McCarthy Stone
Retirement living *your way*

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Members of the Housing, Communities and Local
Government Committee

Sent via email

Dear Members of the Committee,

Housing for Older People – follow up

Thank you for inviting McCarthy Stone to give evidence to your Committee as part of your session on Housing for Older People. I hope that my contributions were helpful as you examine this crucial part of the housing sector. I reiterate the apology of our Chief Executive, John Tonkiss, who was unable to give evidence to the session, and can confirm that he will be happy to do so in future.

During the session, I committed to providing the Committee with details on the key issues that were raised, which are appended to this letter. They are listed below:

- Supporting our customers at the point of resale
- The value of our service charges
- Homes England's Older Person's Shared Ownership (OPSO) scheme

As I said in the session, we acknowledge that we do not get everything right all the time and apologise for where we have fallen short. We are nonetheless confident with our business model and the quality of our offer across our 550 developments that support 21,500 customers. They provide residents with the independence of their own home, which is appropriate for their needs, alongside the peace of mind that help and support is on hand when needed. We believe our homes and services are part of the solution to managing the challenges of the ageing population and are pleased that around nine in ten of our customers are satisfied with the service we provide.

We welcome the scrutiny of the Committee to ensure that we, and the sector as a whole, have the full confidence of customers and their families and can continue to build and maintain the specialist homes that we need for the ageing population. We reiterate our invitation to all Members of the Committee to visit our first 100% OPSO scheme in Oldham to meet with the homeowners who could not have afforded to move without this tenure, and to discuss the detail supplied in this letter. We look forward to hearing from you.

Yours sincerely,

Paul Teverson
Director of Communications, McCarthy Stone

Supporting our customers at the point of resale

Moving or selling a house at any age is one of the most stressful life events any of us goes through. Doing all that because of health issues or when you're grieving for the loss of a parent is even more stressful – and we want to remove as much of that emotional and financial burden as we can.

We know how important it is for our customers and their families to sell their home swiftly and at a good price, and we work hard to help them do that.

On the first sale, we often pay the customers' moving costs, stamp duty, and costs associated with part exchanging their former, larger properties. These costs can total tens of thousands of pounds and are essential to help older customers sell their existing home and manage the downsizing process, which is often challenging. These costs are not recorded by the Land Registry but should be factored in when looking at the real, net value of the first sale.

We launched our in-house resales agency in 2018 and each year since then they have resold more and more of our apartments – rising to 699 last year. We're on track to sell over 800 resale properties this year, further increasing our market share of our managed properties to around 50%. We believe this is a vote of confidence by our customers and we continue to invest and grow our resales team.

Our specialist resales team is best placed to resell our properties as they understand the value of retirement living and can fully explain its benefits, what it includes, and what it costs (unlike many non-specialist high street estate agents). Customers can list their property for sale with our internal resales team and/or externally with an estate agent of their choice. We would always advise customers to appoint our specialist team as we understand how to effectively market our properties.

As explained to the Committee, it is unhelpful to view the retirement sector in the same way as the wider housing market. In general, retirement properties across the whole retirement sector take longer to sell because they are being marketed to a smaller segment of the population and involve a variety of factors in decision-making that the wider housing market does not. For example, this includes decisions around the need for ongoing care and support.

Lease length can also have an impact on apartment values, so we extended our leases from 125 years to 999 years on developments launched after 2015 to further support the retention of value of our homes.

We are sorry when any of our properties lose value when they have been resold. Every apartment and every development is unique and many factors impact how much apartments sell for and how long that takes. Our internal data shows:

- 5 in 10 of our properties increase in net value when resold.
- 9 in 10 of our properties retain at least 85% of their net value or increase when resold.

None of us can guarantee the future value of our properties but the last thing we want to see is big drops so we're looking into how we can do more to support people in that situation.

<u>The value of our service charges</u>

What's in our service charges

Making sure that our customers benefit from high quality services is a top priority for us. It's how we make later life living better, less stressful and more enjoyable for tens of thousands of older people.

The service charge covers the cost of running and maintaining our developments and delivering those services brilliantly and efficiently. It is broken down into three parts: everyday running costs, the contingency fund, and a management fee.

The service charge is not where we make our money as a business. Around 99% of the services we provide are charged back at cost. There is one area of it – part of the management fee – where we do make a very conservative profit, which works out typically at just over £1 per week per property. We are confident this represents great value for customers who no longer want to deal with the hassle and administrative burden of running a large home.

