

Factsheet 2 July 2009

Buying retirement housing

About this factsheet

This factsheet provides information for people who are considering buying retirement housing. It covers management of retirement schemes, what services may be provided and what will you have to pay for. It briefly explains your rights and responsibilities and what further information you can find in your lease and the Purchaser's Information Pack (Leasehold Handbook).

General information about retirement housing and how to choose a suitable scheme can be found in Age Concern's Factsheet 64 *Retirement (sheltered) housing*.

The information in this factsheet is correct at the time of writing.

The information given in this factsheet is applicable in England. Different rules may apply in Wales, Northern Ireland and Scotland. Readers in these nations should contact their respective national Age Concern organisations for information specific to where they live – see page 13 for details.

For details of how to order other Age Concern factsheets and information materials mentioned inside go to page 12.

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1 Introduction

Retirement housing is intended for older people; residents usually need to be at least 55 or 60 years of age. Most retirement housing is sold on a leasehold basis. This means that you have a long lease on the property and usually pay a small ground rent to the freeholder. The rights of leaseholders are different from those of freeholders and you should take legal advice about these (see section 9 for further details on leaseholders' rights).

The facilities and services in retirement housing vary from scheme to scheme; check what is available before you make a purchase. Age Concern's Factsheet 64, *Retirement (sheltered) housing*, outlines points for consideration when choosing retirement housing.

2 Management of the scheme

Most private house builders hand over the management of retirement housing schemes to a management organisation. The management organisation is responsible for the day-to-day management of the scheme; ensuring the necessary services are provided, setting service charges and collecting them. A management organisation can be a private company or a housing association.

The type of services a managing organisation will be responsible for include:

- provision of any scheme manager service (see section 4)
- upkeep and cleaning of communal areas, such as corridors, lifts, communal lounge, external grounds
- repairs and maintenance to the structure, exterior and communal areas
- insurance of buildings.

You will be expected to pay a service charge to cover the cost of these items.

Find out who the managers are, how experienced they are at managing leasehold retirement housing, and how often their representatives hold regular meetings with residents. Ask whether the management organisation is a member of the Association of Retirement Housing Managers (ARHM), which was set up to promote and maintain a high standard of management in privately owned retirement housing. All management organisations registered with the ARHM are bound by the ARHM Code of Practice (see section 7.2).

You may also want to consider if there is a residents' association that works with the management organisation to ensure residents' views and needs are considered and addressed accordingly.

Note

For information on how to set up a residents' association contact the Advice Information and Mediation Service for retirement housing (AIMS) (see section 13 for contact details).

3 Service and service charges

In retirement housing leaseholders have to pay a service charge to meet the cost of the services provided by the management organisation.

These services will be determined by the terms of the lease but will usually include:

- cleaning and general upkeep of communal areas and grounds
- repairs and maintenance – make sure you are clear about the respective responsibilities of the management organisation and each resident. Insurance of the building and all maintenance, repair and decoration of the external structure and common parts of the buildings are usually the responsibility of the management organisation. You will normally be responsible for maintenance and repairs to the inside of your flat or bungalow and for arranging your own contents insurance

- the reserve fund (also called a ‘sinking fund’) – all schemes should have a sinking fund to cover the cost of long-term repairs, renewals and redecorations. In some schemes, contributions to the fund are made as part of the regular service charge payments, while in others they are deferred until the property is sold. If they are deferred, ask how any major repairs are paid for. There may be separate arrangements for redecorations; check this as well
- scheme manager (see section 4)
- emergency call alarm provision and upkeep
- management fees – the management organisation will charge a fee for staff time and overheads related to the administration of the scheme.

You have certain rights regarding the service charges. You have a legal right to a summary from your managing agents of the income and expenditure relating to your scheme for the previous accounting year but you have to make a written request for this information.

Under the codes of good practice you also have the right to be consulted on how your service charge has been calculated prior to the accounting year.

