The LGiU is an award winning think-tank. Our mission is to strengthen local democracy to put citizens in control of their own lives, communities and local services. We work with local councils and other public services providers, along with a wider network of public, private and third sector organisations. Through information, innovation and influencing public debate, we help address policy challenges such as demographic, environmental and economic change, improving healthcare and reforming the criminal justice system. We convene the national Children's Services Network and are the host organisation for Local Energy Ltd and the Centre for Public Service Partnerships (CPSP). To find out more visit our website www.lgiu.org.uk.

INDEPENDENT AGEING: COUNCIL SUPPORT FOR CARE SELF-FUNDEES
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The LGiU would like to thank all respondents to the survey on which this report is based. The LGiU would also like to thank Partnership for their support. All views, errors and omissions are the authors’.
Executive summary

How to fund care for our ageing population is one of the most pressing issues of our time. It is a political priority for central government and, for the councils that fund adult social care, a practical problem now.

Councils are in an unenviable position. On the one hand, demand for adult social care is rising fast. An additional 1.7 million people will need care and support in 2030.¹ On the other, council budgets have never been under more pressure. The Spending Review delivered cuts of 27% to council budgets by 2015.

Council budgets for adult social care would be under even more pressure were it not for the contributions that individuals make to their own care. It has been estimated that an average of 41% of people entering residential care each year self-fund.²

But self-funders are also a potential liability for councils.³ If a self-funder exhausts their own resources, often as a result of poor financial planning, then councils are required to step in. People falling back on state funding already costs councils up to £1bn per year.⁴ Many key decision-makers in councils are unaware of the problem or underestimate its cost by up to 50%.
This report focuses on the cost to councils of self-funders falling back on state funding for residential care.

It draws upon original research including a survey of chief executives, leaders, finance directors, adult services directors and cabinet portfolio holders in the 174 authorities in England and Wales that are responsible for care.

Significant findings from this research included:

- 61% of respondents did not know how many self-funders in their authority fell back on state care
- Respondents underestimated the cost of people falling back on state care by as much as 50% compared with independent estimates of up to £1bn a year
- Only 3% of councils told us that they provide a list of independent financial advisors who could give advice about care funding products.

Councils can help self-funders to avoid exhausting their own resources by taking a preventative approach.

Intervening early with information and advice, in particular by signposting self-funders to appropriately qualified financial advisors, will help individuals make better decisions about funding residential care. This can be implemented at very low cost.
To ensure that fewer self-funders deplete their resources and fall back on state funding councils should:

1. Find out how many self-funders they have and how many self-funders fall back on state funding each year: 61% of councils do not know this

2. Improve the content of council information: councils need to focus more on self-funders and raising their awareness of the need for proper financial planning

3. Improve the delivery of council information: leaflets are not enough; councils need to provide self-funders with a firm steer and clear end-to-end process

4. Improve the timeliness of council advice to self-funders: only 53% of councils said that they provided financial advice before residents got to the stage of needing a care needs assessment or financial assessment

5. Signpost to other sources of information and advice: only 3% of councils provide a list of independent financial advisors who could give advice about care funding products

6. Increase the number of self-funders accessing financial advice: 70% of self-funders are not previously in contact with adult services

7. Have robust measures to monitor the quality and impact of financial information and advice.
Introduction

The cost of providing residential care for the elderly is substantial and rising. This report focuses on the cost to councils of those who begin by funding their own care but fall back on state funding when their own means run out.

It draws upon original research including a survey of chief executives, leaders, finance directors, adult services directors and cabinet portfolio holders in all 174 upper tier authorities in England and Wales.

We argue that the cost of people falling back on state funding for residential care is substantial and immediate. This is already costing councils significant amounts of money. Over 60% of key decision makers in councils do not have a detailed picture of the problem. Those that do recognise the problem significantly underestimate the cost.

