Paying for Residential Care
Community Care Centre (CCC) Charging Policy
November 2019

Executive Summary

The Children and Adults Social Care Directorate anticipates total expenditures for operating the Community Care Complex (CCC) in 2020/21 at £1,286,000. This equates to approximately £550 per resident per week. Currently, only residents who receive Basic Island Pension (BIP) contribute to their care costs. Because only a portion of the residents in the CCC receive BIP, the total collected equates to only £36 per resident per week. This leaves a significant shortfall that must be allocated from SHG budgets and limits the Directorate's ability to pursue non-core functions that benefit its customers.

In order to increase the sustainability of CCC operations and increase the fairness of the charging scheme, this paper proposes several options for that would require contributions to care costs from any resident with income from a private pension or other source as well as from residents with no income but more than £3,000 in savings. These options are:

- Option 1: Maximum Weekly Contribution Capped at BIP Contribution (currently £64)
- Option 2: Maximum Weekly Contribution Capped at £230
- Option 3: Maximum Weekly Contribution Capped at £550

In addition, the paper proposes two add-on options that could be combined with any of the primary options:

- Add-On Option A: Include Savings in Means Test for all Individuals
- Add-On Option B: Include Property in the Means Test for all Individuals

Based on the analysis presented, the preferred option is Option 2 combined with both Add-On Options A and B. This combined approach leads to a more targeted subsidy as individuals who were able would make a higher contribution to their care, but would not require any individual to contribute the full cost of their care. In addition, implementation of this approach would be fairer as the means test would consider all sources of income, savings and property ownership for all individuals.

If implemented, this approach would be estimated to increase care contributions and, as a result, reduce the budget shortfall by £175,000 per year compared to the status quo.

The recommended option would be a significant change from previous policy and would require careful public communication if implemented. It would need to be made clear that every resident of the CCC would not be required to pay £230 per week for their care, no one would be forced to leave their home and that individuals would receive the same care regardless of their ability to pay. The benefits of increased revenue for programmes supporting the elderly and other vulnerable individuals should also be communicated.

While this paper focuses on charges for care costs at the CCC, it is recommended that in the future the Committee consider whether the costs for other services provided by the Children and Adults Social Car Directorate could be appropriately supplemented by fees.

Policy Scope and Context

This policy is to be applied to all existing and future residents of the CCC. The CCC provides full time care and support for up to 45 elderly people who can no longer remain living in their own homes. This provision is provided for the most vulnerable elderly people on St Helena in order to allow them to continue to live good and safe lives. Whilst in residential care at the CCC all of the individual's needs and core expenses are met by the Children's and Adults Social Care Directorate within St Helena Government.

The Children and Adults Social Care Directorate anticipates total expenditures for operating the CCC in 2020/21 at £1,286,000. This equates to approximately £550 per resident per week.

Worldwide, there is an expectation that individuals within residential care facilities will pay a contribution to their care costs. In the UK, officials consider the income, property and financial assets of an individual requiring care. Those who fall above the maximum threshold must pay the full value of their care costs while those who fall below the minimum are not required to pay anything. Individuals whose income and assets fall between the two levels pay a portion of their care costs. Individuals who receive residential care are required to include the value of their home in their assets, though some exemptions apply.

Historically in St Helena, there has been a distinction made on the payment of fees based on whether an individual has a BIP, non-BIP income including private pension, or no income. The payment of contributions towards care costs by those in receipt of BIP is mandated by the Social Security Ordinance.

When an individual is offered a placement at the CCC the costs of full-time care and support from trained staff, all food and drinks, laundry services, cleaning, personal care items including incontinence pads, prescribed medications, access to activities and outings in the community and all transport to and from Hospital/medical appointments, are met by the Children and Adults Social Care Directorate. It is these costs that an individual will be expected to make a contribution towards; the amount they are expected to pay will be dependent on a means test of their financial circumstances. This policy is not aimed at achieving full recovery of the costs of running the CCC; it is primarily aimed toward introducing a more equitable policy whereby all individuals, not just those in receipt of state benefits, are expected to pay a contribution to their care costs. This ensures that the provision of the service is sustainable considering an aging population.

Means Testing

It is recommended that the contribution that an individual will be expected to make towards care costs will be made on the basis of a financial assessment called a 'means test'. The means test looks at:

- Regular income, such as pensions, benefits or earnings.
- Capital assets, such as savings, investments and business interests.

In order to undertake the means test the individual may be asked to provide copies of bank statements, documentations from Benefits and other financial documents. Following the means test it will be decided whether the person is expected to pay a full contribution to their care costs, part of the costs or nothing at all. As part of this policy, it is recommended that a standard process for financial assessment be implemented in conjunction with the Corporate Finance benefits team to ensure means testing is being applied in a consistent way for all government benefits.

Application of Charging Criteria

An individual admitted to the CCC will not pay any contribution to care costs for the first 42 days (six weeks) after their admission: During this period means tests and financial assessments will be undertaken to determine the individual's payable contributions towards care costs. Care costs are payable from the 43rd day of their admission; if the assessment is ongoing at this stage contributions will be backdated to this date once the contribution amounts are agreed.

Once the financial assessment is completed, the individual and/or their legally appointed Deputy will be provided with a letter detailing the expected contributions to care costs and arrangements for how these can be made.

It is not the aim of this policy to place any individual or dependent family member in financial hardship. Should the financial assessment indicate that application of this policy would place an individual or a dependant family member such as a spouse, in financial hardship an application can be made to the Director of Children and Adults Social Care to waive part of the expected contributions to care costs.

Policy Options

This paper considers the Status Quo (do nothing) against five (do something) options.

