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Wales Fiscal  
Analysis

# The cost of free personal care: Lessons from Scotland

**BRIEFING PAPER**

**Wales Fiscal Analysis**

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# Preface

## Declaration of funding

Wales Fiscal Analysis is hosted by the Wales Governance Centre and the School of Law and Politics at Cardiff University, and funded through a partnership between Cardiff University, the Welsh Government, the Welsh Local Government Association and Solace Wales. The programme continues the work of Wales Public Services 2025 hosted by Cardiff Business School, up to August 2018.

## About us

Wales Fiscal Analysis (WFA) is a research body within Cardiff University's Wales Governance Centre that undertakes authoritative and independent research into the public finances, taxation and public expenditures of Wales.

The WFA programme adds public value by commenting on the implications of fiscal events such as UK and Welsh budgets, monitoring and reporting on government expenditure and tax revenues in Wales, and publishing academic research and policy papers that investigate matters of importance to Welsh public finance, including the impact of Brexit on the Welsh budget and local services, options for tax policy, and the economics and future sustainability of health and social care services in Wales.

Working with partners in Scotland, Northern Ireland, the UK and other European countries, we also contribute to the wider UK and international debate on the fiscal dimension of devolution and decentralisation of government.

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# The cost of free personal care: Lessons from Scotland

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Briefing Paper

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# Executive Summary

The Welsh Government has signalled its intention to consult on the reform of how social care is financed, and the UK Government is also promising a rethink. The timing is uncertain given the necessary pre-occupation with Covid-19, but the issue will re-surface. Some political parties have committed to introducing a policy of free personal care along the lines introduced in Scotland in 2002. This offer was originally made available for older people and is now being extended to younger adults. This paper looks at the financial messages from Scotland's experience and possible implications for Wales in relation to older adults.

## Definitions are crucial

As defined in Scotland, free personal care is not a universal entitlement, eligibility being dependent on an assessment of the individual's need. Personal care also has a very specific definition, covering help with needs such as personal hygiene, dressing and some aspects of food preparation, but not other forms of home and community care such as help with housework or day care facilities. For those in long-term residential care, it does not cover the 'hotel' charges of the better-off, known as self-funders, defined in Scotland as those whose personal assets are above a threshold level of £28,500 (as of April 2020).

## Demography is not the only driver of spending: after an initial surge in Scotland, spending flattened out

In Scotland, the numbers receiving public funds for personal care at home was estimated to have increased from 27,337 in 2002 to 41,386 in 2007 (50%) and the number of self-funders in care homes receiving free personal care increased from 7,680 to 9,361 (22%). Spending was also driven by a 27.7% rise in the number of care hours received per client between 2003–04 and 2017–18. But this surge has since slowed: since around 2010–11, the numbers of care recipients and spending has been more stable and have not increased in line with population.

## Recent trends indicate that social care spending in Wales has not been rising in line with demographic trends

In Wales, spending per head of the population over-65 fell by 9.6% in real terms, from £1,058 to £956 per head between 2009–10 and 2018–19. Most of the additional funding allocated to social care over the past decade has been absorbed by growing cost and demand pressures relating to children and families' services.

## Estimating the cost of free personal care in Wales is fraught with difficulty

The nursing care element of free personal and nursing care, in the form of Continuing NHS Healthcare (CHC) or NHS-funded nursing care is already built into Welsh Government budgets,

although there are concerns about eligibility and demand. The biggest impact of introducing free personal and nursing care on the Welsh Budget would be the additional costs arising from the personal care element.

The cost of providing free personal care (excluding nursing care) for older people in Scotland in 2017–18 was £480.4 million (residential care: £99.3 million, home care: £381.1 million). This was not all 'new' money, some pre-existing provision was already funded through the public purse. Taking a population share (over-65s) of this total gives us a crude estimate for Wales of £305.2 million (residential care: £63.1 million, home care: £242.1 million). But, as well as pre-existing provision in Wales, there are several other factors of which any budgetary projection would need to take account.

**1. Wales has already ameliorated some social care costs**

The capping of home care charges in Wales since 2013, now at £100/week, and an increase in the assets threshold to £50,000 (the highest in the UK) in April 2019 means that the starting point for Wales in relation to free personal care would be different to Scotland and that pre-existing provision is probably higher.

**2. The level of demand for care may be proportionately higher in Wales**

The over-65 population in Wales is proportionately a little higher than in Scotland and the over-85 population is expected to grow slightly faster, but the broad trends are similar. Higher prevalence of frailty could also be a factor driving up costs.

**3. Private provision in Wales may be lower than in Scotland**

Trade sources suggest that the 'private' market is smaller in Wales (accounting for 30% of care home fees) than Scotland (35%) and much lower than the UK average of 45%. If so, the additional cost of free personal care in relation to residential care in Wales may be lower than Scotland.

**4. Free personal care could impact entitlements to the Attendance Allowance in Wales**

The possibility that the Welsh Government might have to step in to recompense 'self-funders' who might have their Attendance Allowance withdrawn by the DWP, as was the case in Scotland, strengthens the case in favour of devolving this benefit prior to the introduction of free personal care.

**The Covid-19 pandemic has put abnormal pressures on public finances, but finding a way forward on social care will continue to be an imperative**

The experience in Scotland suggests that an accurate projection of the additional cost to the Welsh Budget would probably be less than the pro rata figure of £300 million a year – equivalent to 1.5% of the Welsh Budget for day-to-day spending, and less than the spending on NHS Continuing Care and Nursing Care, which was around £415 million in 2018-19.

In normal times, the additional budget required would be a significant ask and its feasibility would be contingent on it being a top budget priority. The impact of Covid-19 on public finances and the pressures ahead on social care will make choices about priorities more difficult. But finding a way forward on the future financing of social care will continue to be an imperative.

