



Report of the Director of Adult Social Services

Executive Board

Date: 15th December 2010

Subject: Charges for Non-Residential Adult Social Care Services

Electoral Wards Affected: All

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

This report describes the history of customer contributions toward the cost of non-residential adult social care services. It shows how, over time, inequalities have grown in a system where different services have come to be subsidised at different rates, or not at all.

In the light of this and the current economic climate, the report proposes a public consultation on the proposal to remove the subsidy from non-residential care services and how this could best be implemented. It considers the likely effect that removing subsidies might have on current service users, which would be:

- No effect on the one third of customers who currently do not pay for their services (1,350 people in total)
- No effect on the one third of customers who pay at the level of their assessed charge (1,350 people in total)
- An estimated one third of customers (1,350 people) would pay more for services, however around 520 of these would pay less than £10 per week extra
- No-one would pay more than the financial assessment calculates that they can afford and no changes are proposed to the financial assessment methodology.

The report goes on to set out indicative unsubsidised charges for non-residential services; arrangements for a maximum weekly charge; and transitional arrangements that will be considered. It describes plans for a public consultation to be conducted before drawing up specific proposals for consideration at a future meeting of Executive Board. The consultation will use the same approach that was used very successfully in the previous review of the charging policy in 2009, with a service user and carer reference group working in an advisory capacity alongside the officer team. The estimated additional income in a full year from the proposals could be £1.3m.

Executive Board is recommended to approve the consultation described in paras 5.1 to 5.5 and how this might be implemented; and request further analysis of charges and their impact as described in paras 5.6 and 10.1.

1.0 Purpose Of This Report

1.1 This report sets out proposals for a public consultation on removing the subsidy from charges for non-residential adult social care services, which would mean that in future customers who can afford it would pay the full cost of the service. The report sets out the way in which the public consultation will be conducted. A financial assessment of a person's ability to pay will, as now, be used to decide whether he/she pays the full cost of the service, or a proportion. The report sets out the reasons for this proposal, the likely implications for customers and income levels and the further work required.

2.0 Background Information

Customer contributions

2.1 Customer contributions toward the cost of non-residential services i.e. home care, supported living, day care and transport are calculated on the basis of two factors:

- the charge for the service received
- a financial assessment of a person's ability to pay the whole or part of the cost.

Further details, together with examples are shown in Appendix 1 of this report.

2.2 Most of the income from customers contributions relates to home care and supported living services.

2.3 Leeds has a long history of generously subsidising charges for non-residential services from public funds. In recent years, some other councils have decreased the amount of subsidy for these services, for example York now charges £16.00 per hour for home care, while Leeds had taken only small steps to do so.

Recent revisions to customer contributions

2.4 In February 2009, Executive Board approved revised customer contributions for non-residential services. Although some increases were made to the charges for individual services, the main changes related to the financial assessment methodology.

The main changes to the methodology were in

- (i) taking people's capital (savings) into account for the first time (excluding the value of their home) and
- (ii) increasing the percentage of disposable income (after allowances) that people contribute towards the cost of services.

The changes brought Leeds more in line with other authorities, but our customer contributions policy is still more generous than most. The amount a person pays for a service is substantially lower than the actual cost.

2.5 There was an extensive customers consultation process before these changes were approved by Executive Board. The consultation benefited significantly from the involvement of a service user and carer reference group working alongside the officer team in an advisory capacity. This approach was praised for its openness

and fairness in ensuring all points of view were gathered and taken into account when drawing up proposals for revised charges. The team was a recipient of a 2009 corporate Award for Excellence in recognition of the quality of its work. The 2009 charging review was significantly more extensive in its scope and impact than the proposals in this report and it was implemented successfully with very minimal adverse comment from customers.

- 2.6 In July 2009 the Department of Health issued its Fairer Contributions guidance which took effect in March 2010. This guidance updated the previous directions to ensure that personal budgets and direct payments are covered appropriately. It deals with the level of charges for services and not with the financial assessment methodology. No subsidy was applied to direct payments when they were introduced in Leeds and this was reaffirmed in the 2010/11 delegated decision on standard charges and contributions.

