Attendance Allowance and Local Government

Examining the evidence and the options

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Executive Summary

The government has proposed to **give local authorities in England control of additional revenue worth up to £13 billion** each year, with the aim of encouraging councils to take decisions that drive economic growth. In order to give councils **additional spending responsibilities** of an equivalent amount, the government has proposed giving local authorities the **responsibility to support older people who, under the current system, would be supported through Attendance Allowance** (AA). While maintaining payments to existing recipients, this would ultimately result in the **transition of all public expenditure on AA to local government**.

AA is a **universal disability benefit** that was first introduced in the National Insurance Act (1970). The **Department for Work and Pensions** (DWP) pays AA to older people in the form of a **cash payment** at two rates, **£55.10 or £82.30 per week**, depending on the level of someone's disability and the help they require.

To explore and evaluate the government's proposal to devolve AA, this report:

- Describes the **operation** of the AA system, **recipients** and **take-up**;
- **Compares and contrasts** the AA and adult social care systems in England;
- Explores research into the **costs of disability for older people**, and **to what extent the AA and social care system meets these additional costs**;
- **Identifies and evaluates options** for the government in transferring AA to local government.

Most AA recipients are aged over 80, most are female, and around half have been in receipt of AA for five years or more. Social survey data reveals over three-quarters receive one or more forms of help, such as informal care, local authority care or help from a neighbour. Social survey data reveals just under half of AA recipients are married, just under half live alone, and around one-third rent.

Social survey data shows that AA recipients are poorer than the average older person, with financial wealth of around £8,390, and private pension income of £28.50 per week. In fact, academic research on this issue reveals that take-up of AA is higher among low-income groups. As such, although AA is not means tested, actual patterns of take-up in the older population to an extent **mimic the pattern of a means tested benefit**.

Comparing the AA and local authority adult social care (ASC) systems reveals substantial differences between the two, in relation to:

- **Policy objective** – AA is a contribution toward the cost of living with a disability, whereas the ASC system seeks outcomes that support people's wellbeing;
- **Numbers receiving support** - around 1.24 million older people in England receive AA, compared to around 411,000 who receive some form of local authority ASC support;
- **Type of public spending** – AA comprises 'Annually Managed Expenditure', but ASC

represents 'Department Expenditure Limit' (DEL) spending;
- **Total public spending** – AA costs around £4.755 billion per year, whereas local authority expenditure on ASC is around £14.081 billion;
- **Determination of eligibility** – eligibility for AA is not dependent on whether individuals receive formal or unpaid care, where they live, nor on a person's level of income or wealth. However, eligibility for ASC depends on an assessment of their care needs, and a means assessment;
- **Reach and consistency** - the reach of the disability benefits system among older people with a disability is considerably greater than the ASC system, and historically, there has also been more consistency in reach across different areas, compared to variations in the local reach of the ASC system.

Importantly, academic research suggests there is limited overlap between the two systems: just over one-third of local authority ASC recipients receive no disability benefits, and only one-third receive Higher rate disability benefits.

In exploring the government's options for transferring responsibility for new AA recipients to councils, it is necessary to understand:

- **What are the extra costs of living with a disability?** - academic research using a Standard of Living (SoL) approach estimated the costs of living with a disability, by assuming that disabled people, in diverting resources to goods and services which are required because of disability, experience a lower SoL than their non-disabled counterparts. The research found that the additional costs of living associated with disability are large: among the group of older people with some detectable degree of disability, the research estimates the **average cost of living with a disability was just under £100 per week**, which was around 50% of their weekly income. The analysis found that the size of disability costs rises sharply with the severity of disability;
- **To what extent do the AA and ASC systems meet the extra costs of disability for older people?** - social survey data for 2012-13 suggest that among the 20% of disabled older people with the most severe disability who live in the community, 57% receive disability benefits, but only 13% receive local authority ASC. Overall, local authority support is concentrated on those with the most severe levels of disability, and among this group, the value of ASC support exceeds disability benefits. However, the disability benefits system provides significantly more financial support to those with slightly lower levels of disability, and among such groups, the value of disability benefits received is typically higher than local authority support.

In proposing to transfer responsibility and spending on the AA system to local authorities, the government has four basic options, each of which has different pros and cons:

- **Retention of current AA system -** in order to give local authorities more spending responsibilities, additional powers could be devolved that are more closely related than AA to encouraging economic growth, for example, powers relating to skills and education;
- **Transfer AA spending to the local authority ASC system** to spend on meeting duties under the Care Act (2014);
- **Administration of AA system by local authorities**;
- **New universal, disability-related cash payment for older people paid by local**

authorities, with councils free to set levels of support.

