

PARLIAMENTARY BRIEFING



Increasing build rates of specialist housing for older people

July 2012

What is SHOP?

- Specialist housing for older people (SHOP) refers to a range of housing options to assist older people with their accommodation and support needs. Features include individual dwellings with their own front doors, bathrooms and kitchens (whether for rent, sale or shared ownership), communal areas such as lounges and restaurants, scheme managers and varying levels of care and support. It includes Retirement and Extra Care Housing. Residents' average age in the former is in the late 70s, and in the mid 80s in the latter.

Demographic changes

- 11 million people are over 65 and by 2033 this figure will rise to 17 million¹. By 2030, one in three people will be aged 55 or over². 60% of all new household growth by 2033 will be by those aged over 65. 21% will be by those aged over 85³.
- 75% of older people are homeowners⁴.

Build rates

- There are just 106,000 units of SHOP for ownership and over 400,000 units for rent⁵ (in inverse proportion to the tenure structure of the older population).
- SHOP build rates are lower now than in the 1980s. Build rates in 2010 were 6,000 for rent and 1,000 for ownership. In 1989, they were 17,500 for rent and 13,000 for ownership⁶.
- 1% of over-60s in the UK are estimated to live in retirement homes compared to 17 per cent in the United States and 13 per cent in Australia⁷.

¹ ONS population statistics (2012)

² Shelter (2012) *A better fit?*

³ DCLG (2011) *Live tables on household projections*

⁴ Ball, M (2011) *Housing Markets and Independence in Old Age: Expanding the Opportunities*, University of Reading

⁵ Ball, M *ibid.*

⁶ Figures from the Elderly Accommodation Counsel (2012)

⁷ Sutherland, J, (2011) *Viewpoint on Downsizing for older people into specialist accommodation*, Housing Learning and Improvement Network

Demand for SHOP

- Demand is rising. The 2006 Wanless Review said 27% of older people would consider a move into SHOP⁸. In February 2012, a YouGov poll for Shelter said that 33% of people over 55 are interested in it, which equates to more than 6 million people.⁹ Shelter noted that if demand for retirement housing remains constant, supply will have to increase by more than 70% in the next 20 years.

Public benefits of SHOP

- **Health & Social Care:** SHOP delays and prevents the need for residential or social care through better living environments, providing residents with a greater sense of well-being and improved health. Each year a resident postpones moving into care, the State saves on average £28,080¹⁰. A modest increase in SHOP would save the adult social care budget more than £300m per year¹¹.
- 75% of SHOP residents have not stayed overnight in hospital since moving and 60% who had stayed in hospital said that they had found it easier to return home since moving (with nights in hospital for the elderly being one of the most expensive items of health care).¹²
- Very few residents need to leave retirement housing for nursing or residential care after they move in, and crime rates are significantly reduced.
- **No cost to the public purse:** Funding for owner-occupied SHOP can be provided through the release in housing equity held by 75% of pensioners. Older people hold £1 trillion of housing equity¹³.
- **Personal:** Reduced loneliness and isolation, improved security and companionship and a better living environment mean that 92% of residents are very happy or contented. 64% said their health and well-being had improved since moving¹⁴.
- **Community:** Efficient use of previously-used land (for instance, McCarthy & Stone's 1,000 schemes have all been on Brownfield sites).
- **Housing and environment:** An effective way to free-up previously under-occupied family housing. A 40 unit scheme releases 40 local family-sized homes back onto local housing markets. 51% of residents also report lower heating bills. These under-occupied homes released into the market are often refurbished and made much more energy efficient by the families who move into them.

⁸ Wanless, D. (2006) *Securing Good Care for Older People: Taking a long term view*, Kings Fund

⁹ Shelter (2012) *A better fit?* Creating housing choices for an ageing population

¹⁰ Fit for Living Network (2010). Position Statement, HACT

¹¹ Kerslake, A (2012) Identifying the health gain from retirement housing, Institute of Public Care

¹² Ball, M *ibid*

¹³ Bailey, L (2010) Retirement Housing Report, Knight Frank.

¹⁴ Ball, M *ibid*

- **Economic:** A 40 unit scheme invests around £5 million into older people's housing and the economy. 50 people are employed during construction. 17 jobs are created from a typical Extra Care development¹⁵.

Why build rates are so low?

