



Housing for Older People Inquiry

Additional submission by the National Pensioners Convention

October 2017

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Introduction

The National Pensioners Convention (NPC); Britain's largest pensioner organisation representing around 1.5m older people in over 1000 affiliated groups across the UK, welcomes the opportunity to make a further submission to this important inquiry.

The case for older people's housing

In Britain today, despite growing demand, there is a distinct lack of supply of suitable older people's housing and accommodation. A house building initiative is therefore essential to solving the housing crises amongst older people. Not only do more houses need to be built, but they need to be suitable and affordable, and in order to achieve this, we need to incentivise developers, allow local authorities to begin house building again and make the prospect of moving more attractive to older people.

The current housing stock of suitable accommodation for older people's housing needs is a picture of under supply. Whilst the second quarter of 2017 saw a 15% rise in all houses being built, this does not go far enough in addressing the short and long term needs of Britain's ageing population.²

The current picture shows that as of September 2017, there were:

- 720,000 retirement housing units
- 4,699 nursing homes
- 6,023 residential homes
- 18,000 sheltered housing complexes and around 500,000 sheltered housing dwellings³

However, analysis from the Local Government Association shows that specialist homes for older people will need to increase by 75% by 2035 if it is to meet a growing older population.⁴ This represents just over 51,280 dwellings a year for the next 18 years.

Whilst the statistics for the ageing population are vital to consider, it is also important to look at the current demand. Surveys by YouGov suggest that one-third of older people would like to "right size" by moving into specialist housing. Alongside this demand, a pressing need for more suitable accommodation is illustrated by the statistic that one in five homes (21%) occupied by older people in England falls below the decent homes standard. Not only does this affect the quality of life for those individuals, but it also costs the NHS £624 million a year in treating older people for illnesses and injuries sustained at home, for example through coldness or falls.⁵

² House building England: June Quarter 2017, Government Housing Statistical Release, August 2017.

³ The Right Size Report, Inspired Villages, <http://www.inspiredvillages.co.uk/right-size-report/>, 2017.

⁴ "Residential revolution' needed for England's ageing population," Local Government Authority, www.local.gov.uk, September 2017.

⁵ Homes and Ageing in England, Buildings Research Establishment with Public Health England, 2015

In addition to the urgent need for more accommodation, we must also ensure that new homes are suitable, affordable and easily adaptable to meet future needs. However, in 2014, just 1% of UK new builds were bungalows, down from 7% in 1996.⁶ A more creative approach therefore needs to be taken. Future and lifetime homes are a way forward in building accommodation which can be adapted to an individual's needs throughout their stages of life. For example, Newcastle City Council has taken a lead in the development of future homes and it would be useful if the committee investigated this further. Alongside this, the accommodation also needs to be affordable. A range of housing needs should be provided to fit all people's budgets; from increased sheltered housing to retirement properties where onsite care is available.

Helping older people to 'right size' in retirement

Selling your existing property and buying a smaller house or specialist retirement property is the most obvious way to 'right size'. Whilst this is an option for the 7 million (67%) of people aged 65 or over who own their home, it still excludes the remaining 33%.⁷ Alongside this, it is important to consider that home ownership is skewed towards people in the South and East of England, with 40% being located in London and the surrounding areas.⁸ Whilst there is a large group of older people who could sell a house, it does not however mean suitable accommodation will be available; and importantly affordable.

The New Policy Institute and an All Party Parliamentary Group on Housing and Care for Older People Report in 2014 stated that an older person generally needs a bare minimum, on average of £175,000 to have a chance of buying a retirement property.⁹ The figures show that roughly four million people meet this minimum requirement, leaving 3 million who own a house, but do not necessarily have sufficient assets to buy suitable retirement accommodation.¹⁰

However, addressing the issue of stamp duty could be key to enabling older people to 'right size' in the future. Currently, stamp duty is payable if you buy a property over £125,000 in England, Wales and Northern Ireland. Scotland has already abolished it. Research undertaken by the LSE and the VATT Institute for Economic Research concluded that over half (59%) of respondents said that the cost of moving house and the cost of stamp duty are major barriers to downsizing. Alongside this they found that the rate of moving would increase by 27% if stamp duty was removed.¹¹ In addition, research by retirement housebuilders McCarthy & Stone reveals that 38% of homeowners aged over 65 would consider downsizing, with an additional 10% encouraged to move with a stamp duty exemption.

Evidence suggests that by abolishing stamp duty for downsizers, it would release up to 111,000 homes onto the market. The Centre for Economics & Business Research further suggests the cost of this reform would be counterbalanced by an estimated

⁶ New Home Statistics Annual Review, National House Building Council, 2015.

⁷ Later life in the United Kingdom, AGE UK, August 2017.

⁸ The Right Size Report, Inspired Villages.

⁹ Ibid.

¹⁰ Ageing in squalor and disease, older people in the private rented sector, AGE UK, October 2017.

¹¹ Transfer Taxes and Household Mobility: Distortion on the Housing or Labor Market?, with Teemu Lyytikäinen, Journal of Urban Economics, 2017, Vol. 101, 57-73.

extra £461 million of stamp duty generated by the higher number of house purchases this would provoke, over and above the £10 billion that stamp duty currently raises.¹²

A more targeted approach to addressing the needs of older residents could come in the shape of the Supporting People Programme. This was launched in 2003 as a scheme which helps vulnerable and older people to carry on living independently in their homes. Initially, £1.8 billion was ring fenced which allowed local authorities to make improvements to people's homes to ensure they were safe and suitable. The grant funded services including wardens in sheltered houses and housing related support services to allow continued independent living.