3.0 Main Issues

Varying rates of subsidy, resulting in inequality

- 3.1 The level of charges for individual services were originally set many years ago and increased annually for inflation. As a result, the various non-residential services are now subsidised at different levels. For example, home care is subsidised at an average rate of around 50% depending on the service provider, whereas day care with transport is subsidised by more than 90%.
- 3.2 People who have a direct payment may use it to purchase the same kind of support through a personal assistant that a traditional home care service would otherwise provide. By taking a direct payment they receive no subsidy, but if they used a home care service instead it would be subsidised.
- 3.3 While the pattern of subsidies in Leeds is very similar to that of most other authorities, it must be acknowledged that customers are unfairly subsidised to a greater or lesser extent, depending on the service they use.
- 3.4 The highest subsidy is for day care and the associated transport provision, services increasingly less likely to be used in future as people choose more flexible and more personalised ways of meeting their needs. However, the large size of the subsidy (over 90%) could lead to customers choosing day care as an inexpensive option (to the customer) that does not best meet their support needs.
- 3.5 Half of those service users who pay for their services have their charge capped at the amount they can afford, according to the financial assessment. However, for those not capped, subsidising charges means that they are paying *less* than they can afford, which also raises equity issues.

Current economic climate

- 3.6 The Council's challenging financial circumstances provide a further reason for reviewing charges for those who can afford to pay more. The government is currently reviewing the funding arrangements for adult social care services in the longer term with regard to what the individual and the state should contribute. This is aimed particularly at residential care for which the value of people's homes are taken into account (homes are excluded from the assessment for non-residential services), but community based services are likely to come within the overall approach. Some form of insurance scheme may eventually be proposed and so the Council needs to

consider whether to continue to subsidise charges that in future may be paid for from an insurance fund.

- 3.7 The public consultation that the Council is currently undertaking in response to the Comprehensive Spending Review includes a question in respect of charges for adult social care services. The online responses received by 2nd December showed that 60% of those who responded (408 people in total) felt that raising the charges for people who can afford to pay more was important or very important. This compares with 16% who felt that it was unimportant or very unimportant.

4.0 Proposals

4.1 Removal of subsidy from services

The equity issues outlined above and the Council's challenging financial circumstances have led to a review of the current charges for non-residential adult social care services. It is proposed that approval is given to a public consultation on removing the subsidy from services and more detailed work is undertaken on the financial and customer implications. No changes are proposed to the financial assessment methodology.

4.2 Effect of removal of subsidy on customers

If the subsidy were to be removed, the effect on current service users would be:

- No effect on the one third of customers who currently do not pay for their services (1,350 people in total)
- No effect on the one third of customers who pay at the level of their assessed charge (1,350 people in total)
- An estimated 33% of customers (1,350 people) would pay more for services, of which approximately
 - 520 of these would pay less than £10 per week extra
 - 720 would pay between £10 and £50 per week extra
 - 110 would pay more than £50 per week extra
- No-one would pay more than the financial assessment calculates that they can afford

4.3 Indicative charges

The indicative level of charges on an unsubsidised basis would be:

	Current Charge	Indicative Unsubsidised Charge
Home care/supported living	£9.30 per hour	£13.00 per hour
Day care attendance	£3.15 per day	£28.00 per day
Transport to day care	£1.30 per day	£22.50 per day

Although removing the subsidy has a significant effect on charges, particularly for day care and transport, the increases that customers will pay are not necessarily proportionate as they are based on the financial assessment of what is affordable. Section 4.2 above indicates that a relatively small proportion of customers will be significantly affected and Appendix 2 shows some examples of how these increases would affect people in different circumstances. Any transitional arrangements as outlined in section 4.7 below will also mitigate the impact of increased charges.

4.4 Charges for meals

It is also proposed that charges for meals are no longer subsidised. The subsidy levels within meals charges are considerably less than for other social care

services, but meals charges are not financially assessed and so everyone pays the same amount. Meals charges will be addressed separately as part of a review of the costs of service provision.

4.5 Transport and mobility

As well as reviewing the costs of transport for charging purposes, the policy on the provision of transport may also need to be reviewed. This is particularly in respect of those customers who could travel to their day service without using Council-provided transport and people who receive mobility allowance but do not use it to access day care. A proposed change in the legislation may allow charges to be levied for the administration of the disabled parking badges scheme and this is also being explored. The provision of charging for Shopmobility services is also under review. These aspects will be dealt with separately from the potential removal of subsidies set out in this report.

