

Mutual Retirement Housing:-

Improving the Well-Being of Older People in Wales



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This paper was written in response to **the** Welsh Government's public consultation on the Housing White Paper ;
Homes for Wales
For Better Lives and Communities

Contents

1. Introduction.
2. Wales is an ageing society.
3. Housing for older people.
4. Quality of the housing stock in Wales.
5. Location and design can present real challenges.
6. The need for purpose built mutual retirement housing.
7. Lifetime Homes design and Mutual Domiciliary Care.
8. Loneliness and Social Exclusion.
9. The advantages of self management.
10. Mutual Retirement Housing Models.
11. Financial arrangements.
12. Benefit to the general public.
13. Co-operative and Mutual housing is not new to Wales.
14. Recommendations.
15. Appendix 1 Sources.
16. Appendix 2 Demographic overview
17. Appendix 3 Financial advantages of mutual forms of ownership
18. Appendix 4 Biographical details.

Introduction

1.0 The White Paper represents a major step forward as far as housing policy in Wales is concerned. It is wide ranging, thoughtful and comprehensive in its approach covering most of the important issues. Now that the Welsh Government has increased legislative powers, it will be able to translate the White Paper and the results of its public consultation into law. As I understand it, the Welsh Government intends to introduce two housing Bills based on the White Paper; a general Bill and a second Bill related to leasehold and other legal matters. The fact that the government has chosen housing to be its first flagship piece of primary legislation is particularly welcome. Housing has been a political Cinderella for far too long in the UK. Nothing similar is being proposed in England. This shows the value of devolved government to Wales particularly as the policies advocated are focussed on the specific needs of the Welsh housing environment. The commitment to co-operative housing is most welcome as is the legislation on co-operative tenure and community land trusts.

1.2 Mutual Retirement Housing.

This paper also deals with demographic issues, housing quality and design, issues related to social isolation and loneliness together with a brief reference to financial issues.

2.0 Wales is an ageing society.

Due to improved health services and better diet, we are all living longer. With the closure of many of the 'smoke stack' industries, there has been a reduction in some occupational diseases like silicosis, pneumoconiosis and other pulmonary and coronary disorders. Health and Safety at Work Legislation has been beneficial too in reducing premature deaths.

The number of older people is growing steadily year by year. The number of pensioners now exceeds the number of persons under 18 years. This may be exacerbated by the continued migration of younger people seeking work.

Another issue is the life expectation of the so-called 'baby boomers' ie people born between 1948 and 1960. The first 'baby boomers' have already passed retirement age and those born in 1960 will reach retirement around 2020.

This means that, over time the proportion of older people in Wales is likely to grow even more.

3.0 Housing for older people.

According to the Bevan Foundation, the level of poverty amongst older people is higher in Wales than in other parts of the UK. Many will receive the state retirement pension and little else. Older people who fall into this category are often extremely poor and in need of substantial support. For some co-operative social housing may be suitable; others may need full nursing care with 24 hr medical support.

The White Paper contains welcome references to the need to help older people stay in their own homes by providing aids and adaptations, some modification of buildings and other means of support. But there is little reference to housing for older people other than the provision of fully residential care homes; important though that is. The commitments to help social housing tenants and tenants in the privately rented sector are very important and timely too. However not much emphasis is given to the needs of older owner-occupiers who are often on low incomes too. This is a result of the low wage economy which is endemic in many parts of Wales. Many will have lived in comparative poverty all their working lives. As a result, their pensions will be lower when they retire. Nor will they have been able to build up any savings. This is a particularly serious problem in Wales given the high level of owner-occupation compared with the rest of the UK.

3.1 Asset rich and Income Poor.

Taking the elderly population as a whole, there is a spread of incomes ranging from the comfortably off middle income groups to those who are just about scraping along. Many of these will not be eligible for welfare benefits on account of their incomes and assets. Often they don't have sufficient resources to buy a more suitable property or to bring their homes up to a decent standard either. They are '*asset rich but income poor*'. For them, the mutual home ownership option would be the best option ie they would sell their existing home and use the proceeds to buy a share in mutual home ownership society. Though MHO is low cost housing, they would still need to

pay rent and contribute to the group mortgage. Some might be entitled to Housing Benefits and Council Tax relief.