In 2009, an assessment undertaken for the Department for Communities and Local Government calculated that the net financial benefits of the programme were £3.41 billion due to savings in NHS and social care costs. Regarding older people, the programme achieved a net financial benefit of £628 million - over six times the initial cost of £97.3 million.¹³

However, despite this, it is no longer a form of ring fenced funding and the grant is heavily reduced. As of 2014/2015 the grants were worth £1.59 billion, and cash strapped local councils are no longer obliged to put the money towards homes. In fact, across 152 local authorities, Supporting People funding has been withdrawn, with other services heavily reduced. The net financial benefits of this scheme are a clear indicator of the importance of it being properly funded and re-introduced as a ring fenced grant.

The problems with buying a retirement property

The committee's inquiry should also consider some of the problems associated with buying a retirement property. For example, accommodation is often sold as leasehold. Not only can this be a complicated contract for people to understand, but the fewer the years left on the lease, the harder the property becomes to sell. It is therefore important that longer leases are more readily available.

In addition, there needs to be more investigation into the way in which assisted living accommodation functions. Whilst of course there will be a cost of having onsite care, the charges can be raised with little warning. Regulation needs to be put into place to ensure a notice period is given to residents and there is a pre-determined limit that charges cannot go beyond.

Recently there have also been fresh concerns over whether or not retirement properties are a sound investment, given the issue of exit fees. When individuals sell their property, they can be charged exit fees from 1-10% of the final sale price, yet this is not always clearly explained in the lease. The committee is urged to therefore investigate the use and practice of exit fees as a matter of urgency.

Using the capital tied up in your home also remains a controversial approach to retirement housing. Equity release refers to a range of options which lets you access

¹² A simple guide to Stamp Duty, SAGA, September 2017.

¹³ The Supporting People programme, House of Commons Research Paper 12/40, July 2012.

the cash tied up in your home if you are over the age of 55. You would receive the loan now and it would be paid back when your home is sold or on your death. Whilst on the face of it this appears to be a simple way to free up cash in your home and make those much-needed improvements, they are a very expensive form of loan. In the first half of 2017, £305,810,476 was released via this scheme, with the majority being from the South East and London.

The loans have much higher interest rates than a conventional mortgage and can be hugely expensive because the longer you live, the more interest accumulates and with no repayments being made along the way to reduce the debt. For example, according to the Daily Telegraph, if you release £50,000 now from a home worth £250,000 and the loan runs for 15 years, you will build up a debt of £123,000.¹⁴

Little wonder that the Financial Ombudsman receives two in three complaints from relatives of vulnerable older people who were sold an equity release plan, without knowing fully what it involves. It is therefore vital that further investigation and regulation is considered into this area.

Can the private sector build enough affordable houses?

Private companies are not building enough affordable houses because they can make the same profit as they would for general housing. Despite housing developers being required by local authorities to include between 30% to 50% of affordable homes in each new development, there is a simple way to get around this and actually build much less.

Once housing developers gain the permission to start building they deploy the viability assessment. This allows them to go back to the council and say the number of affordable houses they were going to build is no longer possible. Developers can cite new costs or lower than predicted house prices. This task is made easier by the developers because they cite the 2012 law which states that a developer must make returns of 20% profit. Furthermore, these viability assessments are private. Because developers know this is an option, they often over bid for land, knowing full well they can reduce the amount of affordable homes they promised to build and ultimately make a higher profit. As a first step, these viability assessments need to be made public.

A second restrictive process when developers go to build affordable houses and specialise retirement accommodation is the charges involved. Developers pay the same per-square metre rate of community infrastructure levy as when building general housing, despite retirement housing having communal amenities and spaces that cannot be sold.¹⁵ This is an instant barrier to developers when they propose housing plans and needs urgent review.

How can we incentivise the building of affordable houses for older people?

As part of the committee's inquiry, consideration should be given to:

¹⁴ Equity release: how much can I borrow and what will it cost? The Telegraph, July 2017.

¹⁵ Community Infrastructure Levy, Department for Communities and Local Government, <https://www.gov.uk/guidance/community-infrastructure-levy#extend-their-homes>, June 2014.

- Fast tracking building applications which include an agreed minimum level of affordable older people's housing. This would encourage those who want to build quickly, to include affordable housing.
- Enabling local authorities to build properties again. This would reduce the occurrences of overbidding by private developers who then fail to build the promised quota. Councils could also be encouraged to set up their own housing company, which would be able to buy land and borrow cheaply from the council. Any profits generated would then go straight back to the council. For example, Brick by Brick was set up by the Croydon Council in 2016 as a way of building affordable housing.

Recommendations

1. **65,000 houses need to be built a year for older people in order to meet a growing demand and projected population rise.** This is based on the predictions that we need 250,000 houses in total across the population and that by 2040 one in four households will be headed by someone over the age of 65.
2. **Reinstate the ring-fenced Supporting People Programme.** Obliging local authorities to take the actions necessary to ensure older people can live independently in safe and secure homes, and as a result, reducing costs to the NHS from illnesses and injuries caused by poor quality homes.
3. **Scrap stamp duty for those older people who want to downsize.** Stamp duty is preventing many people who want to downsize. This change will free up 111,000 houses onto the market, according to the Center for Economic & Business research, allowing any loss of stamp duty to be recovered from fresh sales.
4. **Fast track building applications for those developers who propose affordable and suitable accommodation for older people.** Property developers have got away for too long with not building their proposed allocation of affordable accommodation.
5. **Enable Local Authorities to build houses again and encourage councils to set up their own housing company.** Allowing this would lead to a reduction in 'overbidding' for land and would ensure profits go straight back to the council.

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