These costs are avoidable. In the final section we set out some practical recommendations for how councils can help ensure that fewer self-funders deplete their resources and fall back on the state. This will lead to cost savings for councils, but it will also allow individuals to make better informed choices and improved provision for their old age.
PROJECTIONS FOR THE NUMBER OF 100 YEAR-OLDS ARE PARTICULARLY STARK. THERE ARE CURRENTLY AROUND 10,000 PEOPLE IN BRITAIN OVER THE AGE OF 100.

BASED ON CURRENT TRENDS, THAT FIGURE WILL HAVE RISEN TO OVER ONE MILLION PEOPLE BY 2070.
The importance of self-funders

Budgets for adult social care are under intense pressure as a result of increased demand and reduced budgets. This pressure would be more intense were it not for self-funders who pay for their own care. At present, around 41% of people pay for their own care.  

An ageing population

Demand for adult social care is increasing. The latest population projections for England expect the population aged over 65 to increase from 16% in 2010 to 20% in 2026. Not all old people will require support. The young old, those aged 65-85, frequently continue in good health and maintain strong links with friends and family. Research published by Reform shows that over 46 year-olds are more ambitious for their leisure time, personal relationships and work life at retirement than any generation before. Moreover, Reform’s research indicates that older people will continue to contribute to the economy.

Those aged 85 and over, however, are still likely to live impaired lives. In April 2009, 15% of the UK population aged 85 or over were resident in a care home or long-stay hospital. In contrast, just 4% of those aged 75-84 and 0.8% of those aged 65-74 were resident in care homes. But the oldest group is demonstrating the fastest population increase. In the past 20 years, the number of people aged over 85 has doubled. This figure is expected to
double again by 2033. Projections for the number of 100 year-olds are particularly stark. There are currently around 10,000 people in Britain over the age of 100. Based on current trends, that figure will have risen to over one million people by 2070.

Costs of an ageing population to councils

Increasing demand for adult social care will result in substantially increased costs for councils. Sir Derek Wanless suggested that care costs would increase from £10bn in 2002 to £24bn by 2026. Our Health, Our Care, Our Say suggested that costs would total £31bn. In recognition of this fact, the government has asked former Institute of Fiscal Studies Director Andrew Dilnot to conduct a review of long-term care funding. His commission will provide recommendations and advice on reforming the funding of care by July 2011.

But funding for adult social care is not only a problem in the medium term. It is a pressing issue right now. Council spending on adult social care is already outstripping resources. In one year, 2006-07, government funding for adult social care rose by 1.5%. Council spending on care, meanwhile, rose by 4.5%. Reductions in central government funding for local councils will intensify this pressure. The 2010 Spending Review delivered cuts of 27% to local councils by 2015, although the impact of these cuts to adult social care was ameliorated to some extent by the provision of an additional [non-ring-fenced] £2bn for health and social care over the spending review period.

Pressure on budgets is being reflected in service levels. Councils assess need for residential care against a national framework that has four levels: low, moderate, substantial or critical. Councils can decide to provide funding for one or more of these bands. The Care Quality Commission has found that 72% of local authorities
only provide support for people whose needs fall into the substantial or critical bands. More councils will ration provision as budgets decrease.

**The contribution of individuals**

The pressure on adult social care budgets is clear. This pressure would be more intense, however, if self-funders did not pay for their own residential care. Councils are only responsible for providing state-funded residential care to older people who meet financial and needs-based criteria (*see above*). To receive state-funded residential care in England, an individual must have less than £23,250 worth of assets (including the value of any property) and pass the local needs-assessment. Individuals with more than the £23,250 limit are required to fund their own care.

A substantial number of people fall outside of their council’s need and financial criteria and so must pay for their own care. An LGiU survey of councils that provide adult social care found that an average of 34% of people entering residential care each year self-fund. This is consistent with other assessments: the Personal Social Services Research Unit estimated that 37% of places were self-funding\(^\text{12}\); the Office of Fair Trading estimated 32%\(^\text{13}\); and Laing and Buisson estimated 41%.\(^\text{14}\)

The value of individual payments for adult social care is considerable. In its recent report, the Institute of Public Care (IPC) estimated the total size of the self-funded care home market for older people in England at £4.9bn each year.\(^\text{15}\) This compares with Laing and Buisson’s 2009 estimate of £5.4bn.\(^\text{16}\)
A large number of people fall back on council funding each year.

