

Can our homes pay for the care we need in older age?

Asset wealth and an ageing population



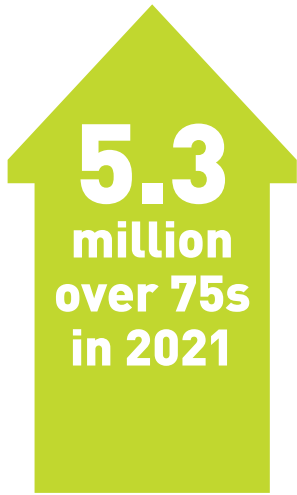
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Summary

With the number of older people set to increase in England, ensuring we meet growing care needs is vital.

Ageing population



The number of over 75s is expected to increase by just over 1 million to 5.3 million people in 2021, putting significant pressure on local authority budgets for care services.

In order to achieve this, we need to understand the scale of the task and the pressures it brings:

Using wealth to fund care has distributional problems

Wealth is unevenly distributed with larger amounts (and proportions) of wealth located in the South which impacts on people's ability to contribute towards care.



Pressures on budgets



Projected changes to local government budgets combined with an ageing population mean an increase in the proportion of service expenditure on adult social care.

Funding care in older age



Around 1 in 5 (21%) of all homeowners aged 55 and above in Britain have not thought about paying for the potential cost of care in later life while only 15% said that saving for the potential cost of care in later life was currently one of their main priorities.

In order to meet this growing demand, the home needs to be central to meeting our society's changing care needs. We currently lack a sufficient range and scale of affordable, adaptable and desirable homes for our ageing population.

The National Housing Federation, as part of the Homes for Britain coalition, is calling for all political parties to commit to end the housing crisis within a generation. We want the next government to publish a long-term plan within a year of taking office that sets out how they will achieve this. This plan needs to recognise the contribution each part of the housing sector can make towards delivering the range of housing and care options we need for our ageing population.

Introduction

In 2030, there will be 46% (3 million) more people aged 65 and above in England than in 2010¹. Adapting and optimising for a society with an older population is a critical issue for policy makers, organisations and communities alike.

There are a huge number of benefits to an ageing society, including more older people who are healthy, active and engaged in the workplace, supporting their families or volunteering in their communities. However, an ageing population also creates new pressures on our health and social care system, raising questions of what type of care and support we need to meet society's changing needs and how we will pay for it in the long term.

There is a strong and growing consensus that traditional models of delivery in the NHS and social care will need to integrate and adapt to a society with growing numbers of people with long-term conditions, age-related frailty and multiple illnesses. There is also an increasing level of agreement that social care and health investment should be brought together to accelerate and deepen this change.

Many commentators agree that the current social care system is in crisis. Already 14% fewer people, both of working age and older age, are receiving publicly funded care than in 2010, with the reductions even greater for older people using community-based services². This crisis will grow and worsen as demographic change drives increasing demand for care.

In the context of this changing environment, the home needs to be central to our approach to effectively meeting our society's changing care needs. There is growing acceptance that people will need to make better use of their property wealth to adapt and manage care needs as they age. There have been massive increases in housing equity since the Second World War, with pensioner poverty at its lowest for decades and income and living standards for people reaching 65 expected to rise for the coming years³. From these headlines and projections it feels reasonable and fair to expect people who have benefitted from the generational windfall of asset wealth to use this to pay for the cost of care. The new capped cost model of social care funding being introduced through the Care Act 2014 is designed to limit the prohibitive cost of care depleting any individual's assets⁴.

However, our analysis of current housing wealth and demands on the care system highlights that, even without taking into account projections of needs, we are making too many wide-ranging assumptions about the potential of asset wealth to solve the crisis in the social care system. Today we have unprecedented levels of inequality in income and wealth. While some schemes exist to release money to adapt homes, downsize and support incomes, they are not widely used. The Department for Work and Pensions (DWP) estimates that one in six (10.7 million) people in the UK⁵ can currently expect inadequate retirement incomes⁶ and many members of the public still believe if they need social care it will be free at the point of use, like the NHS⁷.

¹ ONS 2012-based Subnational Population Projections

² R. Humphries, Beyond Dilnot Paying for Care, Kings Fund, May 2013

³ IFS - Pensioner poverty over the next decade: what role for tax and benefit reform? (2007) <http://www.ifs.org.uk/comms/comm103.pdf>

⁴ The Government has set the threshold of contribution at £72,000 for care i.e. the individual contributes up to £72,000 towards the cost of care. If care costs exceed this threshold, the Government will contribute. This figure does not include residential costs the individual will need. Furthermore, if an individual in residential care has wealth of between £17,000 and £118,000, they are eligible for means testing and potentially further financial assistance.

⁵ Calculation based on ONS mid 2013 population estimates for the UK (total population = 64.1m)

⁶ DWP estimates 2012

⁷ http://www.ipsos-mori.com/DownloadPublication/1469_sri-health-public-perceptions-of-the-NHS-and-social-care.pdf

The role housing associations can play

As independent not-for-profit providers of homes and services for communities, housing associations have huge potential to re-design and develop a greater diversity of housing with care and support options for our ageing population, bringing care into the home.

Many housing associations are looking to the future and are finding new and innovative ways of building new homes, often with options for care provision as people age, and making the best use of their existing homes to prepare for an ageing population. But across England we currently lack the range and scale of affordable, adaptable and desirable homes we need for our ageing population.

It is estimated that 5% of all older people live in specialist retirement housing, and not all of that stock meets today's expectations. The average age of housing association tenants is rising. Nearly one in three tenants is over the age of 65⁸ and of those, over half live in general needs housing⁹. There are significant questions facing housing providers and their partners as they look to meet the changing needs of their tenants. Good housing and related preventative services make a fundamental difference to health and well-being and have a critical contribution to make to the value and effectiveness of the health and care systems. Furthermore, good design helps older people to live more independently for longer.

If we are to seriously solve the care crisis and maximise the role of housing associations in providing the full range of affordable, adaptable, accessible and care-ready homes we need, the next government needs to put in place a long-term plan to end the housing crisis within a generation. This will enable the delivery of the housing options we need in the very different housing markets across England, opening up opportunities for people across the full spectrum of incomes to age confidently, plan ahead for future care needs and make choices between a range of housing and care options. Providing accessible flexible housing for wealthier older people must therefore be considered seriously, not only because it helps to house this group of the population well, but also because surpluses generated can be re-invested to improve the offer to less wealthy older people.

“It is estimated that 5% of all older people live in specialist retirement housing, and not all of that stock meets today's expectations”.

⁸ Survey of Existing Tenants. National Housing Federation, July 2006.

⁹ RSR 2007, Existing Tenants Survey 2004/05, CORE data. Housing Corporation, 2007

The implications of an ageing population for housing, health and care

Higher life expectancy has been a major achievement of health and social policy since World War II. Individuals, communities and all levels of Government can make decisions that maximise the quality of life for an ageing population and optimise the contribution of older citizens to society, family life and our economy.