# 1 Introduction

There is broad consensus that the current arrangements for paying for older adults' care need reform – a view that is likely to intensify as demand for social care rises over the next two decades. The Welsh Government has indicated that it will be consulting shortly on future options, although the Covid-19 pandemic is likely to affect the timing.<sup>1</sup> The UK Government has signalled an intention to “seek cross-party consensus” for fresh proposals for England.<sup>2</sup> Meanwhile, Plaid Cymru has announced a commitment to free personal care, as did the Labour Party in the 2019 General Election (Plaid Cymru Care Commission 2019, The Labour Party 2019).

The issues are defined in various ways: the sustainability, affordability and quality of residential care; workforce recruitment and retention; the growth needed in home care services to enable people to stay out of institutions as long as possible; and the implications for demand of the significant increase in the numbers of over-65s and – especially – the over-85s. These issues have been highlighted in a recently published paper by **Wales Fiscal Analysis** (Siôn and Trickey 2020).

Estimating the costs of possible reforms to address these issues continues to be a significant challenge because of the range of factors to consider and weaknesses in the data. This paper looks at one possible reform: introducing free personal care for older adults in Wales and what might be learned from the experience of Scotland, which introduced free personal and nursing care for older adults in July 2002 (and has since been extended to younger adults). It explores the initial cost and demand estimates in Scotland, how they have compared with the actual expenditure and demand in the years since, and the additional costs to the public purse. We then look at what the possible implications might be for Wales whilst acknowledging that the situation differs from Scotland in key respects. We illustrate the range of spending that might be involved and the factors a more precise estimate would need to consider.

The paper concentrates on social care provided under local authority arrangements. In both countries, nursing care provided through the NHS (whether in a residential setting or at home) is – largely – free. It also does not explore the vital contribution made through informal care by family, friends and others.

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<sup>1</sup> The Minister for Health and Social Services, Vaughan Gething, made a statement on the work of the inter-ministerial group on paying for social care on 4 February 2020:

<https://record.assembly.wales/Plenary/6079#A56122>

<sup>2</sup> The current UK Government made a commitment to finding a “long-term solution to social care” in the Queen Speech at the opening of parliament in December 2019:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/853886/Queen\\_s\\_Speech\\_December\\_2019\\_-\\_background\\_briefing\\_notes.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853886/Queen_s_Speech_December_2019_-_background_briefing_notes.pdf)

It is important to stress that free personal care is not the only possible way of reforming the regime governing paying for care. For example, the Dilnot Commission (2011) set up by the UK coalition government recommended increasing the capital threshold in England above which care home residents had to self-fund, and setting a lifetime cap on the total contribution made by an individual towards their care cost. More recently, Professor Gerald Holtham (2018) proposed a system of care insurance for Wales. These alternatives are not considered in this briefing note.

In this document, the key terms are used in the same manner as they are used in Scotland, and are defined as follows:

**Personal care** refers to needs such as personal hygiene, continence management, assistance with mobility, dressing, counselling and support. It does not cover other forms of home and community care such as help with housework or day care facilities

**Home care** services includes both personal care **and** a range of other care services provided through local authorities and the voluntary sector, for example help with housework and shopping.

**Community care services** include day centres, luncheon clubs and other community provision.

**Residential care** refers to care received in care homes, regardless of whether the care home is operated by a local authority, third sector body or private firm. Many care homes also offer nursing care.

**Nursing care** is divided into Continuing Health Care, where the NHS pays all costs of the resident and Nursing Care, where the NHS pays a weekly rate to the care home based on the assessed eligibility of the resident.

**Hotel costs** are the costs of providing accommodation and sustenance to people living in residential care homes, as distinct from the personal care costs.

# 2 Free personal care in Scotland

## 2.1 The implementation of free personal care in Scotland

In 1999 the UK government set up a Royal Commission (1999) with the aim of finding a sustainable and fair solution to funding older adult social care. One of the questions the Commission sought to answer was how the cost of paying for care should be apportioned between the state and the individual. The arrangement – whereby older people requiring health care for acute conditions received treatment for free by the NHS, while those requiring personal care for degenerative or chronic illnesses were, in many cases, required to meet the cost themselves – was seen by many as inconsistent.

The Commission (1999) recommended that nursing care should be provided free in all settings, that personal care should be funded from general taxation, but accommodation and living costs for those in residential care should continue to be subject to a co-payment based on an assessment of means. Although the first recommendation was adopted by the four UK administrations, none of them initially accepted the recommendation to deliver personal care, free at the point of need. However, there was mounting political pressure for the devolved administration in Scotland to take a distinctive Scottish approach on the issue.

In January 2001, the Scottish Government – known at the time as the Scottish Executive – announced its intentions to introduce legislation offering personal and nursing care, free at the point of delivery, for people aged 65 and over living in Scotland. The government established a Care Development Group (2001) tasked with bringing forward proposals on how the policy should be implemented. The group's report, published in September 2001, endorsed the Royal Commission's distinction between personal care and living costs, and its recommendation that self-funders should continue to pay their accommodation and living costs. The Scottish Parliament accepted the report's recommendations in full and the free personal care offer was made available in 2002. The policy was 'implemented with expedition', partly due to cross-party support for the proposals (Sutherland 2008, 4).

The Care Development Group (2001) also contained cost estimates for the policy. These estimates were – in the authors' own terms – subject to 'a funnel of doubt' due to possible changes in demographic trends, healthy life expectancy, the unit cost of care and the supply of informal care. Nevertheless, the additional cost of offering free personal care at the point of need was estimated to be £125 million in the first full year. The Scottish Government increased financial provision to local authorities to reflect the cost of providing personal and nursing care for care home residents, the loss of fee income and expansion of personal care services for those living in their own home. This additional funding amounted to £107 million in the part-year from



July 2002 to March 2003 and £143 million in 2003–04 (Sutherland 2008, 51). This funding, delivered through the Revenue Support Grant,<sup>3</sup> was increased in subsequent years.