LGIU research indicates that 25% of self-funders ultimately fall back on state funding.
The problem of self-funders

Individuals funding their own care are an asset for councils. They are also, however, a potential £4.9bn liability as councils retain responsibility for self-funders who run out of money to fund their care.  

Council liability for self-funders

There is a tendency for councils to focus their attention on people whose care they fund directly and neglect the needs of self-funders. Councils need to take a longer view as individuals who fund their own care are ultimately a council liability.

Self-funders who run out of money can fall back on council funding. LGiU research among key decision makers in councils shows that awareness of the size of this potential liability is very patchy. The IPC has argued that councils do not have a detailed picture of the number of people that self-fund. An analysis by the IPC of data from 2008-09 held by the Care Quality Commission found that only three authorities provided a figure for the numbers of self-funders in their area that appeared to relate to the numbers of people who pay for their own care.

The annual impact of council liability for self-funders

A large number of people fall back on council funding each year. LGiU research indicates that 25% of self-funders ultimately fall...
back on state funding. Recently, the IPC has found anecdotal evidence that more self-funders are running out of money. Analysis by the insurance company Partnership, which specialises in long term care, shows that self-funders of elderly care will live on average four years in care with 12% living for more than eight years. Councils do not, however, have a detailed picture of this problem. 61% of respondents to the LGiU survey did not know how many self-funders reverted to state funding each year.

This lack of awareness has also been flagged up in other research. A recent IPC report called for further work to explore the present and future impact on publicly funded care of self-funders running out of money in care homes. Awareness of the costs of self-funders falling back on state provision is also open to question. As will be seen, local government estimates of costs to councils are significantly lower than independent estimates.
The annual cost of council liability of self-funders

The cost of self-funders running out of money is considerable. These costs are real and immediate. The LGiU survey indicates that the average annual cost of self-funders falling back on state funding for residential care is 3.5% of a council’s adult residential care budget. That gives a national cost of £490m that is equivalent to a £3.2m cost to every council in England.\(^{21}\)

This estimate may be conservative however. Based on their work with councils such as Nottinghamshire and Buckinghamshire, the insurance company Partnership estimates that the average cost to a council is 7% of its adult social care budget. That gives a national figure of £1bn. Even at the lower figure, this would represent a significant strain on resources that councils would want to mitigate. Yet, as we have seen, more than half the respondents to LGiU’s survey were unaware how many self-funders were falling back on the state in their authorities.
INDIVIDUALS ARE OFTEN UNAWARE THAT IF THEY RUN OUT OF FUNDS AND FALL BACK ON STATE PROVISION THEY MAY HAVE TO MOVE TO CHEAPER CARE FACILITIES.
Why self-funders are falling back on state funding

Falling back on state funding for residential care is avoidable. Councils can help ensure that citizens receive appropriate, independent financial advice that can help them meet the costs of their care. However, the LGiU has found that councils are not having the maximum possible impact for three main reasons. First, councils do not provide information early enough in the care journey. Second, councils do not provide information that is tailored to the needs of self-funders. Third, council information does not signpost residents to sources of independent financial advice.

An avoidable problem

To a large extent, falling back on state funding for residential care is avoidable. Individuals have a range of options for generating a reliable income stream to meet care fees: buying a commercial product that turns savings into a lifetime income stream; renting out a home to provide rental income; or releasing equity from a home, among others. Yet, as a recent report by Policy Exchange highlighted, public awareness of the need to make such provision is low. In government engagement exercises conducted in 2009, 69% of respondents said that they did not feel sufficiently informed about the financial implications of long-term care. Individuals are often unaware that if they run out of funds and fall back on state provision they may have to move to cheaper care facilities.
Appropriately qualified independent financial advisers will direct residents to an option that meets their needs. In many cases, however, individuals do not access such advice. Research by Oliver Wyman found that only 14,000 out of 53,000 self-funders received independent financial advice about funding their care. Of these, only 7,000 received advice from an advisor with care-specific qualifications. The result, in many cases, is decisions that are poor value for individuals and councils.