4.0 Quality of the housing stock in Wales.

The quality of the housing stock in the former coal-mining areas of Wales is often not fit for purpose as far as the needs of older people are concerned. It is generally very old; most of it was built in Victorian times or at the turn of the twentieth century during the 'gold rush' expansion when coal was discovered in the Valleys. Houses were often hastily built by local builders or the coal owners. Improvement grants in recent years have resulted in very substantial improvements in the quality of these houses. Slate roofs have been replaced by tile roofs in many areas. The houses have been rewired and treated for dampness. Central heating has been installed as have loft insulation and double glazing. But some of the basic problems remain like subsidence and periodic flooding. This is not confined to low lying riverside properties but also occurs in housing built on steep mountain slopes.

5.0 Location and design can present real challenges.

Access to the housing itself is often difficult with steep hills to climb and precipitous steps leading to the front door. In terrace housing, the staircases to the upper floor are often very steep and curved at the very top; a deadly combination for the arthritic older person. Because of their very robust stone structures, they are often very difficult to modernise or convert. My parents' home in Treorchy was built out of massive 'blue stone' boulders hewn from the local mountain side. Due to the intrinsic structure of the buildings, the only realistic solution in many cases is new build. In recent years, there has been some new private sector house-building and urban renewal but it is mainly of conventional house design; usually three bed-roomed brick-built or timber frame semi-detached houses.

The local authorities though cash-strapped have provided attractive care homes when funds permit. Appropriately, some of these are in mansions built by the former coal magnates. There are some private nursing homes as well. In the towns in rural areas the housing is often similar to that found in post-industrial Wales. In deep rural Wales, small slate built cottages can still be found often located in extremely inaccessible upland areas. Many do not have central heating due to the fact that gas supplies are not available. Some will not be connected to the public sewer.

6.0 The need for purpose built mutual retirement housing.

As we grow older our housing needs change. However older people, wish to remain in their own homes unless it becomes impossible for them to do so for medical reasons. Most of us do not have much contact with the social services throughout our lives including when we get very old. That's because we wish to remain independent. Many of us also see the social services as a threat to our settled way of life.

However staying in their own homes does not necessarily mean staying in their existing home. People may move to what they regard as more suitable

homes when they retire i.e. bungalows, seaside or country homes etc. These can bring problems too. What is suitable for a 'young old' couple in their fifties may not be suitable in later life. Getting out and about may become a problem particularly when one no longer has the use of a car. Outside the main conurbations, public transport can be very limited. Apart from the densely populated former coalfields, the rest of Wales is predominately rural. The provision of health and social services in these areas presents enormous logistical problems. In deep rural Wales, people can be up to 40 miles from the nearest hospital. Problems can also occur in seaside areas where the local health and social services are overstretched because of the numbers of older people who choose to retire to the seaside.

7.0 Lifetime Homes design and Mutual Domiciliary Care.

What is needed is new purpose built housing which is suitable for older people in places where they want to live. If the housing is built to the 'Lifetime Homes- Lifetime Neighbourhoods' standards, then it will have all the facilities that new care homes have ie wheelchair access, bathrooms that can be changed to wet rooms, easier access to the toilet for those suffering from incontinence, high level accessible power points, the provision of grab rails etc. This would reduce the need for residential care and reduce delayed discharge from hospitals. All that would be needed in many cases would be peripatetic domiciliary care- preferably from a multi-stakeholder care co-operative. Ideally, this should enable many disabled persons to stay in their homes as long as possible which is what most people want. By building the flats to the same standards as new build care homes or extra-care sheltered housing means that the residents are in effect already creating their own 'care-ready' homes.

8.0 Loneliness and Social exclusion.

In former times, in the close knit communities of the mining valleys and rural areas the community and family members rallied around and helped people as they grew older. Whilst that still exists, it is much less of a factor than it was in the past. Due to industrial decline and continuing rural depopulation, children and other younger family members will have had to move far away from the family home; often out of Wales altogether. Loneliness and social isolation can become a major problem. Many older people may spend days without talking to anybody other than the TV and the cat. There's no-one around to do the little handy-man type jobs or provide simple companionship. Bereavement is a major cause of loneliness. Whilst each of us has to cope with the loss of a partner in our own way, a bit of company can help a lot. Here purpose-built retirement flats could have a role; there's always somebody about if you feel in need of company.

