Reform of UK Social Care

Funding Universal, Free Adult Social Care.

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Recent analysis by the Kings Fund has shown that the estimated cost of delayed discharges in England in 2025/26, was £2.17 billion[1]. Most of those delayed discharges were for elderly people waiting for suitable packages of care to be devised, delivered and paid for by a patchwork of overstretched and underfunded adult social services departments.

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The NHS and Social Care are joined at the hip which means that if one part of the health and care system is struggling it has a detrimental impact on the other.

There is a general acceptance that if the NHS is to improve its performance and make better use of its resources, there needs to be significant improvements in access to timely and effective adult social care.

Baroness Louise Casey, in her role as the lead for the Independent Commission on Adult Social Care, said in a speech to the Local Government Association[2]

"*We cannot keep pretending that a few tweaks will fix adult social care or attempt major reform without the public's backing. That means having a proper conversation with the public about who social care is for, what the state should provide, what families can reasonably be expected to do, and what we should all contribute in return*".

One model that has been put forward to fix adult social care is to adopt an NHS-style model of universal free care. Irrespective of how attractive this or any other model of social care might seem, the question always comes back to how can it be paid for?

Sticking with an NHS-style model of universal free care, estimates produced by the Kings Fund suggest that for the UK, that model could cost an additional £17 billion per annum by 2035/36[3].

On the assumption that current funding for social care of around £32 billion per annum continues to be met from general taxation, the big issue is how to find additional recurrent funding to cover the additional cost of a universal free adult social care service.

Solution? I would propose we find a way to involve Pension Funds.

UK Pension funds are estimated to be worth nearly £3 trillion[4].

Those funds typically grow in value at 5-7% per annum[5].

So, at an average growth of say 6%, that's a growth of £180 billion per annum.

UK pension funds pay 0% tax on the growth of their standard investments, as they are legally structured to be exempt from Income Tax and Capital Gains Tax (CGT).

This tax-exempt environment allows the money inside a registered pension scheme to compound over time…

… without deductions[6].

We could impose an annual levy of 10% on the growth of UK Pension Funds.

Using the above figures, that would produce an annual income to HM Treasury of £18 billion per annum…

….more than enough to cover the estimated additional annual cost of an NHS-style model of universal free care.

Any money raised by this route should then be ring fenced by Statute to be used solely for adult social care.

Such a proposal would have the effect of reducing the typical growth of UK Pension funds by about 0.6% per annum.

In my view that is a relatively small price to pay in return for alleviating the worry over paying for care costs in retirement.

It would also establish a link between saving for retirement and care in old age.

It would also have the effect of people knowing that assets such as their houses and savings are not at risk of being eaten away by future care costs.

For such an approach to be politically acceptable to the British public they may feel that they would prefer all existing adult social care facilities, e.g. care homes, to be taken into public ownership.

This could perhaps give the public the reassurance that private social care providers would not attempt to inflate their charges in order to 'milk' a more generous funding settlement for social care.

An expanded and better funded publicly

controlled national social care system would also create the opportunity for better pay, conditions and career progression for people working in the care sector.

I do not pretend to be an expert on on pension funds.

I offer this proposal in the hope that it might spark an exploration of the opportunities presented by the value in UK Pension Funds and lead to a solution that solves the funding crisis in social care.

References

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3. https://www.kingsfund.org.uk/insight-and-analysis/long-reads/whats-your-problem-social-care
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