Status Quo

The existing policy is as follows. An individual admitted to the CCC will not pay any contribution to care costs for the first 42 days (six weeks) after their admission. After this point, individuals are expected to contribute based on the following criteria:

- **Those in receipt of only Basic Island Pension (BIP)**
  Contributions to care costs by residents who receive Basic Island Pension (BIP) are already required under the Social Security Ordinance (2010, Part II section 3). This states that an individual retains £10 of their BIP and the remaining balance of the BIP entitlement is paid to the residential care unit. A person's entitlement to BIP is detailed in the Social Security Ordinance and the amount they receive is determined by their years of work on St Helena. The full entitlement is currently £74, though individuals with fewer years of qualifying work only receive a portion of the full entitlement. The BIP amount is linked to the Minimum Income Standard [MIS] and is subject to revision on the same schedule as the MIS.
- **Those in receipt of only non-BIP income, including a private pension(s)**
  Individuals may have income from a private pension, business, rental property or other investment. Private pensions include all employer, overseas, widow's, military and personal pensions. An individual may be in receipt of several pensions. Individuals with only non-BIP income are currently not expected to make a contribution to their care costs.
- **Those in receipt of both BIP and other income**
  Contributions to care costs by residents who are in receipt of both BIP and other income currently retain £10 from their BIP entitlement and the entirety of their other income. The remainder of the BIP entitlement is paid toward their care costs.
- **Those with no regular income but with savings above £3,000**
  Individuals with no income from pension and more than £3,000 in savings are not currently expected to make any contribution to their care costs.
- **Those with no regular income and savings below £3,000**

Individuals with no income from pension and either no savings or savings below £3,000 are not currently expected to make any contribution to their care costs.

Currently, the CCC has 27 residents who receive BIP and who each pay an average of £60 per week toward their care costs. (The average weekly payment is lower than £64 because some residents are not eligible for the full £74 BIP entitlement.) This equates to annual revenue of £84,270, which would lead to a budget shortfall of £1,201,730. Currently patients in receipt of other income but not BIP do not pay towards their care.

The level of revenue is highly dependent on whether the individual residents admitted to the CCC have BIP. Based on data from the 2016 Census and BIP claims that year, approximately 78% of the population over age 65 claimed BIP. If we assume this is the highest proportion of residents who would have BIP, annual revenue could be more than £109,000. Conversely, the number of residents who claim BIP was half of what it is currently, annual revenue would fall to around £42,000.

Table 1. Estimated Contribution Using Status Quo Methodology

	Low	Current	High
Number of Residents with BIP	14	27	35
Total Residents	45	45	45
Average Contribution per Resident per Week	£18	£36	£47
Total Contribution per Week	£810	£1,620	£2,100
Annual Revenue	£42,130	£84,270	£109,010
Budget Shortfall	£1,243,870	£1,201,730	£1,176,990

Pros:

- Simplest option -- does not require any changes to current system.
- Lowest cost option to the user.
- Politically uncontroversial.

Cons:

- Unfair charging system whereby those who receive a government paid pension pay, but those who receive a private pension or other income do not.
- Lowest potential revenue generation and highest cost option to the care provider.
- Financially unsustainable considering an aging population.

Option 1: Maximum Weekly Contribution Capped at BIP Contribution

Option 1 requires all users to contribute, where they can afford it. The maximum weekly contribution for all users with income is set at the full BIP entitlement minus £10. At the time of writing, this rate is £64 per week.

After the first six weeks, individuals would be expected to contribute based on the following criteria:

- **Those in receipt of only BIP**
  Individuals receiving only BIP would retain £10 of their BIP and the remaining balance of the BIP entitlement is paid to the residential care unit. This is no change relative to the current system.

- **Those in receipt of only non-BIP income, including a private pension(s)**
  A weekly contribution to care costs by those in receipt of non-BIP income is set at the full payable BIP contribution, which at the time of writing is £64 per week. Individuals would retain a minimum of £10.
- **Those in receipt of both BIP and other income**
  Contributions to care costs by residents who are in receipt of both BIP and other income will be calculated as above up to the full payable BIP contribution, which at the time of writing is £64 per week. For example, an individual who does not receive the full BIP amount would be expected to 'top-up' the contribution to care costs from their other income.
- **Those with no regular income but with savings above £3,000**
  If the individual has more than £3,000 in savings, they will have to pay a weekly contribution equal to full payable BIP contribution of £64 per week until the amount of savings reduces below the savings threshold of £3,000.
- **Those with no regular income and savings below £3,000**
  Individuals with no income from pension and either no savings, or savings below £3,000 will not be expected to make any contribution to their care costs.

Analysis for the review of the Social Security System assumed that 60% of current BIP recipients could remain eligible for BIP if it were means tested. This suggests that a large proportion of BIP recipients may not have access to additional pension income. For the purposes of this analysis, it is assumed that 16 of the residents currently in receipt of BIP will continue to pay an average of £60 per week while the remaining 11 will pay the full £64.

There is not data available on how many individuals hold private pensions or have other non-BIP income in retirement or what the level of that income is. Assuming half of all residents have access to some other source of income, an additional 12 would have only other income and also pay £64 per week.

A low proportion of accounts at Bank of St Helena have a balance greater than £3,000. There is likely to be significant overlap between individuals who have some source of income and those who have accumulated savings above the £3,000 threshold. For this reason, it is assumed that there are no individuals who have savings over £3,000 without any outside income.

Based on the middle estimate, this option could increase annual contributions by approximately £40,000 compared to the status quo. The low estimate assumes fewer individuals will have either BIP or other income compared to the middle estimate. The high estimate assumes the same number of individuals will have BIP while more will have other income when compared to the middle estimate.

Table 2. Estimated Weekly Contribution Using Option 1

	Low	Middle	High
Number of Residents with Only BIP	14	16	16
Number of Residents with Only Other Income	10	12	16
Number of Residents with BIP + Other Income	0	11	11
Number of Residents with no Income Savings >£3,000	0	0	0
Number of Residents with no Income, Savings <£3,000	21	6	2
Total Residents	45	45	45
Average Contribution per Resident Per Week	£32	£54	£60
Total Contribution per Week	£1,460	£2,410	£2,700
Total Contribution per Annum	£75,660	£125,440	£140,420
Budget Shortfall	£1,210,340	£1,160,560	£1,145,580

Pros:

- Simple to calculate because everyone required to pay will have the same contribution.
- Equitable – everyone who is able pays the same rate for the same care.
- Helps to cover some more of the costs of social care, so that the budget could be spread more widely.
- More sustainable considering an aging population.
- Inflation linked payments so sustainable considering changing prices of food.

