



# **Housing for Older People Inquiry**

**Submission by the National Pensioners Convention**

**March 2017**

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### **Introduction**

This submission is made on behalf of the National Pensioners Convention (NPC); Britain's largest pensioner organisation representing around 1.5m older people, active in over 1000 affiliated groups across the UK. The NPC is run by and for pensioners and campaigns for improvements to the income, health and welfare of both today's and tomorrow's pensioners.

### **Background**

This inquiry takes place amid the current debate in which older people are portrayed as having unfairly amassed huge housing wealth and deliberately holding onto under-occupied properties to the detriment of younger generations that are struggling to buy their first home. Headlines such as '*Baby boomers are hoarding big homes at the expense of the young*' (*The Guardian*, 19 Oct 2011), might illustrate the argument, but actually miss the point.

Fundamentally, the notion of downsizing in later life should be about choice rather than obligation, but the debate around housing has to be widened beyond the simplistic suggestion that the crisis would be solved if only all older people moved to smaller properties. Crucial to finding a more credible solution to this issue would be to look at building more homes that are suitable for everyone, including older people, recognising the barriers to downsizing and acknowledging that a lack of housing for younger families is not the fault of older generations.

### **The state of older people's housing**

Figures from the English Housing Survey<sup>1</sup> show that there were 6.3 million households in England with at least one person resident who was 65 or older in 2013-14. The majority (77%) of these households were owner occupiers. A further 22% rent their home from a local authority or housing association and around 11% rent privately.

According to a report by the Building Research Establishment entitled "Homes and Ageing in England"<sup>2</sup> more than 2 million older people live in homes that fail to meet the Decent Homes Standard, with 1.3 million in a home with a serious hazard resulting in additional and unnecessary costs to the NHS, particularly from cold related health problems and falls. The report also highlights the lack of properties amongst the existing stock that fail to meet the needs of an ageing population.

However, in certain quarters older people have been blamed for Britain's housing crisis. The picture often painted is one of wealthy pensioners, rattling around huge properties with lots of unoccupied bedrooms, when in reality the housing market has failed to deliver for older people, as well as those just starting out.

It is true that over the last 30 years, the majority of home ownership has shifted from those below 45 in the early 1990s, to those between 45 and 64 in the 2000s to the over 65s in 2010. But this says more about the nature of employment, the availability

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<sup>1</sup> English Housing Survey, Department for Communities and Local Government, July 2015

<sup>2</sup> Homes and Ageing in England, Building Research Establishment, Public Health England, December 2015

of mortgages, the state of the financial markets and the growth of personal debt than a concerted effort by older people to accumulate property wealth.

Figures from the Ready for Ageing Alliance<sup>3</sup> claim that 2.6m older people who have assets greater than £100,000, survive on an income of less than £15,000 a year. Two in ten households aged 60-64 have outstanding mortgage debts of £50,000 and fewer than 48% of 55-64 year olds own their property outright. So even in a generation that apparently has had the best of everything from free education to final salary pensions – less than half own their homes outright.

In fact, Britain's older generation now face a contradictory approach from government towards their housing wealth. It is widely accepted that our social care system has collapsed, and there is no long-term solution to the question of funding. In fact, the government's existing model relies on older people having housing wealth which they can use in order to fund their long-term care. Without it ministers claim, taxes would have to rise. At the same time, the same politicians accuse older people of having accumulated housing wealth, and portray it as a deceitful act for which they should, in some way be punished.

Most of those involved in housing policy will acknowledge that not enough houses are being built, local authority stock has been sold off and not replaced and now housing association properties are facing the same fate. The overall level of house building in the UK has declined since 1980, with 152,440 houses built in the financial year ending 2015 – a fall of nearly 40% from the 251,820 built in the financial year ending 1980<sup>4</sup>.

### **The truth about downsizing**

The UK currently has one of the lowest moving rates amongst its older population compared to other developed countries. In 2011, only 1% of people aged 60 or over had moved into retirement housing, compared to 17% in the United States and 13% in Australia and New Zealand<sup>5</sup>.