9.0 The advantages of self management.

The big drawback with private retirement housing is that the residents have little or no control of the management of their homes other than internal decoration. Service charges can also be a very big problem. As can the

quality of management. Here the co-operative and mutual housing sectors can have a role to play. Residents would be able manage the properties themselves and thereby keep costs to a minimum. Experience has shown in existing co-operative housing for the older people that being involved with the management enhances the residents' general feelings of well-being and sense of worth. It enhances self confidence. It can reduce depression and reduce the incidence of mental health problems.

10.0 Mutual Retirement Housing Models.

As stated above, Mutual Retirement Housing schemes could take four forms;-

- **Commonhold schemes.**
Commonhold schemes are where the residents individually own their own flats but own and co-operatively manage the common parts i.e. the block structure, roads and lighting, car parks, lifts etc.
- **Right to Manage schemes.**
Right to Manage schemes are where the residents join together and manage their own block. These are management-only schemes. Ownership of the common parts remains with their landlord who is often on the Board.
- **Mutual Home Ownership schemes.**
With Mutual Home Ownership schemes the flats are built by a fully mutual housing co-op on land leased from a community land trust. They are suitable for people who can't afford to buy but are not eligible for social housing due to their income or assets. All the properties would be collectively owned by the MHO residents who must be members of the co-op. However, public funding would still be needed either in the form of grant aid or the gift of surplus public land to the community land trust or both.
- **Social Housing Co-operatives.**
Social housing co-operative schemes for older people already exist. The tenants for these properties are often drawn from the local authorities' waiting lists. Development of this sector would provide a useful supplement to that provided by local authorities and housing associations. However, housing construction continues to be inhibited by the lack of grants made available by central government. It seems unlikely that this situation is likely to improve in the foreseeable future.

11.0 Financial arrangements.

- Commonhold schemes need no public subsidy. The land and buildings are paid for by the residents when they sell their existing homes. Short term bridging loans or start up finance might be required but this need not necessarily involve the public purse.
- Right to Manage Schemes are comparatively cheap to set up as the land and the building remain the property of the landlord. The main costs are the legal and survey fees which could be costly in some instances. There could be staff costs as well.
- With Mutual Home Ownership, the land is provided free by the CLT. The housing co-op would raise its money through a group mortgage which should reduce costs substantially. Taking the land costs out of the equation means that the rents and mortgage re-payments will be substantially less. Services charges should also be lower as a result of resident-led management and scrutiny.

Despite current market conditions, housing remains a tangible asset which can be used as a security for future borrowing. One source of finance could be City institutions like pension funds seeking long term returns. New housing investment vehicles like the new Welsh Housing Partnership could help too.

12.0 Benefit to the general public.

- Welsh Housing Stock increased without public expenditure.
- Family sized homes released as 'empty nesters' downsize.
- Reducing loneliness and lack of socialisation which could help to reduce the incidence illnesses like depression and the onset of mental illness.
- Dependency on the Social Services and the NHS would be reduced. There could also be a reduction in delayed discharges from hospitals.

13.0 Co-operative and Mutual housing is not new to Wales.

- 19th century, Building 'Clubs'.
About 40% of the housing in the Rhondda and other valleys was built by terminating housing co-ops. People would join together and build their own houses either directly or using a local builder. When all the houses were complete, the residents would then be given their deeds and the co-operative would be dissolved.

- 20th century Garden Suburb schemes.
Co-partnership schemes were promoted by the Garden City Movement throughout Wales around the time of World War 1. Whilst new towns were created in England in places like Letchworth or Welwyn Garden City, the preferred option in Wales was the smaller Garden Suburb grafted onto an existing settlement. Rhiwbina, Merthyr, Ynysybwl, Gilfach Goch, Gorseinon and Wrexham Garden Suburbs are examples of this. But the co-partnership model lacked sustainability because there were external shareholders as well as the tenant ones. Over time, private speculators bought out the external shareholders and then the residents. The co-partnership societies were then wound up and the properties were sold off to the highest bidder.
- Today's Community Housing Mutuals. In many Welsh local authorities, the council housing stock has been transferred by LSVT to stand-alone mutuals. In the future, these could be converted into co-ops as at Rochdale Boroughwide Housing.

