ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE

ACA SAYS SOCIAL CARE REFORM URGENTLY NEEDED, AND SHOULD FORM PART OF WIDER INTERGENERATIONAL STRATEGY TO "BUILD BACK BETTER"

30 July 2020. The Association of Consulting Actuaries (ACA) believes that the Government's plans, following COVID-19, to "Build Back Better" must include measures to make sure the cost of providing basic social care is adequately funded for the longer-term. To avoid unsustainable costs to today's and tomorrow's taxpayers, individuals also need to be incentivised to make their own additional provisions through fair and transparent mechanisms.

To achieve this balance, Government will need to build consensus around how additional costs will be met and it is encouraging that recent statements suggest the pause in developing a strategy is nearing a conclusion. ACA says that, especially in the current environment, it is essential that the proposals form part of a wider intergenerational strategy covering all aspects of tax and savings, including pensions and that will help to protect the needs of vulnerable members of society for generations to come.

Providing good quality social care is expensive for the individuals affected, their families and for wider society. Taxpayers via local authorities spent over £22 billion[1] on social care in 2018/19, with self-funded care costs (paid by individuals with savings of greater than £23,250) meeting over £10 billion[2] of the costs. This presents key challenges:

- social care costs are generally poorly understood, with many people only encountering the social care system for the first time when elderly relatives require help. Relatively few people make personal provisions for future social care costs (outside of regular pension saving) and funding outcomes are often perceived as unexpected and unfair especially when significant personal contributions are required; and

- funding challenges look set to rise significantly over coming years as the UK's population ages. For example, population projections used by a recent Lancet study[3] suggest the UK's "over 80" population could rise from around 3 million in 2020 to 5 million by 2040. Social care costs from all sources could easily double over this period.

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[1] Figure from The King's Fund, an independent charitable organisation working to improve health and care in England, on 2018/2019 total expenditure on adult social care by councils.
https://www.kingsfund.org.uk/publications/social-care-360/expenditure

[2] National Audit Office estimate for self-funded adult social care in 2016/17.
https://www.nao.org.uk/wp-content/uploads/2018/07/Adult-social-care-at-a-glance.pdf

[3] Population projections published in the recent Lancet study
https://vizhub.healthdata.org/population-forecast/

ACA believe there are several issues that now need to move forward at pace, including:

- The Government needs to 'be brave' and make proposals this Autumn on what it feels the burden of cost for providing social care, split between the taxpayer and the individual, should be. It needs to propose what constitutes a "baseline level" of social care and how this will be reviewed as the years go by. If the taxpayer is to contribute more (which seems inevitable), then it needs to spell out the impact on rates of tax and how this extra burden might be spread as fairly as possible across the generations.

- The Government needs to consult business, the health and social care and financial sectors on what more needs to be done to raise awareness of social care costs and how individuals' contributions are to be financed, both now and in the future. For example, should social care costs be a mandatory part of "mid-life" and "at retirement" advice? Should there be a bigger role and support for Consumer organisations in communicating to the public?

- The Government needs to consult on and identify ways in which individuals can be actively encouraged to save for later life care, for example through tax incentives or through measures that actively encourage innovation in financial services.

ACA Chair, Patrick Bloomfield commented:

"We have set up a group to consider adequacy of savings across different generations. We are very keen to join the debate to help Government and society as a whole to find a way through this colossal social and financial challenge. We certainly don't have all the answers, but as a country we must engage with the difficult issues involved if we are to build an intergenerationally fair savings and care environment in the UK that meets the needs of the most vulnerable members of society. This has sat in the 'to do' tray for too long now."

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NOTE FOR EDITORS

About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.