
NATIONAL INSURANCE INCREASE ...

[In a statement to the House on 07 September](#) the Prime Minister announced plans to substantially increase funding for health and social care over the next three years, to be funded by a new tax: the Health and Social Care Levy.

The Levy is to be based on National Insurance contributions (NICs). From 2023 the Levy will be legislatively separate and will also apply to individuals working above State Pension age, who are not liable to pay NICs on their earnings at present. The Government also plans to increase the rates of income tax that apply to income from dividends, to help to fund these plans.

Details of the Levy are set out in HM Government, [Build Back Better: Our Plan for Health and Social Care](#), CP 506, September 2021. This states that the Levy will apply to employees and employers liable for Class 1 NICs and self-employed individuals liable for Class 4 NICs.

In 2022/23 the Levy will be collected by means of an increase in the current rates of NICs by 1.25 per cent. In 2023/24 a formal legal surcharge of 1.25 per cent will replace the increase in NICs rates and apply to those working above State Pension age, while the underlying NICs rates will return to their previous level. It is estimated that the new Levy will raise around £11.4 billion a year, while the associated increase in the rates of income tax on dividends will raise around £0.6 billion a year (see para 80-82).

HM Treasury has also published, [Impact of "Building Back Better: Our Plan for Health and Social Care" on households](#), 07 September 2021.

Adult Social Reform

The funds from the levy will be ringfenced to fund investment in health and social care set out in the Policy paper, [Build Back Better: Our plan for health and social care](#). This includes a number of reforms to how people pay for adult social care in England, supported by £5.4 billion of investment over the next three years.

The reforms include:

- The introduction of a cap on personal care costs of £86,000 from October 2023.
- Increasing the upper capital limit (the threshold above which somebody is not eligible for local authority support towards their social care costs) from £23,250 to £100,000 from October 2023.
- Increasing the lower capital limit (the threshold below which somebody does not have to make a contribution towards their care costs from their capital) from £14,250 to £20,000.

- If somebody has capital between £20,000 and £100,000 the local authority may fund some of their care, but they may have to contribute up to 20% of their chargeable assets per year (in addition to their income).
- Increasing the amount of income that care recipients can retain after contributing towards their care costs (the Minimum Income Guarantee and the Personal Expenses Allowance) in line with inflation from April 2022.

A cap on care costs and an increased upper capital limit were central recommendations of the 2011 Dilnot Commission and a cap is legislated for in the Care Act 2014. However, the details of the proposed cap differ from those set out by the Dilnot Commission.

A consultation on the charging reforms will be published in October 2021.

The Policy paper also sets out proposals for wider system reform, including the integration of health and social care, further details on which will be set out in a White Paper published later in the year. This includes at least £500 million of funding over the next three years to support the social care workforce.

The Health and Social Care Levy

Following the Prime Minister's statement, the Leader of the House [announced](#) that the House would consider a motion to approve a Ways and Means Resolution related to the Levy on 8 September.

The text of this Resolution is set out in [the Order Paper](#) for 8 September, and a [short explanatory note on the Resolution](#) has also been published.

This is required so that the Government can bring forward legislation to introduce the Levy. As Erskine May explains, "although the Finance Bill is the most common form of Bill brought in upon Ways and Means resolutions, other Bills the main object of which is to create a charge upon the people may also be brought forward by the Government, which must also be brought in upon such resolutions.

Recent examples include the *National Insurance Contributions Bill 2001–02*, the *HGV Road User Bill 2012–13*, the *Stamp Duty Land Tax Bill 2014–15* and the *Taxation (Cross-border Trade) Bill 2017–19*. In each case, a debate has taken place on the founding resolution or resolutions. Under modern practice, all bills brought in upon Ways and Means resolutions are Bills of Aids and Supplies ... This is reflected in the words of enactment, which can sometimes take the same form as for a Finance Bill, or can take a specific form reflecting the provisions of the bill." ([para 36.43](#)).

A recent example of this procedure was the [Taxation \(Post-Transition Period\) Act 2020](#). In [his Business statement to the House on 3 December 2019](#), the Leader of the House announced the forthcoming publication of this Legislation, and that prior to this, on 8 December the House would consider a motion to approve Ways and Means Resolutions related to the Bill ([HC Deb 3 December 2020 c452](#)). In turn the Bill was brought in after the end of the debate on the Resolutions on Tuesday 8 December ([HC Deb 8 December 2020 cc756-800; Votes & Proceedings No.148](#), 8 December 2020), and received its Second Reading on 9 December ([HC Deb 9 December 2020 cc893-941; Votes and Proceedings No.149](#), 9 December 2020).

It is important to note that a Bill of Aids and Supplies is always introduced in the House of Commons and is subject to a different and more limited form of proceedings in the House of Lords (for more details see [Erksine May para 33.21](#)).

Commons Library Briefings

There are a number of Commons Library briefings that provide some context to the Prime Minister's statement:

[National Insurance contributions: an introduction, CBP4517](#), 16 December 2019 (provides an overview of the National Insurance system, and the reforms that have been made to it in recent years).

[Paying for adult social care in England](#), CBP01911, 27 August 2021 (provides an overview of how individuals currently access social care funding support from their local authority). [Adult Social Care Funding \(England\)](#), CBP7903, 11 December 2020 (examines the key funding pressures facing adult social care and sets out the additional funding provided since 2016/17).

[Reform of adult social care funding: developments since July 2019 \(England\)](#), CBP8001, 12 May 2021.

[Social care: Government reviews and policy proposals for paying for care since 1997 \(England\)](#), CBP8000, 23 October 2017 (section 5 provides information on the proposals of the Dilnot Commission in 2011).

Further background information

On 02 September 2021 the NHS Confederation and NHS Providers published [A reckoning: the continuing cost of COVID-19](#), a joint report setting out the extra running costs now needed by the NHS in England in light of the pandemic. The Health Foundation has also published its analysis of the funding that it considers the NHS requires ([Almost £17bn needed to clear backlog and treat expected rise in patients needing NHS hospital care](#), 6 September 2021).

The [report](#) of the Health and Social Care Select Committee inquiry [Delivering core NHS and care services during the pandemic and beyond](#) was published on 1 October 2020. The Committee has launched an inquiry on [clearing the backlog caused by the pandemic](#), to quantify the level of pent-up demand for key healthcare services; and to consider whether fundamental changes to the organisation and delivery of NHS services will be required to manage the backlog of cases caused by the Pandemic.

The Committee held an [oral evidence session](#) with patients, Royal Colleges and policy experts on 07 September 2021.

Further to these reports, the following is a short selection of the initial commentary that has been published on the Government's plans:

- Local Government Information Unit, [LGIU Statement: Response to the Prime Minister's announcements on social care](#), 07 September 2021.
- King's Fund, [The King's Fund responds to the announcement of a health and social care levy](#), 07 September 2021.
- Association of Directors of Adult Social Services, [Prime Minister Announces Adult Social Care Reform Plans & Funding](#), 07 September 2021.
- Nuffield Trust, [Care providers, care users and workers will feel short-changed by proposed health and social care levy and reform](#), 07 September 2021.
- NHS Providers, [Health and care leaders facing 'impossible choices' as spending review settlement will leave 'huge' funding shortfall](#), 07 September 2021
- Institute for Fiscal Studies, [An initial response to the Prime Minister's announcement on health, social care and National Insurance](#), 07 September 2021.
- Resolution Foundation, [Nationally Insured?: New taxes and new spending to address key Department for Health and Social Care priorities](#), 08 September 2021