Cons:

- Low income individuals pay a greater percentage of their income than high-income individuals.
- Relatively low revenue generation.
- Publically controversial for little financial gain.

Option 2: Maximum Weekly Contribution Capped at £230

Option 2 would cap the maximum weekly contribution at £230, which is approximately 40% of the cost of care. This would be equivalent to £11,960 for a year. The cap would be reviewed each year to ensure it is in line with care costs and inflation

After the first six weeks, individuals would be expected to contribute based on the following criteria:

- **Those in receipt of only Basic Island Pension (BIP)**
  Individuals receiving only BIP would retain £10 of their BIP and the remaining balance of the BIP entitlement is paid to the residential care unit. This is no change relative to the current system.
- **Those in receipt of only non-BIP income, including a private pension(s)**
  For those in receipts of non-BIP income will retain at least £10 per week with the remainder being paid towards their care costs. A maximum weekly contribution towards care costs is set at £230, totalled across pensions.
- **Those in receipt of both BIP and other income**
  Those in receipt of both BIP and other income will retain at least £10 per week with the remainder being paid towards their care costs. A maximum weekly contribution towards care costs is set at £230, totalled across pensions.

- **Those with no regular income but with savings above £3,000**
  If the individual has more than £3,000 in savings, they would have to pay a full weekly contribution of £230 until the amount of savings reduces below the savings threshold of £3,000.
- **Those with no regular income and savings below £3,000**
  Individuals with no income from pension and either no savings, or savings below £3,000 will not be expected to make any contribution to their care costs.

This analysis uses the same assumptions as Option 1 with regard to the number of individuals who receive BIP, have other income or both. Because there are no data available about the value of private pensions or levels of income in retirement, it is unclear what level of weekly payment would be viable. For illustrative purposes, we assume individuals with any non-BIP income pay, on average, one-half of the maximum contribution (£115) per week. (Some would pay more while others would pay less.) Individuals who receive only BIP continue to pay an average of £60 per week while individuals with no income do not pay a contribution to their care costs.

Based on these estimates, this option would increase annual contributions by approximately £100,000 compared to the status quo for the middle estimate. The low estimate assumes individuals with any non-BIP income pay 30% of the maximum contribution per week (£69) on average while the high estimate assumes they will pay 75% (£172.50) per week on average.

Table 3. Estimated Weekly Contribution Using Option 2

	Low	Middle	High
Number of Residents with Only BIP	14	16	16
Number of Residents with Only Other Income	10	12	16
Number of Residents with BIP + Other Income	0	11	11
Number of Residents with no Income Savings >£3,000	0	0	0
Number of Residents with no Income, Savings <£3,000	21	6	2
Total Residents	45	45	45
Average Contribution per Resident Per Week	£33	£79	£125
Total Contribution per Week	£1,510	£3,560	£5,630
Total Contribution per Annum	£78,280	£185,110	£292,750
Budget Shortfall	£1,207,720	£1,100,890	£993,250

Pros:

- More sustainable considering an aging population.
- Subsidies are targeted as individuals who are able to pay more contribute more to their care.
- Likely higher revenue than Status Quo or Option 1 which means that it may be possible to provide care for more people or to improve the quality of care.

Cons:

- More complicated to administer because contributions will vary significantly by individual.
- Potential revenue uncertain due to limited data on value of private pensions, savings and other sources of income.
- Potential incentive to draw down assets in order to avoid paying contributions from savings.
- Publically controversial.

Option 3: Maximum Weekly Contribution Capped at £550

This option follows the same principles as Option 2, but caps the maximum contribution at the full cost of care, estimated currently at £550 per week. This would be equivalent to £28,600 for a year. The cap would be reviewed each year to ensure it is in line with care costs and inflation.

This analysis uses the same assumptions as Option 1 and 2 with regard to the number of individuals who have BIP, receive other income or both. Because there are no data available about the value of private pensions and other non-BIP income, it is unclear what level of weekly payment would be viable.

For illustrative purposes, we assume individuals with any non-BIP income pay, on average, one-half of the maximum contribution (£275) per week. (Some would pay more and some would pay less.) Individuals who receive only BIP would continue to pay an average of £60 per week while individuals with no income would not pay a contribution to their care costs.

Based on these estimates, this option could increase annual contributions by approximately £288,000 compared to the status quo based for the middle estimate. The low estimate assumes individuals with any pension pay on average 25% of the maximum contribution per week (£137.50) while the high estimate assumes they will pay 75% (£412.50) per week on average.

Table 4. Estimated Weekly Contribution Using Option 3

	Low	Middle	High
Number of Residents with Only BIP	14	16	16
Number of Residents with Only Other Income	10	12	16
Number of Residents with BIP + Other Income	0	11	11
Number of Residents with no Income Savings >£3,000	0	0	0
Number of Residents with no Income, Savings <£3,000	21	6	2
Total Residents	45	45	45
Average Contribution per Resident Per Week	£49	£159	£269
Total Contribution per Week	£2,190	£7,160	£12,100
Total Contribution per Annum	£114,100	£372,060	£629,260
Budget Shortfall	£1,171,900	£913,940	£656,740

Pros:

- Full cost recovery – this is the most financially sustainable option.
- Most sustainable considering an aging population.
- Subsidies are targeted as individuals who are able to pay more contribute more to their care.
- Highest income individuals will pay the full cost of their care.
- Likely highest revenue of all options which means that it would be possible to provide care for more people or to improve the quality of care.

Cons:

- More complicated to administer because contributions will vary significantly by individual.
- Potential revenue uncertain due to limited data on value of private pensions, savings and other sources of income.
- Potential incentive to draw down assets in order to avoid paying contributions from savings.
- Socially controversial

Add-On Option A: Include Savings in Means Test for all Individuals

There is potentially significant overlap between the number of people who hold a pension of any kind or have other income and those who have savings over £3,000. For this reason, it may be beneficial to consider both income and savings together in the means test for determining the expected contribution to care costs.

