

Key messages

# A review of free personal and nursing care



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# Key messages

## Background

**1.** In 1997 the UK government set up a Royal Commission to examine the options for a sustainable system of funding for long-term care for older people in the UK, both in their own homes and in other settings. One of the Royal Commission's main recommendations was to split the costs of long-term care between living costs, housing costs and personal care and make the last free at the point of delivery after assessment.<sup>1</sup> It also recommended that personal and nursing care should be paid for through general taxation.

**2.** In 2001 the Scottish Executive announced its decision to implement free personal and nursing care (FPNC) for people aged 65 years and over, and free nursing care in care homes for people of all ages. The key aim of the policy is to 'remove current discrimination against older people who have chronic or degenerative illnesses and need personal care'. It is intended to bring their care in line with medical and nursing care in the NHS, where the principle of free care based on need is almost universally applied and accepted.<sup>2</sup>

**3.** FPNC was implemented from July 2002, through the Community Care and Health (Scotland) Act 2002. The Scottish Executive provided an additional allocation of £250 million to councils to support this for 2002/03 and 2003/04, with a further £300 million for 2004/05 and 2005/06. From 2006/07, additional funding has been included as part of councils' general revenue grant. This amounted to £162 million in 2006/07 and £169 million in 2007/08.<sup>3</sup> The UK government and the Welsh Assembly decided to implement free nursing care only in England and Wales on the grounds of cost.<sup>4</sup>

**4.** Councils lead the implementation of free personal care for older people living at home and FPNC for those living in care homes. They work jointly with health, housing and other support services and providers in planning and delivering FPNC. Councils deliver some of the services directly but also commission personal and nursing care from a range of private and voluntary sector providers.

**5.** By March 2007, around 72,000 older people in Scotland were receiving personal care services free of charge. This includes people living in care homes and at home. There is variation among councils in the percentage of older people receiving public funding for personal care. However, this is not a guide to the level of service which individuals are receiving as a range of care packages are in place (Exhibit 1).

## Our study

**6.** Our specific objectives were to:

- evaluate the robustness of financial planning, monitoring and reporting arrangements for FPNC at both a national and local level
- examine the current costs and funding allocations for FPNC across councils in Scotland
- identify the financial impact of FPNC on older people, the Scottish Government and councils.

**7.** For this study we carried out:

- an analysis of national and local data, including financial information
- focus groups with older people and care providers

- interviews with staff in councils, COSLA<sup>5</sup> and the Scottish Government.

**8.** Our study complements the work of Lord Sutherland, who has been commissioned by the Cabinet Secretary for Health and Wellbeing to carry out an independent review of the policy. He is due to report in March 2008.

## Key messages

**1** Scottish ministers set the Scottish Executive challenging timescales for developing the policy but it achieved its deadline. Councils were successful in putting in place systems to implement and deliver the policy from 1 July 2002. FPNC was introduced at a time of significant change and developments in health and social care. This, combined with a lack of intended outcome measures, makes it difficult to evaluate the impact of the policy in isolation from other changes.

**9.** Scottish ministers made the decision to introduce FPNC early in 2001 and the Scottish Executive was given a tight timescale to implement the policy by July 2002. Councils only had nine months to prepare to deliver FPNC but they were able to achieve this.

**10.** FPNC was introduced at the same time as a range of other health and social care developments, such as housing support services and the move towards more local care services.

**11.** The overall aim of the FPNC policy is clear: to make personal and nursing care free of charge to all older people who were assessed as needing it in line with free health services. However, we would have expected the Scottish Executive to clearly set out expected outcomes for FPNC or a framework for measuring the success of the

<sup>1</sup> *With respect to old age: Long-Term Care – Rights and Responsibilities*, Royal Commission on long-term care, March 1999.

<sup>2</sup> *Fair Care for Older People*, Care Development Group, September 2001.

<sup>3</sup> Scottish Parliamentary question S2W-15353.

