



Government response to the House of Lords Economic Affairs Committee's report on Social Care Funding: time to end a national scandal

Presented to Parliament
by the Secretary of State for Health and Social Care
by Command of Her Majesty

February 2022



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ISBN 978-1-5286-3191-4

E02713819 02/22

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of Her Majesty's Stationery Office

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1: Introduction

- 1.1 This is the government's formal response to the recommendations made by the Lords Economic Affairs Committee Report, *Social care funding: time to end a national scandal*, published on 4 July 2019. The then Secretary of State expressed his thanks for the work of the committee on 3 September 2019 and reaffirmed the government's commitment to social care reform.
- 1.2 The government apologises to the committee for the time that has elapsed since the report was first published. The chair of the committee raised the delay with the then Minister of State for Care in the spring of 2021. The content and timing of this response reflects his request that the government respond as soon as possible. The government is pleased it is now able to respond in full to the report's recommendations having published its white paper, '[People at the Heart of Care](#)'.
- 1.3 How to reform our social care system is an issue that successive governments have grappled with. Securing longer-term sustainability for social care, and a system where everyone is treated with respect, is one of the biggest challenges that our society faces. The committee considered several important issues relating to funding, fairness, the way that people pay for their care, and importantly around the public's awareness and understanding of what state care provision includes.
- 1.4 The government is grateful for the committee's detailed and careful consideration of the range of the options presented. The government has considered these options, amongst others, and in developing our plans for reform we have worked with over 200 stakeholders, including local government, think-tanks, providers of care and their representatives, professional bodies, charities, unions, and people with lived experience of care and support.
- 1.5 The government is acutely aware of the long-term challenges to the social care system in England. With 1.5 million more over-75s expected in the next 10 years, and a growing population of under 65s with complex care needs, social care that works for everyone has never been more important. In developing these reforms, the government has been mindful of the impact of both the unprecedented nature of the pandemic and the uncertainties it has created, as well as the expected demographic change in the social care population.
- 1.6 On 7 September 2021, the government announced as part of '[Build Back Better: Our Plan for Health and Social Care](#)' an additional £5.4 billion over three years to begin a comprehensive programme of reform for adult social care, backed by the introduction of a new Health and Social Care Levy.

- 1.7 £3.6 billion of this investment will be dedicated to reforming the social care charging system, including funding for local authorities to move towards paying providers a fair rate for care.
- 1.8 The government will address unpredictable and unlimited care costs by introducing a new £86,000 cap on personal care costs, while at the same time extending the existing means testing regime so many more people will benefit from some state support towards their care costs.
- 1.9 A further £1.7 billion is being invested over the next three years to begin major improvements across the adult social care system in England. The government's white paper, [*'People at the Heart of Care'*](#) published on 1 December 2021 outlines its priorities for this investment and sets out the government's 10-year vision for adult social care. This vision has three objectives: people have choice, control and support to live independent lives; people can access to outstanding quality and tailored care and support; and people find adult social care fair and accessible.
- 1.10 The proposals announced in the white paper are the first step towards delivering on this vision. These included:
- At least £300 million to integrate housing into local health and care strategies, with a focus on increasing the range of new supported housing options available.
 - A new practical support service to make minor repairs and changes in peoples' homes to help people remain independent and safe, alongside increasing the upper limit of the Disabilities Facilities Grant for home adaptations such as stairlifts, wet rooms and home technologies.
 - At least £150 million of additional funding to drive greater adoption of technology and achieve widespread digitisation across social care.
 - At least £500 million so the social care workforce have the right training and qualifications, have their wellbeing prioritised and feel recognised and valued for their skills and commitment.
 - Up to £25 million to work with the sector to kick start a change in the services provided to support unpaid carers.
 - £30 million to launch an Innovative Models of Care Programme to support local systems to build the culture and capability to embed into the mainstream innovative models of care.
 - A new national website to explain the upcoming changes and at least £5 million to pilot new ways to help people understand and access care and support available.

- More than £70 million to increase the support offer across adult social care to improve the delivery of care and support services, including assisting local authorities to better plan and develop the support and care options available.

1.11 This is the start of a comprehensive reform journey. Beyond the next three years, as we implement the cap on care costs, an increasing share of tax revenue raised by the Health and Social Care Levy will be spent on social care in England.

2: Addressing the challenges

The structure of this Command Paper corresponds to the recommendations in the committee's report. Where appropriate we have grouped recommendations and responded to these collectively.

