Brent Central

ADULT SOCIAL CARE

CONSERVATIVE POLICY FORUM

DISCUSSION PAPER 2/2017

INTRODUCTION

1. There are 3,974 elderly and vulnerable adults currently receiving some form of social care support in Brent.[1] This paper sets out the Brent Central Conservative Association's (BCCA) view on adult social care, particularly the challenges and opportunities that have yet to be properly explored. As a result, this paper does not address the issue of the integration of health and social care services, which is widely accepted to be a cost-effective and appropriate means of delivering care. The BCCA supports this change and believes it to be both necessary and worthwhile.

2. The BCCA has identified two principal challenges in areas where the Government could introduce measures to improve outcomes amongst those who will *or* will potentially be in need of adult social care in later life. The BCCA has also identified two areas of opportunity that the Government should explore further.

BACKGROUND

3. At present, there are more than 15 million people in the UK aged 60 or above. By 2030, the number of people in this age bracket is forecast to exceed 20 million and, by 2035, the over 60s will account for 29% of the population as a whole, compared to just over 24% today.[2] An increasingly older population will have a higher demand for services associated with end-of-life needs, such as long-term care.

4. The prevalence of nearly all major chronic and long-term conditions increases significantly with age. The percentage of people with at least one difficulty increases from 16.4% at age 65 to around half of those aged 85. Most people aged 75 and over have one or more health conditions, but almost 50% of them do not consider themselves to be living with a 'life limiting' long-term condition. By people's late 80s, more than one in three people have difficulty undertaking five or more activities of daily living.[3]

5. Estimates suggest that demand for social care amongst older people will rise substantially in the coming years. By 2035, it is expected that 4.8 million will have some form of disability that will require care assistance and 2 million will have a severe disability with which they will require help. A further 3.5 million are likely to be in receipt of some form of informal care. The number of people older people using local

[1] https://www.brent.gov.uk/HowWeSpendYourMoney

[2] Age UK, Later Life in the United Kingdom (2017)

[3] Age UK, Health and Care of Older People in England 2017 (2017)

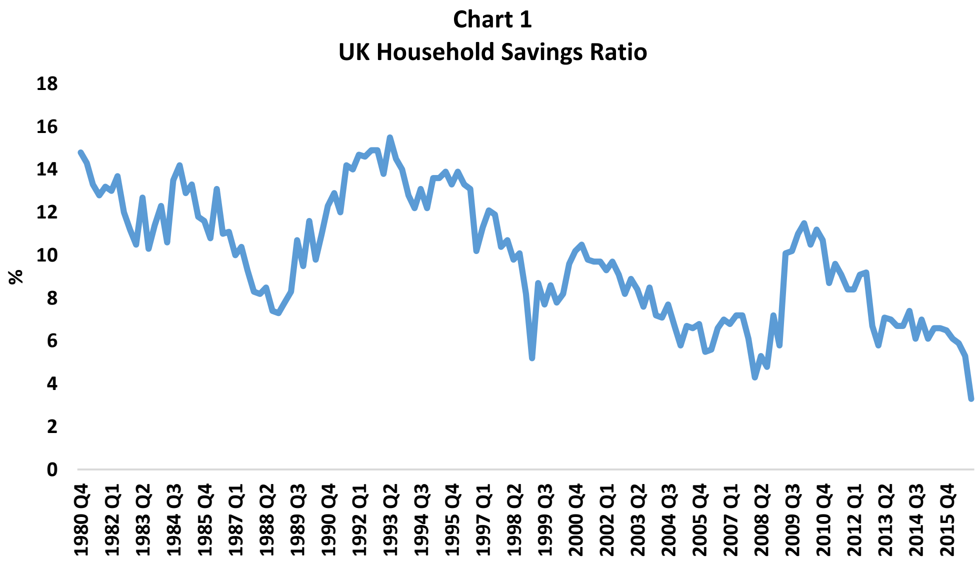
authority care home services is projected to rise by 82% to 468,000 in 2035 and those receiving residential care are expected to rise by 49% to 257,000 in 2035.[4]

KEY CHALLENGES

6. The BCCA has identified two key challenges that must be addressed if outcomes for those in need of adult social care are to improve. These key challenges concern individual savings and infrastructure.

