- Cabinet Office (https://www.gov.uk/government/organisations/cabinet-office)
- Department of Health & Social Care (https://www.gov.uk/government/organisations/department-of-health-and-social-care)
- Prime Minister's Office, 10 Downing Street (https://www.gov.uk/government/organisations/prime-ministers-office-10-downing-street)

Policy paper

Adult social care charging reform: further details

Updated 5 January 2022

Contents

This publication is available at https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care/adult-social-care-charging-reform-further-details

Our plan for adult social care in England: capping adult social care cost

On 7 September 2021, government set out its new plan for adult social care reform in England (https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care). This included a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means-test for local authority financial support.

This document sets out further detail on the workings of the new charging reform framework and confirms key outstanding policy details, including the standard level at which 'daily living costs', will initially be set.

The publication of this document also marks the start of a period of co-production of the statutory guidance with the sector, building on draft regulations and guidance published in 2015 (https://www.gov.uk/government/consultations/care-act-2014-cap-on-care-costs-and-appeals), and followed by a public consultation in the new year. It is intended that the regulations and final guidance will be published in spring 2022.

Summary

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.

In addition, the upper capital limit (UCL), the point at which people become eligible to receive some financial support from their local authority, will rise to £100,000 from the current £23,250. As a result, people with less than £100,000 of chargeable assets will never contribute more than 20% of these assets per year. The UCL of £100,000 will apply universally, irrespective of the circumstances or setting in which an individual receives care, making it a much more generous offer than a previous proposal in 2015. The lower capital limit (LCL), the threshold below which people will not have to pay anything for their care from their assets will increase to £20,000 from £14,250.

It is important that the new reforms are clear and reduce complexity. Therefore, government will introduce an amendment to the Care Act 2014 to the way that people within the means test progress towards the cap. This amendment, subject to Parliamentary approval, will ensure that only the amount that the individual contributes towards these costs will count towards the cap on care costs, and people do not reach the cap at an artificially faster rate than what they contribute. The much more generous means test is the main means of helping people with lower levels of assets.

To allow people receiving means-tested support to keep more of their own income, the government will unfreeze the Minimum Income Guarantee (MIG) for those receiving care in their own homes and Personal Expenses Allowance (PEA) for care home residents, so that from April 2022 they will both rise in line with inflation.

The cap will not cover the daily living costs (DLCs) for people in care homes, and people will remain responsible for their daily living costs throughout their care journey, including after they reach the cap. For simplicity, these costs will be set at a national, notional amount of £200 per week. DLCs are a notional amount to reflect that a proportion of residential care fees are not directly linked to personal care, like rent, food and utility bills and would have had to be paid wherever someone lives. This is in line with the Commission on Funding of Care and Support's 2011 recommendation. The £200 level is £30 less than a proposal set out in 2015, ensuring people get to keep more of their income and assets.

The case studies included in government's health and social care command paper to illustrate the positive impact of these reforms were based on the details set out above. They can also be found at the end of this document. By setting out and explaining these details, it will be possible to replicate the calculations.

Overview of the new reforms

What the cap is

The cap on personal care costs will place a limit on the costs that people will need to spend to meet their eligible care and support needs.

The term 'personal care costs' refers only to the components of any care package considered to be related to personal care, not hotel and accommodation costs (see the 'Daily living costs' section below). This will be based on what the cost of that package is or, in the case of self-funders, would be to the local authority if it were to meet the person's eligible care and support needs (see the 'How people progress towards the cap' section below).

From October 2023 the cap will be set at £86,000. This means the maximum amount anyone will have to pay for personal care to meet their eligible care and support needs from October 2023 onwards will be £86,000. The cap will be implemented for adults of all ages, without exemption.

The extended means test

The means test for financial support will continue to work in the same way as it does currently: it determines what someone can afford to contribute towards the costs of their care based on the amount of assets and income a person has. The table below illustrates how a local authority applies the charging rules to determine a person's contribution.

However, to help more people with the costs of their care and support, alongside the cap the reforms are also increasing the point at which a person is eligible for local authority means-tested support. From October 2023 the UCL will rise to £100,000 from the current £23,250 and the LCL will increase to £20,000 from £14,250. The UCL of £100,000 will apply universally, irrespective of an individual's care setting or circumstances.

Assets	What do you pay?
Above the upper capital limit (£100,000 from October 2023)	Full cost – you are a self-funder.
Between the capital limits	What you can afford from income plus a means-tested 'tariff' contribution from assets. The tariff is calculated as follows: for every £250 of capital between the lower and upper limit, an income of £1 a week is assumed, and this will be payable towards the cost of your care.
Below the lower capital limit (£20,000 from October 2023)	You no longer contribute from your assets and only what you can afford from your income.

In applying the means-test, people must be left with a certain amount of income, called 'the social care allowances', the value of which differs depending on the care setting. Both the MIG, that is the income a person receiving care outside a care home is left with after charges, as well as the PEA, that is the income a person receiving care in a care home is left with after charges, which have been frozen since 2015, will increase in line with inflation from April 2022.

Introduction in October 2023

From October 2023, anyone assessed by a local authority as having eligible care and support needs, either new entrants or existing social care users, will begin to progress towards the cap. Costs accrued before October 2023 will not count towards the cap. To enable this, the local authority in whose area the person is ordinarily resident will start a care account, which is personalised to the individual and will monitor their progress towards the cap. Before the cap comes into effect, local authorities need to work to identify people who currently meet their eligible needs themselves, to ensure that they can begin progressing towards the cap from the point it comes into effect.