14.0 Recommendations

The Welsh Government should

- **Set up a Mutual Retirement Housing Information Unit to promote and assist in the development of the various models. This could provide advice on alternative legal and financial structures, publish model rules etc. Small scale pilot schemes should be encouraged too.**
- **Amend the Commonhold and Leasehold Reform Act 2002 to remove the unanimity requirements. This would enable a majority of residents to convert their block of flats into a Commonhold Association. Commonhold Associations should also be permitted to lease land.**
- **Amend the Leasehold Reform Act 1967 to exclude all homes built on land owned by community land trusts from the leasehold enfranchisement provisions of that Act. At present local authorities and others may be reluctant to donate land to a CLT as they may fear that it may pass out of the ownership of the Trust should any of the residents decide to seek leasehold enfranchisement. The land would no longer be protected in perpetuity for affordable housing and any capital gain would then pass to a third party.**
- **Make available surplus public land for Mutual Retirement Housing schemes and encourage public bodies like Dwr Cymru and the Forestry Commission to do the same. With mutual home ownership schemes, the land should be provided at a sub-market prices or free.**

15 **Appendix 1**

Sources

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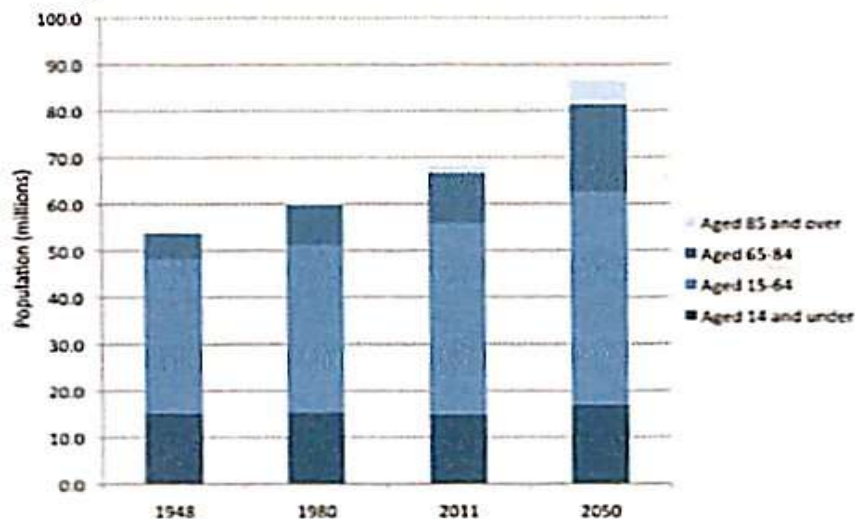
16- Appendix 2 Demographic overview

Population Trends

Britain, like most advanced countries, has an ageing population as people are living much longer. Better health facilities, housing and diet have all contributed to this increased longevity. This is particularly marked in the life expectancy of the so-called 'baby boomers' i.e. people born between 1948 and 1960. The first 'baby boomers' have already passed retirement age and those born in 1960 will reach retirement around 2020. Due to post-war prosperity and the effects of the introduction of the NHS, they will generally reach retirement in better health than previous generations did. That's why they're living longer.