It is important to note that this funding was intended to support the *additional* costs of implementing the free personal and nursing care policy. Many older people already received personal care services at home without charge, either because their income was below the means tested threshold then operated by their local authority or because the authority already provided personal care services without charge. The Scottish Government’s Health Analytical Services Division undertook work for the Care Cost Sub-Group (a Scottish Executive and COSLA joint working group) to estimate the levels of council spending on personal care at home prior to the implementation of the policy (Sutherland 2008, 52). The analysis suggested that there was a 95% probability that councils were spending between £65 million and £79 million on personal care services for older people living in their own homes in 2001-02. The Auditor General’s report adopted the lower estimate of £65 million.

Once the policy was rolled out, it quickly emerged that the cost of providing free personal care was rising faster than predicted, mainly due to a large increase in the number of local authority home care clients (Bell, Bowes, and Dawson 2007, 27). By 2008 it was estimated that the policy faced an immediate shortfall in funding of £40 million (Sutherland 2008, 30). **Figure 1** shows the *total* amount spent on personal and nursing care (on the left) and the projected *additional* cost of implementing the policy based on the Care Development Group (2001) report (on the right). Though the two series do not provide a like-for-like comparison as the graph on the left includes spending on those who would have been eligible to receive state-funded personal care regardless of whether the policy had been implemented, and the graph on the right shows only the *additional* cost estimate, there is a clear difference in trajectory between them.

There are several reasons why the cost appears to have been underestimated in the original planning group report. Information from the 2001 Census information, which was made available after the planning group had reported, was the basis of a revised projected increase of an additional 40,000 older people aged over 75 years by 2016 (Audit Scotland 2008, 20). However, this new information was not factored into the Scottish Government’s long-term cost projections for the policy. In addition, the Care Development Group (2001) had reported difficulty in estimating the number of older people who were already receiving personal care at home free of charge, and the extent of privately purchased personal care. There was also a lack of available information on those receiving informal care and how many would switch to receiving personal care once the policy had been implemented.

Another unforeseen aspect which impacted the cost of the policy was the Department for Work and Pension’s decision to withdraw the Attendance Allowance – a tax-free social security benefit paid to people over the age of 65 who need help with personal care – from individuals in residential care who had all their disability-related needs met by the state. The Scottish Government stepped in to ensure that residents would not lose out directly from the

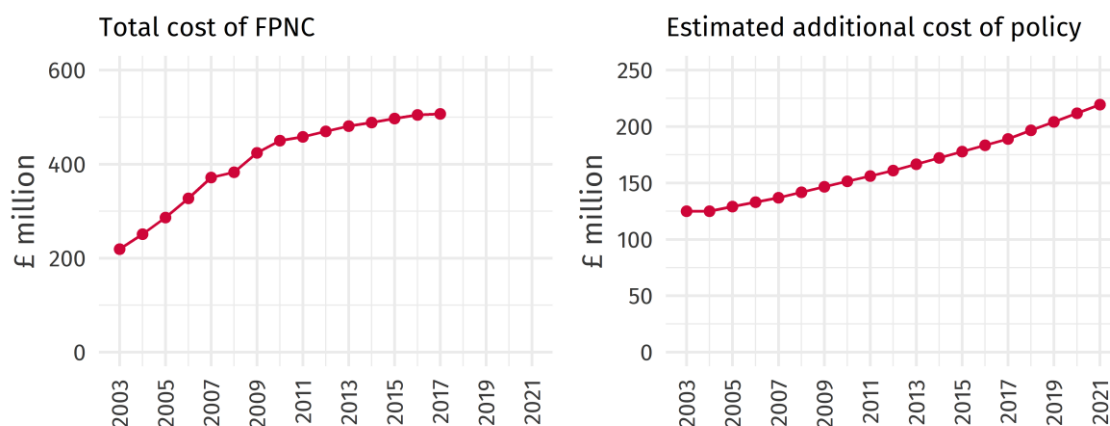
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<sup>3</sup> The Revenue Support Grant refers to the central government grant that is allocated to Scottish local authorities by the Scottish Government. It can be used to finance revenue expenditure on any service, and it is the main vehicle by which local authorities are funded in Scotland.

withdrawal of this benefit. The weekly care rate set by the Scottish Government for self-funders still includes an element of recompense for the withdrawal of the Attendance Allowance. The annual recurrent cost incurred by the Scottish Government was estimated at £23 million in 2002, and had risen to around £30 million by 2008 (Sutherland 2008, 38).

**Figure 1**

**Total spending on Free Personal and Nursing Care in Scotland, and original cost estimates**



Source: Scottish Government (2019 and previous) *Free Personal and Nursing Care in Scotland*; Scottish Government (2001) *Care Development Group*. *Graphs do not provide a like-for-like comparison – see text for full details.*

## 2.2 Trends in free personal care in Scotland

### Care at home

Most people’s experience of the free personal and nursing care offer comprises of personal care services provided in their own home free of charge. Once a person has been assessed by the local authority as needing personal care, the entire costs of providing personal care are met by the local authority. The care can either be delivered by the local authority or through independent care providers it has commissioned. Alternatively, the local authority can make a direct payment to the individual (self-directed support), which they can use to purchase their own care.<sup>4</sup>

In 2017–18, there were 47,070 over-65s receiving free personal care at home in Scotland at a cost of £381.1 million (including overheads).<sup>5</sup> As shown in **Figure 2**, the number of clients increased by 14,200 (43.2%) between 2003–04 and 2017–18. Most of this rise was witnessed during the early years, when the yearly increase in the number of clients outpaced the growth

<sup>4</sup> In 2019–20, the value of this payment in Scotland was up to £177 a week.

