

Free Personal Care at Home for those with highest needs ADASS statement on the financial implications

Summary

This paper reports on the results of a survey undertaken to calculate the financial impact of free personal care on Local Authorities. The survey was undertaken by ADASS and 61 Local Authorities responded. The results of the survey demonstrate that the financial consequences to local authorities of the new policy are serious. Many additional costs would have to be met by them alone. ADASS believes that the minimum costs of free personal care are of the order of £1 billion and possibly more than this. This represents an additional pressure on Local Authorities of £330m over and above that assumed by the Department of Health. Subsequent discussions with the Department of Health have led ADASS to revise some of our original calculations¹. We believe that these revised calculations are the best estimate currently available of the costs of free personal care. Our main reservation is that they probably under-estimate the costs which is why we believe the minimum costs are of the order of £1 billion and possibly more than this.

Background to the Survey

1. There is concern among Directors of Adult Social Services about the potential financial implications for their local authority of the Personal Care at Home Bill. Work carried out by a small number of authorities in December 2009 suggested that the costs might be significantly greater than the costs assumed by the Department of Health (£670m).
2. The Department of Health has assumed that the cost of free personal care at home would be funded £420m from Department of Health resources and £250m by local authorities. Department of Health resources would be provided through the Area Based Grant. ADASS understands that this sum would be capped so that any additional costs would have to be met by local authorities.
3. The potential costs of implementing free personal care at home fall into four categories:
 - a) the loss of income from those currently paying for their care;
 - b) the costs of providing care to those who are currently arranging their own care, or paying for residential care or who are doing without care because they do not want to pay for that care;
 - c) the costs of offering re-ablement to all those with the highest levels of need;
 - d) the costs of assessing those receiving care who currently contribute to the costs and those who currently self-fund.

¹ See our previous publication "Free Personal Care at Home for those with highest needs: Summary of ADASS Research".

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4. The Department of Health has not published the detailed financial calculations that were used to produce the figure of £670m. However, they did publish an impact assessment of the Personal Care at Home Bill². This included assumptions about the number of people who currently receive free personal care and meet the criteria set out in their consultation document³.
5. The key figures in the Impact Assessment⁴ are:

Service users already known to Social Services	
Older people with critical needs and needing help with 4 ADLs ⁵	113,335
Younger adults with critical needs and needing help with 4 ADLs	100,000
Potential service users not known to Social Services currently who will come forward requesting support for their care needs to be met if that care is free	
Older people with critical needs and needing help with 4 ADLs	53,573
Younger adults with critical needs and needing help with 4 ADLs	10,000
Total⁶	276,909

6. The Impact Assessment also assumes that 130,000 people will benefit from re-ablement and that this will cost £1,000 per person – a total of £130m per annum. ADASS has assumed that this cost figure is correct.
7. The Department of Health have taken the numbers of service users who are older people from research carried out by the Personal Social Services Research Unit⁷. This is based on the British Household Panel Survey. ADASS accepts them as the best estimate available of the total number of older people nationally who would be affected by the introduction of free personal care at home.

²http://www.dh.gov.uk/dr_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_110927.pdf

³http://www.dh.gov.uk/dr_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_109132.pdf

⁴ Page 7

⁵ ADLs – Activities of Daily Living. These are defined in the consultation document, page 15

⁶ The impact assessment states that figures in bold may not sum exactly due to rounding. It is important to note that the second and fourth figures have been amended following the discussions with the Department of Health (see paragraphs 8 and 9). The figures shown in the Impact Assessment are 90,000 and 20,000 respectively. If these figures are used, the cost of free personal care increases.