Part of service charge	Typical proportion of service charge[1]	What it contributes to
Everyday costs of running the service	For a Retirement Living scheme: 65% For a Retirement Living PLUS scheme: 86%	For a Retirement Living scheme, this covers costs for: • The employment of our on-site House Manager who runs the development and is the point of contact for homeowners and their families, providing invaluable support that we know our customers value • A communal lounge and, in many developments, a guest suite for visiting friends and family. • Heating and cleaning of communal areas • Buildings insurance • The 24-hour emergency call system • The intruder alarm • Water rates • Sewerage rates • Gardening • Window cleaning • Periodic health & safety inspections and fire risk assessments For a Retirement Living PLUS scheme, which is a form of Extra Care housing, this portion of the service charge covers the above, with the addition of: • An Estate Manager (rather than a House Manager) and their team, which totals up to 17 people • 24-hour cover with an emergency alarm and on-site staff • A full-service commercial-scale restaurant and dedicated chef, solely for the use of homeowners (and their friends and family), and much larger communal areas, in some locations including a function room, a homeowners' lounge, laundry room, mobility scooter charging room and a guest suite for visiting friends and family.
The Contingency Fund	For a Retirement Living	We are responsible for maintaining each development and ensuring that the buildings and their equipment work correctly, are safe and have a long life. To do this, we manage a Contingency Fund to ensure there are funds to pay for this work, which includes

[1] Proportions based on a 1% contingency fee

	scheme: 22% For a Retirement Living PLUS scheme: 8%	internal and external decorations as well as long term repairs or replacements for things like: • Roofs • Alarm systems • Window frames • Lifts This money is held in a bank account for homeowners, with one account for each of our developments. It is for the benefit of the homeowners and does not come to McCarthy Stone. The Fund is made up of monthly contributions paid through the service charge, plus a small percentage fee that is paid at the point of resale of the apartment (typically 1% on most of our developments).
Management Fee	For a Retirement Living scheme: 13% For a Retirement Living PLUS scheme: 6%	This covers our support costs for each development including operational support for our House or Estate Manager from an Operations Manager and Divisional Director. It also includes: • Our national procurement service so we can negotiate good value for the services our developments need (such as recently securing a buildings insurance deal across our entire estate set at 2023 prices) • Financial support to prepare the annual budgets and accounts for each development • Customer relations • Training for staff • Payroll and legal support We target a 10% return for McCarthy Stone from within the Management Fee to ensure the ongoing sustainability of our Services business. On a typical service charge, this means we target around £55 a year profit per apartment on average, which equates to just over £1 per week, or around 1% per year on a typical apartment, meaning around 99% of the service charge is charged at cost.

We recognise the concern that service charges are not always seen to be as transparent as they could be. While we believe that our service charges are transparent, we are always looking at how we can improve. This includes making our services charges even clearer going forwards.

Average service charges and providing value for money

For a typical Retirement Living apartment, the average service charge in 2024 was £3,000 for a one-bed and £4,500 for a two-bed apartment. For context, the average service charge for all leasehold properties, without our level of services, is £2,300[2].

For a typical Retirement Living PLUS (Extra Care) scheme, which provide a range of additional services as outlined above, the service charge is on average £8,900 for a one-bed apartment and £13,000 for a two-bed apartment. For context, the cost of a care home, which is most similar to an Extra Care scheme, is £67,132 a year on average[3]. Even with an additional care package of six visits a day, the cost of this service charge plus care is half the price of a care home, and our customers live in a better environment.

We aim to keep our service charges as low as possible, while still providing the services that our customers want. Getting older and needing support at home can be very costly, but we believe retirement housing offers great value, while providing huge benefits: greater community, housing that meets people's needs and services on hand to improve quality of

[2] Hamptons (February 2025)
[3] Carehome.co.uk advice (June 2025)

life. On top of this, research shows that living in a retirement community saves the NHS and social care system around £3,500 per person per year on average.[4]

Much of the value comes from our on-site teams who support our customers. Our homeowners value them the most, but they are also the biggest cost to be passed through in the service charge.

Downsizing from a family-sized home into an energy-efficient retirement apartment can mean substantial cost savings from lower energy bills, council tax, and maintenance and running costs. Our research shows customers save a significant amount a year on household bills in a Retirement Living apartment when compared to a typical three bed semi-detached property.

