

# Social Care – Scope and Funding Options Briefing Paper July 2019

## Revised Version 2



### Introduction

While the government continues to delay the publication of the Green Paper on the future funding of social care; charities, think-tanks and politicians have been putting together their own proposals for how the system should be reformed. This paper gives some background to the issue and lays out the main options that are currently being considered.

### Background

Since 2010, local councils in England have had the money they receive from central government cut by nearly half, as part of the government's austerity measures. Despite the growing demand for support, fewer people now qualify for council-funded care than did in 2010. This is partly because the financial threshold for receiving support hasn't risen with inflation.

In 2016, in England, there were 199,305 people in nursing and residential home places and 452,990 people accessing long-term care in the community for whom the local council had some role in funding or providing care or assessing the needs of the person receiving it. A further 225,000 were self-funding part or all of their care in a residential or nursing home. In addition, it has been estimated that there are now nearly 1.2 million people who are not getting the care they need from their local authority – a rise of 48% since 2010.

### Who pays for care?

When it comes to residential care, the latest figures suggest local authorities across the UK paid for 37% of people, while the NHS funded 10% of care home places. The rest was made up of people who either paid for all of their care (41%), or topped it up with a contribution from their local council (12%).

Currently, anyone with assets including property above the following thresholds will be liable for all their residential/nursing care and accommodation costs:

- England and N Ireland £23,250
- Scotland £26,000
- Wales £24,000

In England, anyone with more than £23,250 (income or assets, excluding property) will have to fund their care at home in full. In Wales, home care costs are capped at £60 a week and are free for the over-75s in Northern Ireland, while Scotland provides free personal care such as help with tasks such as washing and dressing (in both care homes and people's own homes).

### How much money is spent on social care?

Figures from the National Audit Office give the following breakdown of current annual spending on social care:

- Local authority spending on social care £14.8bn
- User contributions through fees and charges for domiciliary care £2.7bn
- NHS contribution towards continuing care £2.6bn
- Self-funded care £10.9bn

## Care Options

Whilst there has recently been considerable interest in the reform of the social care system, there are actually a limited number of options to consider – and noticeably a number of different authors propose very similar solutions. These are summarised below:

<b>Model</b>	<b>Entitlement</b>	<b>How would it be funded/how much would be raised</b>
<b>Free Personal Care (Independent Age)</b>	Personal care (whether at home or in a care home) such as help with getting out of bed, getting washed or going to the toilet would be free at the point of delivery. Accommodation costs in a nursing/residential home would still apply (this is the largest part of the cost)	1% increase in Income Tax (£4.5-£6bn)  0.5% increase in National Insurance (£5bn)
<b>House of Lords Economic Affairs Committee</b>	Personal care for those with substantial or critical needs would be free (whether at home or in a care home). Accommodation costs would continue to be means-tested as now. However, the government should consider placing a cap on these costs	General taxation should be used to raise an additional £8bn  Introduce National Insurance for those over 65 who are still working (£1bn)
<b>Barker Commission</b>	Personal care for those with critical needs would be free (whether at home or in a care home). Accommodation costs would remain	Increase from 2% to 3% in National Insurance for those above the upper earnings limit (£1bn)  An additional 1% on employees' National Insurance for those aged over 40 (£2-£4bn)  Introduce National Insurance for those over 65 who are still working (£1bn)  Free TV licences for the over-75s, winter fuel payments and prescription exemptions should be restricted to the least affluent pensioners (£2.4bn)
<b>Cap on care costs (Dilnot Commission)</b>	Individuals would pay up to £72,000-£100,000 for their care costs, but after that figure had been reached, all	Income Tax (unspecified amount)

	<p>additional care costs would be funded by the state. Accommodation costs (as above) would be capped at around £12,000 a year</p>	<p>Introduce National Insurance on the over 65s (£0.9bn-£1.8bn)</p> <p>Reallocation of existing government expenditure (unspecified)</p>
<p><b>Two-tier care (Centre for Policy Studies – Damian Green MP)</b></p>	<p>Basic domiciliary and residential care costs (not accommodation) would be met by the state</p> <p>Individuals could fund additional costs through private savings, a lump sum payment on retirement (£30,000) or equity release from their property</p> <p>Future generations could be offered a voluntary savings scheme such as a Care ISA to fund their care costs in later life</p>	<p>Taxing the winter fuel allowance and removing it from higher rate tax payers (£350m)</p> <p>Adding 1% to National Insurance for those aged over 50 (£2.4bn)</p> <p>Savings from other public spending (unspecified)</p>
<p><b>Comprehensive care (Policy Exchange – Jacob Rees-Mogg MP)</b></p>	<p>All care and accommodation costs would be free at the point of delivery</p> <p>Those with income (not assets) over £27,000 would pay £5000 per year.</p>	<p>1% on Income tax (£4.5-£6bn)</p> <p>1% on VAT (£6.6bn)</p> <p>Reallocate Pension Tax Relief (£24bn)</p>
<p><b>National Care Service</b></p>	<p>All care and accommodation costs would be free at the point of delivery</p>	<p>A menu of funding options:</p> <p>1% on Income Tax (£4.5-£6bn)</p> <p>1% on National Insurance (£10bn)</p> <p>Levy on estates of 5%-15% (£3.75bn-£11bn)</p> <p>Reduction in those disability benefits that are currently used to pay for care costs (£5bn)</p> <p>Reduce Pension Tax Relief at 20% (£24bn)</p> <p>Reverse Corporation Tax to 20% ((£7.5bn)</p>

Reallocating existing government spending (unspecified)
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## **Conclusion**

The challenge of an ageing population clearly demands that society provides for their needs, even if it means reordering the priorities for public spending. There is no evidence that today's workers are not willing to pay sufficient taxes to fund the kind of system that they wish for their parents and themselves as they get older, but government has to make the case for doing so and any additional taxation must be progressively applied.

Unlike any of the other proposals, the NPC recognises that given that a new National Care Service will be publicly funded, we also need a national debate on how publicly provided care homes and care services, based on high levels of training and workforce development could play an essential role in setting and maintaining standards and quality across the sector. As a first step, the distinction between residential and nursing care homes should be removed so that the full range of staff can be employed to reflect the needs of the residents and home care domiciliary services should be brought back into local authority control as contracts expire.

At the moment, there is almost unprecedented and widespread agreement that there needs to be a long-term solution to the issue of how care is funded. The government therefore now needs to move as a matter of urgency to a White Paper (rather than a delayed Green Paper) and provide an opportunity for that wider debate with the public to take place.

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