Comment 1: Adult social care in England is inadequately funded. 1.4 million older people (14 per cent of the over-65 population) had an unmet care need in 2018. The number of older people and working-age adults requiring care is increasing rapidly, and public funding is not only not keeping pace, but has declined in real terms by 13 per cent between 2009-10 and 2015-16.

Comment 2 and 3: After decades of reviews and failed reforms, it is not clear how another Green Paper is going to make progress on addressing the challenges in social care funding. With each delay the level of unmet need in the system increases, the pressure on unpaid carers grows stronger, the supply of care providers diminishes and the strain on the care workforce continues. Government action, rather than further consultation, is required. To avoid further delay, the Government should produce a White Paper, not a Green Paper, with clear and plausible proposals for sustainable adult social care funding.

Comment 4: As fewer individuals have been able to access local authority funding; greater pressure has fallen on family and friends to provide unpaid care. This may not be sustainable. Restoring access to local authority funding for many individuals could help to relieve this pressure.

Comment 5: To restore care quality and access to 2009-10 standards, addressing the increased pressure on unpaid carers and local authorities and the unmet need that has developed since then, around £8 billion a year in additional funding will be required for adult social care. More will be required in subsequent years as the population of older and working-age people with care needs continues to grow. Roughly half of all public funding for social care is spent on the working-age population.

Comment 6: Unlike the Secretary of State, we are convinced that the increasing disparity between prices paid by self-funders and those paid by local authorities is unfair to both sides and therefore unsustainable. The effect is to drive care homes to market to self-funders, and so reduce the availability of places for individuals funded by local authorities.

Increasing funding

2.1 The government welcomes these comments by the committee and acknowledges the need for more funding for adult social care. The government has therefore taken several specific actions to increase the funding in the social care system, including:

- the Social Care Grant, worth £1.7 billion in 2021-22 for adults and children's social care;

- the Adult Social Care Precept between 2016-17 to 2021-22;
- an increased Better Care Fund of £6.9bn in 2021-22;
- funding for local authorities to help manage the impact of COVID pressures on their services, including adult social care. Throughout the pandemic we have made available nearly £2.9 billion in specific funding for adult social care. This is made up of £1.75 billion for infection prevention and control, £523 million for testing and £583 million to support workforce capacity, recruitment and retention.
- new investment totalling £5.4 billion between 2022-23 and 2024-25 to reform and transform the adult social care system.

2.2 Beyond 2024-25, an increasing share of the Health and Social Care Levy will be spent on social care in England.

Ensuring those who are eligible can access care and support

- 2.3 As set out in the Care Act 2014, local authorities are responsible for assessing an individual's eligibility for care and support and, where the individual is eligible for financial support and in some other cases, for meeting those needs. Where local authorities are not under a duty to meet the person's needs, local authorities will support them, should they require assistance, to make arrangements for drawing on care, including commissioning that care on the individual's behalf if they request this. Local authorities are already required to do this for domiciliary or community-based services and will be required to do this for care drawn on in residential homes in future.
- 2.4 There is currently a lack of data and evidence on the extent to which care needs are not being met. There is also no agreed definition of 'unmet need', either in the Care Act or the research literature. As highlighted in the [Evidence review](#) for adult social care reform (December 2021), depending on the definition used, Age UK estimates suggest that between 160,000 and 1.5 million people may have needs for which they receive no care. Recent research by the Care Policy and Evaluation Centre suggests that around 1% of over 65s in the community had care needs equivalent to those receiving LA-funded care but reported receiving neither attendance allowance, nor formal or informal support. None of these estimates account for the financial circumstances of individuals, so will include those who would not currently meet the means test for state-funded care.
- 2.5 There is also limited evidence on the drivers of access to adult social care. We know these can be broad; some individuals prefer to arrange their own care, for others, there is a lack of awareness of their entitlement and options, others do not want to ask for more help or have a lack of confidence to ask for help. Truly tackling issues around access to care requires an understanding of

the extent to which the various drivers apply and what works in addressing them.

