

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

Title of meeting:	Cabinet
Subject:	Adult Social Care Funding Changes
Date of meeting:	27 September 2022
Report by:	Richard Webb, Finance Manager
Wards affected:	All

1. Requested by

- 1.1. This report was requested by the Deputy Leader of the Council.

2. Purpose

- 2.1. The purpose of this report is to provide Members with an update on the proposed changes to the funding arrangements for adult social care, as set out in the recent government white paper '*Build Back Better: Our plan for health and social care*¹'; and the action being taken by the Council to prepare for these changes.

3. Background

- 3.1. In September 2021, the government published '*Build Back Better: Our plan for health and social care*'. This publication forms part of the wider reforms announced by the government in the 'People at the Heart of Care' white paper
- 3.2. The primary objective of the proposals set out in the '*Our plan for health and social care*' is to change the funding arrangements for social care, through rebalancing the financial responsibility for personal care costs between the individual and the state; with the cost to the individual reducing and the cost to local authorities increasing.

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1015736/Build_Back_Better-Our_Plan_for_Health_and_Social_Care.pdf

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

- 3.3. In March 2022, the government published a consultation on the proposed changes. The consultation closed in April 2022 and the government has subsequently published its response² in two parts (on the 15 June 2022 and 07 July).
- 3.4. It is intended that the changes to the charging arrangements will become operational from October 2023.
- 3.5. There are 4 key components to the changes:
- A cap on the amount any individual can spend on their personal care over a lifetime
 - A more generous system of means testing
 - Enactment of section 18(3) of the Care Act to enable eligible individuals to ask the local authority to arrange their care
 - A 'fair cost of care' will be established to support providers
- 3.6. A report was presented to the Health, Wellbeing & Social Care Portfolio meeting on 5 July 2022³, in respect of the 'fair cost of care' changes. Therefore, this report will focus of the first three items listed above.

4. Changes to the charging arrangements

Cap on personal care and daily living costs

- 4.1. One of the key elements of the changes is the proposed introduction of the financial limit on the costs that people will need to spend to meet their eligible care and support needs. The financial limit (care cap) will be set at £86,000 and apply from October 2023. Only costs incurred from October 2023 will count towards the care cap.
- 4.2. Under these proposals, where the City Council is arranging the care and support for an individual, only the amount that the individual is charged by the local authority (based on a financial assessment) will count towards the care cap.
- 4.3. Where an individual fully funds and arranges their care and support themselves, the amount that will count towards the care cap, will be the amount that it would have cost the local authority to have met the individual's eligible need.

² <https://www.gov.uk/government/consultations/operational-guidance-to-implement-a-lifetime-cap-on-care-costs/outcome/charging-reform-government-response-to-the-consultation-on-supporting-local-preparation-guidance>

³ <https://democracy.portsmouth.gov.uk/documents/s39090/Market%20Sustainability%20and%20Fair%20Cost%20of%20Care%20Fund.pdf>

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

- 4.4. Everyone will remain responsible for their daily living costs, such as rent, food and utility bills, and this will apply equally to those in a care home as to those in their own home. This approach is intended to ensure a level playing field between those who receive care in a care home and those receiving care in their own home. Where an individual's needs are being met in a care home, these costs, to be referred to as Daily Living Costs, (DLCs) which are assumed to be the proportion of residential care fees not to be directly linked to personal care, will not count towards the cap on care cost. People will remain responsible for their DLCs throughout their care journey, including after they reach the cap
- 4.5. Local authorities and providers are not required to calculate actual daily living costs for each person in a care home progressing towards the cap. Instead, daily living cost will be set as a national, notional amount of £200 per week, (expected to be up-rated annually) will apply to anyone who receives care in a care home. Local authority financial support will remain available to people who cannot meet their DLCs.
- 4.6. Costs that will not count towards the care cap include:
 - Financial contributions from the local authority towards an individual's care and support
 - The Daily Living Costs (set at £200 per week for 2021-22)
 - For individuals, whose needs are being met by the Council, any top-up payments they or a third-party chose to make a for a preferred choice of accommodation
 - Costs of meeting non-eligible care and support needs
 - Any payments for informal care provided by a relative or friend
 - NHS funded nursing care (FNC) for people in care homes and continuing health care

Means Testing

- 4.7. These changes result in a more generous means test, which will mean more individuals will receive financial assistance towards the cost of their eligible care and support needs. The change will be achieved through a change in the financial thresholds, which are referred to as the 'Lower Capital Limit' and 'Upper Capital Limit'. The table below shows the current and new financial thresholds.