Population ageing

(Source: ONS data)

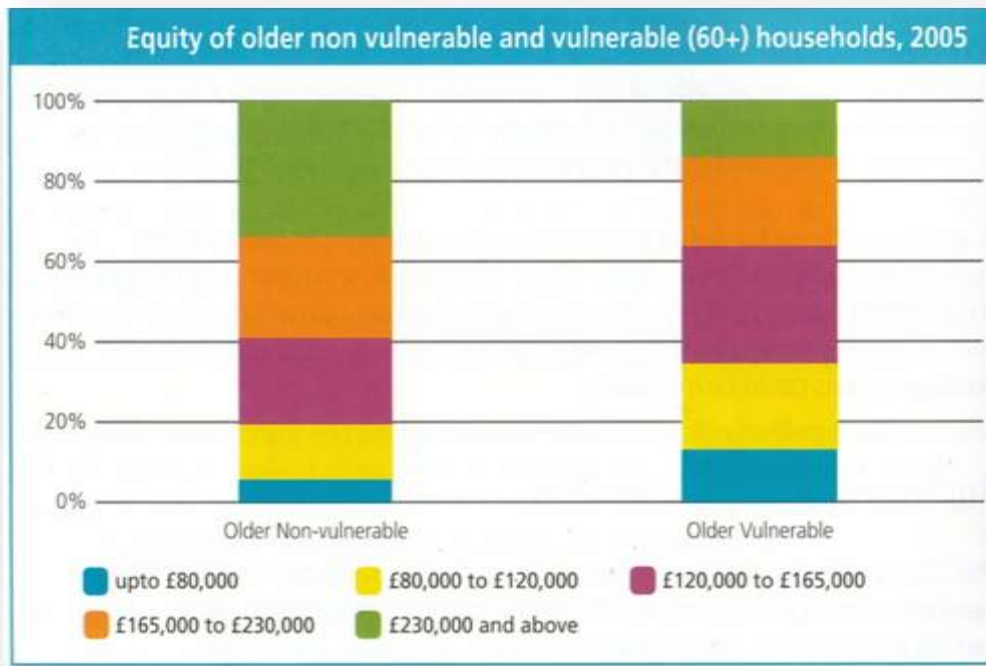


The Office of National Statistics projects the number of pensioners over 65 is likely to increase by 54% between 2016 and 2036. Amongst the old-old, i.e. those over 85 years, the growth is likely to be even more marked; about 150%. It has been predicted that older households where the main householder is over 65, will make up about half the household growth by 2026. By that time, there will be about 2 million more older households in England than there are today. A further factor is that the number of households will increase at an even faster rate; even more than the growth of the population. This is in part due to a change in lifestyle patterns and social mores. Like the general population, many more older people live alone sometimes by choice and sometimes through circumstances.

The overwhelming proportion of retirees will be owner-occupiers. The level of owner-occupation of those over 60 years is already substantially higher than the general population. Whilst there are regional variations, the average figure for the UK as a whole is about 73% for urban areas and up to 81% in rural areas.

Equity Distribution; older owner occupiers in non-decent homes

About 40% of private sector vulnerable households are owner-occupiers living in non-decent homes. However they have substantial equity locked into their homes. They are truly 'asset rich and income poor'. The chart bellows shows the situation in 2005. Since then the market value of their homes has risen substantially. In the last 5 years alone house market have increased by at least 20%



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ifetime Homes, Lifetime Neighbourhoods

In London and the South East, new purpose-built retirement housing currently costs between £288K and £350K for a one bed-roomed flat and between £458K and £490K for a two bed-roomed flat. In both areas property prices are higher than in the rest of the UK so suitable scaling factors would need to be applied for other parts of the country. But the resale price of non-decent housing will also be lower too. It can be seen from the above charts that a substantial number of older owner-occupiers in non-decent homes would not be able to buy. For them, the mutual home ownership form of Mutual Retirement Housing would be very attractive.

17-Appendix 3

Financial advantages of mutual forms of ownership in housing

Three kinds of mutual ownership are dealt with in this appendix namely;-

- Mutual Home Ownership schemes
- Commonhold and Right to Manage schemes

1.0 Mutual Home Ownership

This section seeks to show the advantage to a person of modest means in being a member of a Mutual Home Ownership scheme. The type of mutual homeownership scheme illustrated here would consist of a two bed-roomed flat in a block of flats built and managed by a co-operative housing society; the land on which the block stands would be provided by a community land trust at a peppercorn rent or for free.

In order to give a contemporary example, a hypothetical flat situated in the Southern UK has been chosen to illustrate the possible savings. This area is outside the inflated metropolitan housing market, it is assumed that the value of the land generally is about 50% of the market value of the property. It is probably typical of Middle Britain.