- 2.6 Good advice is often needed to allow individuals to understand their options and access the best care and support. Local authorities are best placed to provide this advice, as the experts in adult social care services available locally. However, to support local authorities, we will be providing dedicated funding of at least £5 million to pilot new approaches to provide personalised advice and gather better evidence of what works, ensuring people have the right information and advice to enable them to access the care and support available to them.
- 2.7 The Health and Care Bill sets out plans for a new assurance framework for social care. The government proposes through the Health and Care Bill a new duty for the CQC to assess local authorities' delivery of their adult social care duties. The government's ambition is that the new assurance framework will improve outcomes for people who draw on care and support and unpaid carers by assessing how local authorities are meeting individual needs in line with their duties under Part 1 of the Care Act 2014. Where CQC-assessment identifies a persistent and serious threat to people's wellbeing, the Secretary of State may act to secure improvement, including through new powers of intervention. This will support our drive to improve the outcomes and experience of people and their families in accessing high-quality care and support, wherever they live in England.
- 2.8 The government has heard that improvement resources provided to local authorities and providers are valued by those who use them, and we recognise the value of the sector-led improvement approach. To deliver our reform ambitions, we will provide more support to local authorities, including specific support to strengthen their market-shaping and commissioning capabilities. In total, the government is providing an increase in improvement funding of more than £70 million between 2022-23 and 2024-25 to scale up improvement activity across the sector, designing an offer that has the greatest impact and meets local authorities' needs.
- 2.9 The government wants to be able to readily identify and share best practice across the system, building on existing sector-led support and improvement programmes. To support this endeavour, we will establish an adult social care data framework by spring 2022 to improve the quality of available data nationally, regionally and locally, which alongside implementation of our other data commitments outlined in the white paper, will allow government to understand how local areas are achieving our vision for reform, identify strong performance and spread best practice so more citizens can benefit.

Improving the quality of care

- 2.10 The government recognises there is variation in the quality of care across the country. Our vision as set out in our white paper '[People at the Heart of Care](#),'

is that people can access outstanding quality and tailored care and support to maintain or gain their independence, allowing them to have choice and control over their lives. The white paper sets out a range of measures to improve the quality of care provided.

- 2.11 To support the delivery of outstanding quality care, the government is investing at least £500 million over the next three years to develop and support the care workforce. We set out further details of how we are supporting the adult social care workforce to deliver quality care in Chapter 4.
- 2.12 The government is committed to investing least £150 million over the next three years to drive digitisation across adult social care. When technology is embedded seamlessly into care and support services, it can help people to live happy, fulfilled lives in their homes and communities. Digital technologies can also transform the delivery of care, reducing the amount of time staff spend on paperwork and other routine tasks, giving them more time to spend interacting with people and delivering personalised, high quality care. This investment will support all providers to put in place the basic enablers of digital transformation, including fibre broadband, digital skills and appropriate cyber security readiness, as well as supporting rapid adoption of digital social care records and deployment of care technologies.
- 2.13 To support more people to live independently for longer and provide an appropriate environment for the delivery of outstanding quality care and support, at least £300 million is being invested in housing to support local areas to provide more supported and specialised housing. This will increase local areas' capacity to deliver supported housing; increase local expenditure on support services for those living in supported housing; support local authorities to integrate housing into local health and care strategies, as well as incentivising longer-term investment. Alongside, we are continuing to invest in the Care and Support Specialised Housing (CASSH) fund with £210 million available for the period 2022-23 to 2024-25 to incentivise the supply of specialised housing for older people and people with a physical disability, learning disability, autism or mental ill-health.
- 2.14 To ensure people can adapt their homes, we are funding a new service to make minor repairs and changes in people's homes to help people remain independent and safe. A further £570 million is also being invested in the Disabled Facilities Grant between 2022-23 and 2024-25, as well as increasing the upper limit of grant, so more people can benefit from home adaptations.

Supporting unpaid carers

- 2.15 For most people, care begins at home with their families. Many people wish to play a role in caring for their friends and families, and we recognise that for some this can be a significant commitment. The government appreciates the

huge contribution that unpaid carers make and recognises the vital role they play.