**Proportion of councils providing timely financial advice**

Early provision of financial advice and information is vital to an individual’s potential to make informed decisions about funding their care and thereby the type of care they will receive. The LGiU survey, however, indicates that many councils are not providing timely support. A slim majority of respondents to the LGiU survey, 55%, said that their council offered financial advice at the point of entry into care. 53% said that they provided financial advice for residents before they got to the stage of needing a care needs assessment or financial assessment. However, as pointed out below, much of the information provided is not sufficiently tailored to the needs of self-funders.

**Content of information that councils provide**

An examination of council websites shows that information provided to self-funders is very similar to that provided to other residents at the assessment stage. This information tends to be very thorough on how financial assessments are carried out and what the council’s policy on self-funding is. There is, however, little information provided about financial products that can help residents to meet residential care costs or on where to go to find such information. Some councils work with organisations such as
CAB and Age UK to provide advice, although these are providers of general guidance rather than independent financial advice.

**Signposting to other sources of information and advice**

*Putting People First*, a joint local and central government strategy, called for the public to be informed about where they can go to get the best information and advice about their care and support needs by April 2011. Only half of councils told us that they signpost to specialist financial advice. A third of these councils have a proactive service that connects citizens with specialist advisors. Less than 6% provide lists of independent financial advisors who could give advice about care funding products.

The proportion of councils providing expert advice to self-funders does not seem to be expanding rapidly. The LGiU survey was conducted at the end of 2010. The findings on information services, outlined above, are almost identical to those reported in the IPC analysis of data held by the Care Quality Commission that dates from 2008-09. The IPC found that only 39% of authorities mentioned signposting to other services or providers of advice.²³

<table>
<thead>
<tr>
<th>What financial information and advice services do you provide?</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Information booklet</td>
<td>52.9%</td>
</tr>
<tr>
<td>Council website</td>
<td>47.1%</td>
</tr>
<tr>
<td>Proactive service to enable citizens to engage with specialist advisor</td>
<td>35.3%</td>
</tr>
<tr>
<td>Advice from officers</td>
<td>82.4%</td>
</tr>
<tr>
<td>List of independent financial advisors</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

²³
INTERVENING EARLY WITH INFORMATION AND ADVICE, IN PARTICULAR BY SIGNPOSTING SELF-FUNDERS TO APPROPRIATELY QUALIFIED FINANCIAL ADVISORS, WILL HELP INDIVIDUALS MAKE BETTER DECISIONS ABOUT FUNDING RESIDENTIAL CARE. THIS CAN BE IMPLEMENTED AT VERY LOW COST.
A better way

Our analysis indicates that councils can help reduce the number of self-funders falling back on state funding by undertaking work in three areas. First, understanding the problem to assess whether action is required. Second, improving content, delivery and reach of existing advice services. Third, signposting to external providers of appropriate independent financial advice.

Recommendations

1. Determine the number of self-funders falling back, and the potential liability

A significant minority of councils contacted by the LGiU said that they did not know how many self-funders are resident in their area. Comparison of estimates from councils that did provide a figure with independent estimates, meanwhile, suggests that councils may be underestimating this problem.

There are several methods for estimating the number of self-funders falling back and a council’s potential liability. One method, the most labour intensive, is to identify former self-funders from both new admissions and existing service users over a three month period and pro-rate this to obtain an annual figure. Alternatively,
councils can identify the number of market beds in a council, pro rate this to an average occupancy level, and assume that 25% will fall back on state funding (as per the LGiU estimate). This can then be pro-rated to obtain an annual figure. Both figures can then be multiplied by the cost of a council-funded care home bed to estimate the potential size of a council’s potential self-funder liability.

2. Improve the content of council information

Council information is, in general, not sufficiently focused on the needs of self-funders. Self-funders need to know about financial products that will help them meet residential care costs or on where to go to find such information. To help improve communication, councils could consider redesigning publications to emphasise the importance and benefits of seeking financial advice.