	Current Value	New Value <i>(from October 2023)</i>
Lower Capital Limit	£14,250	£20,000
Upper Capital Limit	£23,250	£100,000

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

- 4.8. The means test for financial support will continue to work in the same way that it does now, in determining what someone can afford to contribute towards the cost of their care, based on the amount of capital assets and income a person has.
- 4.9. Currently an individual with capital assets between £14,250 and £23,250 will be paying a contribution towards their care and support, known as 'Tariff Income'. Tariff Income is an amount added to an individual's assessed income, within their financial assessment, at the rate of £1 for every £250, or part thereof, of capital between these two limits. From October 2023, the following arrangements will apply:

Financial Thresholds	What an individual will pay
Capital assets below £20,000	An individual will pay a contribution to their care and support from their income (subject to a financial assessment) but will not pay any contribution from their capital assets.
Capital assets between £20,000 and £100,000	An individual will contribute £1 for every £250, or part thereof, between these threshold limits from their capital, in addition to the financially assessed contribution from their income.
Capital assets above £100,000	An individual will pay the full cost of their care and support.

Section 18(3) of the Care Act

- 4.10. In addition to the above changes, the government intends to use existing legislation included within the Care Act 2014, to enable self-funders to be able to ask their local authority to arrange their care for them. Whilst self-funders in receipt of Domiciliary Care support can already request this, the proposed changes will expand this option individuals with eligible care needs, who are in receipt residential care.
- 4.11. On the 07 July 2022, the Minister of State for Care and Mental Health announced⁴ that the application of Section 18(3) would now be subject to transitional arrangements. Under these arrangements, people entering residential care from October 2023 will be eligible to ask their local authority to arrange their care for

⁴ <https://questions-statements.parliament.uk/written-statements/detail/2022-07-07/hcws189>

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

them. Anybody already living in residential care will be eligible from April 2025 at the latest, and earlier if the government considers that the market can sustain full rollout.

- 4.12. The Minister of State explained that '*This staged approach to introduction will allow individuals funding their own care to benefit from local authorities' expertise in commissioning as quickly as possible, while allowing local authorities and social care providers to plan for this change and avoid unnecessary disruption to service provision.*'

Care Account

- 4.13. Alongside these changes, the government will require local authorities to maintain a 'care account' record for everyone who has been assessed as having eligible care and support needs, regardless of whether these needs are met by the local authority or by the person themselves.
- 4.14. The care account record is intended to monitor an individual's progress towards the care cap. When an individual is nearing the cap, it is expected that the local authority will work in conjunction them to ensure that the local authority is able to take responsibility for the cost of care as soon as the cap is reached.
- 4.15. The care account must record:
- The total cost of meeting someone's eligible needs
 - The persons current rate of progress towards the cap
 - The total amount the person has accrued towards the cap to date
 - Any amount attributable to daily living costs
 - Any adjustments to the accrued costs
- 4.16. The local authority will also be required to provide a statement every 12 months to individuals with a care account record. In addition, the local authority must provide statements at other times where a person makes a reasonable request.

5. Financial & Resource Impact

- 5.1. As set out in '*Build Back Better: Our plan for health and social care*', the government announced the introduction of the UK-wide 1.25% Health & Social Care Levy based on National Insurance contributions. It was intended that the funds raised through this levy would be ring-fenced to fund the investment in health and social care as out in the government's white paper.

