

RAISING THE CHARGING THRESHOLDS FOR NON-RESIDENTIAL SERVICES: RAISING THE BUFFER FROM 16.5% TO 25%

Background

People who receive non-residential Social Care services can be charged for these services by their local authority¹.

A 'non-residential service' is a service to meet social care needs in the community. This doesn't include supported or residential accommodation. This includes things like:

- help at home with personal care or other tasks (note that personal care for people aged 65 and over can't be charged for)
- equipment, community alarms and telecare services
- help with laundry, shopping and meals services.
- activities such as going on trips, help with education, day care opportunities
- services purchased using Direct Payments

The local authority assesses a person's ability to pay for social care. The local authority needs to make sure that everyone has the minimum amount they need to live on and this is called the **charging threshold**.

At the moment, the **charging threshold** is calculated as follows:

- The **charging threshold** is worked out by adding a **buffer** (currently **16.5%**) to the appropriate DWP rate(s) for the following groups of people:
 - For people aged below state pension qualifying age the Income Support Personal Allowance and the Disability Premium are added together with the **buffer** added to the sum of these two rates.
 - For people aged state pension qualifying age or above the Pension Credit Guarantee is used as the basis for the charging threshold calculation with the **buffer** added.

This paper considers the cost of raising the **buffer** from **16.5%** to **25%** and estimates how many people would be affected by this change.

In order to do this we looked at analysis from COSLA and from Prof David Bell (Stirling University) as well as carrying out our own analysis. A summary of this follows:

¹ In Highland the Health Board provides adult Social Care services but in all other areas of Scotland these are provided or purchased by Local Authorities.

Prof David Bell , Stirling University analysis

Prof David Bell at Stirling University produced a report for us examining the impact of increasing the buffer on care charges. This analysis uses four years of Family Resources Survey data and includes a Scottish sample of around 25,000 adults.

It should be noted that this sample provides only a small number of local authority clients receiving care and an even smaller number that would be expected to contribute to the costs of that care and therefore there is some uncertainty around the accuracy of the estimates provided.

The threshold incomes for this analysis were based on 2010-11 values and assumed a **taper** rate of 46.5% (average of taper rates from COSLA analysis).

[The **taper** rate determines how much of a client's net² income above the **charging threshold** level can be asked for in charges. Councils set **taper** rates locally and these vary across the country]

Prof Bell's analysis considered the effect of increasing the **buffer** rate from 15% to 50% in steps of 5%. It does not therefore present an estimated value for the current **buffer** rate of 16.5% (we have assumed that 15% will provide our best estimate).

The model provides us with the following estimates of revenue from charges:

Estimated revenue from charges:			
Buffer (%)	Age 65+	Age 16-64	Total
15%	£44 million	£10 million	£54 million
25%	£38 million	£9 million	£47 million

Therefore **raising the buffer from 15% to 25%** would result in loss of charges of **around £7 million**. This is the difference between the £54m (15% buffer) and £47m (25% buffer).

² Net income is calculated by disregarding: council tax, rent, mortgage interest, water and sewerage costs, house insurance, dependent children benefits, Armed Forces Independence payment, mobility component of Personal Independence Payment or Disability Living Allowance and a Minimum Earnings Disregard of £20/week.

COSLA analysis

COSLA carried out a survey of all local authorities in Scotland which asked:

- 1) What is the estimated annual cost to your council if the charging buffer of 16.5% was increased to 25% / 35%?
 - 2) How many people currently receive non-residential social care services?
 - 3) How many people currently pay a charge for non-residential social care services?
 - 4) How many people would no longer be charged if the buffer were increased to 25% / 35%
 - 5) How many people would be charged less if the buffer were increased to 25% / 35%
- 20 local authorities completed the survey.
 - COSLA estimated the cost of raising the **buffer to 25%** based on average cost for those that returned the survey and the population for those areas.
 - This provided an estimated cost of **just over £6 million** to raise the buffer to 25%

Health Analytical Services Division analysis

Four of the councils that returned information said that it would cost them nothing to raise the **buffer to 25%**.

Health ASD re-ran the analysis taking into account the fact that this would not impact on some councils as they were already applying a buffer of 25%.

- This provided an estimated cost of **under £5 million** to raise the buffer to 25%
- Using the data provided by Local authorities, Health ASD then calculated how many people were expected to benefit from raising the buffer to 25%
 - Around 3% of people paying charges would be removed from charging altogether (over 900 people)
 - Around 47% of people paying charges would pay less if the buffer was increased to 25% (nearly 13,300 people)
 - Overall estimate that over 14,000 people would benefit from the change in the buffer to 25%

What age groups will benefit from this change?

Further consideration was given to how many people aged 65+ and how many people aged under 65 would benefit from this change:

- The COSLA survey did not ask Local Authorities to distinguish between different age groups so unfortunately no information was available from this source.
- Prof David Bell's paper estimates that around 80% of revenue from charging comes from people aged 65+.
- The Local Financial Returns (LFR3) completed by local authorities shows that overall 60% of Gross Social Care Expenditure³ in 2013-14 was spent on people aged 65+.
- The Social Care Survey⁴ shows that 65% of home care hours (excluding 24/7 care) are provided to people aged 65+ and just over 80% of clients are aged 65+. This reflects the fact that younger people tend to have much higher packages of care.
- People aged 65+ already receive personal care services for free so may be less likely to pay for services, particularly if they only want the free service. However, Older People may have pensions and assets which mean they have greater ability to pay for services than a younger person with care needs.
- Therefore we expect the proportion benefitting from a raise in the buffer will be less than the 80% which is the proportion of clients aged 65+ but higher than 60% which is the proportion of gross expenditure spent on people aged 65+.
- Taking all of this into account we expect that maybe around two-thirds of the people benefitting from raising the buffer to 25% could be aged over 65. To improve this estimate we would need to ask councils for further information based on their financial assessment of clients.

³ Expenditure on Adult Social Care Services, Scotland, 2003-04 to 2013-14

<http://www.gov.scot/Publications/2015/03/5885>

⁴ Social Care Survey <http://www.gov.scot/Topics/Statistics/Browse/Health/Data/HomeCare>

Conclusion

- We estimate that **increasing the buffer to 25%** for all non-residential services for all age groups (personal and non-personal care) would **cost between £5 million and £7 million each year.**
- Note that these estimates relate to **existing Social Care users** and not any increased demand that could arise from a change to the buffer rate.
- We estimate that **over 14,000 people would benefit from this change** and of these, over 900 people would be removed from charging altogether.
- We estimate that around two-thirds of people benefitting from this change are aged 65 and over.

Health ASD

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