One council conducted a review of its provision of financial advice and information for older people. It found that clear messages were not put across in communication about funding: information for self-funders, although provided, was included at the back of publications.

3. Improve the delivery of council information

Provision of information must be supported by a follow up programme. Councils need to provide self-funders with a clear
end-to-end process and, wherever possible, monitor individual progress. Providing information is not enough.

One council identified an overreliance on a care funding leaflet. Care home officials assumed that the provision of an information leaflet was sufficient to engage individuals in decisions about funding their care. To help improve take up of financial advice, councils should ensure that all advisors understand the potential impact of an individual’s failure to access appropriate independent financial advice.

4. Improve the timeliness of council advice to self-funders

Councils can help self-funders to avoid exhausting their own resources by taking a preventative approach. Early provision of financial advice and information is vital to an individual’s potential to make positive decisions about the future of care funding. Councils should provide financial advice to residents at the point when long term care is required but, ideally, before they get to the stage of needing a care needs assessment or financial assessment.

5. Increase the number of self-funders accessing financial advice

The analysis above suggests that councils are unlikely to be in contact with all self-funders in their area. In Buckinghamshire they found that only 33% of self-funders were known previously to adult services. Councils can deliver financial advice to more of these people by working through existing contact points and other stakeholders.
Councils can contact more self-funders by providing financial information and advice through existing contact points such as equipment stores, contractors that provide meals at home, and council buildings and events visited by older people. Inserting a flyer into the council care services directory encouraging self-funders to seek specialist financial advice would be a “quick win”. Councils can also work through other stakeholders such as care homes, GPs, hospitals, housing associations and domiciliary care agencies. Links with these stakeholders are vital as they come into contact with residents at an earlier stage when interventions around finance are more productive. Domiciliary care providers are a particularly important stakeholder as they often have the first contact with individuals requiring long term care.

6. Signpost to other sources of appropriate independent financial information and advice

Councils cannot provide the specialist financial advice that individuals require to make positive decisions about funding their future social care. Putting People First, the joint local and central government strategy, recognised this and called for the public to be informed about where they can go to get the best information and advice about their care and support needs by April 2011. It is crucial that individuals are referred to an appropriately qualified IFA for financial advice about funding care. The Society of Later Life Advisers (SOLLA), a not for profit organisation, runs an accreditation scheme with a clear code of practice for its members that is widely seen as a gold standard. At the least, IFAs should possess the CF8 qualification in long term care insurance.
Councils could help ensure that more people access specialist financial advice by reviewing call scripts to signpost individuals to an IFA if they are identified as a self-funder and ensuring that staff who provide advice to residents are aware of the importance of gaining financial advice for both the user and the council.

7. **Councils need to have robust measures to monitor the quality and impact of financial information and advice**

Signposting an increasing number of residents to IFAs places an obligation on councils to ensure the quality of their information and advice. Investment in improving financial advice, meanwhile, places an obligation on councils to demonstrate the value of the intervention.

Some councils have set up panels of IFAs to help ensure that IFAs can be vetted, accountable and their performance monitored.
Conclusion

The research for this paper challenges two conventionally held views. First, that adult residential care is a ticking time bomb of future costs. Second, that councils should only be concerned with those whose care is funded by the council.

Instead we find that people who self-fund represent a significant risk for councils and that the costs of self-funders reverting to state care are already substantial.

Awareness of this issue is lower than it should be. There are reasons for optimism, however. As we have seen there are a number of simple steps councils can take to make rapid reductions in the number of self-funders falling back on state provision.

These interventions are for the most part low cost and capable of realising cost reductions. This should be attractive in the current financial climate. There is also an important democratic dimension to this debate, by giving people better information about their financial options, we give them more choice, more ability to control their own futures and make decisions about the care they receive.

Giving people the capacity to shape better outcomes for themselves, allows them to live out their old age in dignity and with the provision that they have chosen. To do this, while simultaneously saving money from the public purse, is a win-win opportunity and one which more local authorities should seize.
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