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

- 5.2. It is expected that this levy would raise around £12bn a year on average across the UK. Of the £36bn expected to be raised during the first three years of the new levy, £5.6bn has been earmarked to support the social care reforms; with £3.6bn to be allocated to local authorities to support both the funding changes and the fair cost of care exercise.
- 5.3. There are some national concerns that the funding proposed by government to support the implementation and operation of these changes will be insufficient. The County Council's Network (CCN) and Newton recently published 'Preparing for Reform'⁵. One of the key findings from this review, was the conclusion that an additional £10bn nationally is required over the next 10 years to fully fund these changes.

'The analysis from this programme suggests that the reforms will have a greater financial impact than estimated in the Government's Impact Assessment over the 10-year period (£29bn - £32bn vs. £19bn). In order to properly fund these reforms, social care will require approximately 50% of the Health and Social Care National Insurance Levy (£5.6bn - £6.2bn per year by 2031/32 of a total levy of £12bn).'

- 5.4. The changes are also expected to have a significant operational impact and it is likely to create further pressure on the social care workforce. The CCN & Newton are estimating that over 5,000 additional staff will be required nationally to carry out the extra care and financial assessments for those seeking to benefit from the changes.
- 5.5. The financial and resource impact of these changes for the City Council is currently uncertain. The two main areas of uncertainty are (a) the number of self-funders that may come forward to utilise the benefits arising from the changes and (b) the impact of the changes arising from the means test, as this will depend on individual financial circumstances.
- 5.6. At this stage, the financial impact of these changes is not yet included in either the Council or Adult Social Care Medium Term Financial Plans, as it is assumed that funding will be provided by central government to meet these new burdens. A consultation on the proposed funding distribution methodology for 2023-24 to support these changes has been launched and is due to close on 23 September 2022. Further details are awaited on the funding arrangements and allocations for the Fair Cost of Care exercise for 2023-24.
- 5.7. In addition to the impacts of the funding changes, Adult Social Care (ASC) will also be subject to a new inspection and assurance process from April 2023. It

⁵ <https://www.countycouncilsnetwork.org.uk/advocacy/publications-and-research/>

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

has been more than a decade since ASC was inspected and, in that time, Local Authorities have had to make difficult financial decisions to prioritise the services delivered to their populations. Those resources that would have been in place to manage an assurance and inspection process in ASC are no longer in place. The preparation for assurance/inspection is therefore an additional draw on resources and will not be funded by central government.

- 5.8. Furthermore, the operation of 'Business as Usual' arrangements following the main waves of COVID-19, have been complicated by several factors including financial pressures for uplifts from key suppliers, staff capacity to meet statutory demand, the increase in pressure generated by the NHS discharge to assess process, increased demand for domiciliary care, the cost-of-living impact on care provision and an unstable recruitment market.
- 5.9. Taken together, these issues are placing pressure on ASC locally and nationally, (as evidenced through many recent reports and surveys) and doubtless the cost-of-living impact on supplier uplifts in April 2023 will add to this picture. There is significant risk in gaining and maintaining the capacity to balance these agenda and preparing for what will be a step change in working practice because of the breadth of the reforms proposed within an already stretched financial allocation.

6. Preparation & Next Steps

- 6.1. To ensure that these changes are implemented successfully within Portsmouth, a project team has already been established. The objectives of this project team are to ensure:
 - Existing clients are successfully supported to transition to the new funding arrangements.
 - Additional client demand is identified as soon as possible to enable both Adult Social Care & Finance to be able to successfully adapt their resourcing requirements to support them.
 - The financial impact of the changes is fully understood.
- 6.2. Five key workstreams have been identified to enable the successful delivery of this project and each workstream has a specified lead officer.

Workstream	Objective
Social Care	To ensure that social work teams are aware of the changes, can support clients with them, and are trained on any changes to the case management system and related workflows.

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

Financial Assessments	To ensure that financial assessment teams are aware of the changes, can support clients with them, and that the changes to the financial assessment process, the care cap, as well as the operation of the new care accounts are successfully implemented.
Systems	To work with our IT partners and internal teams, to ensure the necessary system changes are implemented to the ASC Case Management and ASC Finance System.
Finance	To understand and quantify the financial impacts of the changes.
Communications	To ensure the changes are effectively communicated to clients, care providers and staff.