Additional care packages

We recognise that the media's reference relating to a remote control may appear concerning when viewed in isolation. Further background is below and it aims to provide important context. Nonetheless, we will review our current approach to ensure there is no ambiguity around the availability and use of emergency pull cords within our developments.

Responding to emergency calls when a homeowner at a Retirement Living PLUS (Extra Care) property has pulled their emergency cord is done by the Registered Estate Manager or Duty Manager, whatever time of the day or night. This is included as part of the normal service charge, and we know from our customers it is something they hugely value – being assisted in an emergency by a friendly and familiar face in their time of need. Typical emergencies in this scenario could include falling out of bed overnight, feeling unwell, slipping in the shower or falling in the apartment.

However, additional care services – beyond the 1 hour of domestic assistance a week included in the service charge – are not included in the service charge and would ordinarily be provided as part of an individual care plan. This would be the same for any care provider.

Where homeowners require multiple visits for emergency cord activation for non-emergency assistance, the Registered Estate Manager at their development would intervene, in a sensitive way, to discuss their care needs and work with them/their family to develop a bespoke care plan that suits them. This personal approach and knowledge of the homeowner and their needs is one example of the invaluable service our Registered Estate Managers provide, and which our homeowners value.

Additional care visits that are outside of the service charge or an agreed care plan can be arranged and are tailored to the level of support the homeowner requires. These are typically provided in 30- minute blocks, with 15- minute visits available for specific tasks such as wellbeing checks or medication administration. This flexible approach allows care to be scaled up or down in line with changing needs.

[4] Healthier and Happier Report, Homes for Later Living (September 2019)

Knowing these services are there and can be used flexibly as needed provides peace of mind for customers and their families.

Information for existing and prospective customers

We aim to be transparent about our service charges for both prospective and existing customers. For prospective homeowners, we make our service charges for each development clear on our website and during the sales process. We abide by the requirements in several codes – including the Consumer Code for Homebuilders, The Property Institute and the Association of Retirement Housing Managers – which note how to communicate charges.

To existing homeowners, we communicate our upcoming service charges through the production of a service charge information pack that details key elements of the service charge as well as highlighting areas of change year on year and the reasons for those changes. We also provide an audited annual report and accounts, and a budget for the year ahead.

We supply this through an online customer portal and as printed copies to ensure that the information is accessible to all our customers. Furthermore, prior to the commencement of the upcoming service charge year, the relevant Operations Manager visits the development for a formal customer meeting where the upcoming year's service charge is shared in detail and there are opportunities for wider discussion and questions.

For prospective customers, we advise them that the charges will increase each year broadly in line with inflation – as the cost of the services procured such as labour, energy and materials will likely increase with inflation reflecting the cost increases that everyone in the UK has experienced. We would also always recommend that, as with any property purchase, prospective customers seek independent legal advice through their own solicitor.

The service charge is reviewed annually and typically reflects changes to inflation. We are unable to predict the future level of inflation and therefore the future costs of service charges, as one Committee Member requested, particularly given how unpredictable inflation has been in recent years as a result of the energy crisis, the war in Ukraine and other external pressures, including increases to both wages and National Insurance by the Government. The table below shows inflation for the years 2019 to 2024. These cost increases are experienced by everyone in the UK, not just our homeowners.

Period 2019-2024	National inflation
General inflation (CPI)[5]	24.2%
Average service charge increase[6]	41%
Energy price inflation[7]	73%
Building insurance inflation[8]	92%
Labour price inflation[9]	48%
Restaurant and cafe price inflation[10]	28.5%

[5] Consumer price inflation, UK - Office for National Statistics (October 2019 to October 2024)
[6] TPI Service Charge Index 2024 - Service Charges - The Property Institute
[7] *Ibid.*
[8] *Ibid.*
[9] UK minimum wage by category 2025 | Statista (£11.44 for over 21s in 2024, compared to £7.70 in 2019)
[10] Cost of living insights - Office for National Statistics (January 2019 to January 2024)

Homes England's Older Person's Shared Ownership (OPSO) scheme

There are 2.3 million older people in the UK with equity in their homes of between £150k-£250k (25% of the market)[11]. To date the retirement living offer has not been affordable to them as the average price of a new retirement property across the industry is £350k+. Many of these older homeowners live in areas of lower housing equity in the North and Midlands and many live in properties that have now become unsuitable for the needs as they age. However, the equity they already have in their home would likely make them ineligible for Social Rent.