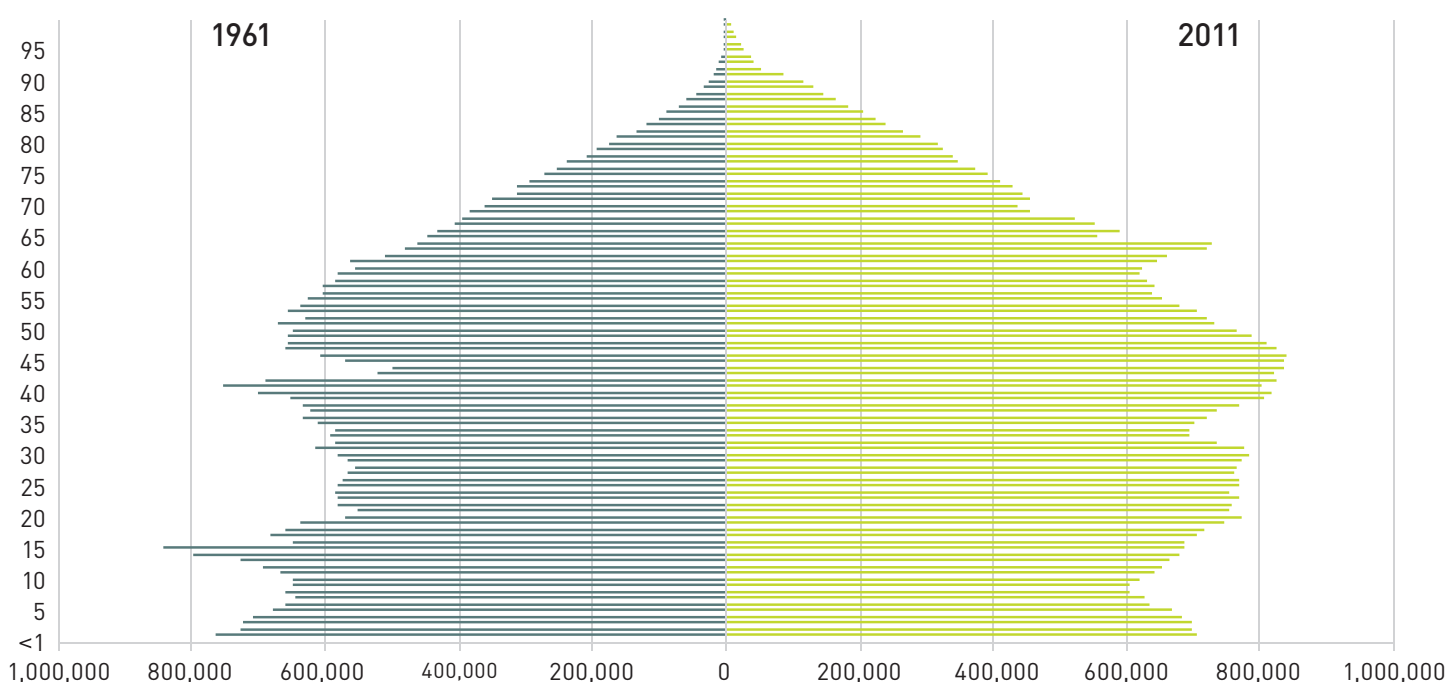
However, an ageing population creates new challenges for policy and public services. The median age in 1985 was 35.4 which has increased to 39.9 today and is projected to increase to 42.2 in 2035. As well as people living longer, and working longer, our ageing society creates a structural shift in the proportion of the retired (or 'older' population) relative to younger age groups.

Like many other European countries, Britain could be described as a 'pay-as-you-go' system with benefits and services for older people paid for by contributions from working age adults.

A combination of changes to birth rates and rising life expectancy has produced waves within the population which can change the dependency ratio between the working and non-working population. Even before we take reductions in public spending into account, this raises serious questions about how we can meet and fund the care needs of an older population:

- How accurate are our assumptions about paying for care we will need in older age?
- How sustainable is our approach of relying on asset wealth to pay for care if current generations of younger people:
 - face increased tax contributions for health and social care;
 - will have to pay higher housing costs;
 - will begin home ownership later in life;
 - have lower access to occupational pensions?

Figure 1 Population pyramid – 1961 and 2011¹⁰



¹⁰ ONS – Census 1961 and Census 2011

People have health and care needs across their entire lives but health and care spending increases with age. As a result, the proportion of public spending which is age-related is increasing – projections suggest that 20.6% of gross domestic product (GDP) in 2020-21 will be age-related spending, growing to 25.1% in 2063-64¹¹.

Crucially, there is also a spatial dimension to our ageing population. Comparing the proportion of people aged 75 or above¹² in 2012 with the projected proportion in 2021 (see fig. 2), we can see that the majority of local authorities will be affected by this. While in 2012, there were 65 local authorities with more than 10% of their population over 75 years old, in 2021, the number with more than 10% of those

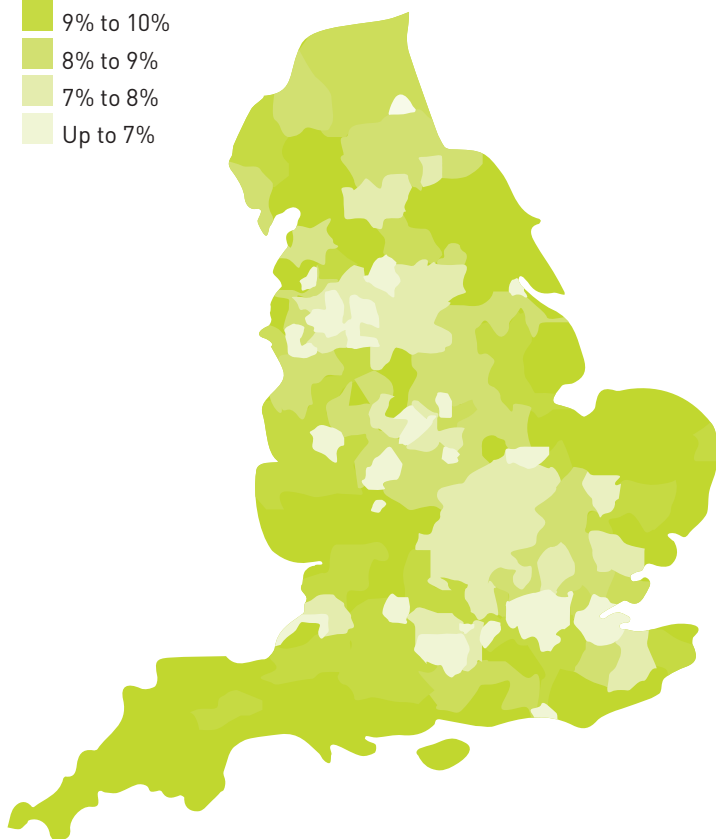
aged 75 or over is expected to increase to 160¹³. In 2012, 7.9% (4.2m) of the population of England was aged 75+; this figure is expected to rise to 9.2% (5.3m) by 2021¹⁴. This will put significant pressure on local authorities' budgets and capacity as they are currently responsible for the publicly funded spend on meeting social care need¹⁵.

London and other urban areas appear to be affected less by changing demographics than more rural areas. Many factors could drive this such as retirees moving to the coast/rural areas, younger people wanting to move to urban areas for jobs, opportunities and amenities, or international migrants – who are frequently younger – looking for jobs in the cities.

Figure 2 Proportion of local authority population aged 75 or over – 2012 and 2021

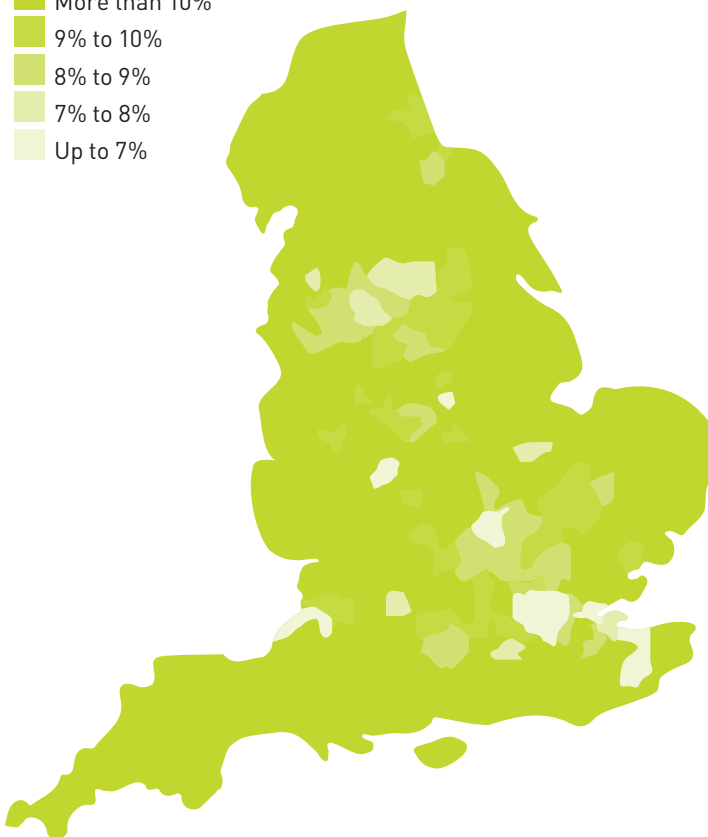
**Percentage of population aged 75 or more
2012 estimate, ONS**

- More than 10%
- 9% to 10%
- 8% to 9%
- 7% to 8%
- Up to 7%



**Percentage of population aged 75 or more
2021 projection, ONS**

- More than 10%
- 9% to 10%
- 8% to 9%
- 7% to 8%
- Up to 7%



¹¹ OBR – Fiscal sustainability report – July 2014

¹² The age of 75 was used here as an indicator of the need for care. Given longer life expectancy and people working beyond the state pension age, we felt 75 was a better indicator than 65 here.

