may be reflected in the construction industry, care and support services, catering or maintenance and gardening services: *'They provide employment opportunities to local communities and enhance the viability of local services'*³⁶. A HACT study³⁷ exploring the social impact of housing providers suggested that the creation of 2,000 new homes could result in 100 additional jobs: *'employment has a value of £18,700 per year to each individual. This is a total value of £3.7m for the two years.'*

An American study³⁸ compared the economic impact of a generally increasing older population against a specific development of retirement housing. Whilst acknowledging the range of factors in play, and the need for further research, it concluded: *'the results suggest that general retirement population growth does create job growth, but results in lower average wage growth. However, when large planned retirement communities are developed, localities have experienced above-average job growth and above-average wage growth. These results are encouraging for those communities seeking to generate economic development opportunities by attracting retirees.'* The author concluded that attracting retirees to an area is a means to generate economic growth.

The "Housing in Later Life" toolkit³⁹ reports that an average scheme of 40 apartments brought investment of around £5 million into older people's housing and other services, providing 50 jobs for the duration of construction and employment of 17 full and part time staff in a typical Assisted Living Extra Care scheme.

4.4.1 Employment during development and construction

All schemes in the study used McCarthy and Stone Retirement Lifestyles as the main contractors, with some employment of local labour and up to eight local sub-contractors. Local suppliers of materials were also mentioned in a couple of cases. Employment of construction workers (including sub-contractors) cost on average: £2.23 million for Retirement Living schemes and £2.44 million for Assisted Living schemes. In four out of the 11 case

³⁶ Croucher, K (2006), *Making the case for retirement villages*, Joseph Rowntree Foundation.

³⁷ Fujiwara, D (2013), *The social impact of housing providers*, HACT.

³⁸ Hamilton, K. (2008), Effects of Retirement Communities on Local Job and Wage Growth, *Research in Business and Economics Journal* 2008 1 10-26.

³⁹ Housing LIN (2013), *Housing in later life: planning ahead for specialist housing for older people*.

studies, members of the site team lived locally, and local bed and breakfasts were used in four cases by staff involved in the construction phase. In a couple of cases, local structural engineers worked on the scheme.

4.4.2 Ongoing employment

McCarthy and Stone Retirement Living schemes typically employ a dedicated house manager while Assisted Living schemes employ an average of 17 staff including a qualified estates manager, care, catering, cleaning and gardening staff, providing a range of employment opportunities.

Average annual staffing expenditure in Retirement Living schemes was £18,900, and was just under £180,000 in Assisted Living schemes where care staff are employed in addition to a house or estate manager.

Half of estate/house managers in the case studies live in the local area meaning that much of their spending will contribute to the local economy. Of other staff employed (mainly in the Assisted Living schemes), more than three-quarters (79%) live locally.

In addition, a substantial amount of other running costs are likely to be spent locally. Average annual running costs of the case study Retirement Living schemes were just below £96,700 and just over £390,000 in the Assisted Living schemes. This covered spending on services such as window cleaning, grounds maintenance, (and catering in Assisted Living schemes) as well as the staffing costs mentioned above.

In six of the schemes, staff members have been employed who were previously unemployed.

These data demonstrate the role that schemes play in contributing to local economies through providing a source of employment and through hiring local staff.

4.5 Releasing equity

Ball and colleagues found that that for 'every 5,000 new OORH (owner occupied retirement housing) sold, property to the average value of £1.1 billion is released into local housing markets through the sale of previous homes'⁴⁰. House moves help to boost local housing markets.

With one exception, all of those interviewed for the present study were owner occupiers; 96 per cent owned their home outright. Assuming their

⁴⁰ Ball, M et al (2011), *Housing Markets in Old Age*, Henley Business School, University of Reading.

homes were conservatively valued at the current average house price of £167,000⁴¹, residents moving into a typical Retirement Living scheme of 45 apartments will release £7.53 million from the sale of their homes; and residents moving into a typical Assisted Living scheme of 55 apartments will release £9.20 million from the sale of their homes. Some or all of the proceeds will be used in the purchase of their new apartment. However, nearly one in ten (9%) of those interviewed said that releasing some of the asset value of their former home was one of their reasons for moving to a McCarthy and Stone apartment.

4.6 Releasing family housing

There has been much recent debate about the potential impact of better designed housing for older people which enables people to move, thus potentially releasing family housing as well as stimulating spending on the improvement of homes by new occupiers: *'high levels of home ownership amongst older people (75% nationally, up to 84% amongst "younger" older people, particularly in rural and semi-rural areas) has significant market potential'*⁴². ORB found that 85% of those who bought private sheltered housing were downsizing from their previous home⁴³.