Note

For further information contact AIMS to request a copy of its booklet *Leasehold retirement housing – your rights and remedies* (see section 13 for contact details).

4 The scheme manager (warden) service

Many retirement housing schemes have a scheme manager. The duties of the scheme manager vary between schemes. Information about the manager’s duties, hours of service and details of any relief or emergency cover during the manager’s absence should be included in the Purchaser’s Information Pack also known as a Leaseholder Handbook (see section 8).

The manager's salary and related overheads can account for a substantial percentage of the service charge as they will include all costs relating to the scheme manager service: the manager's salary and, if the manager lives on site, the cost of maintenance of the manager's accommodation and may include rent if the lease allows it. Consider if you are happy to pay for this service.

Some schemes may not have a scheme manager. This would probably mean a lower service charge; consider whether you are concerned by the lack of a manager, now or for the future.

5 **Financial help with support services**

There is a funding system called Supporting People that may assist you with paying towards housing-related support services such as scheme manager services and the emergency alarm service. If you are on a low income and have difficulty paying your supporting charges, you may be able to get help from your local council. You will need to apply to them for an assessment of your circumstances to see how much help you will get. Ask your scheme manager about it or contact the local Supporting People team in your local council.

6 **Other charges**

You will have to pay ground rent, which will be determined by the terms of your lease. Any increases in ground rent may be restricted by legislation; you may want to seek further advice from AIMS (see section 13 for contact details).

You will also have to pay your Council Tax, water charges, contents insurance, TV licence (for those under 75), telephone and fuel bills. Some charges for water and fuel bills may be part of your service charge if they are for communal areas, for example water to a communal laundry or fuel bills for lighting and heating the corridors or communal lounge. In some retirement housing you may receive a concession on your TV licence. For more information see Age Concern's Factsheet 3 *Television licence concessions*.

If you are on a low income you may be able to get help with your Council Tax payments. For more information see Age Concern's Factsheet 17 *Housing Benefit and Council Tax Benefit*.

If you want to carry out any alternations or improvements to your home you may have to pay an administration fee to get consent.

7 Protection for residents

There are two main codes of practice that exist to protect residents' rights in retirement housing.

7.1 The National House Building Council Sheltered Housing Code of Practice

The National House Building Council (NHBC) Sheltered Housing Code of Practice applies to all retirement housing built after 1 April 1990. When buying a new property check if a developer is registered with NHBC. Buildings with NHBC's Buildmark warranty will give you extra protection (see section 13 for contact details).

The code instructs the developer to ensure that residents' rights are fully protected by a legally binding management agreement between the developer or freeholder and the management organisation. All purchasers must receive a Purchaser's Information Pack giving important information about the scheme (see section 8).

Bear in mind that although the Purchaser's Information Pack will contain important information, the most significant document you will receive is the lease (or management deed if you are buying freehold) as this is the legally binding document. Make sure your solicitor or independent adviser explains the terms of the lease or deed.

7.2 The Association of Retirement Housing Managers Code of Practice

The Association of Retirement Housing Managers (ARHM) Code of Practice regulates managing agents including private companies and housing associations that manage private retirement housing. Management organisations that are members of the ARHM are bound by the code.

The code covers issues such as good practice in providing services, including the scheme manager service and setting and collecting service charges. It also states that a management organisation should consult residents on all significant issues, hold annual meetings, visit schemes at least quarterly and encourage the setting up of residents' associations.

The code was approved by the Government. This means that although not all aspects of the code are legally binding, if legal proceedings are taken against a management organisation, for example for poor management, then all the provisions of the code can be considered by a court or a Leasehold Valuation Tribunal.

8 The Purchaser's Information Pack (Leaseholder Handbook)

The NHBC Code of Practice states that as soon as a potential buyer has paid a reservation fee the freeholder must provide him or her with a Purchaser's Information Pack. The main points included are listed below. For further details see the Code of Practice (see section 13 for how to get it).

The pack must include the following information.

