

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY 10 FEBRUARY 2003 AT 2.00 PM**

Agenda Item No.

3

**CHARGING POLICY FOR NON-RESIDENTIAL SOCIAL SERVICES AND
FOR SUPPORTING PEOPLE**

Report of the Director of Adult Care Services

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1. Purpose of Report

1.1 To agree the County Council's charging policy for non-residential social services and for Supporting People.

2. Summary

2.1 This is a complex subject, particularly because it involves two new pieces of legislation.

2.2 The County Council must change its charging policy to comply with the requirements of the Department of Health statutory guidance "Fairer Charging for Home Care and Other Non-Residential Social Services".

2.3 The County Council also needs a charging policy for its new Supporting People responsibilities. This needs to be consistent with the policy for non-residential services.

2.4 The County Council's policy is currently more generous than "Fairer Charging".

2.5 Some requirements of "Fairer Charging" are mandatory. These are set out in Paragraph 6.2 of the Background.

2.6 There are some areas where the County Council has discretion. These are primarily the treatment of income from capital between £12,000 and £19,000, the percentage of disposable income charged, the treatment of disability related income and expenditure and the thresholds above which charges are levied.

2.7 There are three options relating to disability costs and thresholds:

- Option 1 - a more generous policy for both non-residential services and Supporting People
- Option 2 - "Fairer Charging" for both non-residential services and for Supporting People
- Option 3 - A hybrid of options 1 and 2.

2.8 Option 1 has potentially serious financial implications for the County Council, while Option 2 has serious implications for current and future clients. Option 3 avoids these negative implications and has been the subject of consultation with groups representing those affected by charges. These groups have expressed their support for this option.

3. Conclusion

Cabinet is asked to determine the County Council's charging policy for non-residential social services and Supporting People in respect of:

- (a) Income from Capital
- (b) Percentage of disposable income to charge
- (c) Options for the setting of thresholds and the treatment of disability benefits and expenditure
- (d) Whether Alzheimer's disease should be included within the definitions of severe mental impairment.

Background

4. Context

4.1 Home care/day care charges generate £1.8m income a year. Out of 5,500 service users 574 (10%) people pay because they have capital above the upper limit of £19,000 and 338 (6%) are charged on the basis of their weekly income. Around 4,000 people will have to be assessed for charges under the Supporting People arrangements, some of whom also receive home care or day care from ACS. Most of them, however, are new clients to the County Council. The majority of people who will be charged for support under Supporting People are older people in sheltered accommodation. People who are in short term supported housing provision (under 2 years) and those who get housing benefit will be exempt from charges. There is also a system of transitional protection that ensures existing tenants will not pay any more as the result of the introduction of Supporting People.

4.2 The Department of Health has issued guidance "Fairer Charging for Home Care and Non-Residential Social Services", which sets out a model for charging that establishes minimum requirements which local authorities must take into account. The model is based on a detailed means test. Interim changes have been made to bring HCC's home care/day care charging policy in line with the initial requirements of the guidance from October 2002. The guidance must be fully implemented by April 2003.

- 4.3 HCC's existing charging policy is more generous in some respects than the model suggested in 'Fairer Charging', notably because the income threshold levels that HCC set, above which users pay a charge, are higher. **The guidance does not compel authorities to change aspects of their policies that are more generous, but as the Supporting People grant that HCC receives will be net of assumed income from charging, there are budget implications if it is decided to implement the existing charging policy for both home care/day care and Supporting People.**

5. The Current Policy for Non-Residential Services

- 5.1 Clients are currently charged either because they have capital in excess of £19,000 or due to their income exceeding a minimum threshold. Income is from the following sources:-

- Earnings from work
- Earnings from an occupational pension
- Income from capital below £19,000. This is based on a notional interest rate of 3% for income below £11,750 and 5% for between £11,750 and £19,000 (2002/03 limits).
- Benefits encompassing :
 - Income Support
 - Disability benefits
 - Retirement Pension

- 5.2 The income thus calculated is compared to a threshold income of Actual Income Support (which is basic income support plus any severe disability premium they receive), PLUS £60. The £60 is to take account of the costs of disability.

- 5.3 If the client's income exceeds the threshold, then 75% of the difference is the amount he or she will be charged. If the actual cost of care is less than this, then they will only be charged up to these actual costs.

- 5.4 As stated above, there are currently 338 clients whose income exceeds this threshold.

