Conservatives' social care plan 'will leave councils millions in debt'

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Money would be spent on covering deferred payments and lawyers to chase families for money "instead of improving care" REX FEATURES

Local authorities would be saddled with tens of millions of pounds of debt by the Conservatives' manifesto plans, according to an expert on social care.

Luke Clements, who lectures in law and social justice at Leeds University, said that councils would demand extra Treasury funding to allow people to defer home care payments until after their death.

This would result in councils having to spend a further significant sum on lawyers to chase families for their money after the death, he said.

"In financial terms, local authorities will take a cashflow hit as many individuals will be able to — and will be —advised to — opt for a deferred payment," Professor Clements said, in his report The Conservative Manifesto and Social Care.

"Local authorities will need a significant cash injection from the Treasury to cover this hit: cash that will do nothing whatsoever to improve the quality or availability of social care for anyone.

"People will have additional incentive to transfer their properties into their children's names, into exotic trusts and/or offshore entities.

"Authorities will end up with debt portfolios of many millions. There will be a temptation to sell this debt or indeed the government may be unable to resist the urge to privatise it."

At the moment, only care-home residents can defer payment. The policy prevents people having to sell their home while they are alive.

However, under the changes proposed in the Conservative Party manifesto, those who receive care at home would also be able to defer payment from their estate until after death as the value of property was taken into account for the first time.

According to LaingBuisson, the healthcare researcher, 371,000 older people were receiving home care last year, and 421,100 people were in care homes.

A further 500,000 people who are not elderly receive social care and are subject to the same rules.

Under the plans set out in the manifesto, which would affect people living in England, anyone with less than £100,000 in assets, including property, would not pay for care — but, with nine out of ten English homes worth more than this, the reality is that more people would have to pay for care.

Professor Clements believes that most people worth more than £100,000 would make their payments retrospective and that some would consult lawyers about selling their homes or transferring ownership.

Professor Clements was special adviser to the parliamentary committee that scrutinised the 2014 Care Act. This introduced a cap on care costs, but was postponed until 2020 because it was too complicated.

A pledge to cap care costs was reintroduced by the Conservatives in their manifesto yesterday.

Richard Humphries, a senior fellow in social care at the King's Fund, has also criticised the plan, labelling it "complex and challenging for councils to implement" and claiming that it risked "unintended consequences".

The Department for Health said it did not have any figures immediately available for the amount of debt councils have accrued from care home residents'costs. However, Professor Clements said it was likely to run into tens of millions of pounds.

HOW TO REDUCE THE BILL — AND THE DANGERS

Sell your home early

Owners could sell their homes early and hand on the proceeds to their children to cut the assets they could be charged for. "This will encourage older people to downsize much sooner, potentially passing on cash early. This could have the benefit of freeing up housing for second-steppers looking for family homes," said Lawrence Bowles, an analyst for Savills, the estate agent.

Free up equity on your home

Reducing a stake in your home to generate cash that you can pass on to your children may be a more attractive option. Equity-release mortgages are the fastest-growing type of home loan on the market, with 97 deals available.

Transfer your property to your children

Lindsey Kutten of Pricewaterhouse-Coopers said that some people may consider transferring property to their children to reduce equity. If you leave this too late and do it when you're already receiving care, however, it will fall foul of anti-avoidance measures and you could be pursued by your council or subject to inheritance tax.

Beware the seven-year rule

Significant “gifts” have to be made seven years before you die to avoid inheritance tax. You will be taxed at 40 per cent on gifts made in the three years before you die, while gifts three to seven years before your death are taxed on a sliding scale.

Don’t give away too much

Many elderly people give their wealth away early, but miscalculate how much they need while alive. Patrick Connolly of Chase de Vere, the financial adviser, said people may be putting their lives in jeopardy by hastily giving away too much of their assets. “Many say ‘I can get the money back in the future’, but it often does not work out like that because it has been invested in a loved one’s property or because a family relationship is complicated.”

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