In conclusion, a number of observations can be made:

- **AA population group** - it is important that the government and local authorities have a clear understanding of the population that receives AA. The government's proposal to transfer responsibility for this group implies local authorities taking on additional responsibility for over one million people, who are typically older, poorer, live alone, and with substantial levels of disability – which may pose a significant challenge for councils;
- **Targeting** - the local authority ASC system places a great emphasis on targeting support, both in relation to need and financial means. However, public spending on AA is also geared toward poorer households, and AA reaches a far higher proportion of older people with high levels of disability than the ASC system;
- **Potential additional costs for local authorities** - any transfer of AA expenditure to local authorities may result in additional costs for councils in the form of entitlement to increased levels of means tested support for care at home, and reduced cross-subsidy of care fees in the residential care market. Demand for local authority ASC may increase as more individuals who would have received AA but never applied for council support come into contact with the ASC system. If the transfer of responsibility for AA reduces the reach of support of the AA system, this could reduce the provision of other forms of support, such as unpaid care, that may depend on the availability of AA, and could lead to an increase in demand for local authority ASC;
- **Public spending and political risk** – as a form of 'DEL' public spending, subsequent spending reviews could see local government budgets cut, including the value of any transfer from the AA system. In fact, to the extent that public spending on AA ultimately finds its way into the local authority ASC system, this revenue is arguably more likely to be maintained in future and guaranteed for local authorities – and care providers - if it remains 'AME' spending as part of the benefits system;
- **Opportunities for reforming AA exist** - there are significant opportunities available to policymakers to reform AA and improve the AA system. For example, telephone advice and information could be targeted at AA recipients via the existing system. Implementing such measures may considerably increase the value-for-money of public spending on AA, and ultimately reduce demand for ASC and NHS support.

1.Introduction

1.1. Background

Attendance Allowance (AA) is a universal disability benefit that was first introduced in the National Insurance Act (1970). The Department for Work and Pensions (DWP) pays AA to older people in the form of a cash payment, as a **contribution toward the cost of living with a disability**.

In 2015, there were around **1.24 million recipients of AA in England**.[1] AA is paid at two rates, £55.10 or £82.30 per week, depending on the level of someone's disability and the help they require. Entitlement is not dependent on whether someone receives social care, or their level of income and wealth.

1.2. Reform of local government financing

In 2015, the government set out plans to **reform local government financing**, seeking to give councils in England more control of the money they raise through business rates. The government announced that by the end of the 2015-20 Parliament:

> "local government will retain 100% of business rate revenues to fund local services, giving them control of £13 billion of additional local tax revenues, and £26 billion in total business rate revenues. The system of top ups and tariffs which redistributes revenues between local authorities will be retained."

DCLG (2015) *The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years*

In deciding to give local authorities control of additional revenue worth up to £13 billion each year, the government needs to give councils **additional spending responsibilities for councils of an equivalent amount**. The government has proposed that these new, additional responsibilities should be linked to giving councils **decision-making powers that will encourage them to drive local economic growth**:

> "As part of these reforms, the main local government grant will be phased out and additional responsibilities devolved to local authorities, **empowering them to drive local economic growth and support their local community**. For example, the government will consider transferring responsibility for funding the administration of housing benefit for pensioners and Transport for London's capital projects to local government, and will also consult on options to transfer responsibility for funding public health."

DCLG (2015) *The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years*

In order to have **sufficient additional spending responsibilities** to give councils, the government has also proposed that local authorities should in future support people who

[1] Source: DWP Statistics for November 2015

would currently receive Attendance Allowance:

> "The Government will also consider giving more responsibility to councils in England, and to Wales, to support older people with care needs – including **people who, under the current system, would be supported through Attendance Allowance**. This will protect existing claimants, so there will be no cash losers, and **new responsibilities will be matched by the transfer of equivalent spending power**. The Government is planning to consult in the New Year on this proposal, including on the right model of devolution and the **level of flexibility** that councils would need in order to effectively deliver this additional responsibility."

DCLG (2015) *The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years*

In this way, nearly 50 years after its introduction, the government has proposed transferring AA from DWP to local authorities in England, while continuing to support current AA recipients through the DWP as a transitional arrangement. The government has proposed that local councils would have responsibility for individuals who would currently receive AA, but that public spending on AA would be transferred to councils to enable this.

The effects of this potential change to AA will be felt by millions of older people in coming decades, who would otherwise receive AA in its current form paid by the DWP.