Add-On Option A would require savings to be considered for all individuals, not just those who did not have a regular income. Anyone with savings over £3,000, regardless of whether or not they had regular income, would be expected to contribute £1 per week for every £1,000 in savings they held above the threshold of £3,000.[1]

Add-On Option A could be applied to any of the previously considered options and would increase revenue compared to those options on their own. This analysis assumes approximately 25% of individuals, equivalent to 11 residents, have savings greater than £3,000. Based on the middle estimate, Sub-Option A would increase annual contributions to care costs by approximately £7,700.

It is important to note that while pension income is expected to be steady over the life of a resident, additional contributions from savings may reduce over time depending on the initial balance and how long an individual resides at the CCC.

Table 5.Estimated Weekly Contribution Using Sub-Option A

	Low	Middle	High
Number of Individuals with Savings > £3,000	11	11	11
Average Balance of Savings per Person	£7,000	£16,000	£22,000
Weekly Savings-Related Contribution per Person	£4	£13	£19
Total Additional Contribution per Week	£45	£150	£210
Total Additional Contribution per Annum	£2,340	£7,610	£11,120

Pros:

- Subsidies are targeted as individuals who are able to pay more contribute more to their care.
- More equitable because pension income and savings are considered for all individuals
- Would lead to additional revenue when compared to any option without the add-on which means that it may be possible to provide care for more people or to improve the quality of care within the same budget.

Cons:

- More complicated to administer because contributions will vary significantly by individual.
- Revenue uncertain due to limited data available on savings.
- Contributions will potentially decrease over time depending on savings balances.
- Increased incentive to draw down assets in order to avoid paying contributions from savings.
- Socially controversial.

Add-On Option B: Include Property in Means Test

As with Add-On Option A, Add-On Option B would require the value of property to be considered as part of the means test. This methodology is most similar to what is currently done in the UK.

[1] This is similar to the method for considering savings when means testing Income Related Benefits (IRB).

Individuals who own property would be expected to pay a contribution based on the value of their property. This would be calculated as £1 per week for every £1,000 in value above a threshold of £3,000.[2]

According to the 2016 Census, 72% of homes in St Helena are owner occupied, which means most individuals who enter the CCC are likely to own property. However, in cases where this additional payment required sale of the property, exemptions would be required to avoid creating financial hardship for others living in the home. Approximately 27% of residences have a single occupant, so the portion of individuals with eligible property is likely between these two values.

Based on data from the Census on home size and SHG estimates for constructing Government Landlord Housing (GLH), we assume an average value of approximately £60,000. This is likely an underestimate as the costs to build GLH do not include the value of land and also do not reflect the sort of improvements an individual would invest in for their own home. However, it also does not account for joint ownership of property. In the case of jointly-owned property, only a portion of the value of the property would be counted in the means test for any single owner.

Add-On Option B could be applied to any of the previously considered options and would increase revenue compared to those options on their own. This analysis assumes approximately 50% of individuals, 22 residents, have property that would not be exempt from the means test. Based on the middle estimate, Sub-Option A would increase annual contributions by approximately £66,000.

Table 6. Estimated Weekly Contribution Using Sub-Option B

	Low	Middle	High
Number of Individuals with Homes not Exempt	12	22	32
Value of Property	£60,000	£60,000	£60,000
Weekly Property-Related Contribution per Person	£57	£57	£57
Total Additional Contribution per Week	£690	£1,270	£1,850
Total Additional Contribution per Annum	£36,050	£66,090	£96,130

Pros:

- Subsidies are targeted as individuals who are able to pay more contribute more to their care.
- More equitable because all assets are considered in means test.
- May help bring vacant properties into use.
- Possible option for SHG to acquire homes to use as GLH.
- Would lead to additional revenue when compared to any option without the add-on which means that it may be possible to provide care for more people or to improve the quality of care within the same budget.

Cons:

- More complicated to administer because contributions will vary significantly by individual.
- More complicated to administer when market prices of property is unknown.
- Increased incentive to transfer property to in order to avoid paying contributions.
- Revenue uncertain and will depend on sale of homes.

[2] This is similar to the method for considering savings when means testing Income Related Benefits (IRB).

- Likely to be unpopular if it is necessary for homes to be sold.
- Socially controversial.

Evaluation and Recommendation

The proposed options were evaluated based on ease of implementation, potential to raise revenue and the principle that subsidies should be targeted to those individuals who most need them. Each option was assigned a score for ease of implementation (3 = easiest, 1 = hardest) and potential revenue raised (0 = lowest, 3 = highest). Each option received 1 point if the subsidy was targeted.

Table 7. Evaluation of Options

	Ease of Implementation	Revenue Raised	Targeted Subsidy	Score
Status Quo	3	0	0	3
Option 1	2	1	0	3
Option 2	1	2	1	4
Option 3	1	3	1	5

While Option 3 ranks highest because it has the highest potential to raise revenue, the level of revenue raised is uncertain due to the lack of data available on private pensions and other incomes individuals may draw after retirement. This uncertainty means the benefit may not outweigh the risk of negative reaction to the high expected contribution associated with this option.

For this reason, Option 2 is the preferred option. This option leads to a more targeted subsidy as individuals who were able would make a higher contribution to their care, but would not require any individual to contribute the full cost of their care.

In addition, it is recommended that Option 2 be combined with both Add-On Option A and Add-On Option B. Implementation of this combined approach would be fairer as the means test would consider all sources of income, savings and property ownership for all individuals.

If implemented, this combined approach would be estimated to increase care contributions and, as a result, reduce the budget shortfall by £175,000 per year compared to the status quo.

The recommended option would be a significant change from previous policy and would require careful public communication if implemented. It would need to be made clear that every resident of the CCC would not be required to pay £230 per week for their care, no one would be forced to leave their home and that individuals would receive the same care regardless of their ability to pay. The benefits of increased revenue for programmes supporting the elderly and other vulnerable individuals should also be communicated.

While this paper focuses on charges for care costs at the CCC, it is recommended that the Committee consider whether the costs for other services provided by the Children and Adults Social Car Directorate could be appropriately supplemented by fees in the future.

Dear Colleagues,

You will be aware that for a while now, the Director has been speaking about the need to review the charging policy at the CCC.