- 2.16 [‘People at the Heart of Care’](#) sets out that the government will invest an additional £25 million to work with the sector to kick start a change in the services provided to support unpaid carers. We expect this funding will identify and test a range of new and existing interventions that support unpaid carers, which could include respite and breaks, peer group and wellbeing support, and new ways to combine these to maximise their impact. The projects initiated through this funding will build commissioner and service provider understanding of what support works best for those with different caring circumstances. By continuing to build and share the evidence our aim is to drive the development of a strong case for investment for commissioners and therefore stimulate the growth, development and roll out of unpaid carer support services across the country.
- 2.17 In addition, to support the economic participation of unpaid carers, the Department for Business, Energy and Industrial Strategy will introduce a carer’s leave entitlement of 5 days of unpaid leave per year for eligible employees.
- 2.18 The Health and Care Bill also provides an opportunity to create a health and care system that is more accountable and responsive to the people that use it, including unpaid carers. We are committed to ensuring that the voices of unpaid carers, as well as individuals and those who access care and support, are properly embedded in Integrated Care Systems. The Bill will place a duty on Integrated Care Boards to involve carers when exercising their commissioning functions, with equivalent provisions for NHS England commissioning services. This means the services commissioned through these routes in the area in which a carer lives will have considered the impact on carers in that community. There will also be a duty on Integrated Care Boards to promote the involvement of carers in any decisions relating to the diagnosis, care, or treatment of the people they care for.

Tacking the unfairness faced by self-funders

- 2.19 The government wants to create a fair and equitable care and support system for those who need it. We agree that the disparity between the fees paid by self-funders and those paid for by their local authority is unfair. That is why, as part of our wider reform programme, the government will use section 18(3) of the Care Act 2014 to ensure that individuals funding their own care will be able to ask their local authority to arrange residential care for them to give them a choice of better value care. This is already in effect for those drawing on care at home or in community settings.

3: Local authority resources

Comment 7: Local authorities differ in respect of the cost pressures they face and their ability to raise funds. Some local authorities are therefore able to spend more per head on adult social care than others, leading to a postcode lottery in standards of provision.

Comment 8: We share the concerns of many witnesses about the Government's plans to make local authorities more fiscally self-reliant. Demand for social care is often greatest in areas where business is least buoyant.

- 3.1 Council tax is the main source of locally generated revenue for local authorities. The government believes that it is right that local residents contribute to the delivery of services in their area through council tax. Property bands are used as a proxy for ability to pay and the system includes a range of reliefs and exemptions to reflect individual circumstances. Every council has its own council tax support scheme to help low-income households. The government also ensures that council taxpayers can veto excessive increases via a referendum.
- 3.2 The government recognises that the amount that each local authority can raise and spend on adult social care varies depending on existing council tax levels and its tax base. The government has addressed this through using some of the Social Care Grant funding for equalisation.
- 3.3 In addition to the £5.4 billion for adult social care over the Spending Review period, the Autumn Budget set out the provisional Local Government Finance Settlement which provides an additional £3.5 billion to councils, an increase in local authority funding for 2022-23 of over 4% in real terms. This will ensure councils across the country have the resources they need to deliver key services. Local authorities can make use of over £1 billion of additional resource specifically for social care in 2022-23. This includes the increase in Social Care Grant and the improved Better Care Fund, a 1% adult social care precept and deferred flexibilities from last year's settlement.
- 3.4 The government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

4: Social care workforce

Comment 9: Increased funding for adult social care will allow for investment in the care workforce. Higher pay is required for care workers in publicly funded care providers to allow those providers to compete with other local employers. The care workforce needs a career structure which better reflects the skills required to be a good care worker and the social importance of the sector.

- 4.1 The 1.5 million strong social care workforce is our greatest asset. Social care workers are on the front line, caring for and supporting people at the heart of their communities. A qualified and skilled workforce that feels valued is essential for high quality care that is personalised to individual needs. Chapter 6 of [‘People at the Heart of Care’](#) outlines how we want an adult social care workforce where people can experience a rewarding career with opportunities to develop and progress now and in the future. This includes plans to ensure workers’ wellbeing is prioritised. To achieve this ambition, we are investing at least £500 million over the next three years to transform the way we support and develop the workforce.
- 4.2 This investment will support the development of a universal Knowledge and Skills Framework (KSF) and career structure for the social care workforce. The KSF will set out the knowledge and skills required for roles within the sector and set out clear pathways for career progression.
- 4.3 The new national KSF will be accompanied by a funded learning and development offer. Over three years, through the learning and development offer, we will provide hundreds of thousands of training places and qualifications at all levels so the workforce can access knowledge and skills to meet individual career goals and enable them to develop and progress within the KSF. The funding will be targeted to address skills gaps as well as support career development and expertise. The launch of a new skills passport will help address issues of portability of staff training and development, providing a permanent and verifiable record of skills and behaviours.
- 4.4 Registered nurses, nursing associates, occupational therapists and other allied health professionals who work in social care will be supported with a new fund to help them meet their continuous professional development objectives. We are also committed to improving the quality of social work education and training and maintaining a sufficient supply of social workers with the right skills, knowledge and values. We are therefore investing in new training routes for people who want to become social workers.
- 4.5 In addition, we are continuing to commission and fund a range of training opportunities and other programmes to support those workers in the sector to develop their skills, and to help recruit new people into the workforce. Current programmes include:

- a. The Workforce Development Fund (WDF), which is administered by Skills for Care, distributes about £12 million a year (2020-21). Employers can bid for funding to pay for their staff to gain training and qualifications at all levels. The WDF has helped almost 3,000 establishments support over 14,000 learners in 2018-19. The 2020-21 fund will continue to focus on key sector priorities which includes enhanced funding for completion of leadership and management qualifications, learning programmes, and digital learning modules.
 - b. Providing £27 million to expand and extend the Think Ahead programme to train 360 graduates and career switchers to become mental health social workers – the programme has already taken on over 400 participants since its launch.
- 4.6 To support the workforce to recover from their extraordinary role in helping the country through the pandemic, we will fund new health wellbeing resources and occupational health offer. This aims to provide immediate relief from burnout, trauma and mental illness and will include offering services such as counselling, peer-to-peer coaching and workplace improvements. We will work closely with the sector to evaluate the success for wider rollout and establish a culture that focuses on employee wellbeing.
- 4.7 A new care workforce hub will also be launched as a central digital platform for the workforce. It will allow staff to easily identify themselves as working in care, embed the skills passport and signpost care workers to the new support available for the workforce.
- 4.8 The government recognises the vital importance of recruiting people into the adult social care workforce to ensure its sustainability. Within the parameters of their Care Act duties, local government should support recruitment and retention in their local areas, utilising oversight of local systems, the labour market, future demand for care services, and trends and patterns in adult social care workforce. Local authorities should be supporting local providers to recruit by identifying workforce shortages, developing workforce plans and encouraging join up across services. We are exploring what further action government can take to support local areas to recruit people into the care sector.
- 4.9 The Department of Health and Social Care is working with the Department for Work and Pensions to provide resources to work coaches to help them promote adult social care careers to jobseekers, including those who may have lost their jobs during the pandemic from other sectors that have been hard hit, such as tourism, hospitality, and retail.

5: Options for reform

Comment 10:

The committee agreed ten principles which should be considered when exploring options for reform and options for long-term funding solutions. These include:

- putting more money into social care through a combination of public and personal funding, with funding then distributed to local authorities in an equitable way
- increasing public understanding of social care costs and eligibility for assistance with these, alongside finding a solution for those who might face catastrophic costs
- revising the care system to focus on need not diagnosis, improve join-up with the NHS, invest in the social care workforce and recognise unpaid care
- encouraging local authorities to pay fair rates to providers to reduce the need for any cross-subsidy from self-funders.
- ensure those that are entitled to local authority funded social care receive it and have easy access to information

Summary of comments 11-17: The proposed reform options for consideration include:

- increased funding for social care, distributed in a fair and equitable way to local authorities to increase access and improve quality of care
- an individual and Government partnership approach to meet cost of social care – the individual should continue to meet accommodation costs
- introduce entitlement to free personal care for activities of daily living to align with NHS free care. Alignment would encourage early take-up of domiciliary care, thus reducing demand for residential care over the longer term.

- 5.1 The government warmly welcomes the principles outlined by the committee and are broadly supportive of the suggested reforms. These principles have informed the development of our plans for reform.
- 5.2 The government's objectives for reform aim to ensure people find adult social care fair and accessible such that fees are transparent, information and advice is user-friendly and easily accessible, and no one is subject to unpredictable and unlimited care costs.