With MHO schemes the rent and service charges should not exceed 35% of the residents' income.

Typical salaries in May 2014

Average Salary by Job

Job	Salary	35% of Salary	Monthly payments
Teaching Assistant	£10,399	£3639	£303.35
Office Administrator	£15,893	£5562	£463.54
Personal Assistant	£22,760	£7966	£663.40
Office Manager	£25,800	£9030	£755.2
Account Manager	£27,282	£9548	£795.72
Software Engineer	£29,800	£10430	£869.2
IT Manager	£32,556	£11395	£949.55

Annual Survey of Hours and Earnings 2013

Comparative costs of owner occupation/market renting with MHO

Owner occupation/market/ renting

Typical cost of a two bed-roomed flat in May 2014 = £120,000

Market rent = £750 monthly

service charges 5% =£38 monthly

Total = £788

Mortgage for outright purchase on shared

Ownership basis over 25 years

= £649.74 monthly

Mortgage deposit

= £12,000

Mutual Home Ownership

Mortgage deposit required

= Nil

Resident's monthly payments depend on income

Open market rent of flat

= £788 per month

Potential savings with MHO= 788 – 35% of monthly salary

Job	Salary	Monthly payments	Savings
Teaching Assistant	£10,399	£303.35	+£485
Office Administrator	£15,893	£463.54	+£325
Personal Assistant	£22,760	£663.40	+£124.60
Office Manager	£25,800	£755.2	+£33
Account Manager	£27,282	£795.72	- £7.72
Software Engineer	£29,800	£869.2	- £80.2
IT Manager	£32,556	£949.55	-£161.55

Note the resident does not have to save up for a mortgage deposit and receives a capital repayment equivalent to a proportion of the rise in value of his property during his period of occupation on leaving. In conventional renting there is no benefit from the rent paid other than occupancy? Because the properties in a MHO scheme are financed by a joint mortgage, the monthly charges should be less. Also resident scrutiny should help to keep maintenance costs and service charges down. So the savings should be greater than those illustrated.

The repayment of a proportion of the rise in capital values during occupancy would enable all residents to have a tax-free lump sum which could be used towards a mortgage deposit if that is what they want to do. The Society would aim to provide for a wide spread of incomes in order to ensure financial stability

The scheme would be aimed at those earning average salaries and below. According to the Annual Survey of Hours and Earnings the average salary in 2013 in the South Midlands area was £25,297.

2.0 Commonhold and Right to Manage schemes

The main advantages would be:-

- They could control their own services charges because they would be able to appoint the subcontractors and as residents monitor the quality of the work carried out.
- They would not be fleeced by bogus sweetheart building firms which have some kind of relationship with their landlord. It is not uncommon for the landlord of blocks of flats to nominate a particular company to carry out repairs. In some cases these firms may be directly or indirectly owned by the landlord.
- They would be free to choose their own building insurance firm rather than firms owned overtly or covertly by their landlord who may charge exorbitant commission fees which are then passed back to the landlord.
- They could decide whether they wanted a resident manager or not. Whether the scheme should have a resident manager/caretaker depends on local conditions. Where there is no resident manager service charges would be less and the sale of the caretaker flat would release monies to the general funds.

Many of these advantages also apply in the case of Right to Manage schemes

18- Appendix 4 Biographical details

Glyn Thomas JP FRSA



Glyn Thomas is a retired senior broadcast engineering manager. Prior to retirement, he worked for a large television news facility in Millbank, Westminster which specialised in parliamentary news coverage. There, he was responsible for managing the company's contract to provide technical operational facilities for the BBC Parliament Channel. Previously he had worked for the Reuters News Agency and the news departments of several ITV companies. He started his professional career working for BBC Wales in Llandaff.

He is a former Vice Chair of CDS Co-operatives which is the largest secondary housing co-operative in London and the South East. He is a former resident of a co-ownership housing scheme in south Hampstead. For many years, he has been an active member of the co-operative, friendly society and social enterprise sectors. A former councillor and magistrate, he is also a member of the Bevan Foundation.

He was born and bred in Treorchy in the Rhondda Valleys where he attended local schools.