Pannell *et al* found limited choice for older people who want to move to both specialist and alternative mainstream housing⁴⁴, and that 68% of older owner occupiers under-occupy their homes. They argue for greater housing choice for older people, including specialist housing for sale, as a means of freeing up more homes for other households. According to Griffith, the households which are suffering most from over-crowding are growing families in smaller properties; and in addition, areas with high levels of under-occupation also coincide with areas of high housing demand⁴⁵.

On moving, most residents interviewed had freed up a family home, with 60% moving from homes with three or more bedrooms. Two-thirds (66%) of the residents interviewed had previously been living alone in accommodation larger than their needs (see Table 5). Where the buyer was known, 65 per cent of their homes had been sold to a couple or a family.

⁴¹ Land Registry House Price Index, December 2013.

⁴² Housing and Ageing Alliance (2013), *Policy Paper: Economic implications of housing and ageing society*.

⁴³ ORB (2004) *A Better Life: Private Sheltered Housing and Independent Living for Older People*.

⁴⁴ Pannell, J et al (2012), *Older People's Housing: Choice, Quality of Life and Under-occupation*, York: JRF.

⁴⁵ Griffith M (2011) *Hoarding of Housing: The intergenerational crisis in the housing*, IF.

Table 5: Size of previous accommodation

Size of previous accommodation	Living alone %
1 bed	3
2 bed	36
3 bed	42
4 bed	18

N=66. Figures subject to rounding

Where respondents knew what had happened to their previous home, 42% said that it had been repaired or improved since they moved out.

Thus residents' moves into McCarthy and Stone apartments contributed to the release of equity, freeing of under-occupied homes for larger households, and renovation of the existing housing stock.

4.7 Retaining and attracting older people

Ball found that most people only move a relatively short distance when they move into owner occupied retirement housing. Sales data from McCarthy and Stone on over 5,000 moves across Great Britain between 2007 and 2010 showed a high proportion of short distance moves, measured as straight line distances between the centres of the previous and the new postcode areas:

- 25% in same postcode area
- 40% within 5km
- 50% within 10km
- 60% within 20km
- 71% within 50km.

For the current study, it is assumed that most of the 55 per cent of owners who were interviewed who had moved from a different local authority area had also moved from neighbouring areas, bringing additional expenditure to the local economy, both directly and through the multiplier effect of successive rounds of expenditure which is discussed later. In the case of those who moved to be nearer family (31%), it seems likely that some will be contributing valuable child care support to their adult children.

Equally, the schemes contributed to the aim of retaining older owner occupiers in their local area by providing them with a wider choice of appropriate accommodation.

4.8 Environmental

The environmental benefits of retirement housing reported by Ball (2011) included lower energy use (through improved thermal efficiency) and less travel as residents were often closer to friends and relatives, and to shops and other facilities⁴⁶. Many of those interviewed for this study said that they felt warmer in their McCarthy and Stone apartment, while also finding it cheaper to run – indicating the dual benefits of improved energy efficiency.

In the interviews, a slight majority of owners had a car (51%). This is about half the rate of car ownership within the general population where the average household has 1.2 cars (according to the 2011 Census). More than 70% of residents said that their McCarthy and Stone home was more convenient for local services and more than three quarters (78%) used local shops more than once a week, from which we may infer a reduced need for car ownership.

4.9 Council tax

Residents of schemes contributed sizeable sums to local authorities through their council tax payments. The total sum of council tax payments received for the one bedroom apartments in a case study scheme averaged £42,601 per annum, and the total sum for two bedroom apartments in a case study scheme averaged £26,307 per annum. Clearly the council tax income generated will depend on the size of the scheme and whether or not all apartments have been sold.

5 Additional expenditure in the local economy

5.1 Use of local shops, services and facilities

Research by ILC-UK for Age UK, on the size and growth of the older consumer market, reports that it is large and growing. So, for example, one study found that the 65 and over age group now accounts for 20% of the UK consumer population, and this is expected to rise to 25% by 2030.⁴⁷ This suggests that the presence of older people within a local community is likely to have a beneficial economic impact in terms of their local spending.

Ball found that people in a McCarthy & Stone development regularly use shops and local facilities: 80% of those in his study use the shops almost daily or often; over 40% used the library or post office almost daily or

⁴⁶ Ball, M et al (2011), *Housing Markets in Old Age*, Henley Business School, University of Reading.

