

**Manchester City Council
Report for Information**

Report to: Health Scrutiny Committee – 9 November 2022

Subject: Charging Reforms and Fair Cost of Care

Report of: Executive Director of Adult Social Services

Summary

The social care white paper set out government plans with regard to adult social care funding reform. A revision to charging thresholds and the introduction of a care cap are due to take effect from October 2023. Progress is being made to fully understand the detailed requirements and make preparations covering process, establishment capacity and systems.

A Fair Cost of Care programme has also been undertaken in accordance with government requirements and the returns submitted accordingly. Funding for this change was to be funded from the health and social care levy (National Insurance) increase which has since been reversed by Government. However, they have committed to continue to invest the £13.8bn a year it was to raise in the health and social care system, including the care reforms.

The results of this exercise will inform the government of the total likely cost. The Council has assumed that the reforms will be fully funded from the £13.8bn and is therefore cost neutral.

Failure to fully fund the changes from central government resources would present a significant financial risk to the Council with the implementation and transition arrangements impacted.

Recommendations

The Committee is recommended to note the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA).

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council’s activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city’s economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Both the charging reforms and fair cost of care have significant financial implications. As new policy, the expectation is they will be fully funded. Government has not announced the proposed methodology to distribute funding for either element. There is a very significant financial risk on the fair cost of care as the resources available will dictate both the final approach and pace of transition within fee setting arrangements. Nationally there is significant concern that the Government has underestimated the funding requirement.

Financial Consequences – Capital

None directly arising from this report.

Contact Officers:

Name: Bernadette Enright
Position: Executive Director of Adult Social Services
Telephone: 07866 989734
E-mail: bernadette.enright@manchester.gov.uk

Name: Sarah Broad
Position: Deputy Director Adult Social Services
Telephone: 07966 229569
E-mail: sarah.broad@manchester.gov.uk

Name: Simon Finch
Position: Head of Finance Adult Social Services and Public Health
Telephone: 07939132452
E-mail: simon.finch@manchester.gov.uk

Background documents (available for public inspection): None

1. Purpose of the Report

- 1.1. To provide an overview of the adult social care charging reforms and brief progress update on working towards implementation.
- 1.2. To outline the government requirements on Fair Cost of Care research and engagement with care providers and confirm they have been delivered on time.
- 1.3. To outline the significant amount of work that has been undertaken on the financial modelling required as part of the response to government and the potential implications and next steps resulting from this exercise. Detailed information is not reported due to its commercial nature.

2. Introduction and Background

- 2.1. The reform of adult social care funding arrangements has been a challenging and long standing issue considered a number of times by various governments, but not fully addressed. There has been significant media attention on areas including:
 - (i) A workforce crisis for social care providers who cannot recruit and retain staff, and whom on relatively low pay, feel undervalued relative to the NHS workforce;
 - (ii) Recognition of the value and contribution of social care providers and their workforce throughout the pandemic;
 - (iii) The reported issue of care providers charging higher fees to self-funders against local authority framework rates in order to maintain financial sustainability;
 - (iv) Perceived unfairness in the system whereby as social care provision is chargeable, it can cost individual people very high costs over a fairly short timeframe; and
 - (v) An unfair and out of date national funding formulae not reflecting the true costs of care across the country
- 2.2. Within the social care white paper, published in December 2021, the government set out its plans with regard to long term funding reform. There are two key elements:
 - (i) Paying a fair cost of care to providers; and
 - (ii) Implementing a revision to care cost thresholds and introduction of a cap on care costs at an individual level.
- 2.3. The Local Government Financial Settlement December 2021 set out additional funding available to councils to support reform and “move towards paying providers a fair cost of care“.
- 2.4. Three tranches of funding totalling £1.4bn were announced:

- (i) In 2022/23 - £162m nationally (£1.8m in Manchester) – funding can be used by councils to support work on cost of care; and
 - (ii) In 2023/24 and 2024/25 - £600m per annum (Nationally) – funding is expected to go via councils to providers through increased rates
- 2.5. Nationally it is reported that the Government has significantly underestimated the costs and there is widespread concern on the financial risk facing local authorities if this new policy is implemented and not fully funded. In addition, there is a growing tension and suggestion the government should push back the start date to October 2024 (CCN) to enable authorities to recruit around 5,000 extra staff to undertake the influx of new care assessments, there being a current workforce crisis in the sector.

3. Core Changes to Existing Legislation

3.1. New Cap and Thresholds

- (i) From October 2023, the government will introduce a new £86,000 cap on the cost of personal care over the lifetime;
 - (ii) 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. 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;
 - (iii) 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. For simplicity, these costs will be set at a national, notional amount, the equivalent of £200 per week;
 - (iv) Contributions are assessed 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 care;
 - (v) 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, and
 - (vi) 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.
- 3.2. The government consulted on options to distribute funding for the cost of care cap and new thresholds in the summer and the outcome is expected in due course.
- 3.3. In addition, the Government has undertaken a ‘Fair Cost of Care’ exercise through local authorities in the summer to autumn 2022. A submission to central government was made on 14th October. Based on the outcomes of each local authority’s submission a distribution of the £600m funding is

expected. In setting the 2023/24 fees, the Council will place due regard to the requirements of the Care Act and DHSC's 2022 policy, "Market Sustainability and the Fair Cost of Care Fund guidance". Funding provided in 2022/23 was a precursor to assist with these arrangements.