- 5.3 To increase public understanding of adult social care, we are launching a new national website to explain the upcoming changes and at least £5 million to pilot new ways to help people understand and access care and support available.
- 5.4 The government acknowledges the need for more funding for adult social care and has taken steps to increase funding in the system, as set out in Chapter 2. We are also committed to ensuring funding is distributed to local authorities in an equitable way based on up-to-date assessment of their needs and resources. As set out in Chapter 3, the data used to assess this has not been updated in a number of years and therefore, over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.
- 5.5 We are investing £3.6 billion over the Spending Review period to reform the social care charging system. From October 2023, the government will introduce a new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime. As a result of this new cap, individuals will no longer face wholly unpredictable or unlimited care costs. Further details on charging reform are set out in response to comments 18-20.
- 5.6 As part of the £3.6 billion, £1.4 billion of funding has also made available to support local authorities in moving towards paying providers a fair cost of care. This funding will enable local authorities to work to ensure local care markets are sustainable and can respond to the changes reform will bring.
- 5.7 The recently published [integration white paper](#) set out the measures needed to make integrated health and social care a universal reality for everyone across England regardless of their condition and to level up regardless of where they live. These include consideration of shared outcomes at national level; financial arrangements that drive integration; better data sharing; joined up workforce planning; and strong leadership.

Summary of comments 18-20: Aside from the potential for free care, people requiring long term nursing care might face catastrophic accommodation costs. To mitigate against this, the means test should be retained for accommodations costs and a cap on costs should be explored. Establishing an insurance market in England to share the risk, even with a lifetime cap would be difficult, given funding requirements of the social care system, where almost half of all spending is on working age adults.

- 5.8 Under the existing system, anyone in England with eligible assets over £23,250 must pay for their care in full. In 2011, the Commission on Funding Care and Support estimated that around one in ten adults aged 65 face

lifetime costs of more than £100,000¹. Given rising care costs, that estimate is now one in seven. The government is committed to creating a sustainable adult social care system in England that is fit for the future, alongside its programme of wider healthcare reform. While there are different systems in Scotland, Wales, and Northern Ireland which are run by the devolved administrations, the government will look to establish a programme of joint work to share best practice across the home nations.

- 5.9 From October 2023, the government will introduce a new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime. As a result of this new cap, individuals will no longer face wholly unpredictable or unlimited care costs.
- 5.10 The government is introducing reforms which mean far more people will now benefit from state support. From October 2023, anyone with assets of less than £20,000 will not have to make any contribution for their care from their savings or their housing wealth, ensuring those with the least are protected. Anyone with assets of between £20,000 and £100,000 will be eligible for some means-tested support, helping those without substantial assets. The new upper capital limit of £100,000 is more than four times the current limit of £23,250, ensuring that many more people are eligible for some means tested local authority support.
- 5.11 If someone needs care, local authorities will assess:
- a. their care needs and which of those needs are eligible to be met by the local authority; and
 - b. whether they should receive financial support to help with care costs, via a means test assessment.
- 5.12 Like the current system, the means test will be based on total assets, potentially including both the value of a person's home and their savings. However, if a person needs to continue to live in their own home or they move into a care home whilst a qualifying relative still lives in the home, it will be excluded from the assessment of total chargeable assets. This is known as the housing disregard and is unchanged from the current rules.
- 5.13 These reforms will apply to all adults with eligible needs who draw on adult social care in England, no matter their age. The reforms mean an extra 90,000 older care users at any time will draw on state financial support towards the cost of care compared to the current system. This is based on an

¹ Commission on Funding of Care and Support, 2011. Fairer Care Funding. The Report of the Commission on Funding of Care and Support. [online] HMSO, p.12. Available at: <http://webarchive.nationalarchives.gov.uk/20130221130239/http://dilnotcommission.dh.gov.uk/files/2011/07/Fairer-Care-Funding-Report.pdf>

additional 30,000 benefitting from the changes to the means test only, and 60,000 benefitting from the cap (or cap and means test).

- 5.14 A person in residential care should still be responsible for Daily Living Costs, including accommodation costs, just as they would be at home. Daily Living Costs are the costs that everyone faces such as food, rent and utility bills whether or not they have a care and support need. They will not count towards the cap and are still payable once the cap has been reached.
- 5.15 Daily Living Costs will be set at a national, notional rate of £200 per week, so that more people in residential care will be able to afford them from their income, rather than needing to dip further into their assets. Clearly, the actual split between personal care costs will vary across the country and between providers.
- 5.16 These new reforms will complement the existing service allowing those people in need of residential care to enter into a Deferred Payment Agreement with their local authority to defer payment of their care home fees so that they do not face the added stress of having to rush into selling their home. This system is currently in place and means that people have the flexibility to avoid selling their home within their lifetime. To support these reforms, we will work with partners to review the existing scheme in order to provide more flexibility for people to defer their care payments.
- 5.17 Further information on this, including what this means for people of different incomes, along with the other reforms mentioned in this document, is available in [*Building Back Better: Our Plan for Health and Social Care*](#).
- 5.18 The financial services industry already offers a range of products to help people meet their care costs and there will continue to be a role for a landscape of products to meet people's needs, and fund the cost of their care up to the cap. There is no one-size-fits-all.
- 5.19 The government has started conversations with relevant partners, including the Association of British Insurers, to understand the opportunities for new and existing financial products following the introduction by the cap. We will continue to work with partners over the coming months.
- 5.20 These conversations underline the importance of a charging system that is simple and clear for financial advisors to explain and consumers to understand. We understand that the communication of the reforms will be key.
- 5.21 Whilst government can work with the industry to understand the conditions under which new products aligned with the cap may evolve, government cannot dictate what products may or may not be viable.