Savings Challenge

7. The UK has developed a savings problem in recent decades. Since 1980, the average household savings ratio has declined from 14.8% to 3.3% (see Chart 1).[5] Over the same period, household debt has increased to record levels.[6] These twin factors have affected all forms of saving, including discretionary, medium- and long-term personal provision. In a study carried out in 2016, the Money Advice Service (MAS) found that 16 million people in the UK possess savings of less than £100.[7]



8. If the social care system is to be put on a sustainable footing for the future, individuals need to be encouraged to make provision for their future care needs. In order to do this, savings levels will have to increase substantially, which, it appears, will require a wholesale change in individual attitudes to financial management. In the absence of such a change, which could only be achieved over a prolonged period of time, default savings techniques should be used in order to increase individual savings rates. A good example of where this approach has worked is in the pension market, where the

[4] Personal Social Services Research Unit, Projections of Demand for and Costs of Social Care for Older People and Younger Adults in England, 2015-2035 (2015)
[5] https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/nrjs
[6] http://themoneycharity.org.uk/money-statistics/
[7] http://www.thisismoney.co.uk/money/saving/article-3813659/16-million-people-working-age-100-savings-study-shows.html

introduction of the automatic enrolment regime has resulted in millions of people saving for a pension for the first time (see Box 1[8]).

Box 1
Automatic Enrolment: A Success Story

The Government introduced the automatic enrolment regime in 2012. Since its introduction, this policy has increased participation in pension saving by 6.5 million people. In September 2016, it is estimated that a further 1 million small and/or new employers remain to be incorporated into the automatic enrolment regime before February 2018. Estimates suggest that these employers account for approximately 5 million as yet unenrolled employees.

Approximately 75% of eligible employees are saving into a work-place pension at present, an increase of 20 percentage points since the introduction of automatic enrolment. Participation has increased most substantially in the private sector, where the proportion of people enrolled in a workplace pension increased by 28% to 70% in 2015. This is greater than the overall increase in employment over the period between the introduction of automatic enrolment and 2015. In the public sector, participation has increased by 3% to 91%.

9. Automatic contributions – at a rate to be confirmed[9] – could be used to create a dedicated 'Sovereign Care Fund' (similar to the National Employment Savings Trust (NEST) that was created as part of the automatic enrolment reforms), which could be utilised in order to finance some or all of the cost of old age social care services. Contributions could be split between the employee and the employer, and benefit from tax relief. Assistance at the point of demand could be means-tested in order to ensure that those most in need receive the most support.

10. An approach of this sort would enable contributions to benefit from investment growth over the long-term, thus increasing the resources available, and make use of the UK's particular expertise in financial services. However, in order for a model of this sort to be successful, contributions would have to be 'locked in' for a number of decades. Consequently, it is a solution that would only work for those aged 40 and below at the point of implementation, which would enable contributions for at least 27 years prior to State Pension age.

11. For those aged over 40 at the point of implementation, a different solution would be required and the BCCA believes that a modified version of the NEST Blueprint offers an adequate approach to solving this challenge.[10] According to the Blueprint, a portion of an individual's accumulated pension savings could be set aside for the purchase of a deferred annuity. This proposal would insure against the risk of extreme longevity. However, the BCCA believes that a deferred annuity could be used in a more flexible

[8] The information presented in Box 1 is from the Pensions Policy Institute, The Impact of Automatic Enrolment in the UK as at 2016 (2016).
[9] Germany, for example, which employs a dedicated social insurance fund for the purpose of providing adult social care, raises contributions at 1.95% of wages.
[10] NEST, The Future of Retirement (2014)

manner, which would be in keeping with the spirit of the freedom and choice reforms in the pension market introduced by the Government in 2014.[11] In this scenario, a deferred annuity could be used for a second purpose: to insure against the costs involved in the event of extreme morbidity by allowing people to draw it for the purpose of paying significant and consistent care costs.

12. Moreover, for those over the age of 40, the Government should explore how other insurance mechanisms can be used to provide individuals with protection against the costs of social care. For example, given the high level of home ownership amongst those over the age of 40[12], individuals could be encouraged to purchase long-term social care insurance at the point of re-mortgaging, which often releases funds that could be used for the purpose of purchasing such an insurance product.

13. The effectiveness of other 'nudges' should also be investigated by the Government, such as a mandatory requirement for employers to communicate the financial risks involved in failing to make provision for social care in old age. Currently, employers are required to communicate with employees at the point of automatic enrolment into a pension scheme. Information about social care could be inserted into these communications. Consistent messages about this issue could be provided over the long-term on annual pension statements.