1.3. Attendance Allowance and Local Government: Examining the evidence and the options

Given the significance of the government's proposals around AA, careful consideration of the evidence and options is required. To explore and evaluate the government's proposal to devolve AA, this report:

- Describes the **operation** of the AA system, **recipients** and **take-up**;
- **Compares and contrasts** the AA and adult social care systems in England;
- Explores research into the **costs of disability** for older people, and **to what extent the AA and social care system meets these additional costs**;
- **Identifies and evaluates** options for the government in transferring AA to local government.

Disability Living Allowance

As a disability benefit paid to older people, AA operates alongside Disability Living Allowance (DLA), which is a working-age disability benefit that people claim before the age of 65, but carry on receiving during retirement. Individuals already in receipt of DLA cannot claim AA, and in key respects, the two disability benefits are functionally similar.

The government has not proposed transferring to local authorities responsibility for older people who would otherwise receive DLA. However, the AA system is best understood alongside the system of DLA payments to older people. Indeed, the arguments in favour and against transferring AA to local authorities would mostly apply equally to DLA paid to older people.

As such, throughout this report, significant reference is made to DLA and data on the DLA system, and some of the evidence cited examines the combined operation and effect of the AA and DLA systems.

Structure of the report

In the next chapter, the AA system is described in relation to eligibility, population characteristics and the types of people who receive AA.

In **Chapter 3**, the characteristics and operation of the AA and local authority social care systems are compared and contrasted.

Chapter 4 examines evidence on the costs of living with a disability for older people, and considers to what extent disability benefits meet these costs.

Chapter 5 considers the options for the government in giving more responsibility to councils in England to support older people with care needs – including people who would currently receive AA.

Chapter 6 concludes the report with key messages for policymakers.

2. Attendance Allowance and Older People: An overview

2.1. Introduction

This chapter provides an overview of the Attendance Allowance (AA) system, and the older people who receive it. The chapter examines:

- Eligibility and value of AA;
- Population data for current AA recipients;
- Social and economic characteristics of AA recipients.

In this way, the chapter describes the system of support for older people that is the focus of the government's proposals, and the **people who local authorities would take on responsibility for** if the government chooses to transfer AA expenditure to councils.

2.2. Eligibility and value of AA

Attendance Allowance (AA) is a cash benefit paid by the Department for Work and Pensions (DWP) to older people with a personal care need or long-term condition. An individual may claim AA if they meet the following conditions:

- They have a physical disability (including sensory disability, e.g. blindness), a mental disability (including learning difficulties), or both;
- Their disability is severe enough for the person to need help caring for themselves or someone to supervise them, for their own or someone else's safety.

Individuals must be aged 65 and over at the time of claiming, and not be in receipt of Disability Living Allowance (DLA), which is a disability benefit claimed when people are of working age, and which can be carried over beyond the age of 65.[2]

All assessments for AA are made using a standardised claim form that is completed and returned to DWP. Entitlement to AA is the same for everyone, regardless of their location, income or wealth, i.e. AA is not means-tested.

AA is paid at two rates across the country:

- Lower rate – currently worth £55.10 per week, for individuals who need frequent help or constant supervision during the day, or supervision at night;
- Higher rate – currently worth £82.30 per week, for individuals who need help or supervision throughout both day and night, or who are terminally ill.

[2] The government is currently replacing DLA for working-age claimants with Personal Independent Payments (PIPs).

In addition to providing an income, receipt of AA also allows individuals to claim for increases in the financial value of a number of means tested benefits: Pension Credit, Housing Benefit and Council Tax Support.

