



# Releasing NHS Estates for community benefit

## Executive summary

The National Housing Federation has been working to explore new ways that housing providers and the NHS can work together to use NHS surplus land. NHS trusts often have surplus land, but do not have the skills or resources to develop and manage it. Given that early release housing or key worker housing could provide improved patient outcomes and reduce cost of care there is a strong case for housing providers and NHS trusts to work together in developing surplus land.

On this principle three uses have been identified:

- step down facility
- supported housing
- key worker housing.

The challenge with these proposals are the Treasury targets for income and housing receipts.

This paper, including analysis from Frontier Economics seeks to explore the economic benefit and examine some specific case studies for how organisations can work together.



## Introduction

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The National Housing Federation is the voice of affordable housing in England. We represent the work of housing associations and campaign for better housing. Our members provide two and a half million homes for more than five million people. They also invest in a diverse range of neighbourhood projects that help create strong, vibrant communities. The Federation is a strategic partner for NHS England, Department of Health and Public Health England. With housing providers, we are developing models and perspectives in community benefit with NHS trusts, primary care estates around in order to develop affordable housing and deliver better health outcomes.

NHS organisations are being encouraged to rationalise under-used and surplus estate and land policies, such as the Department of Health's Surplus Land Programme.<sup>1</sup> New service models will also drive the NHS's estate requirements, alongside the need to become more efficient and get on the path to financial sustainability.<sup>2</sup>

In response to these drivers, surplus land and buildings are often sold at an open market price to raise capital. However, these gains are one-off, and NHS organisations' objectives may be better served by an alternative model in partnership with housing associations who are experienced in development and regeneration. Affordable housing could contribute to these wider aims around new care models and improving finances, as well as increasing the supply of affordable homes and meeting particular local needs.

## Supporting the NHS to unlock their estates

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The Federation is keen to explore a relationship with the NHS in a new model between NHS organisations and housing associations to better use surplus NHS land. This briefing highlights a number of suggestions where housing associations can develop affordable homes, such as key worker housing for NHS staff, or supported housing for people recovering from mental health problems.

These models are often overlooked in favour of deals with traditional housebuilders, but this approach could bring longer-term financial benefits to NHS organisations compared with open market sale, depending on the partnership model used. It could also bring greater benefits to individual NHS organisations, housing associations, and society as a whole compared with private sale, by increasing the supply of affordable housing and helping NHS organisations achieve their clinical aims. For example, using surplus land to provide supported housing could help NHS organisations meet the need identified to shift more care to out-of-hospital settings,<sup>3</sup> improving outcomes for patients and reducing the costs of care.

## Three options for use of surplus estate

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Interviews carried out by Frontier Economics with the NHS, housing associations and the Federation highlighted three uses for surplus land which are an alternative compared with the conventional route for open market sale. These housing models span a range of healthcare needs:

### Step down facilities

Enabling more efficient discharge of patients from hospitals, easing demand pressures on the NHS and thus avoiding delayed transfers of care which can impact on individual outcomes is a clear priority for the NHS. Step down facilities offer additional support to help patients improve their health between hospital and home.



## Supported and specialist housing

- Providing housing support services for people with mental health problems or learning disabilities can reduce healthcare costs and cut hospital admissions. Research shows that NHS savings could be around £75,000 per year per housing unit for mental health patients transferred to supported housing from inpatient care.<sup>4</sup>
- Older people who live in housing which better meets their needs and aspirations have fewer health problems and make fewer demands on local health services.<sup>5</sup> The estimated potential annual savings to the NHS per housing unit, for moving an older person from an acute inpatient ward to supported housing are around £50,000.<sup>6</sup>

## Key worker housing

Key worker housing can help with recruitment and retention of staff in a number of ways, such as reducing housing costs or travel times by making suitable housing available close to NHS organisations.

A survey of London-based Royal College of Nursing (RCN) members shows that:

- 76% of respondents said housing costs take up bigger share of their income than five years ago.
- the average RCN London member now spends 43% of their take-home pay on housing, and a further 7% on transport. 75% said they would be more likely to stay nursing in London if their housing needs were better met.<sup>7</sup>

## How it would work

The challenge with any local potential partnership is navigating the Treasury targets on capital and housing receipts that could be involved, and the trade-offs with developing potential joint ventures between NHS trusts and housing associations. The current development of Sustainability and Transformation Plans (STP) could provide an opportunity for housing associations and local authorities to ensure better local planning and delivery of affordable and supported housing.

There are three main approaches NHS organisations can choose between when considering a partnership with a housing provider. Which option is most appropriate will depend on circumstances for the area in question.