- 6.3. There are 6 trailblazer authorities who are leading on the early implementation of these changes with the Department for Health & Social Care (DHSC). The DHSC has published a list of eight key things that have been identified from the trailblazers, which they think local authorities can be doing in preparation for these changes. The table at Appendix 1, provides a summary of activities and progress made by Portsmouth against these eight areas.
- 6.4. As the implementation of these changes progresses, further updates will be provided to Members.

.....
Signed by (Director)

Appendices: None

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
'Build Back Better: Our plan for health and social care'	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1015736/Build_Back_Better-Our_Plan_for_Health_and_Social_Care.pdf

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

Appendix 1 - Eight key things trailblazers think local authorities can be doing now

Recommendation	PCC Progress Assessment
<p>1. Undertake a full gap analysis to understand what activity you will need to undertake to be compliant with the new legislation.</p>	<ul style="list-style-type: none"> • Following the recent government publications, work is now underway to understand the impact on our existing processes and systems to ensure we remain compliant with the changes in legislation.
<p>2. Make sure all service heads have read the guidance and understand the changes.</p>	<ul style="list-style-type: none"> • Briefing sessions have been delivered to Cabinet Members, ASC Management team, Social Care Practitioners & Finance teams throughout July and August. • An Intranet page is now available to provide information for staff on the funding changes, with links to further useful information. • Further briefings will be delivered as the implementation of the changes progress, in addition to regular updates within the ASC staff bulletins (which ASC finance also receive).
<p>3. Create programme structure & governance including Comms, Finance, Heads of Service, PSW, Commissioning, Brokerage, Financial Assessment Team, Data and Reporting and System Development.</p>	<ul style="list-style-type: none"> • A project board has been established with the following representatives: <ul style="list-style-type: none"> • Head of Service (Adult Care & Support) • Principle Social Worker • Finance & Systems (including leads for systems & reporting, brokerage, financial assessments, etc.) • Communications. • The Communications team will also be working with Learning & Development to develop a formal training programme for staff.
<p>4. Understand any local variation in the impact of reforms (e.g., local cap, demographics, number of care homes,</p>	<ul style="list-style-type: none"> • Work is currently underway to collect the necessary data to quantify both resource and financial impacts of the changes.

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

<p>number of self-funders, number of home owners, digitally enabled).</p>	<p>Specifically:</p> <ul style="list-style-type: none"> • Data is being collected to understand the number of potential self-funders in Portsmouth, as well as establishing how the change in capital thresholds for tariff income will affect current client contribution values. • The financial assessments and benefits team will be contacting existing clients to request further required financial information from existing self-funding clients. Additional staff resource will be sought to complete this. • We are part of a working group with other LA's who are using the ContrOCC finance system, to develop reporting tools to help quantify the financial impact and support the implementation of the changes. • We have links with neighbouring authorities to share knowledge and insights.
<p>5. Crunch the numbers. How many are likely to hit the cap in their lifetime? How will you manage these messages?</p>	<ul style="list-style-type: none"> • As per 4 above.
<p>6. Seek opportunities for join up. New operating model? Strength Based Assessment? Covid legacy? Trusted Assessor model? Community Relationships?</p>	<ul style="list-style-type: none"> • Opportunities will be explored through the Social Work project workstream.
<p>7. Plan your early assessment approach.</p>	<ul style="list-style-type: none"> • We are seeking to recruit additional Social Work and Financial Assessment & Benefits Officers. • Through early recruitment we are seeking to utilise the resource to undertake early preparation and engagement with clients. Initially the additional Social Work capacity will also support the wider workforce with other assessment backlogs.

THIS ITEM IS FOR INFORMATION ONLY

(Please note that "Information Only" reports do not require Integrated Impact Assessments, Legal or Finance Comments as no decision is being taken)

8. Think about when you are going to train staff and the delivery vehicle for this. What else will be happening during this time? i.e. other reforms, winter pressures.

- As per above, briefing sessions have already begun.
- A detailed communications plan is also being developed, to ensure there is appropriate engagement and information for clients, care providers and staff.
- Additional training will also be developed in conjunction with Learning & Development colleagues.