

**PE1533/R**

**Cabinet Secretary for Health, Wellbeing and Sport**

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Your ref: Petitions PE1480 and 1533

11 January 2016

Dear Michael

Thank you for your letter of 9<sup>th</sup> December in relation to Petition PE1533 by Jeff Adamson.

In that letter you highlight the petitioner's submission dated 30<sup>th</sup> November 2015 which raised a number of queries about the figures I provided in my letter to the Committee of 2<sup>nd</sup> November. You requested a response to the issues raised by the petitioner and further clarification on what the figures provided specifically relate to and how they were calculated.

My letter provided an estimate of the cost of removing all charges for existing service users for all non-residential care services and also broad estimates of the cost including meeting additional demand that may be created by making all services free.

This would have the effect of extending free personal care to those under 65 and, in addition, also result in all non-personal care services (for example, telecare services, day-care centres, meals, etc) being free of charge to all eligible service users regardless of their income or age. This is our understanding of the request by the petitioner.

It may help to begin by providing an explanation of our approach to developing these estimates and how we used analysis by Professor David Bell to assist with this work.

Scottish Government analysts have been considering issues in respect of a range of options for making charging for social care fairer for some time. As well as the removal of all charges, as called for by the petitioner, we have also been considering the costs of extending free personal care to under 65s (as called for in Petition PE1480), and for raising the income threshold at which charging is applied, which is an anti-poverty approach to this issue which we have been exploring with COSLA.

The main analytical evidence base on expenditure and income (charging) available to our analysts comes directly from Local Authorities in the form of a Local Finance Return (LFR). In addition, our Social Care survey has a range of relevant information but does not provide any data on the income of clients.

We sought to supplement our own analysts' expertise with advice from a respected external source and to provide a comparator with our estimates. We approached Professor David Bell in order to access his micro-simulation model for the Scottish population which has information about a large sample of Scottish households including data on income (wealth), disability and personal care. However, it does not have detail on the wider range of social care services such as alarms and meals which are also chargeable.

While Professor Bell's micro-simulation model was helpful in developing our understanding of the cost of some charging options it was not suitable for providing an estimate of the full costs of removing all charges for all service users. Therefore our analysts provided the estimate for costs of removing all charges for all service users based on the Local Authority returns. Professor Bell's work supplemented that of Scottish Government analysts, but he has not produced a separate analysis of these costs.

### **Estimates of the cost of removing charges for existing service users**

The petitioner highlights three main issues about our estimates for existing service users. He suggests that the following factors are not properly taken account of in our analysis:

- the administrative cost of collecting charges;
- treatment of the Scottish Independent Living Fund in Local Authority Returns;
- resources associated with the Carers Bill.

#### *Administrative cost of collecting charges*

The petitioner argues that his estimate of the cost of collecting social care charges (between £7.5m and £12.5m) should be netted off the cost of removing the charges. We have previously accepted that costs at the lower end of this range may be incurred by local authorities in collecting charges. However, following discussion with our local authority colleagues, it is not clear that significant savings could be realised in practice.

This is because while there are costs involved in collecting charges, these are not purely costs relating to social care charges. Staff collecting social care charges will also be involved in other financial work, such as collection of library fines, council tax, and other charged-for council services.

Local authorities also provide a benefits maximisation service to those in receipt of care. This ensures that those people in receipt of social care who are charged for some services also receive the maximum possible welfare payments. Local authorities maintain that the charging for social care enables them to do this work, and that they would need to find resources to continue this should charging be removed.

A free service would also likely incur administrative costs in its operation and therefore we have not included significant savings from this source.

### *Treatment of the Scottish Independent Living Fund (ILF)*

The information provided to Scottish Government through the LFR3 (Local Financial Return) forms the basis of the calculations made on the estimates for removing social care charges. LFR3 returns give us the figure of £55m p.a. in charges received by Local Authorities for social care for 2013/14. The petitioner suggests that this figure may be inflated by the inclusion of Scottish Independent Living Fund monies in these returns by some local authorities.

We contacted Glasgow City Council and other local authorities to identify whether or not some local authorities may be including ILF monies within the Local Authority returns as the petitioner believes. Glasgow City Council has confirmed that it has included ILF monies within its returns. The other local authorities that were contacted confirmed that they were not including ILF monies in their LFR3 returns.

The petitioner suggests that this may be an issue in other local authorities using the same management information software, however our understanding is that this is not as a result of the software but instead a decision by Glasgow on how to treat contributions from clients for their care services.

On this basis, we accept that as a result of ILF monies being included in the Local Authority returns our original estimate of £55m for the cost of removing charges from existing service users is likely to have been an over-estimate. On the basis of Glasgow's returns, this would indicate a revised estimate of around £45 million as Glasgow have indicated that around £10m is included for ILF in 2014/15 and £8.5m for 2013/14. Glasgow City Council is continuing analysis of these figures.