⁴⁷ Age UK (2010), *The Golden Economy – the consumer marketplace in an ageing society*, London.

often.⁴⁸ This analysis is further supported by research showing that amongst the oldest old (aged 85 and over) 24% had visited a library, 16% had gone to the theatre, 13% had visited a museum or gallery, and 10% had been to the cinema in the previous 12 months.⁴⁹

In the McCarthy and Stone schemes, owners were asked about the extent to which they used local services and facilities in their current home (see Table 6). More than three-quarters (78%) said that they used local shops at least once a week; and around 90 percent used local shops and/or supermarkets more than once a month. Other local services were also used regularly by residents, with around a quarter using services such as local taxis, hairdressers, pubs, cafes and restaurants more than once a week.

Table 6: What services and facilities in the local area do you currently use?

Service	More than once a week %	More than once a month %	Less than once a month %
Local shops	78	16	6
Local supermarket	62	17	11
Local services, eg, taxi, hairdresser	26	43	31
Local pubs/cafes/restaurants	24	42	34
Library	12	19	69
Local sports/exercise facilities	8	3	89
Other	5	6	89

The spending of owners in McCarthy and Stone schemes is analysed in more detail in the next section.

5.2 Local Income Effect

To derive an estimate of the Local Income Effect, we looked at the additional income brought into an area through the spending profile of McCarthy and Stone residents, compared with a typical household in the UK. Following the methodology developed and applied by Roger Tym and

⁴⁸ Ball, M et al (2011), *Housing Markets in Old Age*, Henley Business School, University of Reading.

⁴⁹ ILC-UK (2013), *Understand the Oldest Old*, London.

Partners in the ORB report⁵⁰, IPC collected data from residents about their weekly spend and other behaviour. This made it possible to estimate the economic benefits of Retirement Living and Assisted Living Extra Care schemes in terms of the Local Income Effect from additional expenditure generated in the local economy.

Average spend of the study group is set out below based on the categories used in the Office of National Statistics Living Costs and Food Survey, to allow comparison with a counterfactual or hypothetical conventional housing scheme occupying a similar sized site (Table 7).

Table 7: Average weekly McCarthy and Stone household expenditure – Retirement Living and Assisted Living

	Retirement Living <i>N=79</i>	Assisted Living <i>N=18</i>
	£ (2013) prices	
Food and non-alcoholic drinks	53.92	52.56
Alcohol and tobacco	3.82	8.39
Clothing and footwear	11.44	7.83
Housing (council tax, service charge* and ground rent)	72.84	170.94
Fuel and power	15.49	23.19
Household goods and appliances	18.96	36.18
Household services (eg cleaner)	3.56	17.03
Personal goods and services	15.00	19.79
Health (eg, medicines and treatment)	2.55	3.07
Motoring (eg, petrol, repairs, road tax, car purchase)	18.17	9.06
Fares and other travel costs	4.02	15.91
Communication (eg, phone and internet)	11.46	12.31
Recreation and culture	7.88	4.88
Leisure services (eg, holidays, cinema, theatre)	19.45	18.02
Restaurants and hotels	13.37	22.39
Education	1.31	0.00
Other	1.62	0.00

⁵⁰ ORB (2004) *A Better Life: Private Sheltered Housing and Independent Living for Older People*.

Total	274.86	421.55
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* Retirement Living service charge includes costs of: House Manager, external maintenance, gardening and landscaping, window cleaning, buildings insurance, water rates (except in Scotland), heating, lighting, security, Homeowners' Lounge, laundry room and other communal areas.

* Assisted Living service charge includes costs of: Estates Manager and staff team, 24 hour emergency call service, external maintenance, gardening and landscaping, window cleaning, buildings insurance, water rates (except in Scotland), heating, lighting, security, Homeowners' Lounge, laundry room and other communal areas, a daily catering service, one hour of domestic assistance per week, and a redecoration fund.

Using the weekly spend per household for Retirement Living schemes (£274.86) which house on average 45 older households and a housing manager, the typical McCarthy and Stone Retirement Living scheme generates a weekly spend of £12,368.70 per week. The scheme manager's household expenditure, assuming a two person household, is likely to be £549.60⁵¹, bringing the weekly total to £12,918.30.

Using the weekly spend per household for Assisted Living schemes (£421.55) which house on average 55 older households and a housing manager, the typical McCarthy and Stone Assisted Living scheme generates a weekly spend of £23,185.25 per week. The scheme manager's household expenditure, assuming a two person household, is likely to be £549.60⁵², bringing the weekly total to £23,734.85.

