

Funding adult social care: has the problem been solved?





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In September last year, the Prime Minister announced plans to significantly increase the funding for health and social care over the next three years (2022 – 2025), financed by a new tax called the ‘Health & Social Care Levy’. But what does this mean for the future of social care and, have the plans gone far enough?

The Levy & reform proposals in brief

Reform and investment in health and social care is much needed and long awaited. The Prime Minister’s announcement last year was followed in November by a policy paper called ‘Build back better: our plan for health and social care’ and a research paper from the House of Commons Library called ‘Proposed reforms to adult social care (including cap on care costs)’, both of which gave more colour to the proposals. According to the Prime Minister, the new Levy will raise an estimated £11.4 billion a year to help address the care crisis and, this would sit alongside a linked increase in the rates of income tax on dividends of around £0.6 billion a year.ⁱ The publication also states that a figure of £3.6 billion taken from the Levy will be used to support how people pay for care, inclusive of a cap on care costs and a more generous means test. Also, some £1.7 billion will be used to support wider system reform.

In summary, the reforms will mean that from October 2023:

- There will be a new £86,000 cap on the amount anyone in England will have to spend on their personal care over their lifetime. This cap is not dependant on reaching a particular age and will work within the existing framework provided by the Care Act 2014.

- Only the money that is spent on a person’s personal care needs will count towards the cap. So, spending on daily living costs, such as food, will not count towards this.
- The Government proposes to increase the upper limit threshold for accessing funding support from the local authority from £23,250 to £100,000 (in England).
- The Government will aim to amend the Care Act framework so that money paid by a local authority towards meeting a person’s eligible care needs will not count towards the cap.ⁱⁱ This is causing some concern as it will affect those with a lower level of assets.
- Anyone assessed by a local authority as having eligible care and support needs, whether a new entrant or an existing user, will begin to progress towards the cap.ⁱⁱⁱ
- The Government will also review the system of Deferred Payment Agreements to “provide more flexibility”.
- Personal Expenses Allowance and Minimum Income Guarantee will also increase in line with inflation.



What does adult social care cover?

- + Support in people's homes (home care or 'domiciliary care')
- + Support in community settings like day centres (day care)
- + Care provided by care homes and nursing homes (residential care)
- + 'Reablement services' to help people regain independence
- + Installing aids and adaptations in people's homes
- + Giving information and advice
- + Providing support for informal carers



Source: House of Commons Library Research briefing
24th November 2021 Point 1.1 page 7

Response to the proposed reforms

So, does the combination of the Levy and the changes resolve the adult social care issue? The figures mentioned above might be construed as ‘eye-watering’ in size and you would be forgiven for thinking “well, that’s sorted then...”

But resolving this issue isn’t that simple, with multiple reviews, consultations and a Commission having been undertaken to give credence to the complexity of the problems at large. This whole area remains highly complicated, emotive and potentially very expensive.

While a more generous means test has been welcome^{iv}, the initial stakeholder response raised several issues:

- Will the funding provided be enough, given that in 2020 the Health and Social Care Committee offered estimates that varied between £1.4 billion to £12.2 billion, without the impact of Covid-19?^v
- How will we overcome the practical challenges of transferring monies raised by the Levy from the NHS to social care?
- What will actually count towards the cap?
- The Health Foundation commented that the proposed cap on care costs was “a positive and bold step forward” which will “provide people with greater certainty about future costs they need to plan for and help reduce the care cost lottery”.^{vi} However, they also pointed out that “those with wealth of less than £106,000 could be exposed to maximum care costs.”

How can advisers help their clients navigate the potential cost of social care?

Adult social care can be very expensive. It’s a complex area that requires expert knowledge and advice in the event a client needs to access it. Clients need to be aware of potential stumbling blocks from both a personal and financial point of view.

Advisers can help in this process. There are tools that can be utilised such as good pension planning with the use of good quality expressions of wish provisos. There may also be opportunities for the appropriate use of trusts in long-term planning. Clients might also need to consider the relative merits of having life assurance bonds (not capital redemption bonds) as a possible part of that process, as they remain exempt from a client’s assets calculation. As always though, one needs to be aware of the potential for ‘deliberate deprivation’.

Conclusion

So, has the adult social care crisis in England been resolved by this announcement? Well, as one commentator put it: the reforms may not “live up to their marketing” and the cap will “help relatively few people”.^{vii} Meaning it might be wise to continue to factor in social care in the advice process with the same intensity as before.

Source of all data: House of Commons Library Research Briefing, 24th November 2021

ⁱ Point 2 page 14 ⁱⁱ Point 3.6 page 23 ⁱⁱⁱ Point 3.2 page 18

^{iv} Point 3.6 page 23 ^v Point 1.4 page 9 ^{vi} Point 3.6 page 23

^{vii} Summary page 6





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