8.1 The freeholder and the management organisation

The name and address of both the freeholder and the management organisation (including the nearest regional office), details of the relationship between them, and information on whether the management organisation is a party to the lease.

8.2 The purchaser's legal rights

A summary of your contractual rights and responsibilities as a leaseholder, which will be set out in full in the lease. The summary should cover service charges, insurance, the scheme manager, the alarm system, consultation, repairs and other rights that are specific to that scheme.

8.3 Services

A full explanation of all the services and facilities provided by the management organisation including:

- the alarm call system
- how repair responsibilities are divided between the developer, management organisation and resident
- the procedure for reporting repairs
- details of the insurance for buildings and contents insurance for common parts such as the residents' lounge.

8.4 Charges and service charges

The pack must provide full details of all payments, fees or charges you will have to pay to the developer or management organisation, including:

- how all the services are to be charged for and how the charges are split up between dwellings
- the reserve fund, how it will be funded and what it will cover
- for new developments, an estimate of how much the charges will be for the first year, broken down into clearly defined budget items, and indicating the date when the service charge will next be reviewed.

8.5 Reselling

There must be information about your rights on resale including details of any restriction, for example that you can only sell to someone over 55 or 60 years of age, and details of any deduction such as fees for administering re-sales, premiums to the landlords or managers, and/or contributions to the scheme's sinking fund.

9 Your rights as a leaseholder

Many of your basic rights as a leaseholder are covered by the law. Additional rights will depend on what is included in the lease you sign. Seek independent legal advice on your rights and responsibilities before you sign this document.

One of the important parts of the lease relates to your rights should you become frail or ill. There may be a provision in the lease that would allow the landlord to seek termination of the lease should this happen. Termination provisions in leases cannot normally be enforced without a court order, and most management organisations will only take steps against a leaseholder if he or she is causing severe nuisance to other residents. The involvement of the Court of Protection or the recommendation of medical experts may be required before such provisions can be invoked.

If the care and support you require can be provided in your home, the management organisation should help you to arrange this, normally through help from social services, health services or privately purchased services.

Note

For more details regarding your legal rights as a leaseholder see *Leasehold retirement housing: your rights and remedies*, which was published by the Advice Information and Mediation service for retirement housing (AIMS) in conjunction with AHRM and LEASE, the Leasehold Advisory Service (see section 13 for contact details).

10 The right to manage

The right to manage was introduced by the Commonhold and Leasehold Reform Act 2002. It allows qualifying leaseholders to change their managing agents without needing to prove serious fault at a Leaseholder Valuation Tribunal. This right to manage has to be supported by at least half of the qualifying leaseholders and a company limited by guarantee has to be formed to exercise the right. The Act also makes it easier for leaseholders to buy collectively the freehold of their block by reducing the percentage of those needing to take part from two-thirds to a half. It also introduces a new form of tenure called 'commonhold', which should provide a more effective system for the future ownership and management of blocks of flats.

Note

AIMS produces two detailed information sheets called *The right to manage* and *Right to manage good practice guide* (see section 13).

11 **Freehold properties**

There may be an opportunity to buy freehold properties on retirement schemes, which will be bungalows or houses. As service will be provided in a similar way to leasehold schemes, the buyer will need to sign a deed of covenant to accept management services from a specific provider. These freeholders do not have the protection of leasehold legislation but if the manager is a member of the ARHM they will have the protection of the Code of Practice.

Important

These freehold houses should not be confused with blocks of flats where the leaseholders have exercised the collective right to buy the freehold of the block. These occupiers are not freehold owners but leaseholders who are also members of a freehold company. Get independent legal and financial advice if you are considering this option.

12 **Shared ownership schemes**

In some parts of the country there may be schemes available for people who cannot afford full market price. They may involve buying part of the equity of the property and paying rent on the remainder or buying the right to live in a retirement property for the rest of your life. They may have names such as shared ownership schemes, life interest plans or leasehold schemes for the elderly. They may have potential drawbacks if, for example, you want to move again. Seek independent legal and financial advice if you considering one of these schemes.

