

## FINANCE COMMITTEE

### DEMOGRAPHIC CHANGE AND AGEING POPULATION INQUIRY

#### SUBMISSION FROM McCARTHY STONE

Established in 1963, McCarthy & Stone is the largest specialist developer of owner-occupier retirement housing in the UK, providing a range of specialist retirement and assisted living accommodation. Across Scotland, McCarthy & Stone has developed more than 80 retirement developments providing more than 3,600 homes.

#### General

***What is your view of the effects of demographic change and an ageing population on the sustainability of funding for (a) health and social care and (b) housing services and (c) public pensions and the labour force? What public services will individuals increasingly call on and in what way?***

1. According to Scottish Government research<sup>1</sup>, there is an increasingly older population and the cost of care for over 65s is set to almost double to £8 billion by 2031. In this context, McCarthy & Stone believe the levels of funding for health and social care and housing will increasingly come under pressure. This will lead to significant pressure on the public purse to provide better housing and support for older people.

2. Specialist housing for older people 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. McCarthy & Stone argue that by supporting and encouraging development across all tenures, specialist housing can help central and local government deliver the necessary levels of housing for older people to cope with the rising demographic. When delivered by the private sector, it involves no cost to the public purse as it is funded through the release in housing equity upon purchase. 75 per cent of pensioners own their own home and older people hold £1 trillion of housing equity<sup>2</sup>.

3. This leads to substantial cost savings for the public sector. Each year a resident postpones moving into care, the State saves on average £28,080<sup>3</sup>. A modest increase in specialist housing would save the adult social care budget, at a very conservative estimate, more than £300m per year<sup>4</sup>.

4. 75 per cent of residents in specialist housing have not stayed overnight in hospital since moving and 60 per cent who had stayed in hospital said that they had found it easier to return home since moving (with overnight stays in hospital for the

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<sup>1</sup> Scottish Government, [Reshaping Care for Older People Information Booklet](#) p6

<sup>2</sup> Bailey, L (2010) Retirement Housing Report, Knight Frank.

<sup>3</sup> Fit for Living Network (2010). Position Statement, HACT

<sup>4</sup> Kerslake, A (2012) Identifying the health gain from retirement housing, Institute of Public Care

elderly being one of the most expensive aspects of health care).<sup>5</sup> Very few residents need to leave retirement housing for nursing or residential care after they move in (about 9 in 10 stay) and crime rates are significantly reduced.

5. McCarthy & Stone developments also free up housing stock, allowing people to move up the property ladder<sup>6</sup>. Research shows that most people moving into owner-occupier retirement housing move from substantial family homes, with two thirds leaving houses with three or more bedrooms. This creates a chain reaction in the housing market, boosting local supply.

6. McCarthy & Stone wish to work in partnership with the Scottish Government and local authorities to help meet the increasing housing demands of older people. Its retirement housing enables older people to live independently, yet in a community with care readily available in easily accessible locations. Specific actions in the planning system can help to encourage delivery of new schemes and address years of under supply.

7. In addition to its traditional retirement housing, McCarthy & Stone has provided Extra Care (Assisted Living) accommodation for over a decade in England and Wales and has recently introduced it in Scotland. Developments are currently under construction in Aberdeen and Glasgow, and a planning application has been submitted for one in Edinburgh. This type of accommodation offers an affordable alternative to a residential care or nursing home. It is available for people over 70 years and the average age of a resident is 83. Given the ageing population in Scotland, particularly in the 85+ age group, and bearing in mind the constraints on the public purse for health and social care, there will be increasing demand for this type of accommodation.

8. McCarthy & Stone plan to invest over £90 million in Scotland over the next four years, with £70 million to be spent on retirement housing and £21 million to be spent on Extra Care (Assisted Living) accommodation in order to provide more appropriate housing for older people. There is the potential for McCarthy & Stone to invest significantly more should the policy environment be correct.

***Further, what planning is being done, or should be done, to address this?***

9. In December 2011, the Scottish Government published 'The National Strategy for Housing for Older People'. McCarthy & Stone welcome this strategy and contributed to shaping it through our consultation response. It was an active member of both the Wider Planning for an Ageing Population Group, and the Government's Review of Older People Housing Group.

10. The Social Care (Self-directed Support) (Scotland) Bill currently going through the Scottish Parliament will also be a positive contribution to care for older people. McCarthy & Stone fully support this bill and its goals. It feels that empowering people

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<sup>5</sup> Ball, M ibid

<sup>6</sup> Professor Michael Ball, University of Reading, [Housing markets and independence in old age: expanding the opportunities](#) p4

with choice and control over their support is crucial to a care service that seeks to treat people as partners in the care they receive rather than the recipients of care.

