

16 December 2021



Clive Betts MP
Chair of the Levelling Up, Housing and Communities
Committee
House of Commons, London, SW1A 0AA

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Dear Mr Betts,

Follow up to McCarthy Stone's oral evidence as part of the long-term funding of adult social care inquiry

Thank you for inviting McCarthy Stone to appear before the Levelling Up, Housing and Communities Committee to provide evidence on the long-term funding of adult social care. As the UK's leading developer and manager of retirement communities, we are delighted that the Committee is currently investigating this area and believe strongly that delivering more appropriate housing should be an integral part of the Government's adult social care strategy.

You asked us to write to you outlining why we recommend that the Government and Homes England in particular introduces a target for 10% of all housing supply to be suitable for older people.

A 2016 Knight Frank report noted that around 2% of current housing stock is retirement housing, and that, in England alone the number of households headed up by someone aged over 65 is set to increase by nearly four million over the next 20 years. Once levels of homeownership and desire to move are taken into consideration, their data suggests potential demand for around 30,000 retirement housing units per year¹. This now represents 10% of the Government's target to build 300,000 new homes per year. The already marginal viability of new retirement developments means that supply is c.7,000 units per year. This issue was also highlighted by the CLG Select Committee in its 2018 report on Housing for Older People².

A report published earlier this year by the Housing Market and Housing Delivery APPG, chaired by Ben Everitt MP, also recommended that local plans should be required to plan for 10% of all new homes to be provided for people in later life³, which could realise significant savings in care costs and relieve the burden on the NHS. Further research by WPI Strategy also reaffirms the 10% objective⁴.

¹ Knight Frank: Residential Research – [Retirement Housing](#) (2016)

² Communities and Local Government (CLG) Committee: [Housing for Older People](#) (2018)

³ Housing Market and Housing Delivery APPG: [A Fair Housing Market For All](#) (2021)

⁴ WPI Economics: [Chain Reaction](#) (2020)

WPI Strategy estimates that every retirement property sold generates two moves further down the housing chain. This frees up homes at differing stages of the housing ladder for different demographics. A typical retirement development which consists of 40 apartments therefore results in 80 additional moves further down the chain. If 30,000 retirement properties were built per year, this would mean 60,000 or more additional house moves are facilitated each year⁵. They also estimate that two in three of these chains end with a first-time buyer purchasing their first home.

We also discussed the lack of local planning policies relating to retirement communities during this week's session which I wanted to follow up on. A 2021 Knight Frank report suggests that planning is one of the largest barriers to the growth of the sector, and that some 50% of local authorities in England do not have clear planning policies in place to support housing for seniors, and 80% do not have site allocations⁶. We believe that future guidance should include stronger national planning policies to encourage retirement communities, clear requirements for local authorities to calculate and meet the need for older people's housing in their local area, with the requirement that planning authorities set a robust target of at least 10% of all units as specialist accommodation for older people and a specific target based on local assessment of need. Delivery should then be monitored by local and national Government and the data published.

There is also a much greater and more ambitious role for Homes England, including adopting a new target of making 10% of their new housing designed specifically for older people, expanding its affordable shared ownership offering for older people – which could become a similar programme to Help to Buy but for older people (perhaps a Help to Move programme). To its credit, Homes England already has a 10% target for specialist and supported housing, and we would like to see this extended to 10% just for older people, and possibly go even further.

This would support the Government's target of building 300,000 new homes a year and be additional supply to what is currently delivered. It could include bungalows as well as retirement communities. As I noted to the Committee, there is also a real lack of supply for bungalows, with just 1,833 delivered in 2020. Specific planning policies encouraging bungalows would help too.

As the UK's population ages, there is an urgent need to deliver a transformational framework to support the long-term development and viability of retirement communities, so that we can provide more older people with the dignity and independence that they crave in later life and level up all corners of the UK.

We understand the Government is considering the establishment of a Later Living Taskforce to look at measures to increase supply of all types of later living housing, which is something we fully support and have previously raised with the Minister. The Taskforce must be given a real mandate and the necessary support to help create a sustainable, affordable and viable model for all forms of later life housing, ranging from bungalows to retirement communities, that works for both consumers and operators.

⁵ WPI Economics: [Chain Reaction](#) (2020)

⁶ [Knight Frank](#): Seniors Housing Development Update (2021)

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

As I mentioned to the Committee, we believe there is significant potential to expand a mid-market offer for older people that is not currently being met. We understand from officials that Homes England's OPSO scheme delivered just 316 units in 2018/19, falling to 209 in 2019/20, and potentially falling further due to the impact of Covid-19.

We are delighted that our new shared ownership business, McCarthy Stone (Shared Ownership) Limited, has become a Regulated Provider and a Strategic Partner for Homes England, under the Affordable Homes Programme 2021 – 26, and will deliver 1,500 affordable shared ownership units over the next five years. But there is significant potential to do much more and help more older people with lower affordability if the scheme could be improved and expanded. This would involve a small number of minor changes to OPSO and the wider programme to improve viability, creating a scheme which would be more attractive to all retirement developers. Our recommendations include:

- Revisions to the staircasing mechanism and grant repayment requirements to optimise the model. We believe one of the key reasons why OPSO has limited take up is because there is a conflict between the grant repayment provisions contained within the Capital Grant Fund General Determination and the principle of the OPSO product that offers customers who own a 75% equity share the benefit of paying no rent on the remaining 25% equity.
- Aligning the requirements for with profit providers with those for not for profit providers. One example of this is the end date for delivery under the programme. With profit providers must reach Practical Completion of all their units by 31 March 2026 but not for profit providers are only required to make a start on site by that date. In the case of McCarthy Stone (Shared Ownership) Limited a change to align with not for profit providers would in effect allow an additional up to two-year extension to the programme beyond March 2026. McCarthy Stone (Shared Ownership) Limited believe such a change could have the potential to allow them to deliver at least 1,000 additional affordable homes for older people under the 2021 -26 programme.
- Take up of a mid-market offer for older people which includes shared ownership could be expanded further if the affordable shared ownership product for older people had more profile, along with additional funding to meet demand.
- While not part of the OPSO scheme, the current Strategic Partnership with McCarthy Stone (Shared Ownership) Limited only allows them to deliver 10% of the 1,500 affordable shared ownership units as core stock. McCarthy Stone (Shared Ownership) Limited have the potential to increase this amount further by acquiring more existing core stock if these regulations could be amended.

We recognise some of these OPSO recommendations are quite specific, but they have great potential to extend the good work of Homes England and provide a high quality, affordable homeownership offering to thousands of older people looking to move into retirement communities, with all of the benefits this brings.

Thank you again for your time and for your consideration of the above points, which we would be pleased to discuss further with any members of the Committee wishing to learn more.

We look forward to reading the Committee's report in due course.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Paul Teverson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Paul Teverson
Director of Communications
McCarthy Stone