¹³ DCLG or ONS stats on population and projections

¹⁴ ONS 2012-based Subnational Population Projections

¹⁵ IPPR – For Future Living – 2014

How public spending cuts on social care have compounded the impact of changing demographics

There are immediate pressures on social care budgets arising from local government budget cuts and a longer-term need to devote more of our GDP to the costs of long-term care.

For example, since 2010, expenditure on adult social care has fallen by 12% in real terms at a time when the number of those looking for support has increased by 14%¹⁶. As a result, fewer people are receiving support, with councils over the last four years making reductions to Adult Social Care budgets totalling £3.5bn¹⁷. Research has shown that there has been an 18% reduction in people receiving support from around 1.6m (2010/11) to just above 1.3m (2012/13)¹⁸.

The pressures are not only felt in today's budget. Projected changes to local government budgets combined with an ageing population means that the proportion of service expenditure on adult social care (as a proportion of overall funding) increases from just above 40% in 2010/11 to just below 60% in 2019/20¹⁹.

The measurement of total care costs is made more difficult because we don't know the numbers of people who fund their own care at home. Estimates suggest around 70,000 older people pay for care in their own home²⁰. This increases to 270,000 if it is widened to include help with activities such as housework and shopping²¹. Other estimates have shown that £1.1bn is spent privately on non-residential services. This has a spatial element to it too – the highest proportion of self-funding care home residents is in the South East (55%) and the lowest in the North East (22%)²².

“Estimates suggest around 70,000 older people pay for care in their own home. This increases to 270,000 if it is widened to include help with activities such as housework and shopping”.

¹⁶ ADASS – Budget Survey Report 2014: Final – 2014

¹⁷ ADASS – Budget Survey Report 2014: Final – 2014

¹⁸ NAO – Adult social care in England: overview – 2014

¹⁹ Local Government Association – Future funding outlook for councils from 2010/11 to 2019/20 – July 2013

²⁰ The Kings Fund – Paying for social care – 2013

²¹ The Kings Fund – Paying for social care – 2013

²² The Kings Fund – Paying for social care – 2013

Finding a balance between public spending and private spending on meeting care needs

The Dilnot Commission examined the balance between the state and individual when meeting care costs.

The Commission recommended that a cap on the amount anyone will pay towards their care should be introduced to protect individuals from facing potentially catastrophic care costs. Through the Care Act 2014, the Government has introduced a cap set at £72,000.

There is a political consensus that private assets including housing wealth, where it is available, should be used to pay for long-term care²³. Initially, this seems to make sense – those aged 65²⁴ or above have accumulated a significant amount of wealth.

This range of wealth is held across a range of assets. For example, on average, they hold £250,000 of property wealth, £250,000 of pension wealth and £100,000 of financial wealth²⁶ (see fig. 3).

Looking specifically at the property element of wealth, older people do tend to own their own home. Of those households headed by someone aged 65 or older, more than 75% of people (4.6 million) are homeowners (the average across all ages is 65%) (see fig. 4).

Figure 3 Average (mean) wealth of those aged 65 or older (£)²⁵

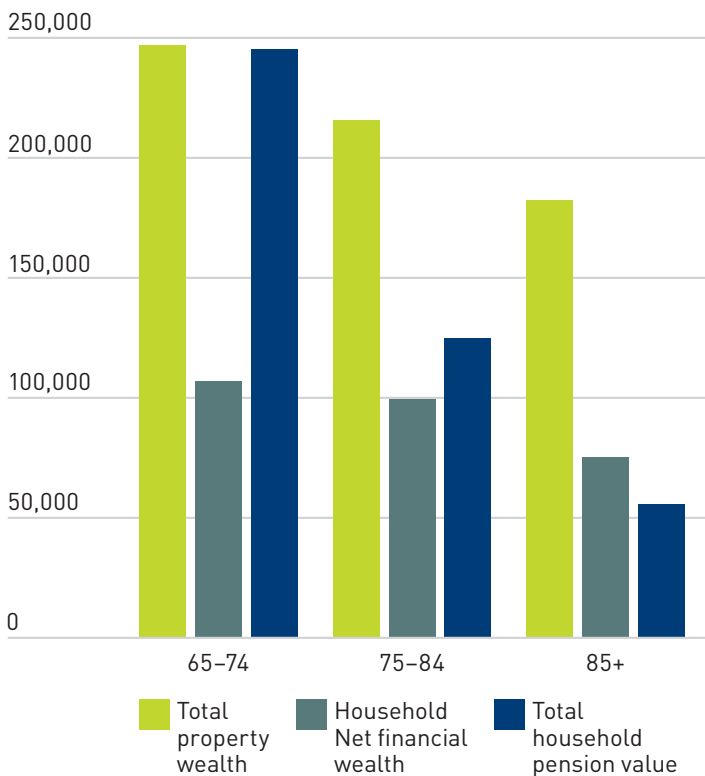
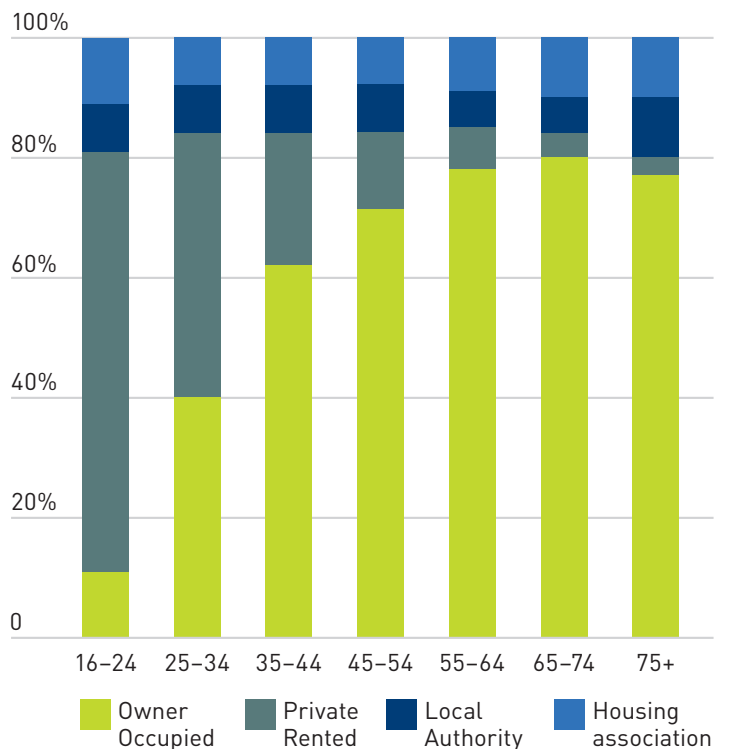


Figure 4 Tenure breakdown by age of Household Reference Person²⁷



²³ Livsey, L. and Price, D. - Old problems and new housing conflicts – The politics of housing in an ageing Population – HSA, 2013

²⁴ The age at which you can start drawing down pension as well as considering using other assets to make up a decrease in income.