SCDC agreed that SHG could move forward to address concerns about the fairness of the current charging system for care at the CCC. Currently, only people on Basic Island Pension pay for their care and this is taken at source. This system is seen as unfair because individuals who have lived and worked their whole lives on St Helena are expected to contribute while individuals with other sources of income are not. For this reason, SHG will be expanding care charges so all residents who have the ability to pay would pay the same rate as those receiving Basic Island Pension. Individuals who do not have the ability to pay would not be subject to charges.

Following the Committee's recommendation, the Children and Adults Social Care Directorate will first be contacting current residents and their families regarding care charges.

For your information, attached is a copy of the letter sent to all CCC residents as well as a copy of the revised charging policy.

Please note:

Only option one of the policy has been agreed by committee.

Children & Adults Social Care Directorate

Brick House

Jamestown

17 December 2019

Re: Review of service charges

Dear Sir/Madam

Further to the letter you received on the 10th December 2019 regarding the new charges, I would like to advice that the new weekly rate that you will be charged as of the 06 January 2020 is £64.00 and not £73.00 as previously stated.

We apologise for any inconvenience or undue stress this error has caused.

For clarification, the letter should read:

I am writing to inform you that the Children and Adult Social Care Directorate has changed the charging policy for service users residing at the Princess Royal Community Care Centre with the aim of ensuring:

- All residents who are able, pay for the service they receive
- Charges implemented will be fair and consistent to all service users.

Prior to implementation; a financial assessment will be undertaken of all residents not currently paying for the service at the Community Care Centre to ensure affordability.

It is intended that a weekly charge of £64.00 will be implemented commencing the 6th of January 2020. Please contact the Manager, Rosalie Brown of the Community Care Centre or a Head of Care if you have any questions relating to this process.

We would like to take this opportunity to thank you for your understanding and support in this matter.

Yours Faithfully

Mrs Tracy Poole-Nandy

Director, Children & Adult Social Care

Children & Adults Social Care

St Helena Government

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In order to increase the sustainability of CCC operations and increase the fairness of the charging scheme, this paper proposes several options for that would require contributions to care costs from any resident with income from a private pension or other source as well as from residents with no income but more than £3,000 in savings. These options are:

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The recommended option would be a significant change from previous policy and would require careful public communication if implemented. It would need to be made clear that every resident of the CCC would not be required to pay £230 per week for their care, no one would be forced to leave their home and that individuals would receive the same care regardless of their ability to pay. The

benefits of increased revenue for programmes supporting the elderly and other vulnerable individuals should also be communicated.

While this paper focuses on charges for care costs at the CCC, it is recommended that in the future the Committee consider whether the costs for other services provided by the Children and Adults Social Car Directorate could be appropriately supplemented by fees.

Policy Scope and Context

This policy is to be applied to all existing and future residents of the CCC. The CCC provides full time care and support for up to 45 elderly people who can no longer remain living in their own homes. This provision is provided for the most vulnerable elderly people on St Helena in order to allow them to continue to live good and safe lives. Whilst in residential care at the CCC all of the individual's needs and core expenses are met by the Children's and Adults Social Care Directorate within St Helena Government.

The Children and Adults Social Care Directorate anticipates total expenditures for operating the CCC in 2020/21 at £1,286,000. This equates to approximately £550 per resident per week.

Worldwide, there is an expectation that individuals within residential care facilities will pay a contribution to their care costs. In the UK, officials consider the income, property and financial assets of an individual requiring care. Those who fall above the maximum threshold must pay the full value of their care costs while those who fall below the minimum are not required to pay anything. Individuals whose income and assets fall between the two levels pay a portion of their care costs. Individuals who receive residential care are required to include the value of their home in their assets, though some exemptions apply.

Historically in St Helena, there has been a distinction made on the payment of fees based on whether an individual has a BIP, non-BIP income including private pension, or no income. The payment of contributions towards care costs by those in receipt of BIP is mandated by the Social Security Ordinance.

When an individual is offered a placement at the CCC the costs of full-time care and support from trained staff, all food and drinks, laundry services, cleaning, personal care items including incontinence pads, prescribed medications, access to activities and outings in the community and all transport to and from Hospital/medical appointments, are met by the Children and Adults Social Care Directorate. It is these costs that an individual will be expected to make a contribution towards; the amount they are expected to pay will be dependent on a means test of their financial circumstances. This policy is not aimed at achieving full recovery of the costs of running the CCC; it is primarily aimed toward introducing a more equitable policy whereby all individuals, not just those in receipt of state benefits, are expected to pay a contribution to their care costs. This ensures that the provision of the service is sustainable considering an aging population.

Means Testing

It is recommended that the contribution that an individual will be expected to make towards care costs will be made on the basis of a financial assessment called a 'means test'. The means test looks at:

- Regular income, such as pensions, benefits or earnings.
- Capital assets, such as savings, investments and business interests.

In order to undertake the means test the individual may be asked to provide copies of bank statements, documentations from Benefits and other financial documents. Following the means test it will be decided whether the person is expected to pay a full contribution to their care costs, part of the costs or nothing at all. As part of this policy, it is recommended that a standard process for financial assessment be implemented in conjunction with the Corporate Finance benefits team to ensure means testing is being applied in a consistent way for all government benefits.

Application of Charging Criteria

An individual admitted to the CCC will not pay any contribution to care costs for the first 42 days (six weeks) after their admission: During this period means tests and financial assessments will be undertaken to determine the individual's payable contributions towards care costs. Care costs are payable from the 43rd day of their admission; if the assessment is ongoing at this stage contributions will be backdated to this date once the contribution amounts are agreed.

Once the financial assessment is completed, the individual and/or their legally appointed Deputy will be provided with a letter detailing the expected contributions to care costs and arrangements for how these can be made.

It is not the aim of this policy to place any individual or dependent family member in financial hardship. Should the financial assessment indicate that application of this policy would place an individual or a dependant family member such as a spouse, in financial hardship an application can be made to the Director of Children and Adults Social Care to waive part of the expected contributions to care costs.

Policy Options

This paper considers the Status Quo (do nothing) against five (do something) options.