To assess the additionality of the spend, using the same approach as the ORB report, the spending generated is compared with a hypothetical conventional housing scheme on a site of a similar size. The average size of the case study Retirement Living sites was 0.3 hectares. The average size of the case study Assisted Living sites was 0.487 hectares. Hypothetical conventional schemes based on Government guidance were considered in order to form a benchmark against which the local income benefits of a McCarthy and Stone Retirement Living scheme and an Assisted Living scheme can be identified.

The National Planning Policy Framework (2012) says that local authorities should "set out their own approach to housing density to reflect local circumstances". However the previous Planning Policy Guidance (PPG3) in 2000 encouraged densities of between 30 and 50 dwellings per acre. As most schemes are near town centres, it is assumed that local authorities will aim for a high density of 50 dwellings per hectare, or 15 dwellings on a 0.3 hectare site for a typical Retirement Living scheme, or 24 dwellings on a 0.487 hectare site for a typical Assisted Living scheme.

⁵¹ ONS Family Spending, 2011

⁵² ONS Family Spending, 2011

Assuming that each dwelling houses one household and taking the most recent data from the Office of National Statistics' Family Spending survey, average weekly household spend in 2011 was £483.60. To obtain current prices for average household spending, the Retail Price Index is multiplied by a rate of 4.5% for 2011 and 2.8% for 2012. This gives an average weekly household spend in 2013 of £519.51.

With a conventional scheme of 15 homes on a typical McCarthy and Stone Retirement Living site, assuming 15 households, this provides a total weekly spend of £7,792.65 or £405,217 per annum. In comparison, a Retirement Living scheme of 45 households and a scheme manager is calculated to produce a weekly spend of £12,918.30 or £671,751 per annum.

With a conventional scheme of 24 homes on a typical McCarthy and Stone Assisted Living site, assuming 24 households, this provides a total weekly spend of £12,468.24 or £648,348 per annum. In comparison, an Assisted Living scheme of 55 households and a scheme manager is calculated to produce a weekly spend of £23,734.85 or £1,234,212 per annum.

In addition, as discussed elsewhere in this report, the demand for local services from residents supports the local economy. Car ownership is lower than that in the average population (58% of those interviewed in Retirement Living owned a car and 25% of those interviewed in Assisted Living owned a car). Therefore, it can be assumed that residents will be spending more in local shops than typical households who will be more likely to make car journeys to shops in other areas.

Spending in comparison with conventional scheme

Housing schemes are commonly estimated to have a typical lifetime of 60 years for accounting purposes. To assess the total impact in terms of spending, the spending over the lifetime of a Retirement Living and an Assisted Living scheme was multiplied and then adjusted to present values. Present value measures the value of a future pound at today's prices set by a discount rate. The Government Green Book which sets out guidance on cost benefit analysis applies an annual discount rate of 3.5 per cent.

Table 8: Additionality of spending over the Lifetime of MS Retirement Living scheme compared with a conventional scheme

	Retirement Living A	Conventional** B	Additionality (A-B)	A-B/B x 100
Annual spending of residents	671,751	405,217	266,534	65.8%

	Retirement Living A	Conventional** B	Additionality (A-B)	A-B/B x 100
Spending over 60 year life of scheme	40,305,060	24,313,020	15,992,040	65.8%
Present value of spending over 60 year life*	16,929,393	10,212,233	6,717,160	65.8%

* Annual discount rate of 3.5% applied

** Conventional scheme of 15 households based on high density in PPG 3

Table 8 indicates that the total present value of additional spending over the lifetime of a McCarthy and Stone Retirement Living scheme is likely to be around £6.7 million above a counterfactual housing scheme. In other words, the estimated additional spending over the lifetime of a Retirement Living scheme is almost two-thirds (66%) more than that of a conventional housing scheme built within PPG3 densities on the same site.

Table 9: Additionality of spending over the Lifetime of MS Assisted Living scheme compared with a conventional scheme

	Assisted Living A	Conventional B**	Additionality (A-B)	A-B/B x 100
Annual spending of residents	1,234,212	648,348	585,864	90.4%
Spending over 60 year life of scheme	74,052,720	38,900,880	35,151,840	90.4%
Present value of spending over 60 year life*	31,104,472	16,339,593	14,764,879	90.4%

* Annual discount rate of 3.5% applied

** Conventional scheme of 24 households based on high density in PPG 3

Table 9 indicates that the total present value of additional spending over the lifetime of a McCarthy and Stone Retirement Living scheme is likely to be around £14.8 million above a counterfactual housing scheme. In other words, the estimated additional spending over the lifetime of an Assisted

Living scheme is more than 90 per cent more than that of a conventional housing scheme built within PPG3 densities on the same site.