It's also useful to look at the prevalence of older 'under-occupation. Only just over half (52%) of all people who classify as under-occupiers are older people aged 55+, and among this age group the proportion of under-occupancy actually declines with age (64% of those 55-64 gradually down to 40% of those 85+). It is also worth noting that under-occupation has not been rising, as some commentators claim, as data shows the rate has essentially remained level from 2003/04 to 2012/13, from 35.7% to 36.6% of all households<sup>6</sup>.

Clearly, for those that do downsize, the advantages are often cited as:

- Financial: Allowing people to gain access to the wealth held in their properties which can then be used for other things (including helping younger family members).

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<sup>3</sup> The Myth of the Baby Boomer, Ready for Ageing Alliance, August 2015

<sup>4</sup> UK Perspectives 2016: Housing and home ownership in the UK, [www.ons.gov.uk](http://www.ons.gov.uk), May 2016

<sup>5</sup> Generation Stuck, International Longevity Centre UK, January 2016

<sup>6</sup> Ibid

- Reducing Domestic Maintenance: Having fewer rooms and space to care for in later life is one of the most important reason why older people downsize.
- Health Benefits: Downsizing in later life can allow people to move into properties that are better suited to their physical needs and can reduce the frequency and duration of hospital visits which save on health and care costs.
- Social Benefits: Research has also shown that residents of retirement developments are less lonely than those living in other general housing.

However, there are understandable barriers to downsizing that any future government housing policy would need to address:

- Supply: There is a general recognition that the UK housing market does not currently have sufficient supply to enable an increase in the current level of downsizing. For example, it would take 20 years for supply to meet the demand of just half of people aged 60+ interested in downsizing<sup>7</sup>.
- Disruption: The very nature of moving – packing up the house or exploring the housing market – may put off people from considering downsizing. The idea of being put off by the disruption of moving home was reported as high as 40% among those aged 75 +<sup>8</sup>. The emotional attachment to a property is also greatest amongst the over 75s, as too is the fact that some older households need additional space to accommodate regular visiting friends and family.
- Cost: Some households may find the costs associated with the process of moving, such as stamp duty, prevent them from downsizing.

### **Possible solutions**

- There needs to be a greater supply of options for downsizing and moving in later life. Retirement housing could be given a classification to confer it enhanced planning status and give it exemption from a range of planning restraints, which could facilitate developers' movements in creating new housing. There is also scope to reconsider land value to recognise the social benefit of retirement housing; allocating land for older people's housing could reduce the cost of the land and subsequent unit costs of properties, making such housing more affordable<sup>9</sup>.
- The downsizing process could be made more affordable by exempting older households from stamp duty when they downsize or move into specialist retirement housing.
- Other financial support could be offered for the costs associated with moving or revising the Help to Buy scheme to include 'later life buyers' who face an affordability gap.
- Practical support services could also be offered by local authorities and the voluntary sector, to help older movers with the process of clearing a property, getting rid of unwanted items and packing up.

### **Older people and the Local Housing Allowance**

During the Spending Review and Autumn Statement 2015, the then Chancellor George Osborne announced an intention to restrict the level of Housing Benefit

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<sup>7</sup> Ibid

<sup>8</sup> Ibid

<sup>9</sup> Ibid

claimed by tenants in social housing (council and housing association stock) to the Local Housing Allowance (LHA) rate. LHA rates currently apply to most Housing Benefit claimants living in the private rented sector and entitlement is related to household size rather than the size of the property. However, there are now concerns that it will impact on hundreds of thousands of pensioners who are currently exempt from the under-occupation deduction from Housing Benefit (known as the bedroom tax).

Currently, Housing Benefit claimants in social rented housing do not experience a reduction in their entitlement if they occupy a home that is deemed to be larger than they need and have reached the qualifying age for State Pension Credit. LHA rates base entitlement to Housing Benefit on household size, so a single person or couple living in a 2-bed property may receive the maximum of the one-bedroom LHA rate within the local area.

In London and the South-east, the impact may not be severe, because the one-bedroom LHA rate is likely to be higher than the existing social housing rent charge, but across the rest of the country – where private rents are cheaper – the LHA cap is set much lower, in line with private rents, threatening tenants with big benefit cuts.