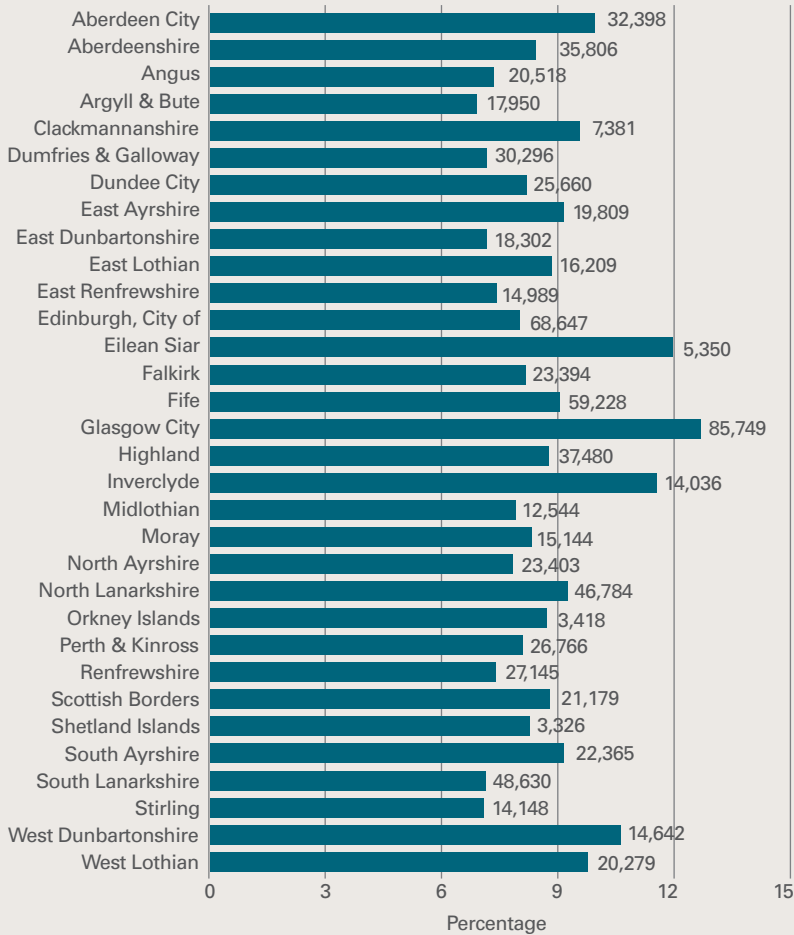
<sup>4</sup> *The NHS Plan: The Government's response to the Royal Commission on Long-Term Care*, Department of Health, January 2000.

<sup>5</sup> Convention of Scottish Local Authorities.

## Exhibit 1

### Percentage of older people receiving free personal care, by council, 2005/06

The percentage of older people receiving free personal care ranges from just under seven per cent to just over 12.5 per cent in different council areas.



Note: The number at the end of each bar refers to the total number of older people aged 65 and over living in the council area. We have assumed that all older people living in care homes who are fully publicly funded by the council are receiving free personal care.

Source: GRO(S) and Scottish Executive

policy, eg quality of life measures for older people and the consequences of the policy for other health and social care services. This means it is difficult to assess the effectiveness of its implementation and the impact of the policy in isolation.

**2** Ambiguities in both the legislation and guidance, together with an inconsistency between the two around charging for food preparation, have led to different interpretations by councils. This has led to variation across Scotland in how the policy has been implemented.

**12.** The legislation and the Scottish Executive's subsequent guidance were ambiguous or in some key areas unclear. In relation to food preparation the legislation and guidance were inconsistent. This has led to variation in practice among councils.

**13.** There was a lack of clarity in the legislation about whether personal care was a universal entitlement for older people, based on an assessment of need, or whether it is dependent on councils' available resources. This has been the subject of a recent court judgement which stated that it was not possible to interpret the legislation about free personal care as obliging

a council to make payments for personal care that was not provided or commissioned by them.

**14.** The legislation was also unclear about what was included in some of the personal care definitions of tasks such as food preparation, simple treatments and behavioural management. It is therefore unclear who is responsible for providing the care and whether charges can be made for these tasks.

**15.** Some councils have sought legal advice because of uncertainties about the legislation and guidance, particularly in relation to whether they are obliged to provide personal care to older people regardless of their budget and about whether they can charge for food preparation.

