

The Costs of Collecting Care Charges

Non Residential Community Care Charges are a means tested contribution made by people who receive care and support from their local councils.

Over recent years the scope of services able to be charged for has increased significantly with Housing Support Services and Day Services being just two that are introduced. As well as means testing for many services, some councils operate a flat rate charge for services such as Meals on Wheels or Community Alarms.

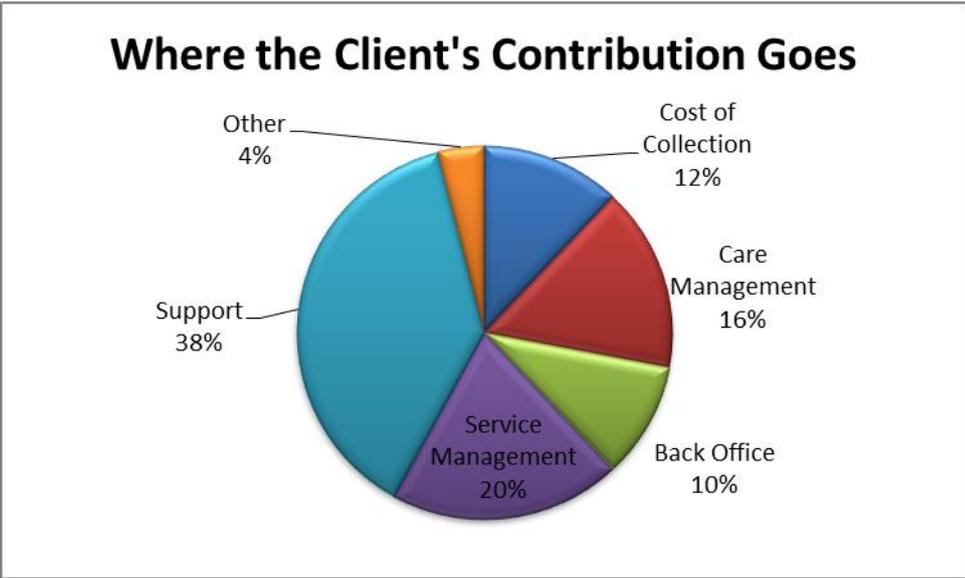
These charges are optional in two senses. First, local authorities can choose whether to charge at all and if so how much. Secondly individuals can choose whether to pay or not. A local authority cannot refuse to provide a service when someone doesn't pay but they can subsequently pursue that any non payment through a standard debt recovery process.

A likely consequence of this haphazard system is that the costs of collecting such charges may vary significantly between authorities and the costs of collection may make levying such charges not cost effective.

The Audit Commission in England reported in 2000 that between 20-40% of income from charges is spent on administration costs.¹ While this was based on a survey of a relatively small number of councils it highlighted a serious problem with an inefficient collection system.

However in 2011, In Control, a national voluntary organisation highlighted a second inefficiency. Much of the rationale behind the client contribution is that it is a direct contribution towards the care received by an individual.

However they found that only 38% of the every pound collected made its way back into direct support. The balance was spent in the costs of collection and in other back office and service costs.²



¹ Carpenter, M. (2000): Charging with care: how councils charge for home care. London: The Audit Commission
² Duffy S & Waters, J. (2010) A 10 Step Plan for Reforming Social Care Funding, London, In Control.

In order to examine the position in Scotland, the Learning Disability Alliance Scotland on behalf of a group of charities in Scotland against the Care Tax carried out a Freedom of Information request on the Costs of Collection of Care Charges.

Many councils said they did not keep this information or could not distinguish it from their other charging policies within the authority. Those that replied showed a significant variation in the cost of collection.

Freedom of Information Data on Home Care in Scotland		
Local Authority	% cost of collection	Cost per client of collection
Eilean Siar	42.9%	£520.27
West Lothian	30.7%	£142.86
Perth & Kinross	15.3%	£72.42
Clackmannanshire	14.6%	£96.00
Edinburgh, City of	7.5%	£42.89
Falkirk	7.1%	£24.67
Inverclyde	5.9%	£45.98
West Dunbartonshire	2.7%	£17.75
Dundee City	1.6%	£44.04

This table shows the percentage cost of collecting in the 9 local authorities that responded.

There is significant variation in the reported cost of collection and our results matched the 2000 Audit Commission findings.

Some of these councils such as West Lothian collect a small amount of money from Care Charges, while others such as

Edinburgh collect up to £1.9 million.

In the Western Isles the cost of collection for each individual was £520 per year while in West Dunbartonshire it fell to £17.75. The overall average cost per person was £49 per year but as the numbers above show there is significant local variation. We have no reason to believe that the variation in efficiency does not apply to the local authorities that did not respond.

These figures need to be treated with caution as those that replied are likely to have underestimated the cost of collection as simply an invoice issuing process. Two key factors have been omitted.

First the costs of pursuing non payment of care charges seems to have been overlooked. The Local Government Ombudsman in England has found that the cost of pursuing bankruptcy for unpaid council debt can be up to £38,000 per case.³ Only 2 or 3 cases like this per local authority would soon dramatically raise the cost of collection.

Secondly the costs of carrying out a financial assessment on each client receiving social care has been overlooked too. Moray Council figures show that each assessment of an adult social care

³ Can't pay? Won't pay? Using bankruptcy for council tax debts, (2011) Commission for Local Administration in England

client costs £1,300.⁴ If the financial assessment takes only 5% of the overall time spent on the full assessment then this would mean that for Moray alone, the costs of financial assessment would be £3250,000 in 2010/11 – 44% of what was raised. Adding in the costs of issuing the invoices, processing payments and recovery of any unpaid charges would rapidly make this process uneconomical.

In 1997 the Accounts Commission for Scotland found that the annual cost of collecting the council tax was about £17.50 per household per year and made a number of important recommendations for improving the approach of councils to Council Tax collection.⁵

We believe that there are real problems for local authorities in managing this process. In order to seem efficient they are levying a charge on vulnerable adults needing support. However it may be that simply abolishing the current charging regime and its associated bureaucracy would be more efficient

As a result we are asking that the Audit Commission for Scotland should conduct research into the collection of Client Contributions for Social Care. Many people who pay this are financially stretched as a result. It is not acceptable that the money they contribute is wasted simply through the process of collecting it in the first place!

Notes:

Scotland Against the Care Tax is an alliance of

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⁴ The total cost of assessments divided by the number of new cases in 2012.

http://www.moray.gov.uk/moray_standard/page_86887.html

⁵ Council Tax Collection, (1997), Edinburgh, Accounts Commission For Scotland.