4.6 Maximum weekly charge

For financially assessed services the maximum weekly charge is currently £140 per week. When the charges were revised in 2009 the service user and carer reference group advised on proposed changes, in particular with reference to fairness. Members of the group were keen to ensure that those with the highest levels of need are not unduly penalised and the maximum weekly charge addressed this, although it could be argued that it is inequitable as it provides a subsidy for those on the highest incomes as well as those with the highest needs. It is proposed that the maximum weekly charge is reviewed as part of the further work outlined in section 5 below.

4.7 Transitional arrangements

When the more extensive changes were made to customer charges in 2009, transitional arrangements were put in place. A £20 per week maximum increase was applied for the first year, with a further £25 maximum increase in the second year. These transitional arrangements cease on 31st March 2011, so from next year all customers will pay in accordance with their financial assessment. Capping the weekly increase was a major contributor towards the smooth implementation of the previous changes. Similar arrangements will be considered for this review, although the impact on customers overall will be less significant than those in 2009.

5.0 Next steps

Consultation

5.1 More detailed work will be required on assessing the impact both upon the people affected and the Council of removing the subsidy for charges for non-residential adult social care services. The Council's current public consultation on the Comprehensive Spending Review runs until 17th December and the responses to the question on adult social care charges will be reviewed. More specific consultation with customers of Adult Social Care non-residential services will take place in the New Year. This will seek views on removing subsidies, the impact on customers and how any changes would be implemented, including any transitional arrangements.

5.2 As no changes are being made to the financial assessment methodology and no-one will pay more under these proposals than the current financial assessment shows that they can afford, the consultation does not need to be as extensive as that undertaken for the previous review. It can, however, be more specific in that those who will be affected and the extent of the impact on them can be identified.

5.3 It is proposed that the service user and carer reference group from the 2009 charging review is reconvened to ensure a thorough consultation with service users, families and carers, elected members and other stakeholders. This will build on the consultation with members of the public that is currently taking place as part of the Council's spending review consultation.

5.4 The consultation will include publicity in the local media, information about the potential changes and the opportunity to comment, meetings and events and elected member briefings. Consultation will take place with a number of groups and forums, for example Leeds LINK and organisations that work with and support service users and carers to help understand the impact of any changes. Those customers directly affected by the potential changes will receive details of how much their charge is likely to increase and given the opportunity to comment.

5.5 It is proposed that the consultation will run from January to March 2011.

5.6 Proposed charges

More detailed work will be done on the financial and customer implications of the proposals and on reviewing the maximum weekly charge. The indicative charges set out in section 4.3 need further refinement in the light of the 2011/12 budget for these services and the way overhead costs and service usage levels are accounted for in calculating the unsubsidised charge. Further consideration is also needed to ensure that the charges are sustainable in the future under the self-directed support model.

6.0 Specific Implications for Equality and Diversity

6.1 The proposals will lead to a more even-handed approach across services. No-one will pay more than the financial assessment calculates that they can afford, but those with relatively high incomes and/or low levels of service are most likely to be affected.

6.2 An equality impact assessment will be undertaken in conjunction with the service user and carer reference group before Executive Board is asked to approve any changes.

7.0 Implications For Council Policy And Governance

7.1 These proposals are in line with the Council's Fees and Charges policy.

8.0 Legal And Resource Implications

8.1 Implications for the Council

The proposals could generate an estimated additional £1.3m income in a full year. Given the need for further work outlined above, the impact in 2011/12 is anticipated to be a 7-month effect at most and any transitional arrangements will further reduce the additional income to the Council in the first year. Accordingly, additional income of £0.5m could be raised in the 2011/12 budget.

Implications for customers

8.2 A third of customers do not pay for their services and a further third pay at the level of their assessed charge. Neither of these groups, 2,700 people in total, will be affected by the proposals in this report. Of the estimated 1,350 people (one third of

customers) who will pay more for their service, approximately 520 will see an increase of less than £10 per week, 720 would pay £10 to £50 extra per week and 110 would see an increase of more than £50 per week. These increases are on top of what they would otherwise have paid in 2011/12.

- 8.3 Approximately 500 customers are still receiving transitional protection in the current year to limit their annual increase when the charging policy was revised in 2009, but this is due to end on 31st March 2011. Of these, an estimated 150 will see their charge increase by less than £10 per week, for 120 people the increase would be between £10 and £50 per week and around 230 will pay £50 or more extra per week. These increases will be in addition to any increases from the proposed subsidy removal in 2011/12.
- 8.4 If transitional arrangements were applied in the same way as when the charging arrangements were changed in 2009, no-one would be asked to pay an increase of more than £20 per week in the first full year. This would almost halve the additional income in the first year to approximately £0.7m. However, it would mean that around 550 people would have their increase capped in the first year, approximately 110 of whom would otherwise see an increase in their payment of over £50 per week.