Status Quo

The existing policy is as follows. An individual admitted to the CCC will not pay any contribution to care costs for the first 42 days (six weeks) after their admission. After this point, individuals are expected to contribute based on the following criteria:

- **Those in receipt of only Basic Island Pension (BIP)**
  Contributions to care costs by residents who receive Basic Island Pension (BIP) are already required under the Social Security Ordinance (2010, Part II section 3). This states that an individual retains £10 of their BIP and the remaining balance of the BIP entitlement is paid to the residential care unit. A person's entitlement to BIP is detailed in the Social Security Ordinance and the amount they receive is determined by their years of work on St Helena. The full entitlement is currently £74, though individuals with fewer years of qualifying work only receive a portion of the full entitlement. The BIP amount is linked to the Minimum Income Standard [MIS] and is subject to revision on the same schedule as the MIS.
- **Those in receipt of only non-BIP income, including a private pension(s)**
  Individuals may have income from a private pension, business, rental property or other investment. Private pensions include all employer, overseas, widow's, military and personal pensions. An individual may be in receipt of several pensions. Individuals with only non-BIP income are currently not expected to make a contribution to their care costs.
- **Those in receipt of both BIP and other income**
  Contributions to care costs by residents who are in receipt of both BIP and other income currently retain £10 from their BIP entitlement and the entirety of their other income. The remainder of the BIP entitlement is paid toward their care costs.

- **Those with no regular income but with savings above £3,000**
  Individuals with no income from pension and more than £3,000 in savings are not currently expected to make any contribution to their care costs.
- **Those with no regular income and savings below £3,000**
  Individuals with no income from pension and either no savings or savings below £3,000 are not currently expected to make any contribution to their care costs.

Currently, the CCC has 27 residents who receive BIP and who each pay an average of £60 per week toward their care costs. (The average weekly payment is lower than £64 because some residents are not eligible for the full £74 BIP entitlement.) This equates to annual revenue of £84,270, which would lead to a budget shortfall of £1,201,730. Currently patients in receipt of other income but not BIP do not pay towards their care.

The level of revenue is highly dependent on whether the individual residents admitted to the CCC have BIP. Based on data from the 2016 Census and BIP claims that year, approximately 78% of the population over age 65 claimed BIP. If we assume this is the highest proportion of residents who would have BIP, annual revenue could be more than £109,000. Conversely, the number of residents who claim BIP was half of what it is currently, annual revenue would fall to around £42,000.

Table 1. Estimated Contribution Using Status Quo Methodology

	Low	Current	High
Number of Residents with BIP	14	27	35
Total Residents	45	45	45
Average Contribution per Resident per Week	£18	£36	£47
Total Contribution per Week	£810	£1,620	£2,100
Annual Revenue	£42,130	£84,270	£109,010
Budget Shortfall	£1,243,870	£1,201,730	£1,176,990

Pros:

- Simplest option -- does not require any changes to current system.
- Lowest cost option to the user.
- Politically uncontroversial.

Cons:

- Unfair charging system whereby those who receive a government paid pension pay, but those who receive a private pension or other income do not.
- Lowest potential revenue generation and highest cost option to the care provider.
- Financially unsustainable considering an aging population.

Option 1: Maximum Weekly Contribution Capped at BIP Contribution

Option 1 requires all users to contribute, where they can afford it. The maximum weekly contribution for all users with income is set at the full BIP entitlement minus £10. At the time of writing, this rate is £64 per week.

After the first six weeks, individuals would be expected to contribute based on the following criteria:

- **Those in receipt of only BIP**

Individuals receiving only BIP would retain £10 of their BIP and the remaining balance of the BIP entitlement is paid to the residential care unit. This is no change relative to the current system.

- **Those in receipt of only non-BIP income, including a private pension(s)**
  A weekly contribution to care costs by those in receipt of non-BIP income is set at the full payable BIP contribution, which at the time of writing is £64 per week. Individuals would retain a minimum of £10.
- **Those in receipt of both BIP and other income**
  Contributions to care costs by residents who are in receipt of both BIP and other income will be calculated as above up to the full payable BIP contribution, which at the time of writing is £64 per week. For example, an individual who does not receive the full BIP amount would be expected to 'top-up' the contribution to care costs from their other income.
- **Those with no regular income but with savings above £3,000**
  If the individual has more than £3,000 in savings, they will have to pay a weekly contribution equal to full payable BIP contribution of £64 per week until the amount of savings reduces below the savings threshold of £3,000.
- **Those with no regular income and savings below £3,000**
  Individuals with no income from pension and either no savings, or savings below £3,000 will not be expected to make any contribution to their care costs.

Analysis for the review of the Social Security System assumed that 60% of current BIP recipients could remain eligible for BIP if it were means tested. This suggests that a large proportion of BIP recipients may not have access to additional pension income. For the purposes of this analysis, it is assumed that 16 of the residents currently in receipt of BIP will continue to pay an average of £60 per week while the remaining 11 will pay the full £64.

There is not data available on how many individuals hold private pensions or have other non-BIP income in retirement or what the level of that income is. Assuming half of all residents have access to some other source of income, an additional 12 would have only other income and also pay £64 per week.

A low proportion of accounts at Bank of St Helena have a balance greater than £3,000. There is likely to be significant overlap between individuals who have some source of income and those who have accumulated savings above the £3,000 threshold. For this reason, it is assumed that there are no individuals who have savings over £3,000 without any outside income.

Based on the middle estimate, this option could increase annual contributions by approximately £40,000 compared to the status quo. The low estimate assumes fewer individuals will have either BIP or other income compared to the middle estimate. The high estimate assumes the same number of individuals will have BIP while more will have other income when compared to the middle estimate.

Table 2. Estimated Weekly Contribution Using Option 1

	Low	Middle	High
Number of Residents with Only BIP	14	16	16
Number of Residents with Only Other Income	10	12	16
Number of Residents with BIP + Other Income	0	11	11
Number of Residents with no Income Savings >£3,000	0	0	0
Number of Residents with no Income, Savings <£3,000	21	6	2
Total Residents	45	45	45
Average Contribution per Resident Per Week	£32	£54	£60
Total Contribution per Week	£1,460	£2,410	£2,700
Total Contribution per Annum	£75,660	£125,440	£140,420
Budget Shortfall	£1,210,340	£1,160,560	£1,145,580

Pros:

- Simple to calculate because everyone required to pay will have the same contribution.
- Equitable – everyone who is able pays the same rate for the same care.
- Helps to cover some more of the costs of social care, so that the budget could be spread more widely.
- More sustainable considering an aging population.
- Inflation linked payments so sustainable considering changing prices of food.