- **Site specific housing**, built on the site of surplus NHS land and used by the Trust for patients. The land is either bought by the housing association or they enter into a leasing arrangement where they would build and maintain the housing. The NHS would still retain the freehold and receive a share of the rental income.
- **Flexible access to housing across the housing association portfolio**, where the Trust's patients could be placed in housing from the housing association's stock. The association would reserve an agreed level of capacity for NHS patients to use, for example, as short-stay specialised housing to speed up inpatient discharge.
- **Combining both of these approaches** would bring new housing on a particular surplus NHS land site, but with homes also made available from a housing association's portfolio.



## The process

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**NHS organisation identifies a piece of land which is underused.**

NHS organisation agrees to work with an affordable housing provider, by going through the outline business case model. This could either lead to a procurement process or joint venture to find a better use for this land:

- building from scratch
- renovating existing buildings OR
- the housing association making some of its existing stock available for the NHS organisation's use.

(For example, could build/provide homes for key workers, specialist housing for vulnerable individuals, step-down facilities for NHS patients requiring ongoing care, or support in moving towards more independent living)

### The benefits – 1

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**The new housing or facilities could:**

- provide an income for the NHS organisation
- support the discharge of patients and reduce patient demand
  - fewer A&E visits and inpatient hospital stays
  - fewer visits to GPs and less demand on services in and out of hours
- provide housing for NHS staff
  - key worker housing could lead to improved staff recruitment and retention.

### The benefits – 2

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**It also provides a benefit to the housing association:**

- greater affordable housing provision
- income to the housing association
- may reinforce housing associations' charitable objectives.

### The benefits – 3

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**There is a benefit to individuals:**

- improved availability of affordable housing or of specialist housing
- improved health and wellbeing
- employment.



## Assessing the impact

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The Federation briefing Surplus NHS land; a best value alternative outlines various types of joint ventures between NHS and housing associations that can help transform services, improve quality, reduce hospital admissions and create an ongoing revenue stream resulting in cost savings.<sup>8</sup>

This briefing was launched at the Kings Fund at an event which raised potential opportunities for more cross-working between the Department of Health, Treasury, Department for Communities and Local Government and the Homes and Communities Agency. We want to build on the NHS land briefing by testing some economic modelling assumptions in testing out the different approaches to using NHS land.

The Federation commissioned Frontier Economics to help assess the potential economic benefits of NHS organisations and housing associations working together to make better use of surplus NHS land. An economic framework has been used to determine:

- what additional costs a partnership creates
- what benefits are created, such as improved health for individuals or reductions in demand for NHS services
- who gains from these benefits, for example the NHS provider, the housing association, HM Treasury or individuals themselves?
- what might have happened in the absence of the partnership.

Frontier Economics used a logic model, also known as Theory of Change, working from the perspective of society as a whole, which includes a large range of potential impacts. The aim was to create a measure that works across a variety of circumstances as the impact will depend on a variety of variables that are particular to each case.

These include:

- the nature of the land identified
- what is being built
- who will live on the site and how they will be selected
- what buildings existed there previously and how they were used.