9.0 Conclusions

- 9.1 A public consultation on removing the subsidy for non-residential adult social care charges is proposed to improve equity for customers and generate additional income for the Council in the current challenging financial environment.

10.0 Recommendations

- 10.1 That Executive Board approves
- (a) The public consultation (as described in paras 5.1 to 5.5 above) on the proposal for the removal of subsidy from services (as described in paras 4.1 to 4.7 above) and how this might be implemented
 - (b) The more detailed analysis of financial and customer implications as described in para 5.6 above
- 10.2 That Executive Board requests a further report with proposals following the more detailed analysis and the outcome of the consultation to be presented to Executive Board in July 2011.

Background documents referred to in this report:

Executive Board Report 13th February 2010 – Income Review for Community Care Services

Department of Health – Fairer Contributions Guidance, July 2009

FN31 Standard Charges, Contributions, Rates and Allowances 2010/11 – Delegated Decision, February 2010

Leeds City Council Fees and Charges Policy and Best Practice Guidance – February 2008.

FINANCIAL ASSESSMENT METHODOLOGY

Income Included in the Financial Assessment

Income Included

State Retirement Pension
Occupational Pension
Guarantee Credit (Pension Credit)
Attendance Allowance
Disability Living Allowance Care Component
War Disability Pension (first £10 per week disregarded)
War Widows Pension (first £10 per week disregarded)

Income Excluded

Earnings
Working Tax Credit
Savings Credit (Pension Credit)
Disability Living Allowance Mobility Component
War Widows Supplementary Pension

Allowances Given in the Financial Assessment

Personal Allowances

Basic Income Support/Pension Credit plus 25% - figures vary depending on the benefits being received, but the minimum weekly amounts for each age group for 2010/11 are:

State pension age or over	£165.75
Aged 25 to state pension age	£81.81
Aged 18 to 24	£64.81

Housing Costs

Mortgage/rent payments (less any Housing Benefit received)
Council Tax (less any Council Tax Benefit received)
Water rates

Disability Related Expenses

Additional heating costs (using regional figures issued by the National Association of Financial Assessment Officers)
Additional laundry costs (using regional figures issued by the National Association of Financial Assessment Officers)
Additional dietary costs
Community alarm costs
Costs of equipment purchased (converted to a weekly amount)
Costs of help with domestic tasks or gardening
Costs of care purchased (if part of a care plan)
Other costs associated with maintaining independence

Disposable Income

Total Income (that can be included in the financial assessment)

Less: Personal allowances (for daily living costs e.g. food & energy)
Housing costs
Disability related costs

Equals: Disposable income (remaining income available that could be contributed towards services)

Taking Capital into Account

Capital (excluding the value of a person's home) is taken into account by treating people as having a weekly income on top of other income to represent them utilising their capital to contribute towards their services.

For illustrative purposes the table below shows the amount added to people's weekly income in the financial assessment for various amounts of capital:

Capital Amount	Assumed Weekly Income
£10,000	Nil
£15,000	£2.00
£20,000	£12.00
£25,000	£25.00
£30,000	£45.00
£35,000	£66.00
£40,000	£85.00
£46,500 and over	Payment in full for services at the subsidised rate

Note: If the contribution for each of the services someone receives totals less than their assessed contribution, then they will pay the contributions for their services (i.e. the lower of the two amounts)

Example of Financial Assessment Calculation

	Per Week £	Per Week £	
<u>Income</u>			
Pension Credit	71.12		
Attendance Allowance	47.80		
State Retirement Pension	97.65		
Occupational Pension	18.00		
		234.57	
Weekly amount based on £20,000 capital		12.00	
Total Assumed Income		246.57	
<u>Allowances</u>			
Personal allowance	165.75		
Water rates	5.50		No other housing costs as entitled to full Housing & Council Tax Benefit
Excess fuel (extra heating)	3.20		
Laundry allowance	3.15		
Domestic help	28.00		
Gardening	4.61		
Window cleaning	2.30		
Electric wheelchair	4.80		
Stair lift	3.90		
Taxis	15.00		
Total Allowances		236.21	
Disposable Income		10.36	Income less allowances
Maximum Assessed Contribution towards services		9.32	90% of disposable income

EXAMPLES OF THE IMPACT ON CUSTOMERS IN DIFFERENT CIRCUMSTANCES

Scenario 1

Mrs T owns her home. She has £150.00 retirement income per week, and also has £20,000 in savings. She receives 10 hours of home care each week.