Housing Benefit restrictions based on the size of the property occupied have applied to tenants in the private rented sector since 1989. Therefore, once the measure is introduced to the social sector in 2019, it raises the possibility of some pensioners who are 'under-occupying' their homes, experiencing a shortfall in their Housing Benefit entitlement. This has led to the suggestion that the measure amounts to a 'new bedroom tax.'

Furthermore, if as will be the case in some areas, the maximum HB/LHA even for a one bedroom property is below the level of rent, older people could find themselves in rent arrears, or being forced to move and potentially being homeless. However, smaller properties are in scarce supply and those that do exist, such as upper-floor flats without lifts, are completely unsuitable for pensioners.

An analysis by the Institute for Fiscal Studies (IFS) concluded that the savings arising out of this measure would be "small in the short-run, cutting Housing Benefit expenditure by £255 million in 2020-21"<sup>10</sup>. The longer-term impact was expected to be more significant. For example, if applied to all social tenants now:

- HB would be cut by £1.1 billion (from base of around £25bn)
- 800,000 households would lose an average of £1,300 per year
- In 2015, the IFS estimated that there were around 750,000 households in the social rented sector with a rent level greater than the LHA rate that would be affected
- There are an estimated 500,000 pensioner households in social housing that under-occupy their property
- The long-term effects could be even larger if social rents grow faster than HB caps (which are only linked to the lower Consumer Price Index (CPI))

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<sup>10</sup> [https://www.ifs.org.uk/uploads/publications/.../Joyce\\_Inside\\_Housing\\_021215.pdf](https://www.ifs.org.uk/uploads/publications/.../Joyce_Inside_Housing_021215.pdf)

## **The rights of older tenants**

Most housing association tenants currently have security of tenure, rent controls, a regulated landlord (subject to government checks) and the right to democratic oversight.

However, the Housing and Planning Act 2016 (HPA) will effectively allow housing associations to act like private landlords rather than 'social' ones. From 6 April 2017 housing associations will be free to sell flats and houses, without needing to gain the consent from the government regulator, known as the Homes and Communities Agency. Under the old 'consents regime' housing associations were given permission to sell property with tenants living in it only in exceptional circumstances, but this will no longer be the case. Housing Associations will also be free to transfer socially rented homes to existing or newly created private sector arms of their organisations. From this date, housing associations will also no longer be expected to have local councillors on their Boards, thus eliminating one of their few ties to genuine public accountability.

Understandably, older tenants are concerned what effect these changes will have on their security of tenure, rent control and current tenancy agreements, and the government is urged to offer greater clarity on these issues as a matter of priority.

## **Conclusion and recommendations**

There is widespread recognition that the UK is currently facing a severe housing shortage, in properties suitable for both first and last time buyers. These problems however are not the fault of one generation, and suggestions in public debate that older people have deliberately thwarted the home-owning aspirations of their grandchildren are both dangerous and inaccurate. There also needs to be greater recognition of the housing issues faced by older people, including those who are currently living in homes which are below decent standards.

On the specific issues on which the committee is concerned:

- There needs to be a greater supply and variety of housing that is suitable for older people.
- The downsizing process could be made more affordable by exempting older households from stamp duty when they downsize or move into specialist retirement housing.
- Other financial support could be offered for the costs associated with moving or revising the Help to Buy scheme to include 'later life buyers' who face an affordability gap.
- Practical support services could also be offered by local authorities and the voluntary sector, to help older movers with the process of clearing a property, getting rid of unwanted items and packing up.

On the wider housing issues facing older people:

- Extending the use of a cap on LHA/Housing Benefit in the socially rented sector should be delayed until a suitable impact assessment has been done as to the likely outcome.
- Plans to allow housing associations greater freedoms could threaten older residents' security of tenure, rent control and current tenancy agreements, and

the government is urged to offer greater clarity on these issues as a matter of priority.

**National Pensioners Convention**  
**Walkden House**  
**10 Melton Street**  
**London**  
**NW1 2EJ**  
**[www.npcuk.org](http://www.npcuk.org)**  
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