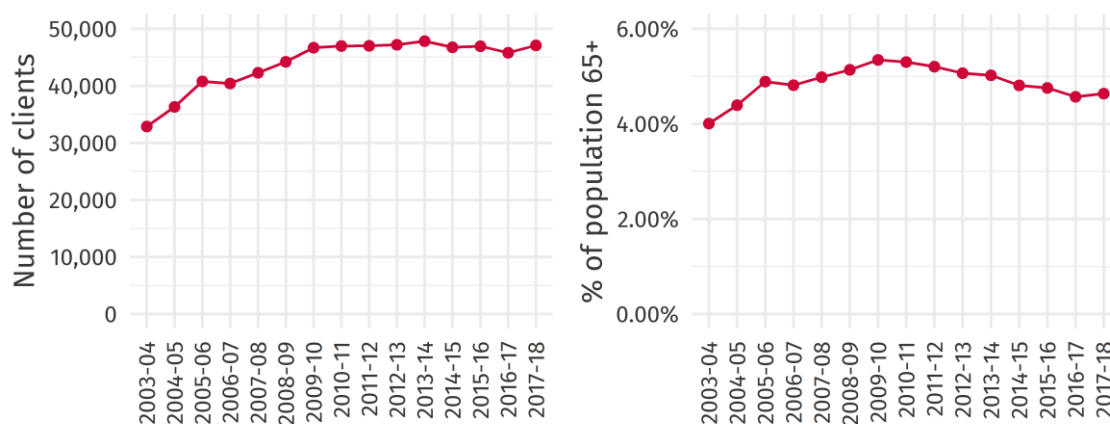
<sup>5</sup> Overheads include costs incurred by the provider for administration and management.

in the 65+ age cohort. Since 2009–10, demand appears to have plateaued despite continued demographic pressures. The share of the 65+ age cohort receiving free personal care at home in Scotland dropped from 5.3% to 4.6% between 2009–10 and 2017–18.

There could be various explanations for this trend, including the development of new care ‘offers’ such as: extra care housing,<sup>6</sup> older people living healthier lives, and a preference for informal care through family and friends. In any case, it does suggest caution in relying on demographic extrapolations alone when projecting future numbers.

**Figure 2**

**Number of clients aged 65+ receiving Free Personal Care at home in Scotland, 2003–04 to 2017–18**



*Source: Scottish Government (2019 and previous) Free Personal and Nursing Care in Scotland; ONS (2018 and previous) mid-year population estimates adjusted for financial year and authors' calculations.*

It also bears consideration that the numbers of people receiving care might only be a reasonably accurate proxy for demand, particularly if the resources available to conduct assessments and availability of social care workers are insufficient to meet the actual demand. Research conducted by Age Scotland (2019, 3) found that in 2018, over 4 in 10 people assessed as having critical or substantial needs did not receive the services required within the six week time frame, as recommended by the Scottish Government. A Health Committee (2006) report to the Scottish Parliament noted that a number of local authorities were using ‘rationing’ strategies, such as waiting lists, to artificially manage demand.

The other significant trend seen in Scotland has been the 27.7% rise in the average number of care hours received per client, from 6.9 hours/week in 2003–04 to 8.8 hours/week in 2017–18. The numbers suggest that clients are now receiving more time with carers each week (Audit

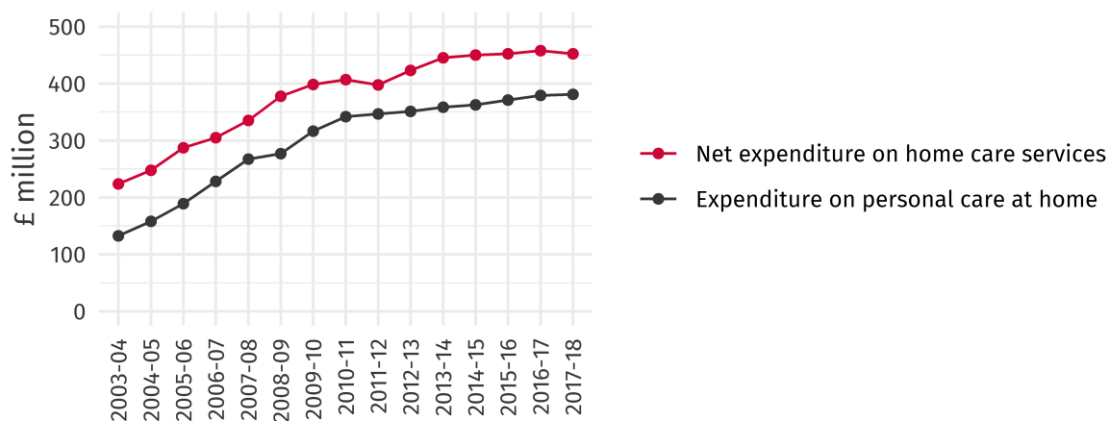
<sup>6</sup> ‘Extra care housing’, refers to sheltered housing, housing with care, and retirement communities where occupants may be owners, part owners or tenants. Their legal rights to occupy the premises is underpinned by housing law (in contrast to residents in care homes). These settings are usually provided by Housing Associations or local authorities, or the two working together. Residents are usually funded through Housing Benefit payments made by DWP.

Scotland 2008, 52, Torjesen 2013). This likely reflects a growing number of clients with more complex care needs: in 2017, 35.2% of people aged 65+ with long-term care needs received ten or more hours of home care a week, up from 29.3% in 2006.<sup>7</sup>

More recently, a decline in the real value of grants to local authorities and a cap on Council Tax levels has meant that local authority spending on domestic care services (other than personal care) has been squeezed (The Health Foundation 2018). This suggests that free personal care has been partly financed by reallocations within existing baselines. In 2017–18 total net expenditure on home care services for older people amounted to £452 million, of which £381 million was spent on personal care at home. The most recent data shows that around 84% of the amount spent by local authorities on home care went towards personal care costs, up from 59% in 2003–04 (Figure 3).

**Figure 3**

Local authority net expenditure on home care services for older people, and expenditure on personal care at home



Source: Scottish Government (2019 and previous) *Free Personal and Nursing Care in Scotland*.