Maximum assessed contribution	Nil
Current payment for services	Nil
Payment based on indicative unsubsidised charge	Nil

Mrs T has been financially assessed to receive a free service and as there are no proposals to change the financial assessment methodology she will continue to receive a free service.

Scenario 2

Mr Y aged 35 lives with his parents. His weekly income is £228.35, made up of £97.20 Incapacity Benefit, £9.90 Income Support, £71.40 Disability Living Allowance care component and £49.85 mobility component. He also has £20,000 in savings. He attends a day service for people with learning disabilities 5 days a week and receives transport there and back.

Maximum assessed contribution	£25.68
Current payment for services	£22.25
Payment based on indicative unsubsidised charge	£25.68
Potential increase per week	£3.43

The charge for Mr Y's services is currently less than his maximum assessed contribution, but based on the indicative unsubsidised rate the charge for his services would be higher so he would pay his maximum assessed contribution.

Scenario 3

Mrs S is over state pension age and owns her home. She has £200.00 in retirement income per week and £71.40 high rate Attendance Allowance. She also has savings of £31,500 and receives 20 hours home care per week.

Maximum assessed contribution	£85.55
Current payment for services	£85.55
Charge based on indicative unsubsidised charge	£85.55

Mrs S currently pays her maximum assessed contribution as the charge for the services she receives is higher than this amount, so any increase in the charge for services will not affect the amount she pays.

Scenario 4

Mr X aged 55 owns his home. His weekly income is £269.05 made up of £91.40 Incapacity Benefit, £47.80 Disability Living Allowance care component and £49.85 mobility component and a private pension of £80 per week. He also has £50,000 in savings. He attends a day service for people with physical disabilities 3 days a week and provides his own transport to get there and back.

Maximum assessed contribution	£165.21
Current payment for services	£9.45
Payment based on indicative unsubsidised charge	£84.00
Potential increase per week	£74.55

Mr X currently pays the charge for his services as they are substantially less than his maximum assessed contribution. Based on the indicative unsubsidised rates the charge for his services will remain significantly lower than he has been assessed as being able to afford.

Scenario 5

Mrs K is over state pension age and owns her home. She has £235.15 retirement income per week and £71.40 Attendance Allowance. She also has £60,000 in savings. She receives 15 hours of home care. She attends a day service for older people 2 days a week and also receives transport to the day service

Maximum assessed contribution	£180.98
Current payment for services	£140
Payment based on indicative unsubsidised charge	£180.98
Potential increase per week	£40.98

Mrs K's payment is capped at the current maximum weekly charge of £140 per week, which is less than her maximum assessed contribution. Based on the indicative unsubsidised rates she would pay her assessed contribution, or a lower amount depending on the future level of the maximum weekly charge.

Scenario 6

Mrs W is over state pension age and owns her home. She has £235.15 retirement income per week and £71.40 Attendance Allowance. She also has £20,000 in savings. She receives 15 hours of home care. She attends a day service for older people 2 days a week and also receives transport to the day service.

Maximum assessed contribution	£53.73
Current payment for services	£53.73
Payment based on indicative unsubsidised charge	£53.73

Mrs S currently pays her maximum assessed contribution as the charge for the services she receives is higher than this amount, so any increase in the charge for services will not affect the amount she pays.

Scenario 7

Mr G is aged 52 and lives in rented accommodation. His weekly income is £179.08 made up of £91.40 Incapacity Benefit, £71.40 Disability Living Allowance care component and a private pension of £16.28 per week. He also has savings of £17,000. He has chosen to arrange his own services and receives a direct payment of £53.00 per week.

Maximum assessed contribution	£1.27
Current payment for services	£1.27
Payment based on indicative unsubsidised charge	£1.27

Mr G currently pays his maximum assessed contribution as the direct payment he receives for his services is a higher amount. As there is currently no subsidy within the charge for direct payments there will be no change to the payment for this service.