6: Raising revenue to fund reform

Summary of comments 21-25: To help meet the cost of social care reforms, the committee put the following suggestions forward for consideration;

- remove the employee's national insurance exemption for those above state pension age to raise more than £1 billion
- social care funding should not be reliant on locally raised revenue which has little connection to local demand for social care
- taxes are not linked to fund social care as it is not linked to local demand
- additional funding for social care should be provided as a grant which is distributed to local authorities in accordance with a national funding formula, which is equitable in considering local demand and ability of local governments to raise revenue
- funding for social care should come largely from general taxation
- an initial cash injection of approximately £8 billion distributed fairly across local authorities is required to restore quality and access to 2009-10 levels prior to free care being made universally available by 2025-26.

- 6.1 The Budget in March 2021, set out clearly the size of the challenge and steps to deliver more sustainable public finances, providing certainty and stability to people and supporting a strong recovery. This action will be underpinned by principles of fairness and sustainability as the government continues to invest in the excellent public services that people expect.
- 6.2 The scale of the challenge facing the health and social care sector as we emerge from the COVID-19 pandemic requires a new approach. The government will therefore make available an additional £12 billion per year on average over the next three years for health and social care across the UK. This is a significant and permanent increase in public spending and it would be irresponsible for it not to be fully funded, especially at a time when borrowing and debt have reached record levels to fund the economic response to COVID-19.
- 6.3 The government has therefore taken the difficult but responsible decision to raise taxes. To do so in the fairest way possible, this will be funded by a new, UK-wide 1.25 per cent Health and Social Care Levy. This will be based on National Insurance contributions (NICs) and ringfenced to fund health and social care.

- 6.4 Only a broad-based tax base like Income Tax, VAT or NICs can raise the sums needed for such a significant investment in health and social care. Basing the Levy on NICs has several advantages:
- It is based on the principle that every individual should contribute according to their means. Those who earn more pay more. Many small businesses are also protected. 70 per cent of the money raised from businesses will come from the largest one per cent of businesses, while 40 per cent of all businesses will pay nothing extra.
 - The Levy shares the cost of improving the health and social care systems between individuals and businesses across the UK. Basing the Levy on NICs means that employers will be asked to pay a little more alongside most employees and the self-employed.
 - Successive governments have increased NICs to fund investment in the NHS and other national priorities, including in 2003 and 2011. The NICs system was set up to fund social security and to support those who have contributed to it over their working lives.
 - There is an existing NICs ringfence for the NHS. This ringfence was established in 1948 and expanded in 2003. These additional contributions will also go to supporting the health and social care system, and this will be displayed clearly on payslips.
 - It provides a clear UK-wide approach. All parts of the UK need a long-term solution to funding health and social care. NICs are set on a UK-wide basis and are therefore an appropriate way to raise and distribute funds across the UK.
 - It is consistent with international best practice. France, Germany and Japan have all increased social security contributions to fund social care provision – the latter two with specific social care levies.
- 6.5 From April 2023 onwards the Levy will also apply to those above State Pension age who are still in employment.
- 6.6 The government will also increase dividend tax rates by 1.25 per cent, revenue from which will help to fund this package. Dividend tax is paid by individuals who receive dividend income from shares, which is not subject to NICs or the Levy.
- 6.7 This is a fair increase, and it means that those with dividend income, like business owners and investors, will be making a contribution in line with that made by employees and the self-employed on their earnings. It is also a highly progressive way to raise revenue. Additional and higher rate taxpayers are expected to contribute over 70 per cent of the revenue from this increase in 2022-23.

E02713819

978-1-5286-3191-4