For more information contact the Elderly Accommodation Counsel (see section 13 for contact details).

13 Useful organisations

● **Elderly Accommodation Counsel (EAC)**

EAC provides information on all forms of accommodation, support and care for older people. It maintains a detailed nationwide database for all forms of specialised accommodation for older people. Once you have located a possible housing provider you will have to contact them directly to confirm details such as availability and how to apply.

Tel: 020 7820 1343

Website: www.housingcare.org.

● **Advice Information and Mediation Service for retirement housing (AIMS)**

AIMS is a part of Age Concern England; it provides specialist impartial advice to those who own, live in or manage private retirement housing.

Tel: 0845 600 2001

Website: www.ageconcern.org.uk/aims

● **Association of Retirement Housing managers (ARHM)**

ARHM has a Code of Practice, which you can buy from them for £5 plus p&p.

Tel: 020 7463 0660

Website: www.arhm.org.

● **Leasehold Advisory Service (LEASE)**

LEASE provides free advice on the law affecting residential leasehold and commonhold property in England and Wales plus a mediation service.

Tel: 020 7374 5380

Website: www.lease-advice.org

● **National House Building Council (NHBC)**

NHBC produces a Sheltered Housing Code of Practice that you can obtain free of charge.

Tel: 01494 735363

Website: www.nhbc.co.uk

14 Further information about Age Concern

Visit the Age Concern website, www.ageconcern.org.uk, or call our national Information Line on 0800 00 99 66 (free call) if you would like:

- to order copies of any of the Age Concern information materials mentioned in this factsheet
- to request information in large print
- further information about our full range of information products
- contact details for your nearest local Age Concern.

Books from Age Concern

Age Concern publishes a wide range of books for older people and those who care for and work with them. The following title may be of particular interest:

Your rights to money benefits 2009/10. All you need to know about the full range of benefits for the over 60s. £5.99 (available June 2009)

To order this book, or to view our full range of books, please visit our website www.ageconcern.org.uk/bookshop or call our book order line 0870 442 2120.

Age Concern and Help the Aged

Age Concern England and Help the Aged have joined together to form Age UK, a single charity dedicated to improving the lives of older people.

Age Concern and Help the Aged across the UK

To find out more about Age Concern and Help the Aged's work in Northern Ireland, Scotland and Wales, contact:

Age Concern Northern Ireland
Tel: 028 9032 5055
Website: www.ageconcernni.org

Scottish Helpline for Older People (Age Concern Scotland)
Tel: 0845 125 9732
Websites: www.olderpeoplescotland.org.uk
www.ageconcernscotland.org.uk

Age Concern Cymru
Tel: 029 2043 1555
Website: www.accymru.org.uk

Support our work

Age Concern is the largest provider of services to older people in the UK after the NHS. We make a difference to the lives of thousands of older people through local resources such as our befriending schemes, day centres and lunch clubs; by distributing free information materials; and through our national freephone helpline – the Age Concern Information Line 0800 00 99 66.

If you would like to support our work by making a donation please call Supporter Services on 020 8765 7527 (national call rate, Monday to Friday 9.15am–5pm) or visit www.ageconcern.org.uk

Legal statement

Age Concern England (charity number 261794) has merged with Help the Aged (charity number 272786) to form Age UK, a charitable company limited by guarantee and registered in England: registered office address 207-221 Pentonville Road, London, N1 9UZ, company number 6825798, registered charity number 1128267.

Age Concern and Help the Aged are brands of Age UK. The three national Age Concerns in Scotland, Northern Ireland and Wales have also merged with Help the Aged in these nations to form three registered charities: Age Scotland, Age Northern Ireland, Age Cymru.

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Please note that the inclusion of named agencies, companies, products, services or publications in this factsheet does not constitute a recommendation or endorsement by Age Concern and Help the Aged. While every effort is made to ensure accuracy, Age Concern and Help the Aged cannot be held responsible for errors or omissions.

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