5.3 Quantifying local economic benefits

The local income impact derives from two sources:

- Residents' spending – in the local economy
- Induced effects – the multiplier effect of successive rounds of expenditure. This depends on assumptions about leakage from the local area, taxation rates and the propensity to consume. Leakage is the proportion of spending which is not retained in the local area⁵³. Local benefit is secured through reducing the level of leakage associated with goods and commodities bought by residents.

This section aims to estimate the spending of McCarthy and Stone residents which is retained in the local area, and compare it with that likely by residents of a conventional housing scheme. Details of the formula are available in Appendix 2.

To estimate the local economic benefit of a McCarthy and Stone scheme against a conventional scheme, a judgement is made about the proportion of spending retained locally (or the leakage factor) for each category of spending (Table 11). This is based on the different leakage factors proposed by English Partnerships⁵⁴ to help calculate the economic impact of expenditure in a local authority area (Table 10). Local economy and local authority area are treated as the same thing.

Table 10: Leakage and leakage factors

Leakage	Description	Leakage Factor
None	All of the spending goes to local business and people living in the local area	0%
Low	The majority of the spending goes to local businesses and people	25%
Medium	A reasonably high proportion of the spending will be retained within the area	50%
High	Many of the benefits will go to people living outside the	75%

⁵³ For example, money spent on a tin of tomatoes will leak to the grower, the packager, the transporter, the government in taxes etc.

⁵⁴ English Partnerships, *Additionality: A Full Guide*, 3rd Edition, 2008.

Leakage	Description	Leakage Factor
	area of benefit	
Very high	A significant proportion of those benefiting live outside the area of benefit	90%
Total	All of the benefits go to businesses and people living outside the area of benefit	100%

Table 11: Local leakage of spending by commodities

Commodity/Services	Leakage	Leakage factor
Housing (council tax, service charge and ground rent)	Very high	90%
Fuel and power	Very high	90%
Food and non-alcoholic drinks	Low	25%
Alcohol and tobacco	High	75%
Clothing and footwear	Medium	50%
Household goods and appliances	Medium	50%
Household services (eg cleaner)	Low	25%
Personal goods and services	Low	25%
Health (eg, medicines and treatment)	Medium	50%
Motoring (eg, petrol, repairs, road tax, car purchase)	Very high	90%
Fares and other travel costs	Medium	50%
Communication (eg, phone and internet)	Very high	90%
Recreation and culture	Medium	50%
Leisure services (eg, holidays, cinema, theatre)	Medium	50%
Restaurants and hotels	Medium	50%
Education	Medium	50%
Other	Medium	50%

It should be noted that in McCarthy and Stone schemes, especially Assisted Living, the leakage factor for housing is likely to be much lower than that of

a conventional scheme, as much of McCarthy and Stone housing spending will be service charge which includes salaries of staff, many of whom live locally. In conventional schemes, housing spending is much less likely to be retained locally as it will be mainly on mortgages and rents.

On the basis of the assumed leakage costs associated with spending on different types of household spending in Table 11, the direct impact on the local economy is estimated in the Table 12.

This results in an estimated 39% of total spending by McCarthy and Stone Retirement Living residents and staff being retained and injected into the local economy; 38% of total spending by Assisted Living residents and staff⁵⁵. A conventional development results in a slightly higher proportion (41%).

Table 12: Weekly spending retained in local area by Scheme

	Before leakage		After leakage	
	Retirement Living (£)	Conventional (£)	Retirement Living (£)	Conventional (£)
Total weekly expenditure (£)	12,918	7,793	5,047	3,195
% of spend retained locally			39%	41%
	Before leakage		After leakage	
	Assisted living (£)	Conventional (£)	Assisted living (£)	Conventional (£)
Total weekly expenditure (£)	23,735	12,468	8,978	5,112
% of spend retained locally			38%	41%

NB Figures subject to rounding

With an estimate of direct spending, it is possible to then look at the additional impact through the expenditure multiplier in the local economy.

⁵⁵ Spending on staff in Assisted Living schemes is on average £180,000 a year and three-quarters live locally. Assuming 0.39 of spend is retained in the area by those living locally, generates a weekly spend of £1,012 by staff.

The multiplier measures the further spending in the local area on supplies and services generated by resident and staff spending, for example, the purchase of a meal in a local cafe by a taxi driver who gets a fare from a resident.