²⁵ ONS – Wealth and Assets Survey (2010-2012), net financial wealth = total gross financial wealth – total financial liabilities

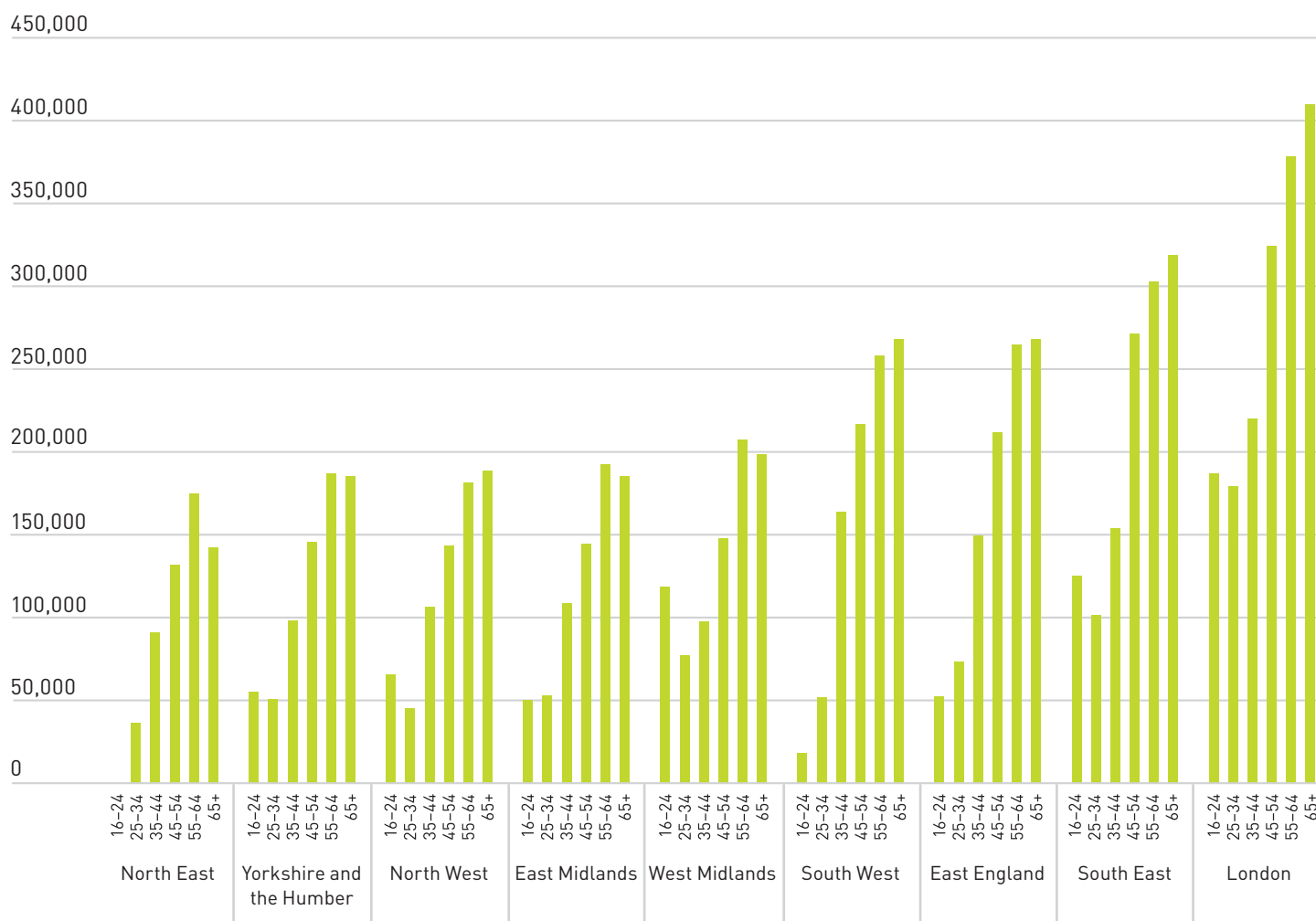
²⁶ The Wealth Report by The Smith Institute shows that while pension wealth peaks among 60 to 64 year olds and then declines, property wealth depletes much slower – i.e. not many people are ‘using up’ their property wealth.

²⁷ DCLG – English Housing Survey (2012/13)

The older generation on average holds more property wealth, often as a result of having paid off their mortgage and rising property prices, particularly in London and the South East. In high value areas such as London, the average property wealth of someone aged 65 or above is more than £400,000 compared to just above £200,000 for those aged between 35 and 44 (see fig. 5).

Initially, this appears to make a strong case for using an asset-based model of funding care in later life, particularly as house prices have risen. However, a closer analysis shows just how significant the social and spatial distribution of wealth is to paying for the care we will need.

Figure 5 Average (mean) home equity by region and age group²⁸



²⁸ ONS – Wealth and Assets Survey (2010-12)

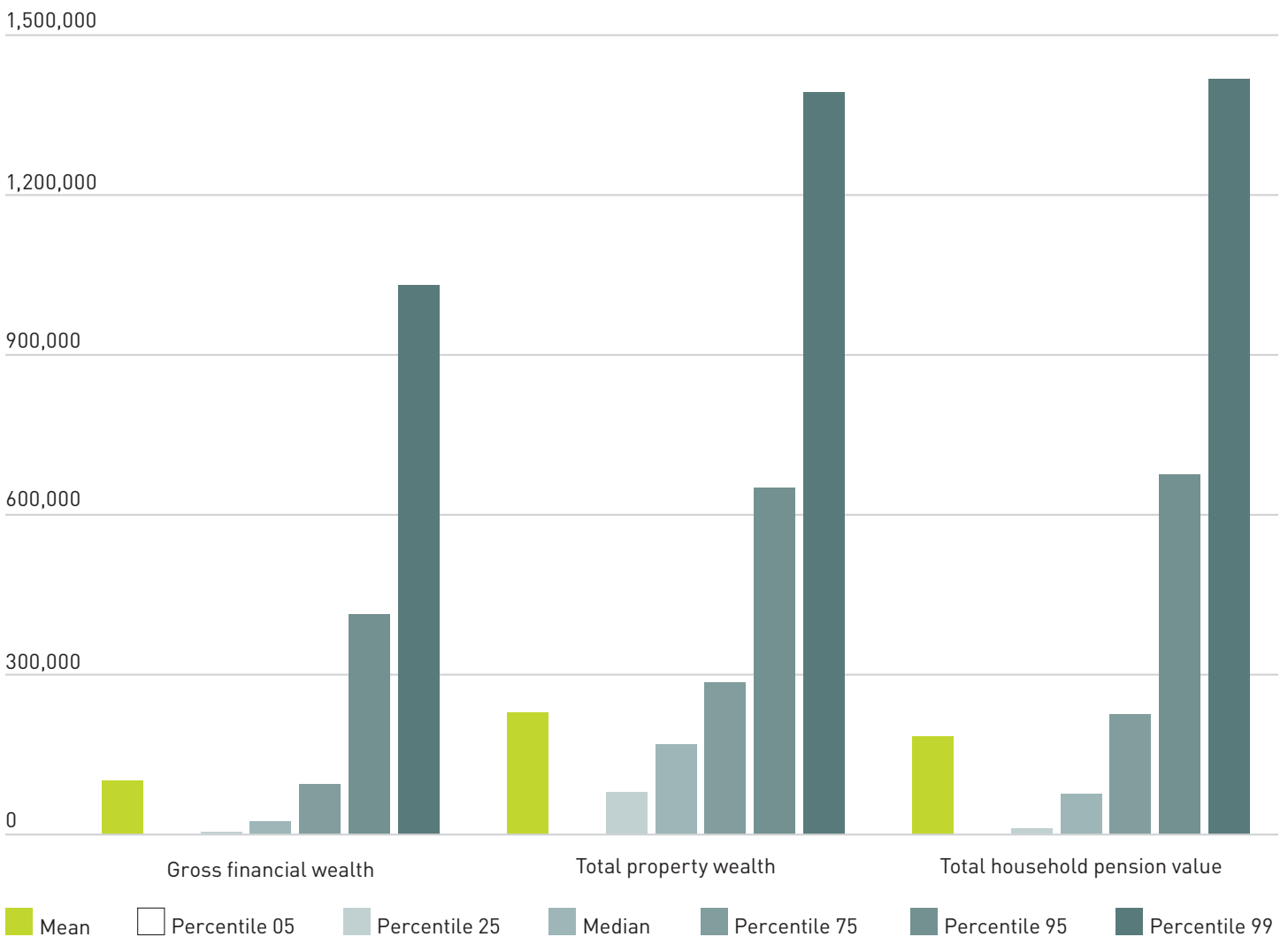
Are we over-relying on people's wealth to fund care?