6. The key elements of "Fairer Charging" - areas where change is mandatory

- 6.1 "Fairer Charging" contains some requirements which mean the current HCC policy must be changed and some areas where there are options.

- 6.2 The following changes are required and should, therefore, be implemented irrespective of the final charging policy adopted.

- 6.2.2 Earnings from work must in future be disregarded in calculating income.

- 6.2.3 Income must be reduced by expenditure on housing costs (rent, mortgage, service charges, council tax) net of housing benefit. This is not done at present except by specific request.
- 6.2.4 Income from capital should be treated as a minimum in the same manner as it is for residential charging. This means replacing the current notional interest charges with a calculation which disregards the first £12,000 of capital and charging based on notional income of £1 per week for every £250 of capital between £12,000 and £19,500 (2003/04 limits). This will be disadvantageous for people with high levels of capital, but overall it is likely that nearly all clients will be left better off by the combination of the other changes proposed. It would be possible to be more generous in the treatment of capital above £12,000, but at a cost to the County Council. For example, staying with the current 5% rate would cost the Council an average of £590 per client with capital between £12,000 and £19,500.

7. Areas of Discretion

- 7.1 "Fairer Charging" leaves it to authorities to decide whether the maximum charge should be 100% of users' disposable income above the threshold levels but states that it may be reasonable to take a lower percentage of disposable income. HCC's policy to date has been to charge a maximum of 75% of disposable income and Cabinet need to determine whether this is continued in the new policy to avoid increased charges across the board for existing service users.
- 7.2 A key feature of "Fairer Charging" is that authorities who take disability benefits into account in the charge assessment (as HCC currently do) must also assess service users expenditure on disability-related costs. Due to the complexity of such an assessment, additional staff would be required for HCC to continue to take these benefits into account. An alternative is to disregard these benefits and the options outlined below identify the impact of both potential courses of action.
- 7.3 With regard to thresholds, "Fairer Charging" recommends a less generous threshold than that currently used by HCC, that is one of basic income support (excluding disability benefit) PLUS 25%. This is always lower than HCC's threshold of Actual Income Support PLUS £60. Again consideration of the setting of thresholds is central to the options identified below.
- 7.4 The guidance also recommends that service users are offered benefits advice. HCC already meet this requirement as the Money Advice Unit provides a benefit take-up service to home care/day care service users and provides benefit training to ACS staff.

8. Options for Hertfordshire County Council

- 8.1 The main options are based around what to do about thresholds and the treatment of disability benefits and expenditure. Based on this, three options have been considered and evaluated and the effects are identified below. The impact was based on a 25% sample of current clients.
- 8.2 The three options are :-

Option 1

- 8.2.1 Option 1 is minimum change to the existing charging policy. The policy is brought into line with "Fairer Charging" minimum requirements, but also continues to be more generous than "Fairer Charging" via continuing to use a more generous threshold of basic income support plus £60.
- 8.2.2 Users income would be taken into account net of disability benefits and as a result of this and the £60 allowance in the threshold level, there would be no need to assess service users actual expenditure on disability costs.
- 8.2.3 Most clients would be better off as a result of Option 1. The only exception is the very few people with very high weekly expenditure on disability (above approximately £85 per week) who would pay more than under Option 2. Exceptional arrangements could be made in the few cases, if necessary.
- 8.2.4 Option 1 to those receiving Supporting People services would mean that they too would benefit from HCC's more generous charging policy but it is this which causes the most serious financial implications.

Financial Implications of Option 1

- 8.2.5 The cost of implementing Option 1 for home care/day care is estimated to be £162,000 per annum. This has already been included as a budget pressure for 2003/4.
- 8.2.6 The additional budget implication for HCC of Option 1 for Supporting People is estimated to be £760,000 per annum as it is more generous than the model recommended in "Fairer Charging" and grant to the County Council is to be paid net of assessed income. This estimate is still being finalised but is a serious additional cost that it is believed would fall on the County Council as the administering authority.