### *Resources associated with the Carers Bill*

The petitioner also believes that some of the costs associated with the Carers Bill should be taken into account when estimating the cost of removing charges.

It should be noted that the £16m referred to by the petitioner relates to estimates of the maximum cost associated with waiving charges for support provided under the Carers Bill beginning in its first year of implementation in 2017-18. This estimate is informed by Scottish Government Official Statistics data on current respite care provision and Local Financial Return data on current levels of social care charging.

The Carers Bill will place a duty on local authorities to provide support for carers. The maximum of £16m from 2017-18 will enable local authorities to purchase replacement care meeting the assessed needs of carers. The Carers Bill will introduce new duties to support carers, and the funding does not reimburse local authorities for charges for support that they provide now prior to Bill commencement. We therefore do not agree that these additional future resources associated with the Carers Bill should be taken into account when estimating the cost of removing charges for social care.

### **Estimate of the cost of meeting additional demand**

We stated in the letter to the Public Petitions Committee that all estimates around unmet need are difficult to accurately forecast, but must be taken into account in the light of our experience of growth in demand in the roll-out of Free Personal and Nursing Care since 2002. There are two compounding factors that will result in increased demand. One is a substitution effect, that is people who currently pay privately for care (out-with Local Authority

organised care) would likely opt for care organised by the Authority as it has become free. The other is termed unmet need, that is people previously in need of care services but who did not access them due to the financial charge.

Taking into account our revised estimate for the cost of removing charges from existing service users, we estimate that the cost of funding new clients who could come forward if all services are made free to be between £200m and £300m each year.

These estimates as stated above take into account the cost of funding new clients who could come forward as a result of the care becoming free of charge. We would expect these to be relatively wealthier clients who would have to pay for support under current arrangements and may currently be paying for these services privately. My analysts looked at clients who currently receive the higher level of DLA and Attendance Allowance (meaning they have personal care needs).

Our estimates are that there could be up to 30,000 people in this position (not the 5,200 people suggested in the petitioner's letter). For example, an additional cost at the top of this range of £300m would equate to around £10,000 per year or £190 per week or around 10 hours of home care a week – the Social Care Survey shows that the average hours per client was 11.5 in 2015.

The revised estimate of £45m received in charges should not be compared with the estimated cost of £200-£300m required to meet additional demand and unmet need. Rather the £200-£300m costs should be compared with the cost of providing all Social Care Services (excluding accommodation-based services) which is around £2.3bn (2013/14).

When Free Personal and Nursing care was introduced, the cost of personal care services provided at home rose in the early years by 11% (in 2004-05), then 16% (2005-6), then 6% (2006-7), so it does not seem to be unreasonable to predict a 9-13% increase (from £2.3bn to between £2.5bn and £2.6bn) in the spend on social care to account for additional demand. However, I would accept that this is particularly difficult to estimate, hence it is appropriate to provide a range for this estimate.

It is important to bear in mind that our estimates for the cost of lost charging income from existing service users reflect the fact that such users pay only a contribution to the cost of care, rather than the full cost. Our estimates for the cost of additional demand need to recognise that new service users coming forward would receive the full cost of these services free, without making any contribution.

It is correct to say that the costs involved in providing care free to all users could, in theory, be reduced by further increasing eligibility criteria, and local authorities would need to consider at what level of need they would provide care, in consideration of their available budgets and their statutory duty to meet an individual's care needs. However, it would be undesirable to create a situation where eligibility levels increase to such a degree that only those with the highest levels of need receive care free of charge, while many others who would previously have paid a small contribution through charging towards their care are as a result expected to fully fund their care.

### **Number of people receiving home care**

I also thought it would be helpful to explain the context to the petitioner's statement that the number of people receiving care at home has fallen. In fact, the number of home care

clients has remained steady since 2013, at around 61,500, having fallen from a peak of around 70,000 in 2005-07.

However, more hours of home care are being delivered every year in Scotland, reflecting the fact that older people and others are receiving the support they need in their own homes. Scotland's councils provide around 706,000 hours of care per week across the country – an increase of 4% on the last year alone, and a rise of almost 100,000 hours per week since 2011. The average hours of home care received each week has been steadily rising; in 2015 clients received 11.5 hours a week on average; compared to 5.6 hours in 2000.

In conclusion, we welcome the input from Mr Adamson which has helped to refine our estimates in this particularly complex area. Nonetheless it does not alter the broad overall impact if all charges for social care were removed, which is in the range of £200m-£300m.

My officials would be happy to meet with Mr Adamson to discuss these issues further if that would be helpful.

**SHONA ROBISON**