### Residential care

Local authorities pay most of the costs for care home residents whose personal assets amount to less than a capital threshold of £28,500. The growing number of residents who are assessed as needing care but who have personal assets above this threshold (known as self-funders) receive funding (most recently £177 per week) for care costs **but** have to meet hotel and any other costs from their own resources. As previously mentioned, this amount includes an element of recompense as a result of the DWP’s decision to withdraw the Attendance Allowance.

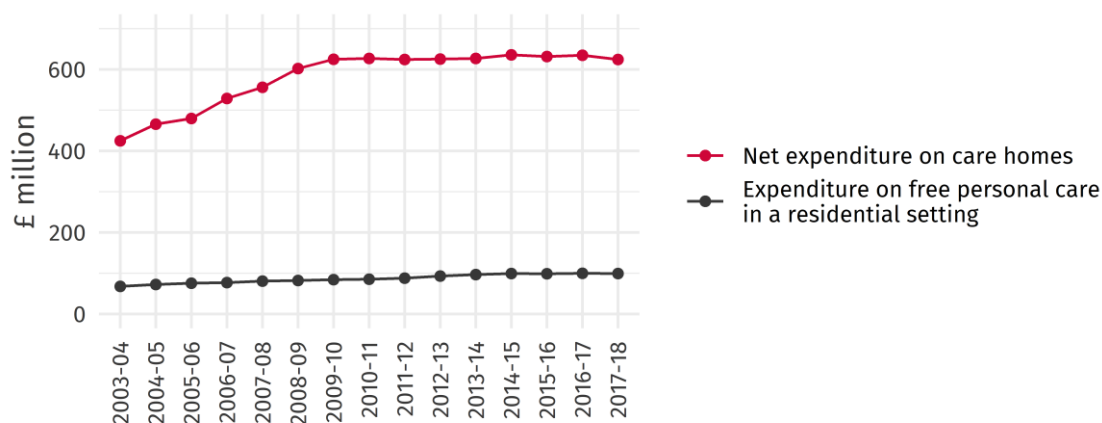
<sup>7</sup> Data from Scottish Government (2017) Social Care Services in Scotland dataset: <https://www2.gov.scot/Topics/Statistics/Browse/Health/Data/HomeCare#top>

The average total weekly costs of residential care in a care home for self-funder in Scotland is around £760 and £845 a week for a place in a nursing home (Laing Buisson 2019). This means that, in some cases the free personal care offer might cover less than 20% of self-funders' total costs.

The most recent figures for Scotland (2017–18) indicate that expenditure on free personal care (i.e. excluding free nursing care) for self-funders in residential homes amounted to just under £100 million. In contrast to spending on free personal care in a domestic setting, this figure has remained broadly flat in real terms over the past decade.

**Figure 4**

**Local authority net expenditure on residential care services for older people, and expenditure on personal care in a residential setting**



Source: Scottish Government (2019 and previous) *Free Personal and Nursing Care in Scotland*.

## 2.3 Conclusion

Following a sharp increase in spending in the early years, the cost of free personal and nursing care appears to have since stabilised. Reasons for this might include the development of new care 'offers' such as: extra care housing; older people living healthier lives; a preference for informal care through family and friends. But there has also been a suggestion that spending in Scotland has been constrained by budgets rather than being fully demand-led.

It is difficult to compute the extent to which the policy has eased pressure on the NHS and enabled spending to be redirected to other priorities. There is a strong narrative about keeping people out of hospital but tracking the money is not easy.

Policymakers encountered significant difficulty in producing reliable cost estimates for the policy due to a lack of available data and the unforeseen decision to withdraw the Attendance Allowance from self-funders. Though changes to Attendance Allowance eligibility could be factored into a free personal care cost estimate for Wales, there are several other factors which make it difficult to produce an estimate, as discussed in the next section.

# 3 Lessons for Wales

## 3.1 Paying for social care in Wales

As elsewhere in the UK, the older adult social care sector in Wales is made up of a patchwork of about 2,000 public, private and voluntary sector service providers and a complex set of financial arrangements. The description below is illustrative only – a more detailed account of the funding arrangements regime can be found in (Siôn and Trickey 2020: 13–14).

Local authority-arranged home and community care is financed through a combination of spending from local authority budgets and fees and charges paid by service users (the charges being subject to a cap of £100/per week). But many older people arrange and pay for care in their home from private or third sector providers, often drawing on Attendance Allowance payments they receive from the DWP, without recourse to local authority funding.

Residents in care homes are divided into those whose care is fully funded from the public purse, subject to various provisos, and 'self-funders'. The key dividing point is the 'capital threshold': the value of their savings and property (currently £50,000 in Wales). Self-funders have to finance all or most of their fees from savings, pension and investment income or through financial products such as immediate care annuities or deferred payment schemes.<sup>8</sup> It is thought that self-funders make up about 30% of the care home population, though other estimates point to a lower figure (Knight Frank 2019, 2, Siôn and Trickey 2020, 14).

Some elements of social care provision are resourced by the NHS. NHS Continuing Care meets the full costs of someone assessed as needing it because of the complexity or severity of their condition – it might be provided at home or in a residential setting. The NHS also pays for the nursing element of care for a resident in a care home if their need is so assessed.

In addition to direct public resourcing by local authorities and the NHS, as well as indirect resourcing through DWP benefits, a substantial volume of care is delivered informally by unpaid carers (typically friends and relatives). Our previous report on older adult social care highlights that the replacement cost of this unpaid care – the amount of money that would need to be spent to purchase this care at market price – is estimated in the region of £8 billion (Siôn and Trickey 2020: 11). This figure dwarfs the cumulative amount spent by the NHS and local authorities on resourcing care.

Given this complexity, it is perhaps not surprising that only three out of ten Welsh adults claim to know "a great deal" or "a fair amount" about how the social care system works (Beaufort Research 2019, 5).