Infrastructure Challenge

14. The provision of social care, particularly in old age, takes place in a variety of locations. A great deal of care takes place in the home on both a formal and informal basis. Known as *non-residential* care, this includes situations in which friends and/or family members help with basic tasks to independent living arrangements where some chores, such as, for example, cooking, are carried out by care staff. *Residential* arrangements take place in designated homes designed for the purpose of providing social care, including nursing and other medical facilities.[13]

15. It has been widely reported in recent years that the residential care facilities are facing a series of challenges. In particular, the collapse of Southern Cross in 2011, the UK's biggest care home operator at the time, highlighted the funding challenges providers face. Since 2010, approximately 380 care homes have been declared insolvent and around 100 have ceased operating entirely.[14] This has created a shortage of available places for adults in need of residential social care.

16. In order to meet this challenge, the BCCA believes that the Government should explore how it can encourage a greater level of private investment in the social care sector, particularly how care home providers can access long-term finance in a sustainable (i.e. cost-effective) manner. This could be achieved by encouraging pension funds, for example, to allocate a portion of their total assets to socially responsible corporate

[11] HM Treasury, Freedom and Choice in Pensions (2014)
[12] For more information, please refer to the Wealth and Asset Survey, 2012-2014.
[13] Knowledge Transfer Network, Analysis of UK Long-Term Care Market (2014)
[14] https://www.theguardian.com/society/2017/jan/11/care-home-closures-funding-crisis

debt, specifically the care home sector.[15] Pension assets could also be invested in schemes aimed at creating additional capacity in the care sector, such as sheltered accommodation developments. The Government should work with pension funds to determine what the state can do to encourage investment of the sort described above.

17. Clearly, if a 'Sovereign Care Fund', outlined in the previous section, were to be established, assets from it could be allocated to schemes that would create and maintain capacity in the social care sector. 'Virtuous circle investing' of this sort should be explored further in a range of sectors important to the UK economy, such as housing in general, and the social care sector should be one of them.

KEY OPPORTUNITIES

18. The BCCA has identified two key opportunities that the Government should explore in order to improve adult social care outcomes. These key opportunities concern the labour market and the tax system.

Labour Market Opportunity

19. The labour market has changed significantly over the course of the last decade, with the rise of the 'gig economy' resulting from the unfolding impact of the modern technological and communications revolution. Recent scrutiny has rightly been placed on the employment status of the roughly 1.3 million people who work in this sector and the rights that they do or do not possess.[16] However, the flexibility of the labour market is one of the strengths of the UK economy and the rise of the 'gig economy' is in part a consequence of the innovation that this flexibility enables.

20. As part of the Taylor Review[17] or, perhaps, as part of the Government's response to this review, the Government should explore how the innovations utilised by the 'gig economy' can be turned to socially useful ends. For example, the Government could work with organisations in the charitable sector, such as Age UK, and technology firms in order to develop a mobile application that could match those individuals with limited care needs, such as basic help around the home, with volunteers in their local area. This could reduce pressure on over-stretched local social care services, reduce costs for those in need of assistance and improve integration into local communities of those with care needs.

Tax Opportunity

21. The tax incentives employed in Singapore to encourage greater involvement of relatives in the provision of care to family members (outlined in the CPF discussion document) offer an interesting and insightful means of solving the challenge of providing care in the community.

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[15] In France, for example, corporate employee savings schemes are required to offer a solidarity investment fund option. Solidarity investment funds are invested 5-10% in social investments and 90-95% in listed securities (both equities and fixed income). For more information, please refer to Big Society Capital, Designing A Social Investment Fund For UK Pensions (2016).

[16] https://fullfact.org/economy/what-gig-economy/

[17] https://www.gov.uk/government/news/taylor-review-on-modern-employment-practices-launches

22. The BCCA is in favour of fiscal incentives of this sort. The Government should explore how similar ‘nudges’ can be incorporated into the UK tax system. However, these incentives should respect the nature of UK society, in which families are often dispersed across the country. As a result, tax ‘nudges’ should not be restricted to family members, but also be available to friends who provide care assistance.

23. Moreover, the Government should also explore the possibility of allowing individuals in need of care to defray some of the cost of employing carers through the tax system. For example, families in France are able to deduct 50% of the cost of employing care staff from their tax contributions, up to a limit set by the Government.[18] Measure like this could be adopted in the UK and might help people in need of care to remain in their local communities.

CONCLUSION

24. The BCCA looks forward to seeing the CPF’s conclusions on this important issue and would welcome the opportunity to contribute to further consultations on adult social care in the future.

[18] The King’s Fund, The Social Care and Health Systems of Nine Countries (2014)