English Partnerships guidance on additionality⁵⁶ does not provide a local economic multiplier for housing developments. However, other studies have suggested a range of 1.3 to 1.6 for housing schemes (US National Association of Realtors). A study by Oxford Economics⁵⁷ reported a multiplier effect of 1.33 on the operation of a university and other studies examined in the previous reports 1.19 to 1.40. For this current study, a multiplier of 1.3 is used, based on the available evidence. Thus for every £1 spend locally there is an additional 30 pence injected into the local economy from further rounds of spending.

Applying this multiplier to the direct spending derived in Table 13, it is estimated that total weekly impact on local economies of a McCarthy and Stone Retirement Living scheme will be £6,561; and for an Assisted Living scheme it will be £11,671; compared with a conventional scheme on a Retirement Living site which will be £4,153; and a conventional scheme on an Assisted Living site which will be £6,646 (Table 13).

Table: 13 Total weekly impact of resident spending by scheme

	Factor	Retirement Living (£)	Conventional scheme on RL sized site (£)	Assisted Living (£)	Conventional scheme on AL sized site (£)
Total spend		12,918	7,793	23,735	12,468
Local spend	39% RL 38% AL 41% Conventional	5,047	3,195	8,978	5,112
Total local spend, applying local spending multiplier	1.3	6,561	4,153	11,671	6,646

Over a year the amounts injected into the local economy for a Retirement Living scheme additional to a conventional scheme on a similar site is estimated to be £2,408 per week or £125,216 per annum⁵⁸.

⁵⁶ English Partnerships (2008) *Additionality Guide*, 3rd edition.

⁵⁷ Oxford Economics (2013) *The economic impact of the University of West London*

⁵⁸ £6,561-£4,153=£2,408

Over a year the amounts injected into the local economy for an Assisted Living scheme additional to a conventional scheme on a similar site is estimated to be £5,025 per week or £261,300 per annum⁵⁹.

Assuming a 60 year life and discounting at 3.5% for net present value, the lifetime local spending impact of a Retirement Living scheme is estimated to be £8.598 million, which is £3.156 million more than that of a conventional scheme on a similar sized site.

Assuming a 60 year life and discounting at 3.5% for net present value, the lifetime local spending impact of an Assisted Living scheme is estimated to be £15.294 million, which is £6.585 million more than that of a conventional scheme on a similar sized site.

6 Limitations of the study

There are some limitations to the study:

- It is not possible to estimate how many residents may at some point require local authority funded long-term care. A longitudinal study with a matched group of older people in the general population would be required to measure the comparative effectiveness of the schemes in preventing or delaying the need for long-term care.
- Assumptions about the amount of housing spending retained in the local economy are likely to be very different for conventional housing where most of the spending will be on mortgages and rent, compared with McCarthy and Stone developments (especially Assisted Living schemes) where much of the housing spending is on service charges which include a significant amount of spending on staff, many of whom live locally. This means the additional spending of a McCarthy and Stone development compared with a conventional housing scheme is likely to be higher than in the estimates presented here.

⁵⁹ £11,671-£6,646=£5,025

7 Conclusion

This review of the literature and analysis of quantitative and qualitative data from a sample of McCarthy and Stone Retirement Living and Assisted Living Extra Care schemes has considered the evidence of their impact on health, social care and wider aspects of local communities, along with an assessment of the local economic impacts of Retirement Living and Assisted Living Extra Care developments compared with a conventional housing scheme on a similar sized plot.

To summarise, the key findings from the report are:

Health and social care

Total estimated saving in health and social care costs per development (Retirement Living): £1,419 per year directly attributed. £30,000 / person / year when entry to residential care is prevented or delayed

Total estimated saving in health and social care costs per development (Assisted Living): £1.04 million per year

Both Retirement Living and Assisted Living Extra Care schemes facilitate the health and well-being of owners in a variety of ways:

- 80% of owners of Retirement Living and Assisted Living apartments felt more secure in their current home compared with their previous one.
- 71% felt warmer.
- 65% said that they have a better quality of life and felt less socially isolated.
- Visits to the GP and hospital in-patient admissions were lower for owners in the last 12 months compared with the previous 12 months in their old homes, with a slight increase in district nurse visits.
- For a typical scheme of 50 residents, it is estimated that the lower number of GP visits results in a reduction in costs to the NHS £1,419 per annum.
- Assuming 63% of residents of a typical 55 apartment Assisted Living Extra Care scheme would otherwise have needed residential or nursing care⁶⁰, this would cost just over £1 million per annum in residential care costs, assuming annual cost of residential care is £30,000 per annum.
- Design-related benefits of Retirement Living and Assisted Living Extra Care schemes enabled people to live without additional help in their own homes, even when they require a mobility aid for moving around outside the scheme.