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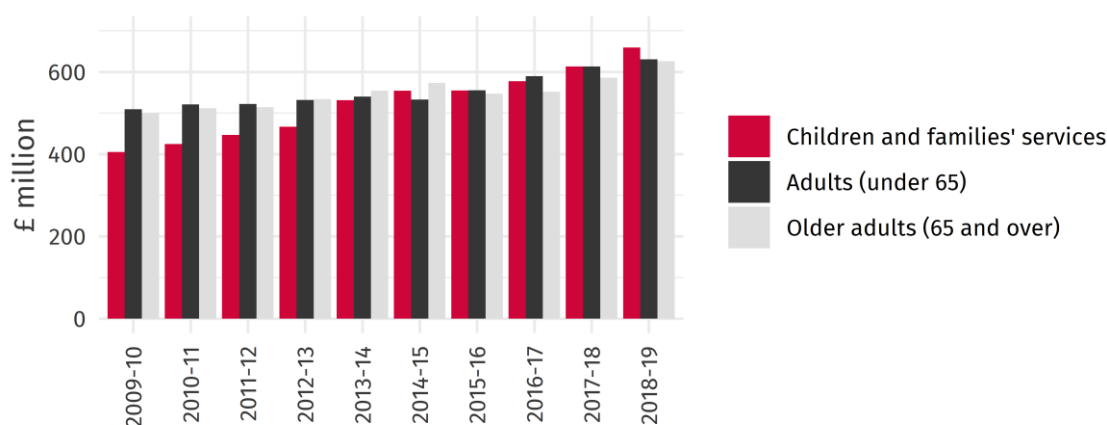
<sup>8</sup> Deferred Payment Schemes enable local authorities to place a legal charge on a property and recover the money when the property is sold (before or after the death of the resident).

### 3.2 Recent trends in social care in Wales

Spending on publicly funded social care for over-65s in Wales has increased by an average of 2.6% (0.9% in real terms) annually since 2009–10. As illustrated in **Figure 5**, although the overall increase in local authority spending on social services is significantly higher than this, most of this increase has been absorbed by additional cost and demand pressures relating to children and families' services (Ifan and Siôn 2019b, 10). In 2018–19, spending on children and families' services accounted for 34.4% of social services expenditure, up from 28.7% in 2009–10. Therefore, trends in spending on older adult social care should not be inferred from top-level changes to spending on social services alone.

**Figure 5**

Local authorities' net current expenditure on social services, 2009–10 to 2018–19 (£ thousand)



Source: StatsWales (2019 and previous) Local government revenue outturn data and authors' calculations.

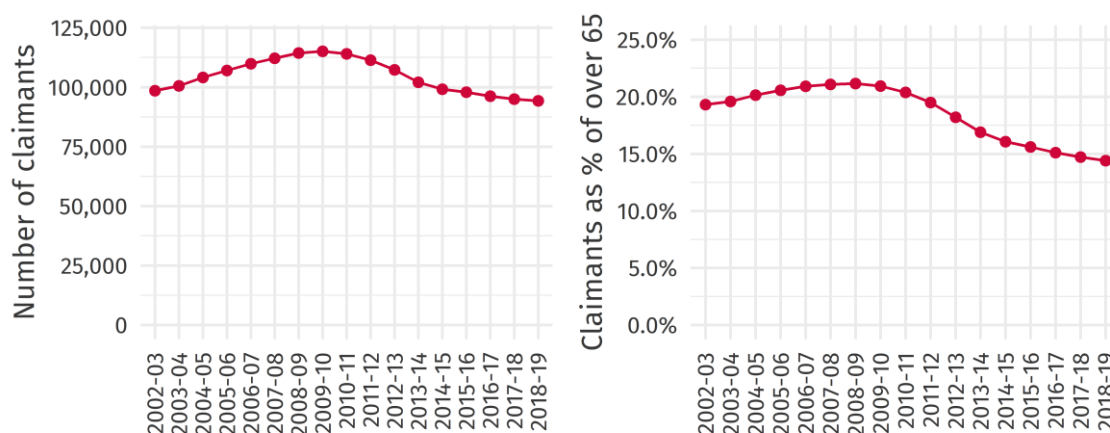
Although spending on older adult social care has increased in real terms over the past decade, spending per head of the population over-65 has fallen by 9.6% in real terms, from £1,058 to £956 per head.

The numbers of over-65s claiming Attendance Allowance tells a similar story. Despite a continued increase in the size of the age cohort, the Attendance Allowance caseload has declined from its peak of 115,000 in 2009 to 94,000 in 2019, though this decrease has slowed in recent years, as shown in **Figure 6**.

Recent changes to the statistics on numbers of people receiving publicly-funded social care in Wales makes a robust analysis of trends problematic but the indications are that, despite the growing numbers of over-65s, the numbers of people receiving care are broadly flat and have not risen in line with what might have been intuitively expected given the demographic trajectory in Wales.

**Figure 6**

**Attendance Allowance caseload and claimant rate, Wales**



Source: StatsWales (2019 and previous) Attendance Allowance: cases in payment, obtained via Stat-Xplore; StatsWales (2018 and previous) mid-year population estimates adjusted for financial year and authors' calculations.

**Figure 7** charts the trend in the number of older adults receiving residential services in Wales and the overall size of the 65+ age cohort, indexed to 2006–07. In 2018–19, there were 16,144 older adults receiving residential care in Wales, 15% less than in 2006–07. Meanwhile, the over-65 population has grown by nearly 25% over the period. The decline in the number of older adults receiving residential care was most pronounced at the start of the period suggesting that the trend pre-dates the start of austerity.

The intuitive explanation for why numbers have not risen in line with the over-65 population is because of a flat trend in spending. This would imply a build-up of suppressed demand. This needs exploring further; as with Scotland, the trend in demand (explicit and suppressed) may not be a function of demographic trajectory alone.