Option 2

- 8.2.7 Option 2 is based on "Fairer Charging" and is the least beneficial for users but may generate significant extra income for the County Council.
- 8.2.8 The threshold level against which users income is compared would be changed to that under "Fairer Charging" of basic Income Support PLUS 25%, lower than the current HCC level or that proposed in Option 1.
- 8.2.9 The treatment of disability benefits under this model would be to include them in income and to undertake individual assessments of disability related expenditure. This would require additional staff to do the assessments.
- 8.2.10 Owing to the lower threshold and the likelihood that disability benefits will exceed assessed expenditure, this option would bring many more people into charging. It is estimated that the number of people paying charges on the basis of their income under this model would increase from 338 to around 2000 per year. The majority of these people would pay between £20 and £30 per week. Current clients who pay charges would also see an increase in their charges, in extreme cases by up to £50 per week.
- 8.2.11 The introduction of this option would have a particularly significant impact on clients with learning disabilities. Owing to the large increase in the numbers brought into charging, there would be significant resistance to it, with the possibility of a campaign against payment. A significant increase in bad debts is likely as a result.

Financial implications of Option 2

- 8.2.12 It is estimated that Option 2 would generate additional income before bad debts and administration costs of over £2m per year for home care and day care. Additional administrative costs would be at least £300,000 and with bad debts, the estimate for net additional income is £1.5m per year. There would be no financial implications for Supporting People under Option 2 as it conforms to the government's suggested policy.

Option 3

- 8.2.13 Option 3 is a compromise solution to protect existing clients against increased charges, while protecting the County Council against the financial effects of extending the policy to Supporting People.

8.2.14 Under this option, home care/day care would continue to pay charges based on income above the more generous threshold identified in Option 1, that is Basic Income Support PLUS £60. Disability benefits would also be ignored as in Option 1. Charges for Supporting People service users would be calculated using the minimum threshold in the "Fairer Charging" model, that is Income Support PLUS 25%. Again disability benefits will be disregarded.

8.2.15 A key element of this option is that people who receive both non residential care and Supporting People services should not have their net income, after paying both charges, reduced below the minimum suggested in "Fairer Charging". If necessary an adjustment would be made to the charges to achieve this. This option will allow current service users to continue to benefit from HCC's more generous charging regime while complying with the statutory guidance for Supporting People.

Financial Implications of Option 3

8.2.16 The financial implications for non-residential care are the same as for Option 1, £162,000 per annum. This is already included as a budget pressure for 2003/4. There are no financial implications for Supporting People under Option 3 as the charge is based on the government's suggested policy.

9. Consideration and Consultation

- 9.1 Following discussion with Executive Members, it was decided to consult on the implementation of Option 3 as the model which best protected existing clients without significant adverse financial implications for the County Council. This was a limited consultation, due to the pressure of time to implement the new guidance and legislation.
- 9.2 Consultation took place between 19 December 2002 and 21 January 2003. A consultation document was sent to ten key representative organisations and two consultation meetings were held to which the ten organisations were invited. An on-line questionnaire was also issued on Herts Direct.
- 9.3 The organisations consulted were generally supportive of the charging model proposed and approved of the County Council's willingness to have a more generous charging policy. They welcomed the disregard of disability benefits and earnings as well as the proposal not to undertake individual assessments of disability expenditure.
- 9.4 Organisations expressed some discontent with the shortness and timing of the consultation period and would have preferred wider consultation, including service users. The County Council's approach of consulting organisations was in line with other Councils and the short period was to some extent

unavoidable, due to delays in receiving guidance on Supporting People from government. Nevertheless, these issues should and will be taken into account in future consultation exercises.

- 9.5 Reassurance was also sought and given that there were no plans to reduce services to fund a more generous policy.
- 9.6 It was considered by consultees that the exemption from charging applied to people with "severe mental impairment" should also cover people with Alzheimer's disease. However, this would have serious financial implications, as an estimated one in five of the County Council's clients aged over 85 has Alzheimer's disease, or a similar condition.
- 9.7 While the introduction of the lower limit of £12,000 for capital was welcomed, the proposed charge of £1 per week for every further £250 was considered unfair, as an effective interest rate of 20%. Organisations requested a retention of the current 5% rate. However, as stated in 6.2.4, this would be a further cost to the County Council and, overall, most clients will be better off as a result of the changes required under "Fairer Charging". Only those with capital between £15,174 and £19,500 will be disadvantaged, and they could well gain from the other measures introduced.
- 9.8 As often occurs during consultations, a number of service and administrative issues were also raised, which are not directly linked to the charging policy. These will be notified to the relevant parties and addressed accordingly.
- 9.9 Overall, the response from consultation confirms Option 3 as desirable in that it minimises the impact on clients without serious financial implications for the County Council. Cabinet are asked to take into account the comments from the consultation in determining the charging policies appropriate for both non-residential social services and for Supporting People.