The government intends to test the implementation of these charging reforms with a small group of volunteer local authorities that will implement the reforms in advance of the national roll-out. Taking this approach will ensure smoother delivery of the reforms for most people across the country. We will publish the basis of which we will select these areas in due course.

How people progress towards the cap

For each person with eligible needs, the local authority must provide either a personal budget, where the local authority is going to meet the person’s needs, or an independent personal budget (IPB), where the individual arranges their own care. The personal budget will set out the cost to the local authority of the care they have arranged, whereas the IPB sets out what it would have cost the local authority to meet the person’s needs.

In determining a person’s IPB, local authorities should apply the same principles that underpin the calculation of personal budgets under the current system: transparency, timeliness and sufficiency. Section 18(3) of the 2014 Care Act allows self-funders to request that their local authority commissions their care, in the same way as those who are supported by the means test. It was commenced in 2015 in relation to domiciliary care and we plan to roll this out further. Further details of the calculation of an IPB and self-funders asking local authorities to arrange their care will be confirmed following the coproduction of the statutory operational guidance on these reforms and be subject to the following consultation on that guidance early next year.

The person’s personal budget or IPB will be used to calculate the amount that will count towards the cap. For individuals who receive financial support for their care costs from their local authority, it is the amount that the individual contributes towards these costs that will count towards the cap, subject to Parliamentary approval.

Everyone will have a care account which will be maintained by the local authority and will keep track of their progress towards the cap. Local authorities will provide regular care account statements, and engage early with the person once they are close to approaching the cap to discuss how their needs will be met. Further detail on care account statements will be set out in our consultation.

What does and does not count towards the cap

Care and support costs that count towards the cap are the costs of any provision that helps meet eligible needs as defined under the Care Act 2014. As is currently the case, the local authority must assess the person’s care and support needs and then consider how those needs will be met, for example, whether someone’s needs are best met in a care home, whether they should have support in their own home, or whether they could benefit from community based services. It is this agreed provision, which forms the basis of the costs that count towards the cap – less DLCs (see below) for those receiving care in a care home. The statutory guidance to be consulted on in the new year will set out further detail to support local authorities in this ask.

Daily living costs

Under the capped system, 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. As recommended by the Commission on Funding of Care and Support, where someone's needs are being met in a care home, these costs, to be referred to as 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.

The concept of DLCs is not meant to be a precise science. 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, which will apply to anyone who receives care in a care home. Local authority financial support will remain available to people who cannot meet – in full or in part – their DLCs.

Top ups

Those receiving care themselves, or a third party such as a relative, may choose to make additional payments for a preferred choice of accommodation or care arrangement, for example, secure a premium room or furnishings. Government therefore intends to change the regulations to enable everyone receiving local authority financial support to fund such top-ups for their own care. These top-up payments, on top of the cost specified in someone's personal budget or independent personal budget, will not count towards the cap and will still be payable by the person once the cap has been reached.

Approaching and reaching the cap

When a person reaches the cap, the local authority becomes responsible for meeting the person's eligible care and support needs and for paying the cost of the care needed to meet those needs.

To ensure smooth transition to local authority support, local authorities will have to notify the person in advance of reaching the cap, provide information for when they reach the cap, and work with the person to agree in advance how they would like their needs to be met when the cap is reached. For example, a person who has been meeting their care and support needs themselves may choose to receive a direct payment from the local authority in order to continue arranging their own care and support. They may alternatively opt for the local authority to assume responsibility for arranging their care and support. Further detail will be published as part of the consultation early next year.

Once the cap has been reached, the person will continue to remain responsible for meeting or contributing to their daily living costs and any top-up payments they have chosen to make. It will be the responsibility of the local authority to inform the person that they have reached the cap.

Case studies

Case study – Yusuf

Yusuf is in his late 70s. He has lived on his own since his wife died from cancer 10 years ago. When she died, he downsized from their family home in Hastings to a smaller property worth £180,000. As a result, he has £70,000 in savings. Yusuf develops dementia, can no longer cope at home and needs to move into residential care. His underlying health is good and he ultimately spends 8 years living at the residential home. Yusuf's care home costs £700 per week.

Under the current system, Yusuf would spend about £293,000 on his care from his assets and his income, and as a result only have £72,000 left in assets.

Under the new system, Yusuf hits the £86,000 cap after 3 years and 4 months. He no longer needs to contribute for his personal care from either his assets or his income. Beyond this, he will only have to contribute towards daily living costs. He is now left with £173,000, almost 70 per cent of his original assets.

Over his whole care journey, Yusuf spends £123,000 less than under the current system.

Case study – Mary and Bob

Mary is a pensioner living in Cheshire with her husband, Bob. Together, they own a home worth £90,000 and have joint savings of £10,000. They both worked hard throughout their lives, planned carefully for their retirement and have a joint weekly income from pensions of £762. Mary has dementia and receives care in their home, but Bob is her main carer. Sadly, after a year Bob suffers a severe stroke and both Bob and Mary need to enter residential care.

Under the current system, if they both stayed in residential care for 2 years, Mary and Bob would have spent around £114,000 in total towards their care. They would not have got any state support until right at the end when they individually reached the upper capital limit of £23,250, which would be based on half of their shared assets. They would be left with around £44,000 in assets.

Under the new system, once they both enter a care home, they immediately become eligible for some state support due to each of their £50,000 share of their wealth being below the new £100,000 upper capital limit. Under the new system, they spend £66,000 in total for their care from their income and assets.

Over their combined care journeys, Mary and Bob save £48,000 from their assets and their income in the new system compared to the current system.