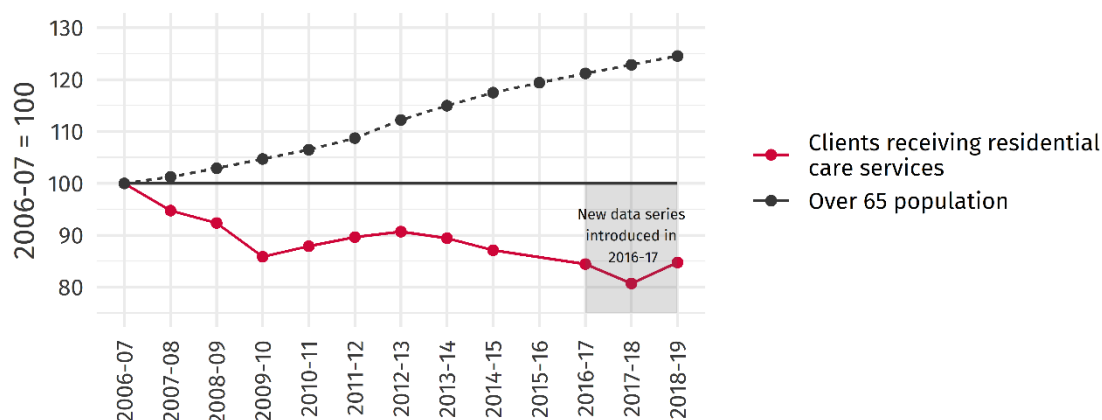
Like Scotland, there has also been an increase in the average number of hours of care provided to home care clients over time. This has been accompanied by a reduction in the share of clients receiving the mildest treatment intensity (less than 5 hours/week) (Jones, Patrignani, and Psycheva 2014a, 22).

Despite the different approaches to policy, both the Scottish and Welsh data exhibit at least two consistent trends. First, demand for social care does not appear to have risen in line with population projections, suggesting that demography is only one factor driving demand. Second, there appears to be a move towards more people receiving more intense levels of care. It is difficult to judge whether this is due to higher prevalence of chronic conditions requiring more intense care, a change in preferences or cuts in funding for other, less care-intensive services.



**Figure 7**

**Total clients receiving residential services in Wales, 2006–07 to 2018–19**



Source: StatsWales (2019 and previous) Total clients receiving residential services; ONS (2018 and previous) mid-year population estimates converted to financial years and authors' calculations.

### 3.3 Estimating the additional costs for Wales based on the 'Scottish' model

The free personal and nursing care policy is well-bedded in Scotland but care is needed when using the costs to government in Scotland as the basis for estimating costs of implementing a similar policy in Wales.

The nursing care element of free personal and nursing care, in the form of Continuing NHS Healthcare (CHC) or NHS-funded nursing care is already built into Welsh Government budgets, although there are continuing concerns about eligibility assessment and unsatisfied demand. Trends in spending on NHS Continuing Care suggests that it might be more responsive to the resources available as opposed to being solely demand driven (Siôn and Trickey 2020: 15–16). Therefore, the big new dimension in terms of the Welsh Budget would be the cost of the personal care element; whether the care was delivered person's own or in a residential care home.

The cost of providing free personal care (excluding nursing care) to older people in Scotland was £480.4 million (residential care: £99.3 million, home care: £381.1 million) in 2017–18. This was not all 'new' money, some pre-existing provision was already funded through the public purse. Taking a population share (over-65s) of this total gives us a crude estimate for free personal care for Wales of £305.2 million (residential care: £63.1 million, home care: £242.1 million).

But, as well as pre-existing provision in Wales, there are several other factors of which any budgetary projection would need to take account:

## 1. Wales has already ameliorated some social care costs

Although the Welsh Government did not introduce free personal care, largely on grounds of affordability, it has been ameliorating the cost of care falling on individuals since 2013 through two other policies:

One has been to gradually increase the assets threshold for residential care to £50,000, £22,000 higher than Scotland. Older adults with assets valued below this amount have their costs met by local authorities. This means that in Wales, more people in care homes have become eligible for publicly funded care. The policy was originally forecast to cost £19.4 million a year (Jones, Patrignani, and Peycheva 2016, 12).

The second was the introduction of a cap, from 2011, on charges levied by local authorities for home care. The cap has risen since its introduction and is currently set at £100/per week. It is up to local authorities whether, and by how much, they charge below this cap, subject to meeting statutory requirements for those on low income. Estimates suggested that in 2013, 44% users were exempt from any homecare payments and that 24% paid the maximum (Jones, Patrignani, and Peycheva 2014b, 24). The expenditure attributed to this latter group would be a new and additional factor in assessing the costs of free personal care.

## 2. The level of demand for care may be proportionately higher in Wales

The level of demand for care may be proportionately higher in Wales. There are two considerations at play here. One is demographic: Wales currently has a higher proportion of over-75s than Scotland (9.3% as against 8.4% in 2018), a gap which is expected to remain broadly constant up to 2040 (14.2% as against 13.2%), as shown in **Figure 8**. It may be prudent to use information from the 2021 Census (when it is made available) as a basis for projecting future demographic trends and the associated cost of the policy, as the reliance on outdated data hampered the accuracy of the initial cost projection in Scotland.