Wealth is just as unevenly distributed among older people as it is across the population in general, and many don't have any.

On a national level, while on average an older person appears to have a high level of wealth, this value is highly skewed by those with the highest wealth. When we look at the median – arguably a better reflection of the mid-point – the values of wealth are much lower.

If we look at the lower quartile value (the value below which 25% of the population fall), the numbers are even more stark. Those with lower amounts of wealth will ultimately pay a larger contribution of their asset base in order to fund the same level of care.

Figure 6 Financial, property and pension wealth of 65+ year olds in Britain (in £s)²⁹



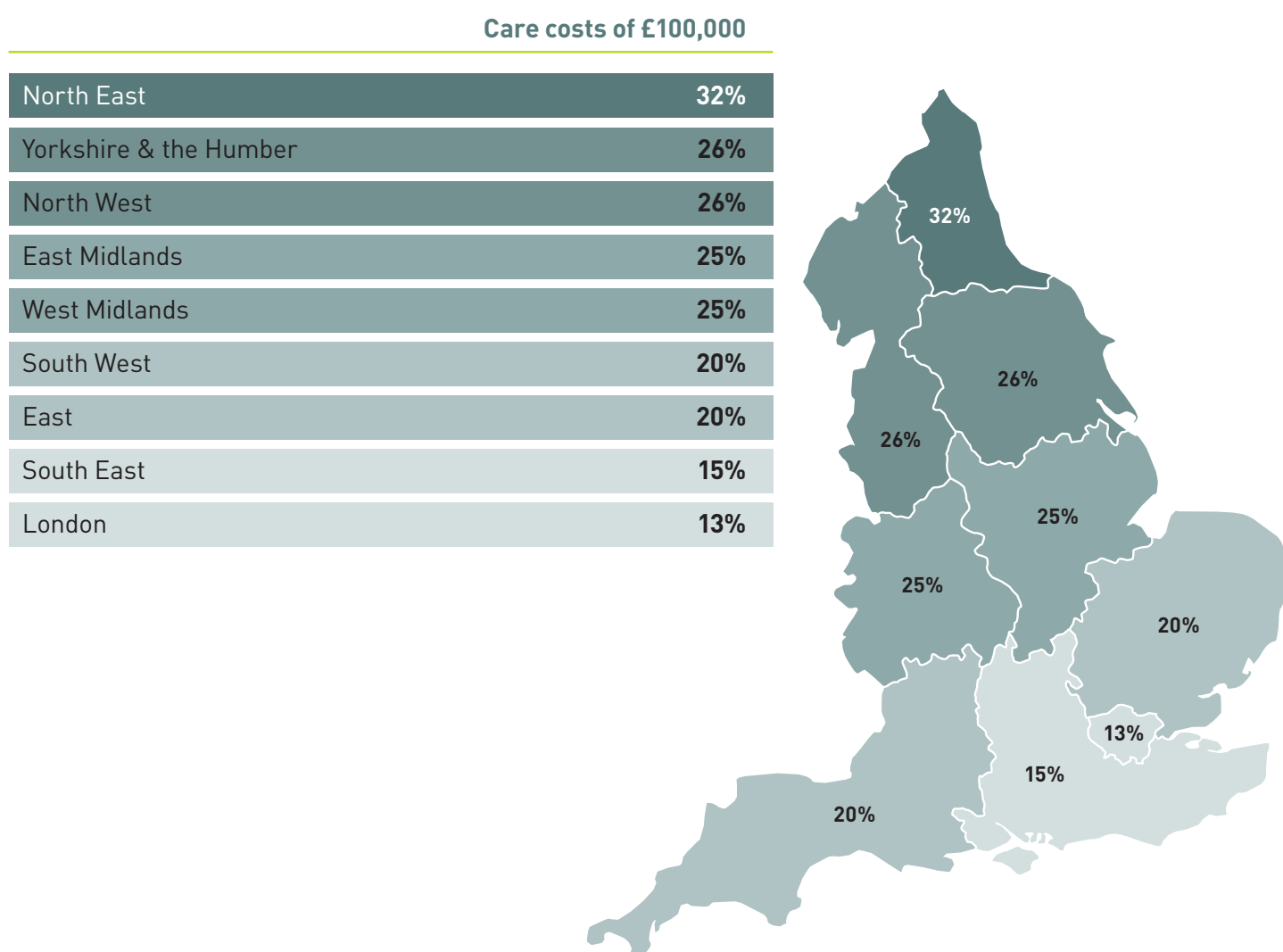
²⁹ ONS – Wealth and Assets Survey (2010-12)

In short, relying on housing wealth to pay for care is problematic because those who most need it don't have it. Geographically, a larger amount (and proportion) of housing wealth is located in the South, particularly in London. The consequence of this is that a different proportion of wealth will be used to fund the same care needs across the country.

Using the thresholds set out by the Government following the Dilnot Commission³⁰, the difference in the proportion of total wealth spent on care – not including

residential costs contribution nor means testing (as the median values for each region are above it) – varies widely across the country. Of the care costs that count towards the care cap threshold, an average (median) person with care needs of £100,000 – which is equal, on average, to around six years of care costs for someone with Alzheimer's Disease³¹ – in the North East would be expected to fund 32% of their total wealth on their care – dramatically different to London, where they would use 13%. (see fig. 7).

Figure 7 Proportion of average (median) wealth that would be spent on £100k of care costs (only costs that count towards the care cap threshold)³²



³⁰ The Government have set the threshold of contribution at £72,000 for care i.e. the individual contributes up to £72,000 towards the cost of care. If care costs exceed this threshold, the government will contribute. This figure does not include residential costs the individual will need and only includes the costs that a local authority would pay. Furthermore, if an individual in residential care has wealth of between £17,000 and £118,000, they are eligible for means testing and potentially further financial assistance. So an individual with £100,000 of care costs that are eligible for the cap would not pay more than £72,000.

³¹ Using the total cost of £26 billion as set out by the Alzheimer's Society (http://www.alzheimers.org.uk/site/scripts/documents_info.php?documentID=418), subtracting the £11.6 billion of unpaid care (for simplification of direct financial costs) across 850,000 people who suffer from the disease.