⁷ For further details see <http://www.pssru.ac.uk/pdf/dp2644.pdf>

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8. Discussion with the Department of Health have revealed that the numbers of younger adults have been calculated in a different way to those for older people. The Department of Health has used the total number of younger adults currently receiving services as reported by local authorities in their annual RAP return. This figure is 140,000. They have then assumed that 100,000 will require support with at least 4 ADLs (that is the majority of younger adults receiving a service). ADASS believe that this is a reasonable assumption. Some of those within the 100,000 will make a contribution to their care currently. There will be some younger adults not currently known to social services who will come forward. The Impact Assessment assumes that the total numbers in the two groups is circa 20,000. Precise details of the split between the two groups are not known.
9. This means that there is uncertainty about the number of younger adults who might come forward for free personal care. ADASS have assumed that 10,000 will come forward. We believe that this is a cautious estimate – it equates to about 200 individuals a year in the largest authorities (population 1.2m) or 33 a year in a medium sized unitary (population 0.2m). Whilst most younger adults with a significant learning disability are probably known to social services, there are likely to be some younger adults with a physical disability who are not known and will come forward if personal care is free.
10. Directors of Adult Social Services are not in a position to challenge the service users assumptions make by the Government (with the partial exception of younger adults not known to social services). We have therefore used the numbers shown in the table in paragraph 5 above. However, Directors are in a position to estimate the possible loss of income per service user that will arise from the introduction of free personal care and also the costs of providing support to individuals with a high level of need who come forward for support if free personal care is available. They are able to do this because they collect income currently and know the costs of providing care.
11. ADASS was keen to have information from as many authorities as possible. Consequently, it circulated a short survey to all Directors on 6th January 2010 and asked for responses back by 20th January 2010. By the end of Monday 25th January, 61 authorities had responded out of 152 local authorities. There was a fair representation across regions and types of authorities (unitary authorities, Metropolitan Districts, London Boroughs, County Councils including unitary counties). Further details of the numbers in each category are available if needed. However, Directors were asked to provide the information on a confidential basis. This means that details will not be provided by ADASS for any individual authority.

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Loss of Income

12. In our previous paper, "Summary of ADASS Research" (see footnote 1) we put forward two possible ways of estimating the loss of income. Discussions with the Department of Health have identified an alternative way forward which we believe is more robust. We are therefore presenting a third way of calculating the possible loss of income. We understand that the Department of Health broadly agrees with the approach and the resulting figure for the loss of income.
13. Local authorities in the expenditure return PSSEX1 record the total amount of income from domiciliary care for both older people and younger adults. The return also records the numbers of older people and younger adults receiving such care. This means that it is possible to calculate the average weekly contribution by older people and younger adults in 2008/09. We have then multiplied those average weekly contributions by the service users already known to social services shown in paragraph 5. The total income loss is £181m. We have then assumed that 85% of this income is for personal care (which will continue to be subject to charges). [This assumption is consistent with the assumption made in the Impact Assessment⁸]. This means that the loss of income from personal care is £154m. This figure does not include income from those in supported accommodation such as supported living, extra care housing and adult placements. ADASS, therefore, believes that the minimum loss of income from the introduction of free personal care is £154m. It is important to note that these figures are based on data for the financial year 2008/9. They do not take into account fee increases in 2009/10 or those already planned for the next financial year. Nor does it take into account extra income because there are more people receiving care at home.

Cost of providing personal care to those not known to currently to Social Services

14. Assuming that the service user numbers in paragraph 5 (from the Impact Assessment) are correct, there are two methods of calculating the average cost of providing personal care to people who come forward with a high level of need.

⁸ See page 15

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15. All local authorities are moving towards providing personal budgets for all social care service users. Those budgets are calculated through a Resource Allocation System (RAS). Some authorities have done sufficient work to know what budget would be available for people with a high level of need. 17 authorities answered this question. 12 of these provided ranges (i.e. a lowest to a highest figure) and 7 authorities a single figure. The average figure for the bottom of the range was £7,430 and the average figure for the top of the range was £14,430. The average across all 34 figures (i.e. 17 times 2) is £10,900. This equates to £209 per week. Applying this to the number of new service users assumed in the Impact Assessment gives a total cost of £693m.
16. Those local authorities who have not agreed their Resource Allocation System were asked to provide the average number of hours that they would need to support someone with high levels of need. 36 authorities provided this information instead of the information about their Resource Allocation System. The median hours are 14 hours for an older person and 20 hours for a younger adult. There is a risk that people might include care other than personal care (which would continue to be subject to a charge). To avoid overstating the figures we have therefore used the lower quartile figures: 11 hours and 14 hours respectively. This is a cautious assumption because it appears that few authorities have been able to factor in the costs of double handed visits. (A significant number of service users require home care to be provided by two home care workers at the same time due to the lack of mobility of the service user).
17. All 61 local authorities provided information about the average cost of providing an hour of homecare. The median hourly cost is £14.55 per hour which is comparable to the figure assumed in the Impact Assessment (£15.75⁹). Applying this hourly rate and the lower quartile number of hours gives weekly costs of new clients coming forward as £160.05 per week for older people and £203.70 per week for younger adults. Using those figures with the new service users assumed in the impact assessment gives a total national cost of providing care to new service users at £553m.
18. ADASS does not want to give any impression of exaggerating the cost of Free Personal Care. For this reason, we have used the figure in paragraph 17 (£553m) rather than the figure that emerges from the average figures included in the Resource Allocation Systems that have been agreed (£693m) (see paragraph 15).