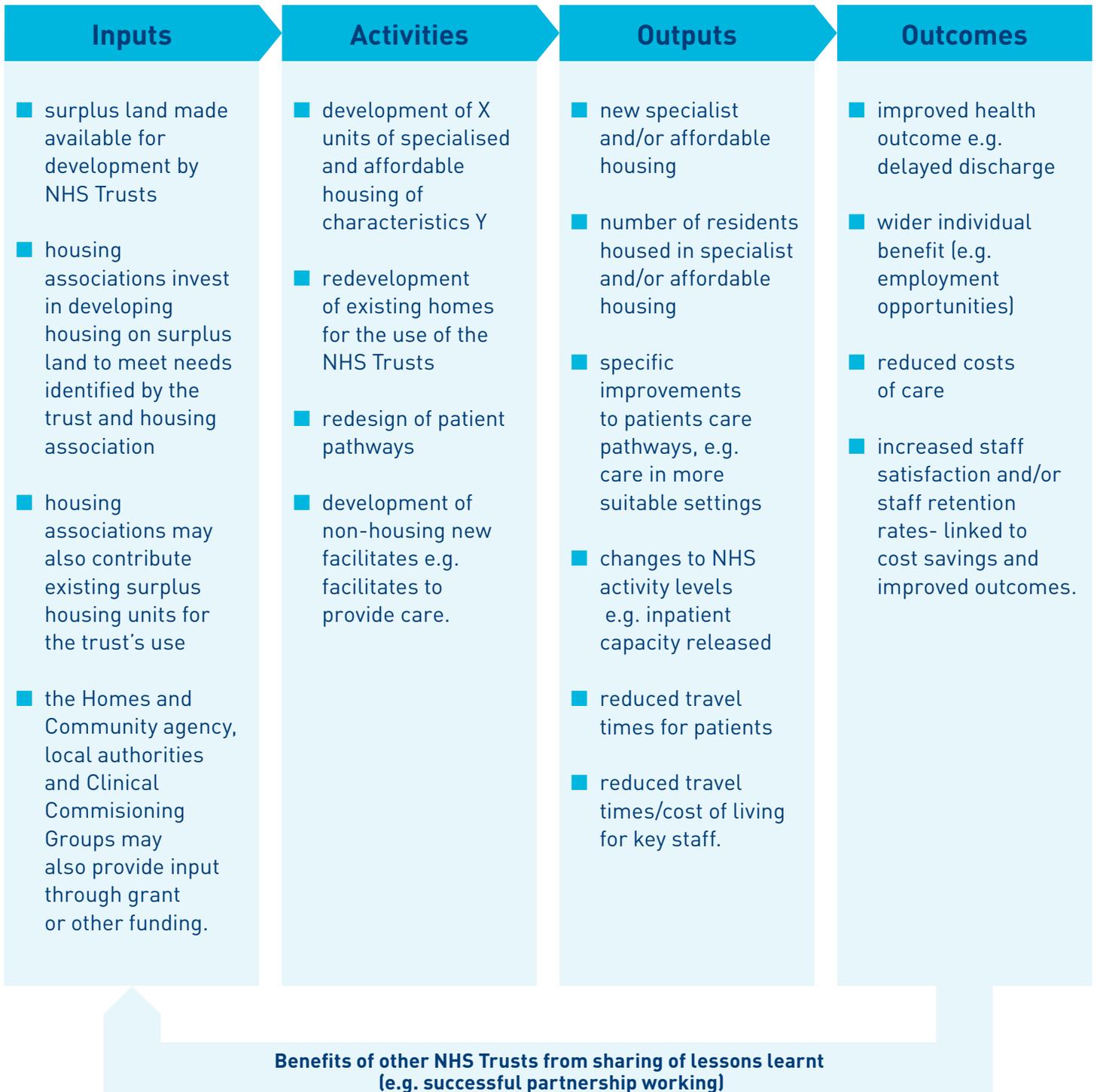
For example, a payment from a housing association to an NHS Trust is neither a cost nor a benefit to society. However, the cost of constructing new homes, which uses up scarce resources, is a true cost, and improvements in individuals' health are a true benefit. In order to make a business case for a partnership with a housing association, it is particularly important to understand the costs and benefits from the perspective of an individual NHS organisation.



## Logic model – Frontier Economics

Frontier’s logic model generates a number of hypotheses for potential impacts. The diagram on page 4 highlights a range of potential impacts for

NHS and housing association partnerships in the creative use of NHS land which was further applied as part of the case studies.





## Making it happen – case studies

The following three case studies featured were generated as a result of an event with chairs and chief executives of mental health trusts meeting with senior leaders of housing associations in the North West to explore better partnerships around mental health services and creating new care pathways. With the devolution agenda in Manchester taking shape in 2015, this provided an opportunity to build on the good working relationships to test models around NHS surplus land.

**Pennine Care NHS Foundation Trust** is a medium-sized mental health and community services provider, with an annual income of around £285m. Pennine Care operates across 84 sites, including seven short-term non acute hospitals and five long-stay hospital facilities, with a total land area of around 12.5 hectares.

Pennine Care believe that a significant number of its inpatients – not just those with dementia – could be discharged, or discharged earlier, if a suitable step-down facility was available.

There are also patients who are already in step-down facilities who cannot be discharged because their home is inadequate to meet their ongoing needs.

Pennine Care saw merits in all three models and approaches to managing surplus land as a good catalyst to explore the right options around further developing services in dementia care. This allowed them to review their estate strategy and underutilised sites by having exploratory meetings with housing associations around potential surplus land and a wider conversation as part of the devolution agenda in Greater Manchester.

**New Charter Group** is a housing association with 19,500 homes and an annual turnover of £100m. It is predominantly based in Tameside, where about three quarters of its homes are located. New Charter Group plans to build 900 new homes over the next few years. Its building company, part of the overall Group, also works for other organisations, for example adapting homes on behalf of local authorities to make them suitable for older people.

In healthcare, New Charter provides staff to support over-75s at seven GP services, commissioned by the local Clinical Commissioning Group (CCG) and staff at Tameside Accident and Emergency to support homeless people which is funded for three years.

New Charter has been looking at two potential sites with Pennine which are potentially surplus for use and could be used for affordable housing. One of these sites has the potential to outline a case for developing 23 individual flats, with car parking and communal gardens for supported housing for people with mental health Problems.

**First Choice Homes Oldham** is around five years old, and the biggest registered social housing provider in Oldham. It owns and manages around 12,000 of the total 20,000 social homes in the borough. First Choice is already involved in some initiatives with the NHS, though these are not related to new housing development.