11. McCarthy & Stone would welcome a greater policy emphasis on the need for specialist housing for older home owners. Currently, just 10 per cent of sheltered housing in Scotland is private, with the other 90 per cent of the 36,000 units provided by local authorities and housing associations<sup>7</sup>. This is inverse to the tenure breakdown of older people, where 75 per cent are home owners and do not wish to move into rented accommodation late in life. In terms of overall provision, just 1 per cent 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 Australia<sup>8</sup>.

12. The biggest challenge in delivering specialist housing is the planning system which adds unnecessary costs to the delivery of new schemes that makes many proposals unviable. The planning reforms currently being mooted by the Scottish Government have the potential to play a positive part in meeting the need for more specialist housing for older people. In McCarthy & Stone's response to the consultation on planning reforms it stated that a presumption in favour of development of specialist housing for older people would enable an increase in development. Such a measure would help support the wider strategic aims of the Scottish Government to manage the impact of an ageing and expensive population. This point ties in with having an up-to-date and authoritative development plan, which could encourage specialist housing. Other measures that could support the delivery of new specialist housing include:

- **Evaluate the impact of affordable housing policies**, which make many schemes unviable and prevent them from coming forward. A study by Professor Ball at the University of Reading indicates that by treating all owner occupied retirement housing as the equivalent to affordable housing because of its public benefits, and thereby removing the burden of affordable housing contributions, there would be an increase in development and a reduction in developer costs that would have an effect right through the housing market<sup>9</sup>, allowing more and more people to move up the property ladder and for more money to be saved by the public purse.
- **Take a strategic approach**: Both local and national government can encourage specialist housing by highlighting its benefits in policies, plans and strategies.
- **Removing Stamp Duty for older people downsizing into specialist housing**. 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 with the additional housing chains created.
- **Produce clear guidance for housing market assessments**. Local authorities should be encouraged to review the need for specialist housing across all tenures in their Housing Need and Demand Assessment. Housing

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<sup>7</sup> Review of Sheltered Housing in Scotland has been undertaken by the Centre for Housing Policy and York Health Economics

<sup>8</sup> Sutherland, J, (2011) Viewpoint on Downsizing for older people into specialist accommodation, Housing Learning and Improvement Network

<sup>9</sup> Ball M (2011) [Housing markets and independence in old age: expanding the opportunities](#), p43

assessments vary greatly; they are often deficient, looking mainly at the housing needs of younger people, first time buyers, and those in the social sector.

- **Consider allocating a fund** to support the private sector in delivering new schemes<sup>10</sup>.

13. A presumption in favour of the development of specialist housing for older people would lead to an expedited decision-making process and offers developers the opportunity for long-term planning, as well as providing substantial savings to the public sector at little or no cost. McCarthy & Stone mentioned this in its response to the Planning Reform Consultation, but did not believe it was given enough consideration initially, and should be reviewed. If this were to prove successful, it would remove part of the burden from local authorities and allow for a more manageable budget.

14. These measures would help to address some of the challenges associated with delivering this form of housing. Retirement housing developers must deliver a lifestyle, not just a building, so it is critical that schemes are suitably located and designed, as well as fully built, before occupation. Customers and their families like to view the apartment of their interest and the communal facilities, and meet the House Manager/management team before committing to purchase. Rarely is it possible to “sell off plan”. This results in a significant financial outlay – in the region of £5 million per site – before any return is received. Unlike traditional house building, it is not possible to ‘phase’ developments of this type, which would normally allow a return on investment before the rest of the development is completed. Few providers can operate in this environment.

15. Communal floor space within the building must be provided and usually requires some 30 per cent of floor space being “non-saleable”, unlike traditional house building. Management, care and support services must also be provided.

16. Because of these challenges, McCarthy & Stone would like to see direct support from the Scottish Government for this sector.

***What weight should be given during the annual budget process to demographic trends and projections?***

17. N/A

***What data is collected (and what should be collected) with respect to (a) health and social care and (b) housing services and (c) public pensions and the labour force, and what use is made of this (or should be made) to forecast what funding will be needed?***

18. We would suggest that the Scottish Government places a duty on local authorities – through the Housing Need and Demand Assessment – to give substantial weight to the need for specialist forms of housing for older people,

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<sup>10</sup> DoH (2012) Caring for our future: reforming care and support

particularly for home ownership, in their area and within their housing and planning policies. Given the importance of this form of housing, they should be obliged to undertake regular housing assessments for housing for older people. This would mean that appropriate numbers are provided.

