

**REPORT OF THE CHAIRMAN OF THE ADULT SOCIAL CARE AND HEALTH  
COMMITTEE****BENEFITS OF PURCHASING ANNUITIES FOR COUNCIL FUNDED  
RESIDENTIAL CARE****Purpose of the Report**

1. To seek approval for a desk top exercise on the benefits for financial planning of purchasing annuities for the purpose of Council funded care home placements.

**Information and Advice****Background**

2. Under the National Assistance Act 1948, local authorities may decide to arrange for the provision of residential or nursing care accommodation to those who meet assessed needs. The authority is then required to pay for this care for those whose assets fall below a nationally defined level, which is £23,250 for 2012-13.
3. If people have more than £23,250 in capital (savings and investments) they self-fund the cost of the care home placement until their capital falls below £23,250. When this happens the responsibility for the funding is picked up by the Council on a tapering basis.
4. The level of demand from people requiring support from the Council varies from year to year. Combined with the impact on an ageing population it creates difficulties when trying to plan and forecast budgets.

**Annuities**

5. A potential solution to assist with budget planning is the purchase of an 'annuity'. An annuity provides a regular income either for life or a given period, purchased by a one off payment. This will help to crystallise the current demand and assist with financial planning.
6. There are two types of annuity for funding for care:

***Option 1:*** Immediate Needs Annuity

These are used by an individual who wishes to provide for the cost of care by way of a guaranteed, regular income purchased by a one off payment at inception.

**Option 2: Group Immediate Needs Annuity**

These are used to provide a guaranteed, regular income to cover the cost of care for a collection of named individuals by way of a series of fixed, regular payments over an agreed period. The premiums paid are based on a number of factors such as age, gender, and the person's state of health and the monthly benefit will be required.

7. The benefits of purchasing annuities are:

- the potential of reducing costs over time, for example, when the annuity is purchased for an individual there are no further costs for them.
- levelling out the demand costs so assisting budget planning.
- reduction of administration associated with calculating people's entitlement and care costs.

8. The disadvantage of purchasing annuities is:

- The potential early death of recipients of the annuity and hence the Council paying for something that could have been funded more cost effectively in a different way. However, some of this risk can be offset by Capital Protection insurance which allows the original capital to be returned in the event of early death with protection for 75% of the capital on a decreasing scale. However, this would require an increase in the original cost in the purchase of the annuity.

**Next Steps**

9. It is proposed that a desk top pilot scheme is established that looks at the potential benefits of annuities. This will involve the collation of health data from a chosen focused segment of people who require council funding for care. It is proposed to work with health data from a pilot group of 100 people. Consent will be sought from potential users and only where consent is given will data be collated.

10. The need for actual data is:

- Underwritten information on live cases would give us accurate information to base a cost on;
- Hypothetical data has already been used to arrive at this recommendation stage.

11. The premium for this group is calculated by the Provider of Group Immediate Needs Annuity. As part of the proposed desk top exercise there will be no cost for this. The actual cost is approximately £100 per person.

12. The project team led by the Service Director for Promoting Independence and Public Protection, with support from finance and procurement, are to assess the viability of the Group and Individual Needs Annuities. If it proves viable a further report is to be brought to the Policy Committee with recommendations.

### **Other Options Considered**

13. The current approach, involves the department trying to cater for varying demand for the service year on year. A Council reserve could be created which allows a fixed amount per year for Council funded residential places. This could be used to smooth out the varying year on year demand. However, as the risk is never crystallised – then it has the potential to create a very large budget pressure in the future.
14. Nottinghamshire will be pioneering this approach and no other Council has developed a scheme of this type.

### **Reason/s for Recommendation/s**

15. The approach to buying annuities could assist with financial planning and help smooth out the year-on-year demands for council funded residential and nursing care home placements.

## **RECOMMENDATION/S**

It is recommended that Policy Committee:

- 1) Approves the Council completing a desk top exercise and working with the Provider of Group Immediate Needs Annuities to establish costs of taking an annuity approach forward.

### **COUNCILLOR KEVIN ROSTANCE**

**Chairman of the Adult Social Care and Health Committee**

#### **For any enquiries about this report please contact:**

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### **Constitutional Comments (KK 20.02.13)**

16. The proposal in this report is within the remit of the Policy Committee.

### **Financial Comments (KAS 26.02.13)**

17. There are no financial implications of conducting a desktop exercise.

**Background Papers Available for Inspection**

None

**Electoral Division(s) and Member(s) Affected**

All