⁶⁰ Annual cost of residential care assumed to be £30,000.

Capital investment

Total capital investment per development (Retirement Living): £3.6 million

Total capital investment per development (Assisted Living): £4.5 million

For the wider community, Retirement Living and Assisted Living Extra Care schemes make significant contributions to the local economy both during the construction stage and the operational stage, providing capital investment and employment in local communities.

- An average Retirement Living scheme generates £3.60 million of expenditure (including labour, materials, fixtures and fittings) through its development and construction stage.
- An average Assisted Living Extra Care schemes generates £4.55 million of expenditure through its development and construction stage.
- The overall impact of the construction stage of Retirement Living developments is estimated to be £8.64 million.
- The overall impact of the construction stage of Assisted Living Extra Care developments is estimated to be £10.92 million.
- Many schemes brought a significant contribution through Section 106 payments to the local area.
- Five schemes brought an average of £343,000 per development in New Homes Bonus monies.
- Schemes frequently involved a degree of site clearance and preparation, often constructed on former retail or industrial sites which help to revive and improve empty sites.
- Assuming homes are valued at current average house prices⁶¹, residents moving into a typical Retirement Living scheme of 45 apartments will release £7.53 million from the sale of their homes; and residents moving into a typical Assisted Living Extra Care scheme of 55 apartments will release £9.20 million from the sale of their homes.
- Two-thirds (66%) of the owners freed up an under-occupied home. Most owners freed up a family home, with 60% moving from homes with three or more bedrooms. Where the buyer was known, 65 per cent of their homes had been sold to a couple or a family.
- Where known, 42% of previous homes had been repaired or improved since the owners moved to a McCarthy and Stone apartment.

⁶¹ Land Registry House Price Index, December 2013.

Community benefits

Total value of community benefits per development (Retirement Living): £2.23 million one-off, £87,900 per year including Council Tax

Total value of community benefits per development (Assisted Living): £2.44 million one-off, £249,000 per year including Council Tax

- Much of this investment is spent locally. Construction and other staff contributed to the local economy through their use of local cafes, bakers, other retail outlets, petrol stations, bed and breakfasts, etc.
- Employment of construction workers (including sub-contractors) cost on average: £2.23 million for Retirement Living schemes and £2.44 million for Assisted Living schemes.
- Retirement Living schemes typically employ a dedicated house manager, while Assisted Living Extra Care schemes employ an average of 17 staff including a qualified estates manager, care, catering, cleaning and gardening staff, providing a wide range of local employment opportunities.
- Average annual staffing expenditure in Retirement Living schemes was £18,900; and just under £180,000 in Assisted Living Extra Care schemes, much of which will be spent by staff locally.
- Schemes contributed to the aim of retaining older owner occupiers in their local area by providing them with a wider choice of appropriate accommodation.
- Many owners felt warmer in their McCarthy and Stone apartment, while also finding it cheaper to run – indicating the dual benefits of improved energy efficiency.
- Lower rates of car ownership contributed positively to the environment.
- Living at high densities, owners contributed sizeable sums to local authorities through their council tax payments. The total sum of council tax payments received per scheme averaged nearly £69,000 per annum.

Additional expenditure in the local economy

Total expenditure in the local economy per development (Retirement Living): £670,000 per year, £125,000 more than a general needs housing scheme

Total expenditure in the local economy per development (Assisted Living): £1,234,000 per year, £261,000 more than a general needs housing scheme

In terms of the local economic impact of Retirement Living and Assisted Living Extra Care schemes, the study found strong evidence of significant additional expenditure, compared to a hypothetical conventional housing

development on a similar site. This contributes to the viability and sustainability of local shops and services.