Two thirds of SHOP planning applications are refused by local authorities, partly due to a lack of understanding of need, demand, and any due recognition of the social, economic and environmental benefits that accrue from delivering better housing options for the local older population. Other complexities exist which prevent delivery:

- **One-size fits all planning obligations / taxes:** The key issue. Section 106 Obligations, the Code for Sustainable Homes and Community Infrastructure Levies (CIL) do not take into account the specialist nature of provision. CIL, for instance, charges a flat rate per sq m on new housing development. It does not account for the fact that a third of the floor space in SHOP is shared, and therefore not saleable. Local authority obligations are based upon gross internal floor areas and therefore specialist housing is unfairly disadvantaged. This makes many schemes unviable.
- **A lack of understanding of the specialist nature of provision:** SHOP is a complex form of accommodation. The need for specific design features and services, such as on-site care and support provision as well as the need for individual care packages, make developing this form of accommodation different from general needs housing. Developers of all tenures provide more than simple bricks and mortar – it is the “lifestyle” provided to the residents who chose or need this type of housing, that ensures a successful housing scheme.
- **Capital hungry schemes:** Schemes need to be completed before sales are made as older people are less inclined to buy ‘off plan’ without seeing a dwelling, the communal facilities and/or meeting staff. Phasing is not possible as with general needs housing. Developments with higher levels of care often receive most of their income over the life of the development rather than through the outright sale of units. A considerable amount of up-front working capital (about £5m) is required before revenues come on-stream. Few providers can operate in this market.
- **Getting the location right:** SHOP needs to be near shops, services and transport links, where residents wish to live. Good sites for SHOP are: hard to find; in short supply; in demand for a variety of use; in higher value areas; and tend to have higher development costs (often in conservation Areas, in need of decontamination, with archaeological interest that needs appropriate protection etc). SHOP is therefore in competition with other traditional housing and

¹⁵ Figures provided by McCarthy & Stone, November 2011.

commercial uses (such as offices or retail) who do not face the same planning obligations to provide affordable housing and higher build standards under the Code for Sustainable Homes.

- **A lack of joined up thinking:** Many schemes receive opposition at the planning stage based on concerns relating to the impact of an increased older population on local services, such as GP practices and hospitals. Yet research shows that residents of SHOP actually have fewer hospital admissions and spend less time in hospital, returning home faster after medical treatment. Moreover, SHOP largely meets a local housing need so its residents have previously been reliant on such local services and support.

How can SHOP be incentivised?

- **Evaluate the impact of CIL, S106 and affordable housing policies.** This would look at how CIL and affordable housing requirements on specialist housing restrict delivery. The Centre for Social Justice called for a pilot where the affordable housing requirement is lifted to assess its impact on the market and the prospect of increased delivery.
- **Take a strategic approach:** Both local and national government can encourage SHOP by highlighting its benefits in policies, plans and strategies. It is about raising awareness of the need, demand and benefits of SHOP. Nationally, this could be in housing strategies and the Social Care White Paper. Locally, this could be in housing needs assessments and in Local and Neighbourhood Plans.
- **A clear policy commitment to encourage specialist housing:** Introduce a policy presumption in planning in favour of SHOP, unless material considerations suggest otherwise. Such a policy would send a clear message to new providers and local authorities.
- **Removing Stamp Duty for older people downsizing into SHOP.** Any upfront cost would be recuperated through the housing chains created, as sales further down the chain still qualify for Stamp Duty. It would ultimately benefit first time buyers.
- **Ensure DCLG's council tax reforms do not hinder delivery.** The Local Government Finance Bill is proposing to remove the existing six-month exemption on council tax for empty new build properties, creating further commercial problems for developers of SHOP. The exemption should be retained to avoid an additional cost of millions of pounds per year.
- **Address delays in completing planning conditions and signing S106s.** Local planning authorities should be encouraged to keep conditions to a minimum (in

accordance with consistent government guidance), and to speed up discharging planning conditions and signing S106 agreements.

- **Produce clear guidance for Strategic Housing Market Assessments.** Local authorities should be encouraged to review the need for SHOP across all tenures in their Strategic Housing Needs Assessments (SHMAs). SHMAs vary greatly; they are often deficient, looking mainly at the housing needs of younger people, first time buyers, and those in the social sector.
- **Encourage Neighbourhood Forums to consider the housing requirements of their ageing populations.** Few Neighbourhood Forums are looking at the impact of an ageing population and how to best/better house their older population. They can be encouraged to do so.
- **Review the impact of Building Regulations.** Review how the 'catch all' requirements of Building Regulations impact negatively on the delivery of SHOP.
- **Formation of a housing, health and planning working group.** This would help to build greater understanding of the link between better housing and improved health, and how planning ought rightly to play a role in this.

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