2.3. Population data for current AA recipients

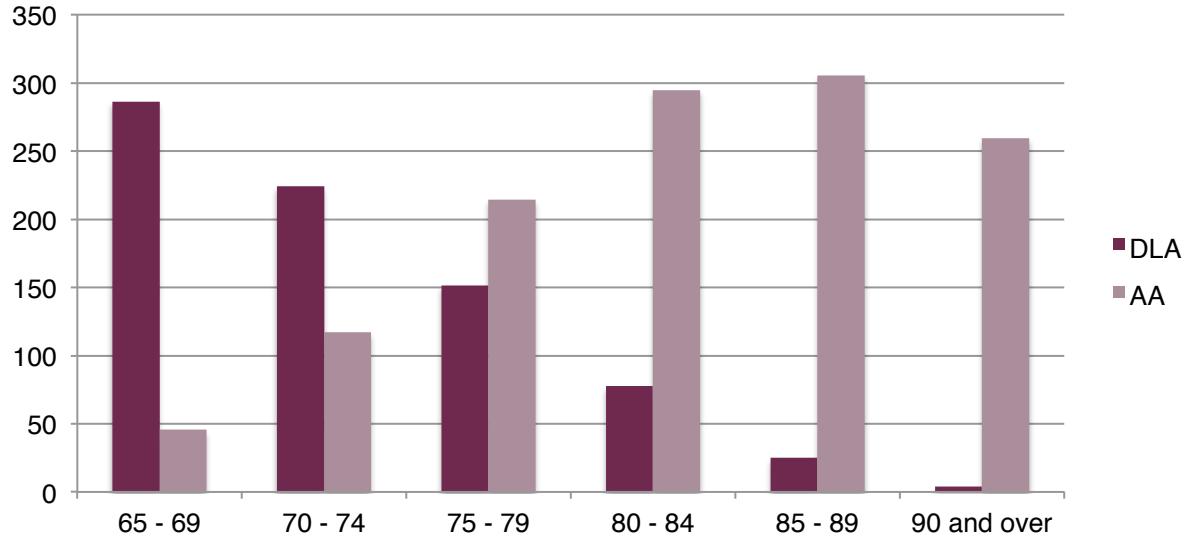
In November 2015, there were **around 1.24 million recipients of AA in England**.[3] Around 59% of AA recipients (729,300 people) received Higher rate payments, while the remainder (507,420) received Lower rate.[4]

In addition to these individuals, **around 768,340 older people in England received DLA** in November 2015. This suggests just over 2 million older people in England were in receipt of disability benefits at this time. Overall, 62% of older people who are in receipt of disability benefits are in receipt of AA.

Around two-thirds of AA recipients (65%) are female. Over **two-thirds of AA recipients (69.5%) are aged 80 or over**, and in fact, the number of recipients aged below 70 is less than 50,000.

To a large extent, the age profile of AA recipients reflects the fact that many older people with a disability aged 65 to 74 are already in receipt of DLA, as the following chart shows.[5]

Number of DLA/AA recipients by age bands (1,000s), England, 2015

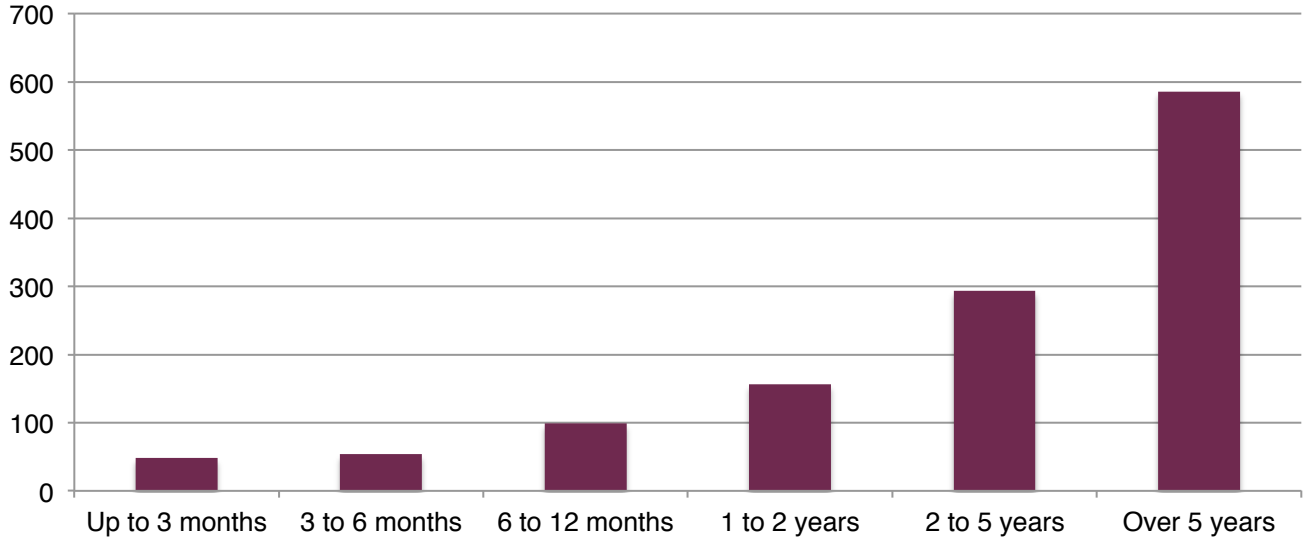


Source: DWP statistics

Around **585,000 AA recipients (47.3%) have been in receipt of AA for five years or more**, as the following chart shows.[6]

[3] Source: DWP Statistics for November 2015
[4] Source: DWP Statistics for November 2015
[5] Source: DWP Statistics for November 2015
[6] Source: DWP Statistics for November 2015