Cons:

- Low income individuals pay a greater percentage of their income than high-income individuals.
- Relatively low revenue generation.
- Publically controversial for little financial gain.

Option 2: Maximum Weekly Contribution Capped at £230

Option 2 would cap the maximum weekly contribution at £230, which is approximately 40% of the cost of care. This would be equivalent to £11,960 for a year. The cap would be reviewed each year to ensure it is in line with care costs and inflation

After the first six weeks, individuals would be expected to contribute based on the following criteria:

- **Those in receipt of only Basic Island Pension (BIP)**
  Individuals receiving only BIP would retain £10 of their BIP and the remaining balance of the BIP entitlement is paid to the residential care unit. This is no change relative to the current system.
- **Those in receipt of only non-BIP income, including a private pension(s)**
  For those in receipts of non-BIP income will retain at least £10 per week with the remainder being paid towards their care costs. A maximum weekly contribution towards care costs is set at £230, totalled across pensions.
- **Those in receipt of both BIP and other income**

Those in receipt of both BIP and other income will retain at least £10 per week with the remainder being paid towards their care costs. A maximum weekly contribution towards care costs is set at £230, totalled across pensions.

- **Those with no regular income but with savings above £3,000**
  If the individual has more than £3,000 in savings, they would have to pay a full weekly contribution of £230 until the amount of savings reduces below the savings threshold of £3,000.
- **Those with no regular income and savings below £3,000**
  Individuals with no income from pension and either no savings, or savings below £3,000 will not be expected to make any contribution to their care costs.

This analysis uses the same assumptions as Option 1 with regard to the number of individuals who receive BIP, have other income or both. Because there are no data available about the value of private pensions or levels of income in retirement, it is unclear what level of weekly payment would be viable. For illustrative purposes, we assume individuals with any non-BIP income pay, on average, one-half of the maximum contribution (£115) per week. (Some would pay more while others would pay less.) Individuals who receive only BIP continue to pay an average of £60 per week while individuals with no income do not pay a contribution to their care costs.

Based on these estimates, this option would increase annual contributions by approximately £100,000 compared to the status quo for the middle estimate. The low estimate assumes individuals with any non-BIP income pay 30% of the maximum contribution per week (£69) on average while the high estimate assumes they will pay 75% (£172.50) per week on average.

Table 3. Estimated Weekly Contribution Using Option 2

	Low	Middle	High
Number of Residents with Only BIP	14	16	16
Number of Residents with Only Other Income	10	12	16
Number of Residents with BIP + Other Income	0	11	11
Number of Residents with no Income Savings >£3,000	0	0	0
Number of Residents with no Income, Savings <£3,000	21	6	2
Total Residents	45	45	45
Average Contribution per Resident Per Week	£33	£79	£125
Total Contribution per Week	£1,510	£3,560	£5,630
Total Contribution per Annum	£78,280	£185,110	£292,750
Budget Shortfall	£1,207,720	£1,100,890	£993,250

Pros:

- More sustainable considering an aging population.
- Subsidies are targeted as individuals who are able to pay more contribute more to their care.
- Likely higher revenue than Status Quo or Option 1 which means that it may be possible to provide care for more people or to improve the quality of care.

Cons:

- More complicated to administer because contributions will vary significantly by individual.
- Potential revenue uncertain due to limited data on value of private pensions, savings and other sources of income.

- Potential incentive to draw down assets in order to avoid paying contributions from savings.
- Publically controversial.

Option 3: Maximum Weekly Contribution Capped at £550

This option follows the same principles as Option 2, but caps the maximum contribution at the full cost of care, estimated currently at £550 per week. This would be equivalent to £28,600 for a year. The cap would be reviewed each year to ensure it is in line with care costs and inflation.

This analysis uses the same assumptions as Option 1 and 2 with regard to the number of individuals who have BIP, receive other income or both. Because there are no data available about the value of private pensions and other non-BIP income, it is unclear what level of weekly payment would be viable.

For illustrative purposes, we assume individuals with any non-BIP income pay, on average, one-half of the maximum contribution (£275) per week. (Some would pay more and some would pay less.) Individuals who receive only BIP would continue to pay an average of £60 per week while individuals with no income would not pay a contribution to their care costs.

Based on these estimates, this option could increase annual contributions by approximately £288,000 compared to the status quo based for the middle estimate. The low estimate assumes individuals with any pension pay on average 25% of the maximum contribution per week (£137.50) while the high estimate assumes they will pay 75% (£412.50) per week on average.

Table 4. Estimated Weekly Contribution Using Option 3

	Low	Middle	High
Number of Residents with Only BIP	14	16	16
Number of Residents with Only Other Income	10	12	16
Number of Residents with BIP + Other Income	0	11	11
Number of Residents with no Income Savings >£3,000	0	0	0
Number of Residents with no Income, Savings <£3,000	21	6	2
Total Residents	45	45	45
Average Contribution per Resident Per Week	£49	£159	£269
Total Contribution per Week	£2,190	£7,160	£12,100
Total Contribution per Annum	£114,100	£372,060	£629,260
Budget Shortfall	£1,171,900	£913,940	£656,740

Pros:

- Full cost recovery – this is the most financially sustainable option.
- Most sustainable considering an aging population.
- Subsidies are targeted as individuals who are able to pay more contribute more to their care.
- Highest income individuals will pay the full cost of their care.
- Likely highest revenue of all options which means that it would be possible to provide care for more people or to improve the quality of care.

Cons:

- More complicated to administer because contributions will vary significantly by individual.

- Potential revenue uncertain due to limited data on value of private pensions, savings and other sources of income.
- Potential incentive to draw down assets in order to avoid paying contributions from savings.
- Socially controversial

Add-On Option A: Include Savings in Means Test for all Individuals

There is potentially significant overlap between the number of people who hold a pension of any kind or have other income and those who have savings over £3,000. For this reason, it may be beneficial to consider both income and savings together in the means test for determining the expected contribution to care costs.