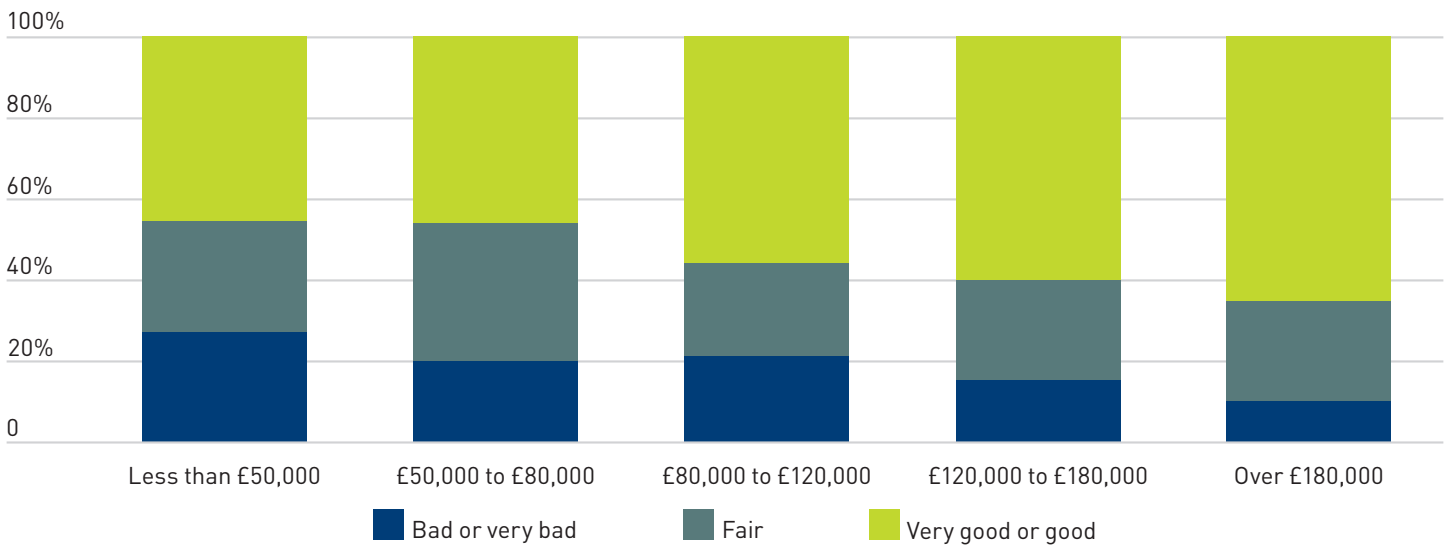
³² NHF analysis based on median wealth (Wealth and Assets Survey 2010-12) and indicative care costs

As now, those with the lowest wealth and income can continue to receive publically funded free care. However, even within a new, capped system, the spatial and social distribution of health and wealth means people with the highest care needs may not have the wealth to fund care – not just geographically

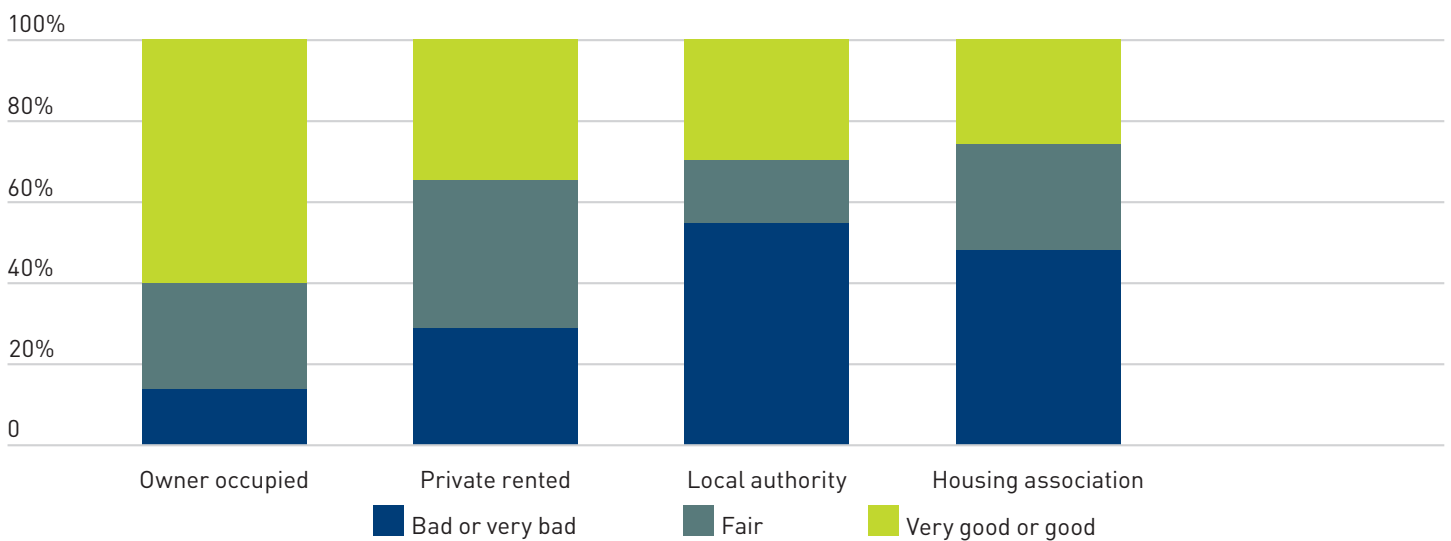
but also in terms of need. Those with the highest wealth often report to be in better overall health and less limited by illness. This is also reflected in housing tenure as homeowners report better general health compared to either private or social renters (see fig. 8).

Figure 8 General reported health of those aged 65 or over broken down by wealth and tenure³³

General health and equity in home of 65+ year olds



General health of people aged 65+ by tenure



³³ ONS – Wealth and Assets Survey (2010-2012)

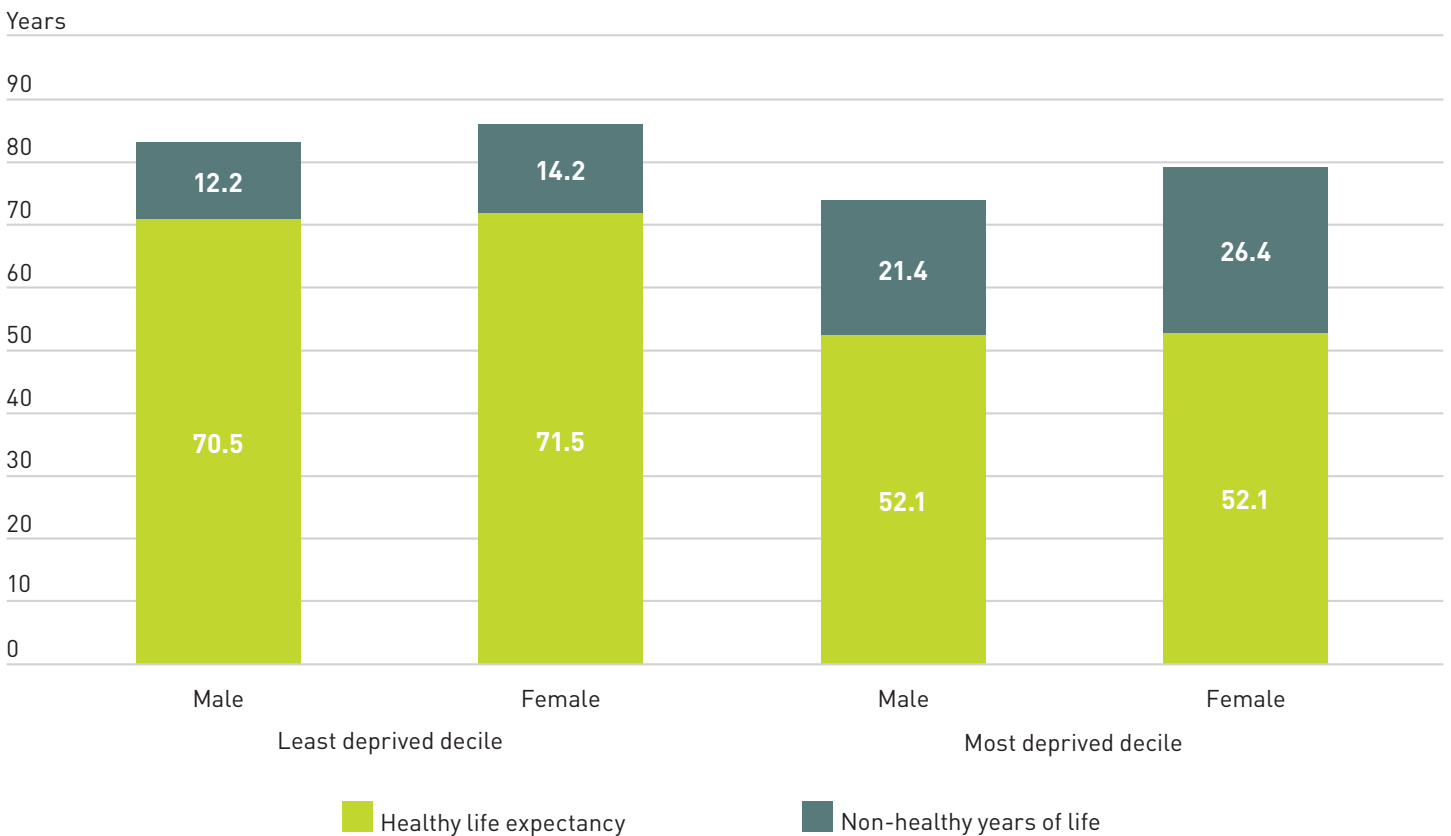
How the impact of the uneven distribution of housing wealth may compound health inequalities

There are significant differences in the overall life expectancy between people from less and more deprived areas (see fig. 9), particularly for men.