- More than three-quarters (78%) of owners used local shops at least once a week; and around 90 percent used local shops and/or supermarkets more than once a month.
- Other local services were also used regularly by owners, with around a quarter using services such as local taxis, hairdressers, pubs, cafes and restaurants more than once a week.
- In a typical Retirement Living scheme, residents generate annual local spending of over £670k.
- The additionality of residents' spending in a Retirement Living scheme compared with a conventional housing development after allowing for leakage, multiplier effects and (deadweight) is estimated to add over £125,200 a year to the local economy.
- Over the 60 year lifetime of a Retirement Living scheme, the additional local spending is calculated to amount to over £8.598 million which is £3.155 million more than a conventional housing development on a similar sized site.
- In a typical Assisted Living Extra Care scheme, residents generate annual spending of over £1.234 million.
- The additionality of residents' spending in an Assisted Living Extra Care scheme compared with a conventional housing development after allowing for leakage, multiplier effects and deadweight is estimated to add over £261,300 a year to the local economy.
- Over the 60 year lifetime of an Assisted Living Extra Care scheme, the additional local spending is calculated to amount to over £15.294 million which is £6.585 million more than a conventional housing development on a similar sized site.
- In conventional housing developments, a substantial flow of housing expenditure will leave a community through mortgage payments. In comparison, much of the housing spending in a McCarthy and Stone scheme will be on service charges which include salaries of staff, many of whom live locally.

Social capital

Total estimated social capital value per development (Retirement Living): £5,000 per year

Total estimated social capital value per development (Assisted Living): £5,000 per year

Retirement Living and Assisted Living Extra Care schemes provided additional social capital in local communities:

- Over one-third of residents (37%) in the McCarthy and Stone schemes contributed to their local area through their involvement in community activities. Based on hours contributed and valued at minimum wage rates, per scheme this would be equivalent to an annual contribution of just over £5,000.
- 6% of those interviewed provided significant amounts of informal care to their spouses. It is likely that by moving to more age-suitable housing, some informal carers were able to provide care for longer to their partners, thereby delaying or preventing a move into residential care.
- By providing greater housing choice to owners, specialist housing for older people meets important societal needs as indicated by people's reasons for moving: nearly two-thirds (65%) sought more appropriate housing; 44% wished to feel more secure and 31% to be closer to family members.
- Around two-thirds of owners felt less socially isolated in their McCarthy and Stone apartment compared with their previous home. It is likely that the proportions who feel socially isolated will decrease, as a number of those interviewed were relatively recent arrivals.

Overall, this analysis indicates that both Retirement Living and Assisted Living Extra Care schemes bring substantial benefits to local economies where they are established, while increasing the range of housing choices for older people. For individual owners, there are health and social benefits – some of which are related to the design of housing tailored to the needs of older people. For the wider community, schemes can attract investment, provide employment and social capital, environmental improvements, and free up family housing which can contribute to the health of local housing markets, while generating substantial Council Tax revenues. They provide a valuable means to increase the available housing stock, using sites effectively through their high densities.

The additional expenditure in the local economy generated by both Retirement Living and Assisted Living Extra Care schemes is significant. The figures presented here are conservative estimates, actual spending in local economic areas is likely to be even higher, given the level of use of local shops by owners in the two types of scheme.

Appendix 1: Profile of respondents

Age

One-third of those interviewed were under 75, with the largest group in the 75 to 84 age bracket (42%). No residents in the sample were 95 or older. Women outnumbered men in the sample by about two to one (68% to 32%) which is higher than the general population (until age 90 and above).

Age group		
	Frequency	Percent
Below 65	2	2.0
65-74	31	31.0
75-84	42	42.0
85-94	25	25.0
Total	100	100.0

Gender

Gender		
	Frequency	Valid Percent
Male	32	32.0
Female	68	68.0
Total	100	100.0

Living circumstances

Most of those interviewed (65%) lived alone, of whom the great majority were women (85%).

Living circumstances		
	Frequency	Valid Percent
Live alone	65	65.0
Live with spouse/partner	35	35.0
Total	100	100.0

There was only one interviewee who did not describe their ethnic origin as White.

Appendix 2: Formula for local income effect

A	B
Average weekly resident household spend in RL/AL scheme of average size	Average weekly household spend in conventional scheme built on site of average RL/AL scheme (at 50 dwellings per acre)

$A \times 52 = \text{Annual spend}$

$B \times 52 = \text{Annual spend}$

Calculate present value of 60 year life scheme – by applying 3.5% discount rate and summing.

Additionality = (Present value total A) – (Present value total B).

= Value of additional spending over lifetime of scheme (A) compared with counterfactual conventional scheme (B).

To calculate local income impact

Assume leakage factor for different types of spending – ie % of expenditure which is not retained in area.

C	D
Average annual household spend	Leakage factor

$C \times (100-D) = E$ (amount of annual spend retained in local area).

Multiply **E** by **multiplier (1.3)** to establish how much additional spending is generated by £1 spent locally.

Calculate present value over 60 year life of scheme – by applying 3.5% discount rate and summing.

= Value of additional spending in local economy over lifetime of scheme.