

Social Care Reform

To: Adults and Health Committee

Meeting Date: 22 September 2021

From: Will Patten, Director of Commissioning

Electoral division(s): All

Key decision: No

Forward Plan ref: N/A

Outcome: To provide an initial interpretation to the Adults and Health Committee on the implications of the Government's new proposals for Social Care Reform, "Build Back Better: Our plan for health and social care"

Recommendation: The Adults and Health Committee is asked note and comment on the potential implications.

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1. Background

- 1.1 On the 7th September 2021, Government announced their proposals for social care reform in their white paper, [“Build Back Better: Our plan for health and social care”](#). This paper provides an overview of some of the potential financial impacts to Adult Social Care as a result of these proposals being implemented.

2. Main Issues

2.1 Overview

- 2.1.1 The Government White Paper “Build Back Better: Our plan for health and social care” sets out a number of proposed reforms to social care. The Government also announced £36bn of investment in the health and care system over the next three years to tackle the Covid backlogs, adult social care reform, and bring the health and social care system together on a long-term sustainable footing. This funding will be raised through a 1.25% increase in National Insurance Contributions (NICs). Over the next 3 years, social care will receive £5.4bn of this funding to implement the social care reforms set out in the White Paper.
- 2.1.2 The reform proposals will potentially introduce additional financial costs and risk to the Local Authority. We await detailed funding proposals before we are able to determine the full implications. However, this paper sets out, as we understand them, the key areas of risk. A more detailed analysis will follow once detailed proposals have been published by Government.

2.2 Social Care Reform – Key Changes outlined in the White Paper

- 2.2.1 The white paper outlines the following commitments to reform social care, which we believe may have financial implications to the local authority:
- **Introduce a cap on personal care costs:** a lifetime cap on care costs of £86,000 will be introduced from October 2023. The White Paper states that this “will apply regardless of where someone lives, how old they are, what their condition is, or how much they earn”.
 - **Provide financial assistance to those without substantial assets:** the state will cover all care costs for anyone with assets under £20,000. Anyone with assets between £20,000 and £100,000 will be expected to contribute to the cost of their care on a means tested sliding scale basis.
 - **Harmonisation of care costs:** The White Paper states that “we will ensure that self-funders are able to ask their Local Authority to arrange their care for them so that they can find better value care”.

2.3 Financial Risks for the Local Authority

2.3.1 Our initial interpretation is that there will be financial risks for the local authority, as outlined below. The Government has not yet published either detailed costings or how it intends to fund the additional financial pressures on local government. Whilst government has stated it plans to cover the costs of implementing these changes from the £5.3bn set aside for social care. We don't yet know what funding formulas will be applied in terms of our allocation and if there will be a gap.

2.3.2 *Funding for ongoing Pressures and Demand for Social Care*

The announcement doesn't directly sight additional funding to help us deal with social care pressures and increased levels of need. Nor does it appear to address unmet need. An analysis undertaken by [Age UK](#) highlighted the high levels of older people who need care who don't currently get it.

2.3.3 The white paper seems to indicate that local authorities will have to fund their "demographic and unit cost pressures" from a combination of "council tax, social care precept and long-term efficiencies". The white paper then goes on to say, effectively, that social care funding "will be determined in the round at the Spending Review in the normal way". Usually, the spending review negotiations will focus on how much of the increase in resources will be funded from council tax and how much by the Treasury. We would expect the same in the 2021 spending review and we will have to wait until budget in October 2021 and the Local Government Finance Settlement in December to understand the full implications.

2.3.4 There is also an additional risk for local government in that the additional funding for the NHS will increase their activity levels in the short term and place more pressure on social care, without the additional resources to cope.

2.3.5 Changes to care cost cap and financial assessment limits

In reality, the number of older people breaching the cap is likely to be relatively small. It is more likely to impact on working age adults with long-term care costs due to the lifetime of those care costs being longer and self-funders who typically pay more for their care.

2.3.6 Changes to the financial assessment limits will result in the new £100,000 limit being over 4 times higher than the current limit of £23,250, this potentially means that more people will be eligible for support than under the current system.

2.3.7 The local authority will potentially have a financial liability to fund more packages of care, as a result of both of these changes. The £86k cap applies to care costs and not accommodation costs, but we are not clear how this will be applied in practice. Currently costs for residential and nursing care are paid for as a single fee, inclusive of all accommodation, food and care costs.

2.3.8 In addition we also need to think about the impact on demand and associated resource implications, as we may see an increase for social care assessments once the cap comes

in from October 2023. The changes to the financial assessment process will also have staffing implications for Adults Finance Operations, who will need to respond to and implement the changes and respond to increases in workload. It is also worth noting that this will impact on IT systems, such as Mosaic, which will also need to be updated to be compliant with the new requirements. We will also need to review our Contributions Policy.

2.3.8 Increased Costs of Care - Market Impact

2.3.9 Introduction of the 1.25% Health and Social Care Levy

There will be a requirement for employers to contribute towards the new levy, representing an increase to employer based NICs. Providers may seek to offset this pressure, passing it through to the local authority via the inflation of care costs. Early estimates, based on the limited information we have available to us, indicate that this could present a pressure of up to c. £1m per annum for Cambridgeshire County Council.

2.3.10 If the Government makes any changes to the National Living Wage (NLW) to offset the increased tax burden for low paid employees, then this would increase the financial risk further.

2.3.11 The White Paper indicates that public sector employer costs will be covered by government, however it is unclear whether this will extend to covering the impact of wider independent provider costs.

2.3.12 Market Equalisation of Care Costs

The White Paper states that “we will ensure that self-funders are able to ask their Local Authority to arrange their care for them so that they can find better value care”. Self-funders typically pay higher rates than the local authority and so any equalisation of market rates will potentially result in increased rates for local authorities.

2.3.13 In a report commissioned by the [County Councils Network](#), and updated in 2017, care experts Laing and Buisson estimated that the additional cost from harmonisation of rates would be £670m per year for county authorities alone, as weekly fees paid by self-funders are much higher than those paid by local authorities.

3. Alignment with corporate priorities

Report authors should evaluate the proposal(s) in light of their alignment with the following four Corporate Priorities.

3.1 Communities at the heart of everything we do

There are no significant implications for this priority.

3.2 A good quality of life for everyone

Ensuring a good quality of life for people.

3.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

3.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

3.5 Protecting and caring for those who need us

There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications

There are no significant implications within this category.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

4.8 Environment and Climate Change Implications on Priority Areas (See further guidance in Appendix 2):

There are no significant implications within this category.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Henry Swan

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?

Yes

Name of Officer: Will Patten

Have any engagement and communication implications been cleared by Communications? Yes

Name of Officer: Matthew Hall

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Will Patten

Have any Public Health implications been cleared by Public Health?

Yes or No

Name of Officer:

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer? N/A

Name of Officer: N/A

5. Source documents guidance

5.1 Source documents

["Build Back Better: Our plan for health and social care"](#)
[County Councils Network](#)