Between the least and most deprived population, life expectancy differs by 8 years.

The differences are even greater when we consider that the most deprived people live with a health condition for almost double the time of the least deprived.

Figure 9 Life expectancy and healthy life expectancy by degree of deprivation³⁴

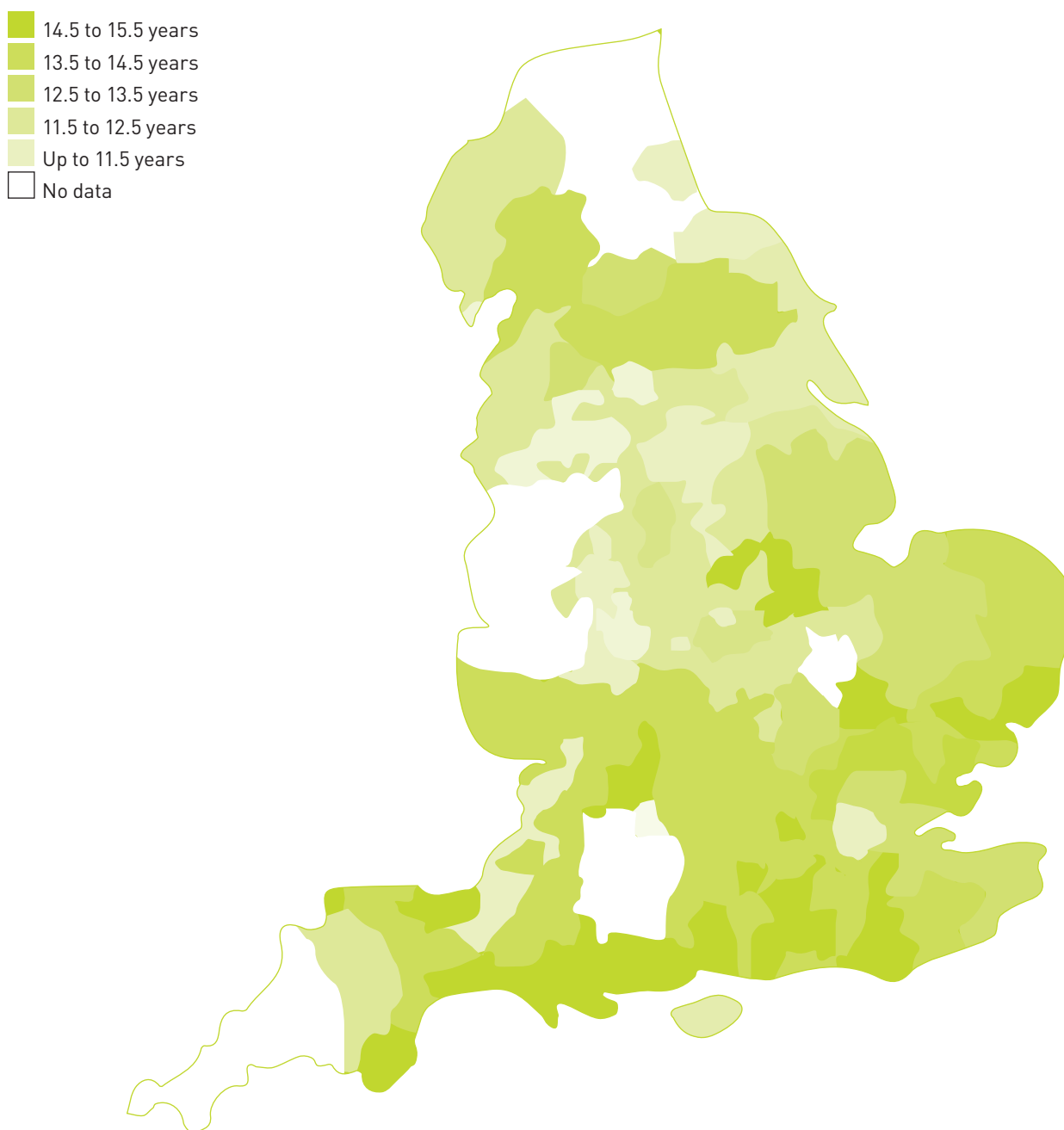


³⁴ ONS – Healthy Life Expectancy at birth for Upper Tier Local Authorities (2010-12)

The poorer people are, the greater their chances of developing one or more life-limiting long-term illnesses and associated disability³⁵. Poverty can inhibit the length of working lives, access to pensions, hampers the ability to save and is associated with a greater need to provide long-term care for someone else. And geography matters too – where people were born and raised also determines life chances

and future opportunities. People in the North not only have to spend a larger proportion of their wealth on potential care needs but are also less healthy and/or have a lower life expectancy³⁶. Healthy life expectancy in males is much lower in the North compared to the South – precisely the opposite of where the wealth is located.

Figure 10 Male healthy life expectancy by local authority at 65 years old³⁷



³⁵ Peter Saunders, "The costs of disability and the incidence of poverty www.asksource.info/resources/costs-disability-and-incidence-poverty#sthash.DPwhDX0l.dpuf

³⁶ CLES / Inquiry Panel on Health Equity for the North of England – Due North: The report of the Inquiry on Health Equity for the North – 2014

³⁷ Public Health Observatories - Older People's Health and Wellbeing Atlas (<http://www.wmpho.org.uk/olderpeopleatlas/Atlas/atlas.html>)

Further issues affecting older people's use of assets

Even in higher-value areas there are reasons to question the long-term viability of asset-based models of paying for older age care. How people plan to use their assets in later life is complex.

Current evidence suggests many people may draw on asset wealth long before they reach retirement, for meeting welfare and wellbeing needs against increasing demands for household expenditure. Depending on their pension arrangements, this includes starting to use assets in order to fund their children through university or help them get on the property ladder, or using some of their wealth to top up the fund for their parents' existing care needs.³⁸ Also, changes to annuities may mean that more people in the future decide to use their pension pots earlier.

It is therefore crucial to understand how people view their assets and what they want to use them to fund. We can't necessarily assume people have enough housing wealth to cover any shortfall in pensions, to help their children go to university and assist with care needs.

Importantly, people are not anticipating or planning potential care costs and therefore do not prioritise them in terms of their savings. Around 1 in 5 (21%) of all homeowners aged 55 and above in Britain have not thought about paying for the potential cost of care in later life while only 15% prioritise saving for the potential cost of care in later life.

However, there is an important geographical dimension to this. Homeowners aged 55 and above in the South West (23%) are almost six times more likely to save for the potential cost of care than people in the North East, where only 4% are saving for this purpose.

The take up of equity release products is low. In a recent poll⁴⁰ only 4% of all homeowners aged 55 and above in Britain have actually released equity from their home and 9% would consider doing so in the future. Almost 4 in 10 (38%) said that they have not released equity yet and that they would never consider doing so in the future. The key issue here is trust. Almost half (45%) of those who haven't released equity and would not consider doing so in the future said it was because they don't trust current providers of equity release products.