Working in partnership with Royal Oldham Hospital and Oldham Clinical Commissioning Group, First Choice is setting up Hospital2Home, a pilot project that – as soon after admission as possible – identifies hospital patients that require housing interventions and support upon discharge. A discharge coordinator is employed to develop, agree and deliver hospital discharge plans, as well as helping to organise the ongoing support individuals need. The discharge coordinator will also provide additional support, including home repairs and adaptations, tenancy advice and community engagement services.



## Conclusions

Both of the housing organisations in discussion with the NHS as part of the case studies were open and flexible about the process of identifying opportunities around surplus land. More work and analysis would be needed to identify and prioritise particular client groups that a housing association partnership could help based on the trust's current financial or operational pressures. This would allow exploring the type of joint services that could be developed based on risk assessment and financial appraisals model for any new development. However, for the NHS to consider surplus land for affordable housing a number of several key factors need to be considered:

■ **Potential sale price and degree of confidence.**

This provides an important financial benchmark against which a pilot can be considered. It may be worth some market testing to establish what sale price might be achieved.

■ **Proximity to other services.** A site which is close to existing facilities, which are likely to be used by residents, increases the benefit of housing to those individuals. This may also reduce the cost of delivering community services to those individuals.

■ **Accessibility of the site.** Similar to proximity, a site which is more accessible – for example with better parking, or being on a bus route – may be beneficial for individuals and for the provider. However, these factors may also be reflected in a higher potential sale price.

■ **Cost of conversion.** It is important to know the cost of conversion, both by the provider/housing association for the purpose of the pilot; and by a third party for the purposes of redevelopment e.g. into private housing.

■ **A scheme will be more viable where the cost to a third party is relatively higher.** The cost of adaptation is becoming lower due to advances in technology. In addition, lower conversion cost should be reflected in a shorter payback period, which makes a stronger financial case.

■ **Size of the site.** This can impact the business case either negatively or positively. Smaller sites may be more attractive for pilots since they represent lower risk, lower conversion cost, and lower opportunity cost of not selling the land. In the short term, particularly given the current NHS financial climate, these factors may be very important. However, a larger site presents opportunities for economies of scale. For example, the cost of managing and overseeing the legal cost and some costs of construction, will be the same irrespective of the size of the site. In addition, a larger site offers greater capacity within which the new service can be designed more flexibly. However, it is also possible that larger sites will face diseconomies of scale due to greater planning oversight and requirements to engage with a greater number of local partners.

Finding locations where surplus NHS land scores highly against these considerations will provide a strong basis for developing innovative NHS and housing partnerships. However, in previous Federation briefings on NHS land, a number of barriers were identified, which were further highlighted by Frontier case studies and would require further exploration and testing with leaders from both sectors if a joint venture were to be established:

- a lack of decision-making clarity and commitment from all partners
- differences in contracting lengths and business planning with the NHS and housing providers
- uncertainty over future Housing Benefit changes
- planning permission in terms of length of time
- the adaptation of using assisted technology and housing for transforming the care agenda
- timing around NHS business planning in developing a business case for development
- lack of strategic leadership in exploring new models of care and using NHS estates with housing associations.



## Sources

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1. Operational productivity and performance in English NHS acute hospitals: Unwarranted variations  
An independent report for the Department of Health by Lord Carter of Coles, 2016.
2. The NHS is facing a funding shortfall of £30 billion by 2020-21. NHS England, 2014, NHS Five Year Forward View, <https://www.england.nhs.uk/wp-content/uploads/2014/10/5yfv-web.pdf>.
3. NHS England, 2014, NHS Five Year Forward View.
4. The Smith Institute, 2014, NHS surplus land for supported housing: why now and what are the possible cost savings?
5. Frontier Economics, 2014, Assessing the social and economic impact of affordable housing investment, A Report prepared for G15 and the National Housing Federation.
6. The Smith Institute, 2014, NHS surplus land for supported housing: why now and what are the possible cost savings?
7. The Royal College of Nursing has argued that a key cause of high NHS nursing vacancies in London is high living costs, and that Key Worker housing could help to address this. NHS Employers has carried out similar analysis of NHS staff moving out of London. See: <https://www.rcn.org.uk/news-and-events/news/london-assembly-backs-campaign-for-fair-nhs-pay> and <http://www.nhsemployers.org/mediacentre/2016/03/nhs-calls-on-london-mayoral-candidates-to-prioritise-housing-and-transport-for-staff>.
8. National Housing Federation, 2015, Surplus NHS land; a best value alternative.

## Related reports

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### **Surplus NHS land; a best value alternative**

<http://www.housing.org.uk/resource-library/browse/surplus-nhs-land-a-best-value-alternative/>

### **Creative use of NHS Estate**

<http://www.housing.org.uk/resource-library/browse/creative-use-of-nhs-estate/>

**For more information:**

Visit the National Housing Federation's website  
[www.housing.org.uk/health](http://www.housing.org.uk/health)

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