Add-On Option A would require savings to be considered for all individuals, not just those who did not have a regular income. Anyone with savings over £3,000, regardless of whether or not they had regular income, would be expected to contribute £1 per week for every £1,000 in savings they held above the threshold of £3,000.[1]

Add-On Option A could be applied to any of the previously considered options and would increase revenue compared to those options on their own. This analysis assumes approximately 25% of individuals, equivalent to 11 residents, have savings greater than £3,000. Based on the middle estimate, Sub-Option A would increase annual contributions to care costs by approximately £7,700.

It is important to note that while pension income is expected to be steady over the life of a resident, additional contributions from savings may reduce over time depending on the initial balance and how long an individual resides at the CCC.

Table 5.Estimated Weekly Contribution Using Sub-Option A

	Low	Middle	High
Number of Individuals with Savings > £3,000	11	11	11
Average Balance of Savings per Person	£7,000	£16,000	£22,000
Weekly Savings-Related Contribution per Person	£4	£13	£19
Total Additional Contribution per Week	£45	£150	£210
Total Additional Contribution per Annum	£2,340	£7,610	£11,120

Pros:

- Subsidies are targeted as individuals who are able to pay more contribute more to their care.
- More equitable because pension income and savings are considered for all individuals
- Would lead to additional revenue when compared to any option without the add-on which means that it may be possible to provide care for more people or to improve the quality of care within the same budget.

Cons:

- More complicated to administer because contributions will vary significantly by individual.
- Revenue uncertain due to limited data available on savings.
- Contributions will potentially decrease over time depending on savings balances.
- Increased incentive to draw down assets in order to avoid paying contributions from savings.

[1] This is similar to the method for considering savings when means testing Income Related Benefits (IRB).

- Socially controversial.

Add-On Option B: Include Property in Means Test

As with Add-On Option A, Add-On Option B would require the value of property to be considered as part of the means test. This methodology is most similar to what is currently done in the UK. Individuals who own property would be expected to pay a contribution based on the value of their property. This would be calculated as £1 per week for every £1,000 in value above a threshold of £3,000.[2]

According to the 2016 Census, 72% of homes in St Helena are owner occupied, which means most individuals who enter the CCC are likely to own property. However, in cases where this additional payment required sale of the property, exemptions would be required to avoid creating financial hardship for others living in the home. Approximately 27% of residences have a single occupant, so the portion of individuals with eligible property is likely between these two values.

Based on data from the Census on home size and SHG estimates for constructing Government Landlord Housing (GLH), we assume an average value of approximately £60,000. This is likely an underestimate as the costs to build GLH do not include the value of land and also do not reflect the sort of improvements an individual would invest in for their own home. However, it also does not account for joint ownership of property. In the case of jointly-owned property, only a portion of the value of the property would be counted in the means test for any single owner.

Add-On Option B could be applied to any of the previously considered options and would increase revenue compared to those options on their own. This analysis assumes approximately 50% of individuals, 22 residents, have property that would not be exempt from the means test. Based on the middle estimate, Sub-Option A would increase annual contributions by approximately £66,000.

Table 6. Estimated Weekly Contribution Using Sub-Option B

	Low	Middle	High
Number of Individuals with Homes not Exempt	12	22	32
Value of Property	£60,000	£60,000	£60,000
Weekly Property-Related Contribution per Person	£57	£57	£57
Total Additional Contribution per Week	£690	£1,270	£1,850
Total Additional Contribution per Annum	£36,050	£66,090	£96,130

Pros:

- Subsidies are targeted as individuals who are able to pay more contribute more to their care.
- More equitable because all assets are considered in means test.
- May help bring vacant properties into use.
- Possible option for SHG to acquire homes to use as GLH.
- Would lead to additional revenue when compared to any option without the add-on which means that it may be possible to provide care for more people or to improve the quality of care within the same budget.

Cons:

[2] This is similar to the method for considering savings when means testing Income Related Benefits (IRB).

- More complicated to administer because contributions will vary significantly by individual.
- More complicated to administer when market prices of property is unknown.
- Increased incentive to transfer property to in order to avoid paying contributions.
- Revenue uncertain and will depend on sale of homes.
- Likely to be unpopular if it is necessary for homes to be sold.
- Socially controversial.

Evaluation and Recommendation

The proposed options were evaluated based on ease of implementation, potential to raise revenue and the principle that subsidies should be targeted to those individuals who most need them. Each option was assigned a score for ease of implementation (3 = easiest, 1 = hardest) and potential revenue raised (0 = lowest, 3 = highest). Each option received 1 point if the subsidy was targeted.

Table 7. Evaluation of Options

	Ease of Implementation	Revenue Raised	Targeted Subsidy	Score
Status Quo	3	0	0	3
Option 1	2	1	0	3
Option 2	1	2	1	4
Option 3	1	3	1	5

While Option 3 ranks highest because it has the highest potential to raise revenue, the level of revenue raised is uncertain due to the lack of data available on private pensions and other incomes individuals may draw after retirement. This uncertainty means the benefit may not outweigh the risk of negative reaction to the high expected contribution associated with this option.

For this reason, Option 2 is the preferred option. This option leads to a more targeted subsidy as individuals who were able would make a higher contribution to their care, but would not require any individual to contribute the full cost of their care.

In addition, it is recommended that Option 2 be combined with both Add-On Option A and Add-On Option B. Implementation of this combined approach would be fairer as the means test would consider all sources of income, savings and property ownership for all individuals.

If implemented, this combined approach would be estimated to increase care contributions and, as a result, reduce the budget shortfall by £175,000 per year compared to the status quo.

The recommended option would be a significant change from previous policy and would require careful public communication if implemented. It would need to be made clear that every resident of the CCC would not be required to pay £230 per week for their care, no one would be forced to leave their home and that individuals would receive the same care regardless of their ability to pay. The benefits of increased revenue for programmes supporting the elderly and other vulnerable individuals should also be communicated.

While this paper focuses on charges for care costs at the CCC, it is recommended that the Committee consider whether the costs for other services provided by the Children and Adults Social Car Directorate could be appropriately supplemented by fees in the future.