- 3.4. An amendment to Section 18(3) of Care Act 2014 provides that from October 2023 people who fund their own care in care homes can ask their local authority to arrange care on their behalf to secure better value (already applies for home care).

4. Key Requirements

- 4.1. All Councils were required to undertake a programme of work and to submit a return to DHSC by 14 Oct 2022 covering:

- (i) Cost of care report and table for Residential and nursing care for people aged 65+ and Home care for people aged 18+. The report detailed:
- How the exercises were carried out;
 - How providers were engaged;
 - Lower and upper quartile and median cost, plus an assessment of a rate of return on operations and rate of return on capital employed by the care setting; and
 - How the cost of care has been determined.
- (ii) Provisional Market Sustainability Plan (Final February 2023). It has 3 key sections:
- Assessment of current fees and market sustainability;
 - Assessment and quantification of expected market changes and future risk in next 3 years, including those due to charging reforms and section 18(3); and
 - Plans to address any sustainability issues identified and move to fair cost of care between 2022-2025
- (iii) Spend report, this report:
- Contains a full breakdown of how funding has been allocated to support 65+ care home and 18+ domiciliary care markets; and
 - Specifies whether, and how much funding, has been used for implementation activities (<25%) and how much funding has been allocated and committed towards fee increases (>75%).

5. Manchester Context and Progress Update

- 5.1. Significant work by Council commissioning, operational and finance colleagues has ensured the government requirements in relation to the above returns have been met in full. The publication requirements are currently being considered and will be in line with government guidance.

- 5.2. The forthcoming consultation on the distribution of funding for the fair cost of care will be of key importance. The expectation is this key policy will be fully funded and therefore cost neutral to the local council tax payer.
- 5.3. The approach to fee setting for 2023/24 will be informed by the outcome of the Fair Cost of Care research. The annual consultation with providers will also look to gain an understanding of the latest inflationary and other cost pressures, as well as continuing to commit to an offer which enables providers to pay the Real Living Wage to their workforce. In setting the 2023/24 fees, the Council will also place due regard to the requirements of the Care Act and DHSC's 2022 policy, "Market Sustainability and the Fair Cost of Care Fund guidance".
- 5.4. The service has undertaken the necessary modelling of the potential costs of the charging reforms (cap, threshold and capacity) and engaged in the recent consultation on the matter; the outcome from which is awaited. Most of the consultation options provide sufficient funding for anticipated costs related to these reforms (exclusive of the fair cost of care). However there is some financial risk on the element relating to establishment capacity and the options being considered.
- 5.5. It is clear that the reforms will have significant workforce implications including:
- (i) Increased social work and financial assessments, reviews and care management responsibilities;
 - (ii) Increased resources to manage contacts/enquiries from residents and provide information, advice and advocacy; and
 - (iii) Increased resources in other parts of the council eg Financial Assessments, Finance, HR, Procurement, Legal, Communications.
- 5.6. Once the funding arrangements for the delivery infrastructure is confirmed, the workforce requirements and the necessary recruitment can commence.
- 5.7. There are a number of policy and practice implications arising from the charging reforms. The service is currently working towards implementation and participating in many regional and national events focused on 'ready for reform'. The Deputy DASS oversees the programme plan with core elements focused on:
- Workforce modelling to meet the expected demand for social care and financial assessments. There is a significant risk on recruitment issues well reported nationally;
 - Process mapping and operating model design;
 - Potential policy implications notably about charging discretions previously implemented and arrangements for self-funders including opportunities for self assessment; and
 - Engagement with the existing IT software provider regarding core system changes and creation of new care accounts and records.

- 5.8 There are key dependencies with this work and the Better Outcomes, Better Lives programme, particularly in relation to the Early Help workstream, work to embed strengths-based practice (Maximising Independence) and Responsive Commissioning. These dependencies are being mapped to ensure plans are managed to deadlines and resources are appropriately deployed.

A full update on progress will be reported regularly through 2023.

- 5.9 The government has issued grant funding to help with implementation costs including £99k received in June to support both ICT developments and staff capacity, with a second tranche of £94k expected in the autumn.

6. Conclusions

- 6.1 The charging reforms and fair cost of care represent a substantial programme of work which is now well underway.
- 6.2 The service has worked closely with the care sector in recent months and completed all the fair cost of care requirements on time and with a good level of engagement. The next step is to await the government consultation on the distribution of funding. The approach to fee setting for 2023/24 will therefore be informed by the outcome of the Fair Cost of Care research and also with due regard to the requirements of the Care Act and DHSC's 2022 policy, "Market Sustainability and the Fair Cost of Care Fund guidance".
- 6.3 The charging reforms are currently scheduled to be implemented in October 2023. There is significant national lobbying to request that this date is deferred by 12 months. The service continues to work towards implementation next year. There is a strong programme management approach to overseeing the key changes to policy and practice, engagement with IT suppliers and undertaking workforce requirements. Further updates will be provided to this Committee into 2023 as the work progresses and specifically to cover the required policy changes.