**16.** Eight councils charge for some aspects of food preparation and another 11 have made charges for this at some stage since the legislation was introduced but have now stopped. Six of the 11 councils which no longer charge for food preparation have subsequently made refunds to older people totalling approximately £3 million. The estimated combined reduction in income from no longer charging for food preparation for the 11 councils is £3.6 million per annum.

**3** The financial memorandum set out in the Community Care and Health (Scotland) Act 2002 does not provide a robust and comprehensive assessment of the financial implications and risks of introducing FPNC. The initial cost estimates were difficult to make because of the limited information available at that time, particularly regarding personal care delivered at home. Monitoring the financial impact of the policy has been limited and central government has not updated the longer-term cost projections for FPNC since 2001.

**17.** The financial memorandum to the 2002 Act did not consider the longer-term cost impact or funding allocations for the policy. It acknowledged that additional expenditure would be involved but, with the exception of

a broad figure of £125 million per annum, the memorandum contains little financial detail. This was commented on at the time by the Parliamentary Health and Community Care Committee.

**18.** The Care Development Group (CDG) carried out a lot of work to prepare cost estimates within a very short timescale, but its work was hindered by a lack of robust available data from councils, particularly in relation to homecare services. The CDG recognised some of the limitations of its estimates as a result of this and other factors including a lack of information of the likely demand for services.

**19.** The Scottish Executive prepared a short-term cost estimate, based on the CDG cost model, covering the first four years. Many of the uncertainties associated with the CDG model have been carried over to the implementation of the policy as a result.

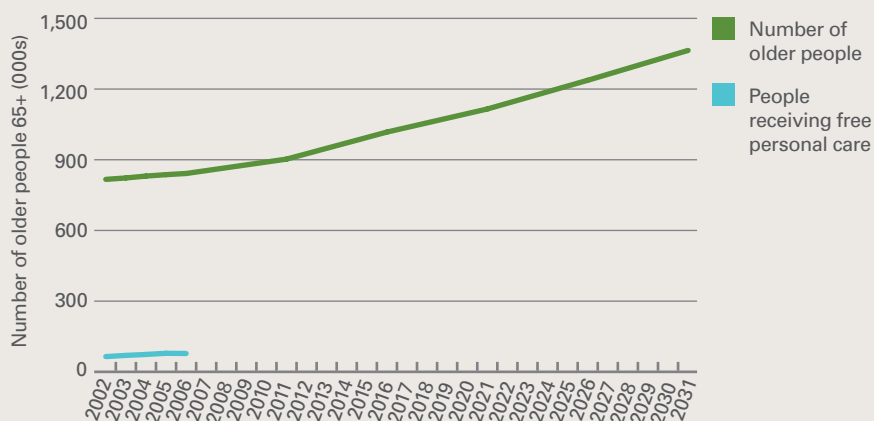
**20.** The Scottish Executive did not update the original longer-term cost projections to reflect known changes in demography and information now being provided by councils, including rising demand. **Exhibit 2** highlights the expected growth in the number of older people and compares this with the current number of older people receiving free personal care.

**21.** The CDG recommended that the additional funding for the policy should be ring-fenced to allow this to be monitored against additional expenditure incurred. This recommendation was also subsequently endorsed by the Scottish Parliamentary Health and Community Care Committee. However, the Scottish Executive decided against this and did not make it a requirement for councils to monitor all of their additional expenditure separately. The limitations of the monitoring of FPNC were criticised in a Scottish Parliamentary Audit Committee report.<sup>6</sup>

## Exhibit 2

### Expected change in the number of older people aged 65 years and over and percentage of older people receiving free personal care

The expected increase in older people is likely to increase demand for FPNC services in the future.



Source: GRO(S) and Scottish Executive Statistics Release of Free Personal and Nursing Care 2002-06

**4** We estimate the total cost of FPNC for the first four years was about £1.8 billion. Councils would have spent around £1.2 billion of this even if the policy had not been introduced. We estimate there has been a growing shortfall in central funding for FPNC. It is likely that demand for FPNC will continue to grow with the projected increase in the older population and this will have implications for the future costs of the policy.