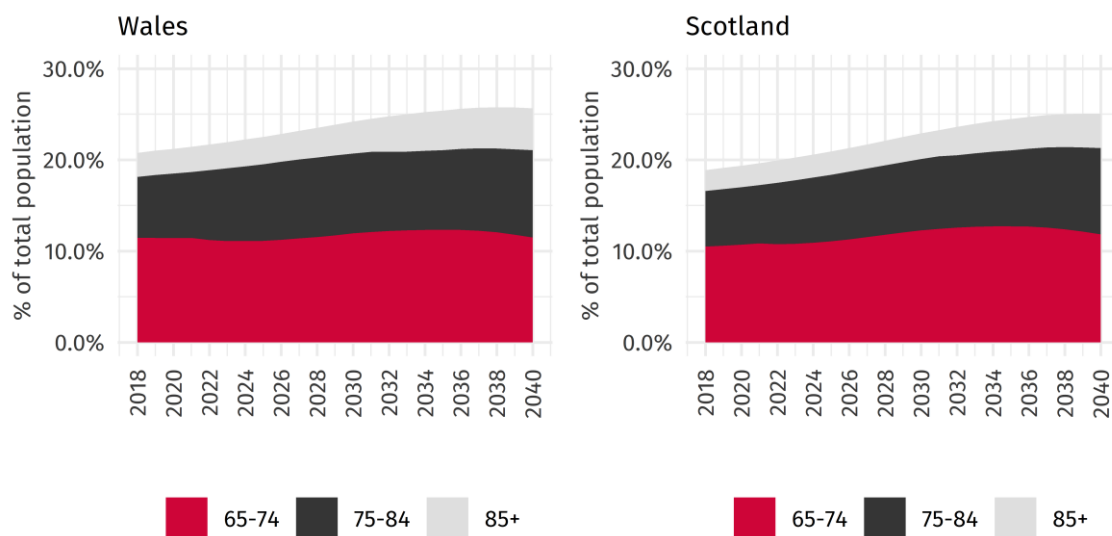
The second consideration is that the trend of an increase in care hours per client already seen in Scotland, could be steeper in Wales if prevalence rates of frailty were higher. To give an example, the prevalence rate of dementia among older people in Wales currently stands at 7.0%. Of those, nearly 58% are classed as having severe dementia. This baseline is markedly higher than in Scotland, where 6.3% of the older age population suffer from dementia, of which 54.6% suffer from severe dementia (Wittenberg et al. 2019, 3-4). According to modelling by the London School of Economics, the prevalence rate of dementia is projected to increase to 9.0% in Wales by 2040 (a 28.6% increase) compared to 7.7% in Scotland (a 22.2% increase) (Wittenberg et al. 2019, 5). Under the assumption that older adults with dementia (and particularly those with severe dementia) require more hours of care per week than the average home care client, this could contribute to a steeper increase in the average care hours received by home care clients in Wales compared to Scotland over the next two decades.

It is also well established that prevalence rates for other chronic conditions and long-term disabilities are relatively higher in Wales. In Wales, over 65s are nearly twice as likely to be

claiming Personal Independence Payment or Disability Living Allowance as their counterparts in England (Ifan and Siôn 2019a, 8).

In 2019-20 Wales had the second highest poverty rate for people across the countries and regions of the UK in pensioner families at 20%. Two decades ago Wales held the second lowest poverty rate for people in pensioner families (Joseph Rowntree Foundation 2020). If this trend deepens, it could have an impact on any means-tested threshold, including 'self-funding' numbers as family assets come under greater pressure. This trend could drive up the cost of local authority provided social care, regardless of whether free personal care is introduced.

**Figure 8**  
Older adults demographic projections, Wales and Scotland, 2018 to 2040



Source: ONS (2018-based) mid-year population projections and authors' calculations.

### 3. Private provision in Wales may be lower than in Scotland

Data on the flow of private funds is weak, whether for people living at home who purchase their own care or people in residential care who 'self-fund'. Although the numbers of people in residential care in Scotland (as in Wales) has not changed significantly for a number of years, the proportion of self-funders appears to have increased and the proportion of those fully funded by the public purse slightly decreased. This may be due to factors such as rising property prices. One trade source suggests that the 'private' market is smaller in Wales (accounting for 30% of care home fees) than Scotland (35%) and much lower than the UK average of 45% (Knight Frank 2019, 2). If so, the additional cost of free personal care in relation to residential care in Wales may be lower than Scotland.

#### 4. Free personal care could impact entitlements to the Attendance Allowance in Wales

Attendance Allowance is not devolved to the Welsh Government. It had not been devolved to the Scottish Government at the time free personal care was introduced either. As mentioned in the previous section, the cost to the Scottish Government of recompensing self-funders who had their payment withdrawn by the Department for Work and Pensions after free personal care was introduced was estimated at £40 million in 2008.

When Attendance Allowance was subsequently devolved to Scotland, the initial baseline used for calculating the block grant adjustment did not reflect the number of self-funders receiving additional funding from the Scottish Government in lieu of the Attendance Allowance payment. This meant that the additional sum added to the Scottish block grant to reflect the transfer of responsibilities from the DWP to Social Security Scotland was lower than it would have been had free personal care not been introduced.

If the Welsh Government were to consider implementing free personal care in Wales, it would be worth revisiting the case in favour of devolving Attendance Allowance. Were the benefit to be devolved prior to the implementation of the policy, the Welsh Government would avoid a situation whereby they have to recompense self-funders having had their Attendance Allowance withdrawn from the DWP. Previous research from this centre has shown that this could have a net positive effect on the Welsh Budget – although this assumes that the uplift to the block grant would be calculated on the same basis that was agreed for Scotland (Ifan and Siôn 2019a). And a report by the Senedd Equalities, Local Government and Communities committee recommended that the Welsh Government undertake exploratory work to consider the practicalities of devolving Attendance Allowance (National Assembly for Wales 2019).

### 3.4 Conclusion

There are various approaches to reforming the financing of social care, free personal care being only one option. The experience in Scotland suggests that an accurate projection of the additional cost to the Welsh Budget would probably be less than the pro rata figure of £300 million (equivalent to 1.5% of the Welsh Budget for day-to-day spending), mainly because some free personal care provision is already offered on a means-tested basis by local authorities. This is less than the spending on NHS Continuing Care and Nursing Care, which was around £415 million in 2018-19.

Of course, the current public health crisis has put abnormal pressures on public finances and the long-term effects of the pandemic on the social care sector remain unknown. Sustained demand for personal protective equipment and reduced occupancy in care homes could drive up the unit cost of care. And if the pandemic results in increased wariness of care homes, then domiciliary care services may need to develop accordingly.

In normal times, the additional budget required would be a significant ask and its feasibility would be contingent on it being a top budget priority. The impact of Covid-19 on public finances

and the pressures ahead on social care will make choices about priorities more difficult. But finding a way forward on the future financing of social care will continue to be an imperative.

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