

Distribution Sub-Group (2018) Paper 29 – Increasing Capital Limits for Residential Care

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Increasing Capital Limits for Residential Care

Overview

1. This paper compares the net cost of financially supporting residents at an earlier stage as a result of increases to the capital limit used by local authorities who charge for residential care with the funding that has been added to the Settlement for 2017-18 and 2018-19. It also considers the potential distribution of funding to increase the capital limit to £50,000,

Views sought

2. Members' views are sought on the distribution of the existing funding through the Settlement for 2019-20 and the potential distribution of any additional funding to be included in the final Settlement for 2019-20 to increase the capital limit further.

Background

3. Until 10 April 2017 the capital limit used by local authorities who charge for residential care was £24,000. One of the top six "Taking Wales Forward" commitments was to increase the capital limit in relation to residential care from £24,000 to £50,000 within the lifetime of this Assembly. This is to allow people in residential care to retain more of their capital to use as they wish
4. For 2017-18, this limit was increased to £30,000. Independent research carried out by LE Wales in 2016 estimated the increased net cost to local authorities to be £4.5 million p.a. and this amount was added to the local government settlement for 2017-18 in recognition of these costs. Given that the major client group in residential care is older people the distribution of this funding through the Settlement was on the following formula:
 - 15% Younger Adults' PSS formula
 - 85% Older Adults' residential and domiciliary care formula
5. At this time, DSG raised concerns with the distribution and requested to see an analysis of the data once it had been collected. This data is now available and will be looked at under the *analysis* section of this paper.
6. For 2018-19, the capital limit was further increased to £40,000, and an additional £7 million p.a. as indicated by the research was added to the 2018-19 settlement to fund the increased net cost to local authorities. This was on the basis that the mid-year data collection for 2017-18 indicated that the funding provided in 2017-18 was enough to cover the increased net costs.

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Analysis

7. Welsh Ministers are currently considering advice on the potential to increase the capital limit further from 2018-19 towards the commitment to have a £50,000 capital limit. The analysis by LE Wales estimated that the additional net cost to local authorities of a complete final increase to a limit of £50,000 would be £7.9 million p.a.
8. Table 1 provides an overview of the additional net cost of increasing the Capital Limit for Residential Care compared to the funding put into the Settlement.
9. The full year net costs for 2017-18 show that the increase in capital limit to £30,000 resulted in an increase of just over £4.0m at a Wales level. With £4.5m included in the settlement this should have covered the costs.
10. The distribution of the funding in 2017-18 differs between authorities, with Swansea receiving £203k more through the settlement distribution than their net spend and Flintshire received £217k less than their net expenditure through the settlement.
11. The mid-year net costs for 2018-19 show a similar pattern. Half of Conwy's distribution for this element of the settlement formula was £424k below their actual net expenditure, for the first 6 months. Swansea's net costs were lower than the distributional amount funded through the settlement.
12. It's important to note that the £4.5m expenditure for capital limits in 2017-18 is now fed into the relevant revenue outturn lines, and thus would be captured in the financial build. The additional £7m will also feed through the model for the 2020-21 settlement.
13. If the additional funding to increase the limit completely to £50,000 was to be included for this year, then the current distribution would only be present for one additional year (2020-21 settlement).
14. DSG are asked to consider whether the current distribution mechanism is still apt for this purpose or would the group like to investigate other distributional mechanisms.

Recommendation

15. As this may only impact one further year, it is recommended that the distribution is continued under the current split.

Conclusion

16. Members' views are sought on the distribution of the existing funding through the Settlement for 2019-20 and the potential distribution of any additional funding to be included in the final Settlement for 2019-20 to increase the capital limit further.

Local Government Finance Policy Welsh Government

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Annex 1

Table 1: Assessment of additional net cost of increasing the Capital Limit for Residential Care compared to the funding put into the Settlement, 2017-18 and part-year 2018-19

Local Authority	Full year net cost* from financially supporting residents with capital between £24k & £30k, 2017-18			Mid year net cost* derived from financially supporting residents with capital between £24k & £40k, 2018-19		
	Funding provided through the local government settlement, 2017-18	Difference		Half of the funding provided through the local government settlement, 2018-19	Difference	
Isle of Anglesey	101	110	10	182	142	-41
Gwynedd	139	199	60	105	257	152
Conwy	241	209	-32	689	266	-424
Denbighshire	93	161	68	82	206	123
Flintshire	412	195	-217	144	249	105
Wrexham	178	186	8	344	237	-107
Powys	79	222	143	95	289	194
Ceredigion	144	121	-23	265	156	-109
Pembrokeshire	47	188	141	62	242	179
Carmarthenshire	284	300	16	375	384	9
Swansea	156	359	203	135	458	323
NPT	208	230	22	236	292	55
Bridgend	168	193	24	196	245	49
Vale of Glam	155	167	12	131	214	82
RCT	357	349	-8	317	445	128
Merthyr Tydfil	76	86	10	78	110	33
Caerphilly	280	244	-35	257	311	54
Blaenau Gwent	147	111	-36	223	141	-81
Torfaen	45	135	90	12	172	161
Monmouthshire	135	128	-6	204	164	-40
Newport	200	195	-5	65	248	183
Cardiff	359	410	51	375	522	147
Total Unitary Authorities	4,004	4,500	496	4,525	5,750	1,225

*Net cost is the additional cost to LAs for placements less the income received from these residents.