The composition of households further complicates the use of asset wealth to meet care needs. Around half of those aged over 75 who own a home live with a partner or in a multi-person household. Important questions arise here:

- If someone who cohabits needs to fund care, how can they release this equity?
- If they want to sell their home, are there suitable options open to them to downsize?
- If one person goes into care, are there options for the partner or others to move to other properties in the area?

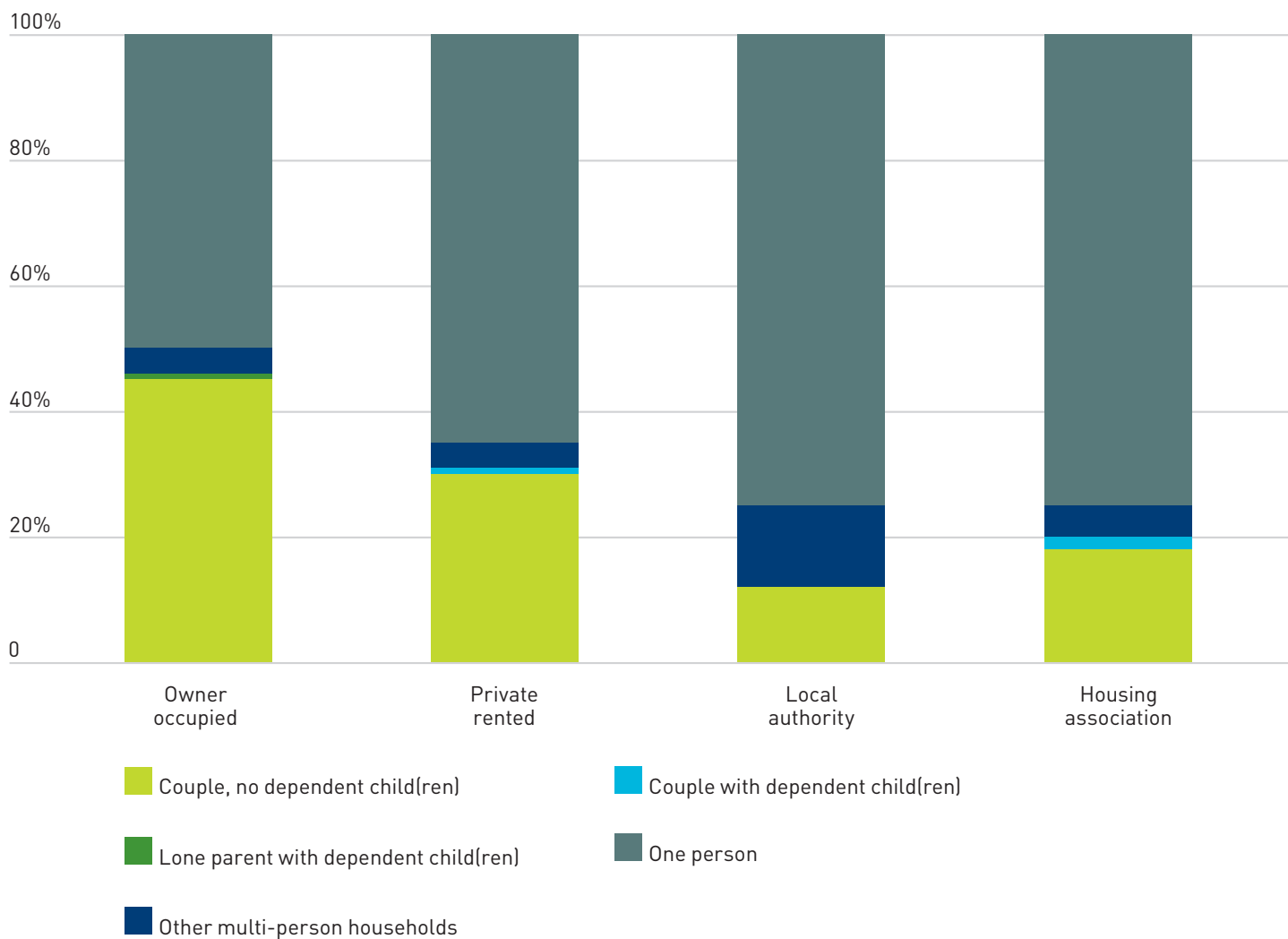
“Around 1 in 5 (21%) of all homeowners aged 55 and above in Britain have not thought about paying for the potential cost of care in later life while only 15% prioritise saving for the potential cost of care in later life.”

³⁸ Dr Beverley Searle, 'What is Equity Borrowing and Who is doing it?' Intergenerational Justice and Family Welfare http://wealthgap.wp.st-andrews.ac.uk/files/2013/02/WealthGap_No_01_Equity_Borrowing.pdf

³⁹ DCLG - English Housing Survey (2012/13)

⁴⁰ Online YouGov poll of 1,459 homeowners aged 55+ between 16-18 December 2014, on behalf of the National Housing Federation.

Figure 11 Household formation of over 75s by tenure³⁹



³⁹ DCLG - English Housing Survey (2012/13)

The importance of the home in meeting society's changing care needs

The scale of and increases in asset wealth mean it is reasonable and necessary to ask people to contribute some of their housing wealth to meeting the costs of later life. However, this analysis has shown that many common assumptions about the level, breadth and accessibility of housing wealth may be misplaced.

There are a number of measures the Government can put in place to drive a more integrated care and support system as well as prompt more discussion of the use of asset wealth to pay for care, including:

- A capped system of individual contributions to pay for care through the Care Act 2014, alongside provisions for advice and information and responsibilities for local authorities to commission preventative, integrated services.
- The Better Care Fund and local integration pioneer sites driving a more co-ordinated and integrated response to changing care needs across health, care and housing.

It is clear, however, that pooling currently insufficient funding streams, or glueing together existing service models won't meet the scale or nature of the care needs our society faces.

The challenge is to provide housing options for people as they approach older age. This can serve three purposes. Firstly, viewing the home as an essential component of meeting the growing demands of an ageing population can bring direct substantial benefits to the individual around independence, comfort and wellbeing.

Secondly, we need a great supply of suitable homes in old age to meet the needs of those who require care or assistance. We currently lack a sufficient range and scale of affordable, desirable homes for our ageing population. Adapting homes to match changing

health needs will be a vital component of improving people's lives. However, more than half (52%) of all homeowners aged 55 and over in Britain think that their current home is unfit for living with care needs or mobility problems: 38% said that their home would need to be adapted and another 14% stated that they would have to move home as their current property is not suitable for adaptation. Only around a quarter of all homeowners aged 55 and above in Britain (24%) said that their home would be suitable in case they became ill to the point of needing care or had mobility problems.⁴¹

Thirdly, we need to provide greater choice for people as they get older in order to provide the opportunity to downsize in order to release equity for potential care needs if they arise. We also need a better range of more enticing housing, support and care offers to help those with some asset wealth optimise their later life. It is clear that in spite of the massive increases in asset wealth neither the market nor Government policy has delivered this. These solutions need to be planned and delivered.

We also need a mature market for products to enable people to optimise their wealth and assets to meet future care needs. We need affordable solutions for housing and care in later life that are flexible for people with low and middle incomes who will not be able to use housing wealth to pay for care needs.

The National Housing Federation, as part of the Homes for Britain coalition, is calling for all political parties to commit to end the housing crisis within a generation. We want the next government to publish a long-term plan within a year of taking office that sets out how they will achieve this. This plan needs to recognise the contribution each part of the housing sector can make towards delivering the range of housing and care options we need for our ageing population.

⁴¹Online YouGov poll of 1,459 homeowners aged 55+ between 16-18 December 2014, on behalf of the National Housing Federation.

The National Housing Federation is the voice of affordable housing in England. We believe that everyone should have the home they need at a price they can afford. That's why we represent the work of housing associations and campaign for better housing.

Our members provide two and a half million homes for more than five million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

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