**22.** We estimate that the total cost of FPNC was about £1.8 billion between 2002/03 and 2005/06, of which around £1.2 billion would have been spent by councils irrespective of the policy. It is difficult to identify the additional cost of FPNC as councils already provided this free to some older people with incomes below a minimum threshold. Nevertheless, using the best estimate available of £65 million for 2001/02 spent on this by councils prior to the introduction of FPNC, this suggests the additional costs of introducing FPNC are higher than the additional funding provided by central government for the policy.<sup>7</sup>

**23.** Allowing for the limitations of the data available, we estimate that the additional costs for the first four years of free personal and nursing are around £600 million. This has led to a growing shortfall in central funding, and by 2005/06 we estimate this was either £46 million or £63 million depending on the assumptions used (**Exhibit 3, overleaf**).

**24.** The overall rise in homecare suggests that it is likely that the policy has already contributed to an increase in demand for free personal care and that this is likely to continue with the expected significant increase in the older population. This will have implications for the future costs of the policy.

**5** Councils are using a variety of approaches to manage demand for FPNC. Differences in the use of waiting lists and eligibility criteria mean that older people may receive different levels of service depending on where they live. Older people are unclear about what free personal care means in practice.

### Exhibit 3

#### Additional funding for the FPNC policy compared with additional expenditure

Sufficient additional funding was provided at first but there has since developed a growing funding gap.

Scotland-wide	2002/03 (9 months)	2003/04	2004/05	2005/06
	£m	£m	£m	£m
<b>Assuming growth in line with GAE</b>				
Estimated additional cost of the policy	90	142	167	199
Estimated funding surplus/gap	17	1	-20	-46
<b>Assuming growth at rate of inflation of 2%</b>				
Estimated additional cost of the policy	91	150	180	216
Estimated funding surplus/gap	16	-7	-33	-63

Source: Scottish Executive funding allocation letters to councils; Care cost sub-group unpublished information; Audit Scotland data survey and analysis 2007

- The Scottish Government should:

- Improve the central monitoring and future planning of FPNC by updating its cost projections; clearly identifying the information needed from councils; and setting out a clear framework for this purpose.
- Work with councils to ensure completion of national finance returns complies with accounting guidance so that full costs, including overheads, are reported.
- Review national allocation amounts for FPNC and methods for distributing this to councils to ensure that these more accurately reflect the factors which influence local demand for services.

- Set robust outcome measures to evaluate the effectiveness of major policies in the future.

- Councils should:

- Improve their information systems to enable them to collect comprehensive and accurate information on FPNC, and other aspects of care and support services. The information on FPNC should be used by the Scottish Government for central monitoring and future policy development.
- Provide clear information to older people on what is covered by FPNC.
- Work with local health partners to evaluate the longer-term consequences of reducing domestic homecare services, such as cleaning, shopping and laundry services.
- Publish clear information on eligibility criteria and the thresholds where services are provided, the operation of waiting lists and local care home and homecare charging policies.

**25.** All councils that previously charged for personal care have changed their charging policies to make personal care services free. Seventeen councils reported changes being made to help them manage and deliver services within their local budgets.

**26.** For 2006/07, 18 councils reported having people waiting for homecare services and 12 reported having people waiting for a care home place.

**27.** Twenty-three councils have developed eligibility criteria or priority levels for their care services to enable them to manage demand for services. There is significant variation across Scotland in how priority levels are defined or applied and an increasing priority is being given to intensive care needs. This is contributing to a reduction in domestic home care services such as household cleaning and shopping.

**28.** Older people who participated in our focus groups were unclear about what is covered by free personal care. They also identified wide variation in what is available across Scotland.

### Key recommendations

- The Scottish Parliament should require the Scottish Government to provide robust and comprehensive financial estimates, including risk assessments, in support of all bills that have financial implications.
- The Scottish Government and councils should continue to work together as a matter of urgency to:
  - Clarify current ambiguities with the policy. This includes making clear whether personal and nursing care is a universal entitlement to older people based on an assessment or whether locally available budgets and resources can be taken into account. There is also a need to address the inconsistency between the legislation and guidance around food preparation. They should then ensure that the policy is consistently applied across Scotland from now on.
  - Agree a national eligibility framework which defines risks and priority levels to ensure transparency in access to care for older people.

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