

5 March 2008

Equity Release

Decisions:

1. Members are asked to consider how they might wish to support the development of cost effective equity release to promote independence and quality of life.

Actions required:

2. As determined by the board.

Action by: Tim Hind

Contact Officer(s): Tim Hind

Equity Release

Summary:

1. The forthcoming green paper on social care will include debate about future funding of social care, including debate about the relative contributions from the public purse and from personal contributions.
2. People on low incomes who wish to draw down on the value of their homes to maintain independence and control and to support better quality of life currently face significant obstacles in doing so. Members are asked to consider how they may wish to support schemes promoting better access to cost effective schemes.

Background:

3. The challenges of future funding of social care in the context of very significant demographic change are now widely recognised and accepted.
4. In 2006 The Kings Fund published the Wanless Social Care Review (Securing Good Care for Older People – Taking a Long Term View) an analysis of likely demand for social care for older people over the next 20 years and estimates of what the spending and funding requirements to secure this might be. The review concluded that significant additional funding will be required to meet rising demand and public expectations, that future options should include private finance / commercial products, that the current system of “Means testing” should be scrapped and that a new partnership “Co-payment” system giving an agreed level of free care supplemented by individual contributions, matched by the state to an agreed limit, should be put in place.
5. Throughout 2007 the “Caring Choices” initiative held a number of events at which more than 700 older people, carers and others shared experiences and views about the current care system and how, in the light of this, it might be funded in the future. Among the findings of these events were dissatisfaction with the current funding arrangements – in particular means testing – and a strong view that there should be a stronger “Universal” element determined by need rather than income;

more clarity about entitlements giving greater opportunity to plan ahead; better access to a range of supports including “low level” supports such as shopping and gardening as well as very targeted “Personal care”; and a strong view that costs should be “Shared” between the individual and the state.

6. In October 2007 and as part of the CSR, the government announced the intention to issue a green paper on reforming social care for adults in England and that this will include review and reform of the current funding arrangements. Three requirements for reform are cited – promoting independence, wellbeing and control for those in need; consistency with the principles of progressive universalism and affordability.
7. Whilst there is a growing acceptance that a personal contribution to the costs of care will be needed, there is little clarity, and so need for debate, about where any such contribution will come from and what it might cover across a range of preventative supports to independence; equipment, adaptations / repairs to property and core services to support assessed needs.
8. In order to support independence, universalism, control and self determination and the ability to “plan ahead” it is clear that people need greater clarity about entitlements to public funding and when it will be available, but also need to know that they can access their own resources without being disadvantaged if they choose to do so.
9. Wanless includes analysis of commercial financing products – including equity release, insurance and tax incentives – and Caring Choices found some support for a “publicly underwritten” equity release scheme as a means of supporting people to get access to funds to support independence. Both note reservations:- for example Wanless with regard to negative public perception of equity release schemes and Caring Choices a concern about the potential for inequitable access to services for those who have / do not have an asset.
10. Although equity release products have been available for some while, take up – in particular by less well off homeowners – has been low. Reasons for low take up have included poor and enduring reputation of the products available, both in terms of the complexities of realising relatively low levels of finance as well as products representing poor value for money. Numbers of people have also been reluctant to enter into equity release as they anticipate leaving property to family.
11. In October 2006 the Joseph Rowntree Foundation published “Overcoming Obstacles to Equity Release” the report of a study that identified obstacles to low income home- owners. This study found that:-
 - a) Over two million older home owners have housing assets worth over £50,000 and 1 million have assets worth over £100,000, but incomes so low that they qualify for means-tested benefits.

- b) Drawing on housing equity could support people to improve their quality of life, support independence and help them to live more comfortably in their own homes for longer. However, only around 25,000 home owners (of all incomes) conclude equity release deals each year.
 - c) The public perception above was justified some years ago, but close regulation by the FSA has improved the quality of products which are now more flexible and competitive, benefiting consumers.
 - d) Obstacles include:- lack of trust in equity release deals exacerbated by a complex application process, a concern about losing benefits or falling into charging regimes for care services, reluctance to spend legacy, fear of debt and daunting processes to arrange works to the house or arrangements for care.
 - e) Tackling obstacles and recommendations included:- Increasing public confidence through comprehensive guidance and advice services; support for (and possibly promotion of) a “Trusted provider” product; support for people in navigating the benefits and related systems, including possible release of modest sums to avoid loss of means tested benefits
 - f) A key recommendation was that local government might jointly sponsor a national, privately financed product to increase confidence and affordability of equity release schemes.
12. The LGA has supported some exploration of the issues identified in the JRF report, at an LGA / JRF seminar held in June 2007 and at the LGA conference in July 2007. These sessions specifically considered potential roles for local government with regard to 11f) above. Members and LA's at the sessions were not supportive of “sponsoring” such products, but were interested in potential strategic roles for local government in relation to influencing a clear view / position from national government about demands that may be placed on housing equity; an influencing role in relation to obstacles presented by the benefits system and support to the provision of good quality and independent advice. Although there was some discussion about the potential of equity release schemes to support care at home, there was more interest in the potential for supporting home improvements.
13. It appears likely that there will be further consideration of a range of private finance products, including equity release, in the forthcoming debate on social care reform and funding when the green paper is issued. It is not clear, however, that such products are or will be actively promoted by Government Departments, though DWP have indicated a willingness to consider how some issues of interface with the benefits system might be resolved.
14. The JRF is setting up a task group to further explore the issues with a view to less well off, older home-owners being able to draw on the equity in their home

(should they choose to do so) simply, cost effectively and with confidence to enable support to independence and quality of life. The sorts of use anticipated for funding released is likely to include:- repairs and improvements to the home; installation of aids and equipment that support the ability to remain at home; funding supportive care or services at home that maintain or improve quality of life – such as help around the house, gardening, shopping etc. The intention is not find ways to replace support that should be provided through public funds.

15. The proposed scope of the work to be undertaken by the Task Group is:-

- a) Improving perceptions of equity release
- b) Handling interaction with benefits entitlements
- c) Specifying a suitable equity release product or products
- d) Making obtaining an equity release deal less daunting
- e) Fostering the development of pilot schemes.

16. Members are asked to consider whether this is work they would wish to support further. If this is the case then there are two broad options – either to maintain a “watching brief”, facilitating more active participation from interested parties in the sector and assisting with communication / dissemination of outcomes of the work of the Task Group as it progresses, or by means of active membership and contribution to the work of the Task Group and lobbying support for conclusions and recommendations.

Implications For Wales

17. None

Financial / Resource Implications

18. None at this point

Contact Officer: Tim Hind