To address this, Homes England offers an affordable shared ownership tenure through the Government's Older Person's Shared Ownership (OPSO) scheme. We became a strategic partner and a Registered Provider in 2021 to help deliver this scheme. We have received funding from September 2021 and will deliver 1,090 homes by March 2026. Without this scheme, there is no support in the Affordable Housing Programme for the 2.3 million older people in this equity bracket.

Importantly, without this scheme, we would not be able to develop the 100% OPSO schemes that we are opening, the first of which are in Oldham, Bradford, Birmingham, Nottingham, Telford and Liverpool. They are in areas that are in real need of investment and development would not be viable without public grant.

The initial property valuation and the valuation on resale is done by an independent RICS surveyor. Prior to purchase, prospective customers have their income and expenditure assessed by an independent adviser regulated by the FCA to determine the share they can comfortably afford to purchase. This includes considering any known changes to their circumstances as well as the various costs involved in buying a home, the cost of moving, etc. These are both requirements from Homes England.

OPSO is also a unique product as no rent is payable at 75% ownership, and our customers typically have no mortgage to pay. As there is also typically a cost saving while living with us, as customers are in a smaller, more energy-efficient home, the overall cost saving is significant compared to a normal shared ownership product. 83% of our OPSO customers have proceeded to purchase with a 75% share. Where less than 75% is purchased, the rent on the remainder is an affordable rent set by Homes England at no more than 3% of the element of the home not purchased and subject to annual increases of CPI + 1%. However, we charge less than this in our OPSO homes, with rents set at 2.75%.

A typical buyer at our Sydney Grange development in Oldham (at which all units are OPSO)
- Sold their property for £190,000 - Bought a one bed apartment at £146,250 (75% of a property valued at £195,000) - Released £43,750 to fund their living costs and future care needs - Pays no rent on remaining share - Has no mortgage to pay - Pays an annual service charge of £2,877 for a one-bed apartment.

[11] Based on the April 2022 CACI house equity banding data which showed there were 2.32 million people over 65+ with house prices between £150-250k in the UK.

We also expect the future resale prices for OPSO properties to be healthy as the increased affordability of these properties means there are more people to purchase these homes.

Please also note that our 100% OPSO developments are constructed using Modern Methods of Construction, built in a factory in Leeds, helping us build faster, greener and affordably.

Improvements to OPSO

We suggested to the previous Housing Committee's inquiry on Shared Ownership that there should be a review of the amount of rent paid on the remaining share of the OPSO property and this was echoed by the Older People's Housing Taskforce's report. We were pleased to see it raised again in the session on 1 July.

As an example, someone could own 70% of their OPSO property and be paying 30% rent, while someone else owning 75% pays no rent at all. We suggested that the share on which rent is paid should be calibrated in a more consistent way, as demonstrated in the table below, which was included in your Committee's report on Shared Ownership in March 2024:

Share owned by homeowner	Share on which rent is paid (currently)	Share on which rent is paid under our suggestions
10%	90%	65%
50%	50%	25%
70%	30%	5%
75% (maximum share)	0%	0%

We recommend that this is reviewed by Homes England. We have also submitted additional ideas for improving OPSO to Homes England and would be pleased to share them with the Committee if needed.

Within the new Affordable Homes Programme, we have also suggested that there should be 10% of funds allocated for older people's housing across all tenures, including Social Rent, and we agree with the Older People's Housing Taskforce that OPSO should be included. Should the new prospectus include OPSO, McCarthy Stone will be making a bid for grant funding. We are proud of the homes we have delivered to date. Our OPSO customers have expressed the real value these schemes have provided for them, and we welcome the opportunity to bring more affordability and choice to a new cohort of older people.

Hopefully the information in this letter is useful and answers the queries from Committee Members. I mentioned during the session that we have long supported better information and advice for consumers in this important sector. We recommend that the Government reinstates its funding for the information and advice services that were offered by the Elderly Accommodation Counsel, a charity, before the funding was cut by the Government. We also recommend that the sector's code of conduct, which is owned by the Association of Retirement Housing Managers, and which has statutory approval by the Secretary of State, is reviewed and given more profile by the Government.

Again, we would be pleased to discuss this further with you and we repeat our invite to the Committee to visit our first 100% OPSO scheme in Oldham to meet with the homeowners and to discuss the detail in this letter. We look forward to hearing from you.