19. The other important data that is, and should continue to be, collected by various sources, including central government is that which shows how and where older people would like to live. In short, this will provide those responsible for funding with an idea of where to focus their attention, and therefore, their funding.

20. In research carried out by the Scottish Government<sup>11</sup>, most older people, whether living alone or as a couple, indicated they wanted to stay in their own homes as long as they felt safe and didn't feel cut off. A report by Shelter confirmed "*more people would want independent living with flexible support if they knew it existed*"<sup>12</sup>.

21. Research by Professor Ball at the University of Reading showed that specialised private retirement housing developments provide a higher quality of life for residents, of whom a majority would recommend it to their friends and family<sup>13</sup>.

22. Improving housing choice for older people and the availability of specialised private retirement accommodation can reduce care needs from local authorities, with consequential financial savings.

## Health and social care

***To what extent are preventative policies such as the [Change Fund](#) key to addressing demographic pressures on the provision of health and social care?***

23. N/A

***To what extent are the pressures on health and social care a consequence of an ageing population as opposed to other health challenges such as obesity?***

24. N/A

## Housing

***What is likely to be the main pressures on both the public and private housing stock arising from the demographic change and what action should government and other public bodies be taking now to address this?***

25. The main pressure on both public and private housing stock will be the lack of sufficient housing for older people, particularly for home ownership. As stated previously, currently just 10 per cent of sheltered housing in Scotland is private, with the other 90 per cent of the 36,000 units provided by local authorities and housing

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<sup>11</sup> Scottish Government: [Public Engagement Report](#), p5

<sup>12</sup> Shelter: Better Fit: [Creating housing choices for an ageing population](#) p16

<sup>13</sup> [Housing markets and independence in old age: expanding the opportunities](#) ibid, p4

associations<sup>14</sup>. This is inverse to the tenure breakdown of older people, where 75 per cent are home owners. In terms of overall provision, just 1 per cent 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 Australia<sup>15</sup>.

26. However, demand for specialist housing is rising. The 2006 Wanless Review said 27 per cent of older people would consider a move into this form of housing<sup>16</sup>. In February 2012, a YouGov poll for Shelter said that 33 per cent of people over 55 are interested in it, which equates to more than 6 million people across the UK.<sup>17</sup> Shelter noted that if demand for retirement housing remains constant, supply will have to increase by more than 70 per cent in the next 20 years.

27. Data collected by the Scottish Government shows that a large number of older people wish to remain independent for as long as possible, so would like to stay at home, or in a homely setting and not move into a care home<sup>18</sup>. McCarthy & Stone can help ease the pressure by providing high quality, specialised retirement developments and would like to work in partnership, not in competition, with local and central government to achieve this. McCarthy & Stone developments allow older people the opportunity to live independently, in a home that they can continue to own and in appropriate housing in a community setting.

***What adaptations will be required to the existing housing stock to provide long-term care and to what extent should the design of new builds take into account the possibility that the home may be used for care purposes in the future?***

28. N/A

#### **Pensions and labour force**

***What is the likely impact on the public finances within Scotland of demographic change on public sector pension schemes and what action is required by the Scottish Government and other public bodies to address this?***

29. N/A

***What should be the balance within public policy of support for older people who wish to remain in employment versus creating opportunities for youth employment?***

30. N/A

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<sup>14</sup> Review of Sheltered Housing in Scotland has been undertaken by the Centre for Housing Policy and York Health Economics

<sup>15</sup> Sutherland, J, (2011) Viewpoint on Downsizing for older people into specialist accommodation, Housing Learning and Improvement Network

<sup>16</sup> Wanless, D. (2006) *Securing Good Care for Older People: Taking a long term view*, Kings Fund

<sup>17</sup> Shelter (2012) *A better fit? Creating housing choices for an ageing population*

<sup>18</sup> Scottish Government: [Public Engagement Report](#), p5

### **About McCarthy & Stone**

Established in 1963, McCarthy & Stone provides 70 per cent of all retirement and Extra Care accommodation (marketed as Assisted Living) for older homeowners in the UK. The company has built 50,000 dwellings across 1,000 schemes in the UK, which together house approximately 70,000 older people.

Across Scotland, McCarthy & Stone has developed more than 80 retirement developments providing more than 3,600 homes. McCarthy & Stone is currently the only UK provider of Extra Care (Assisted Living) accommodation for older owner-occupiers with additional care and support needs in the private sector.

Extra Care accommodation is a very specialist form of purpose-built, well-located, specially designed accommodation for older owner-occupiers who have additional care and support needs. It's designed to offer companionship, comfort and security, while allowing people to remain independent.

It is an affordable alternative to a residential care or nursing home - residents own their own home *and* access domestic and personal care and support services on a need-by-need basis.