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19. The main reason why the costs of free personal care calculated by ADASS are significantly higher than those assumed by the Government is the assumption about the number of hours of personal care that a person with higher needs will require. 61 Directors have reported that the mean number of hours of care provided is 15.92 hours (older people) and 23.35 hours (younger people). The median figures were 14 and 20 hours respectively. We have used the lower quartile figures of 11 and 14 hours respectively. 75% of authorities who responded said that the amount of care required for someone with the highest needs was higher than the figures ADASS has used. It is also important to note that using the information from the RAS returns comes up with a higher cost of care. We believe that this shows that we have been very careful to not exaggerate the costs of providing care. This caution means that we are almost certainly understating significantly the costs of providing support to new service users.
20. In contrast, the Impact Assessment cites 6.54 as the average numbers of hours of personal care per week¹⁰. Directors do not believe that this level of support is credible. It implies that an individual requiring support with 4 activities of daily living needs personal care amounting to less than one hour per day. We understand that the Department of Health increased this figure to 8 hours a week in their calculations. We still believe that this slightly higher figure understates massively the level of support that will need to be provided.
21. The Department of Health believes that this is based on academic research by the PSSRU (see footnote 7). The PSSRU quote these figures as the basis of supporting an individual over 85 who requires support with 4 ADLS and who does not live alone. However, they also state that someone requiring support with 5 ADLS or living alone would require packages of care significantly more than this¹¹ costing between £138 and £210 a week. The costs are even higher when the PSSRU calculate on a carer blind basis¹². PSSRU also suggest the number of hours support to meet unmet need. Those are 15.6 hours a week for those needing help with 4 ADLs and 18.7 hours for those needing help with 5 ADLs.¹³ That level of support is much higher than the figures assumed by ADASS in our calculations.

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¹¹ Page 21

¹² Page 23

¹³ Page 32

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Costs of administering Free Personal Care

22. There will be a significant increase in the number of assessments that need to be carried out as a result of new people coming forward and existing services users requiring a review of their circumstances to see whether they are eligible for free personal care. The Impact Assessment assumes a cost nationally of £27 million for this.¹⁴

ADASS's view of the minimum Cost of Free Personal Care

23. As stated in paragraph 6, ADASS has assumed that the cost of re-ablement of £130m used by the Government in the Impact Assessment is correct. Combining this with the administration costs from paragraph 22, the minimum income loss figure (from paragraph 13) and the lower of the projected cost of care to new service users (see paragraph 18) gives the following calculation of the minimum cost of free personal care:

Loss of income	£154m
Cost of services to new service users	£553m
Re-ablement	£130m
Adminstration	£27m
Total minimum cost	£864m

24. We believe that the total minimum cost of £864m is a significant understatement of the costs of free personal care. In every circumstance, we have used the lower figure because we did not want to overstate the costs. We believe that the minimum costs of free personal care are of the order of £1 billion and possibly more than this. It is not possible to give an accurate estimate of the cost because there are a great many uncertainties. However, it is clear that the Government's estimate is a significant underestimate of the actual cost.

25. The financial consequences for local authorities are very serious. This reflects the fact that any additional costs would have to be met by them alone. If the total cost were £1 billion then local authorities would have to find £580 million instead of the £250 million assumed by the Government – this is two and one-thirds as much.

For further information please contact:

John Jackson
Co-Chair ADASS Resources Network
01865 323574

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