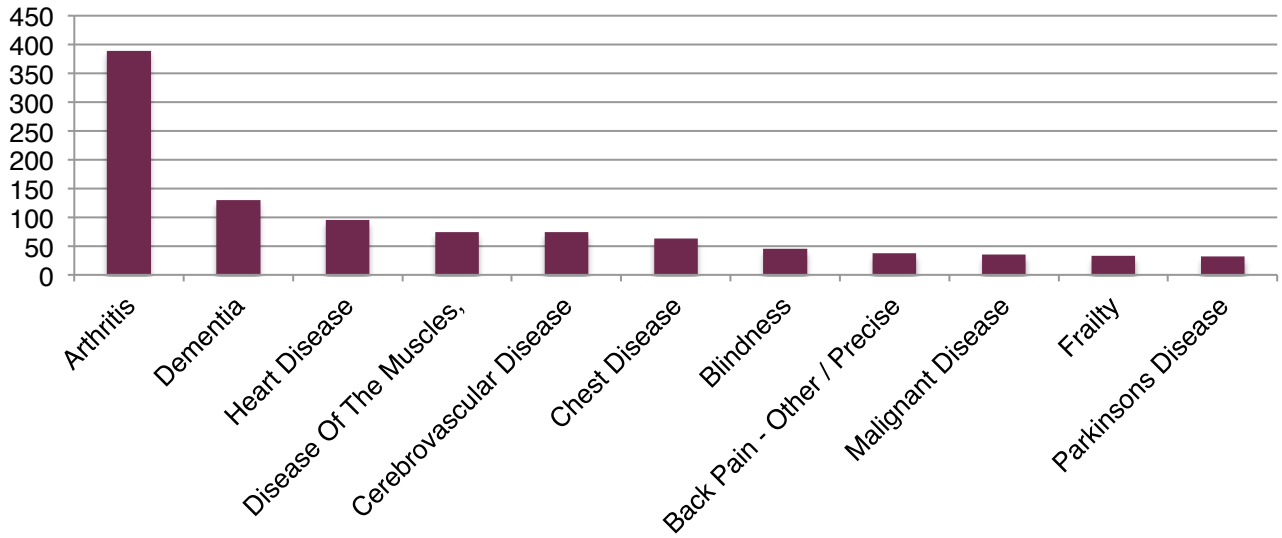
Duration of claim, AA recipients (1,000s), England, 2015



Source: DWP statistics

DWP collects data from AA recipients on their 'main disabling condition' as part of claim assessments. The following chart shows the ten most frequently cited 'main disabling conditions' reported by AA recipients:[7]

Main disabling condition reported (1,000s), AA recipients, England, 2015



Source: DWP statistics

At 31.5% of recipients, the most commonly cited main disabling condition is **arthritis**, although it is important to note that many recipients may have multiple long-term, disabling conditions.

Although in theory, receipt of AA should be independent of whether care and support is received and the types of condition people experience, academic research undertaken using the Family Resources Survey (FRS) for the period 2003-05, found that **physical disabilities**

[7] Source: DWP Statistics for November 2015

were positively associated with receipt of Higher rate AA, compared to cognitive disabilities, for which a negative association was found.[8] The considerable strength of effects found in the analysis suggest – at least during the period under study - the AA adjudication process may not only hinge on the existence of day-and-night care needs.

The author of the research suggests this finding may be the result of **interpretation of DWP assessors** in determining eligibility, or that "people with cognitive difficulties find it harder to gain access to the intensive support services that can be quoted in the AA application as evidence of care needs."[9]

2.4. Social and economic characteristics of Attendance Allowance recipients

The previous section described DWP data showing that most AA recipients are aged over 80, most are female, and around half have been in receipt of AA for five years or more.

Analysing data from representative social surveys allows broader detail on the characteristics of AA recipients to be revealed.

Descriptive research on AA published by the Strategic Society Centre analysed data from the English Longitudinal Study of Ageing (ELSA) to explore the characteristics of AA recipients. ELSA is a multidisciplinary study of a representative sample of men and women aged 50 years and over living in England who live at home - so excludes AA recipients living in residential care.[10] The research used data from Wave 5 of ELSA, carried out during 2010-11.[11] The research explored:

- **Partnership status** - just under half of AA recipients (46.7%) in ELSA reported they were married;
- **Living situation** – just under half of AA recipients (45.4%) in ELSA lived alone. A further 47% lived with one other person;
- **Tenure** – AA recipients were more likely to rent. The majority (59.6%) of AA recipients living at home owned their home outright, compared to 74.4% of the older population (65+). However, the percentage renting was 35.3%, compared to 18.1% in the older population.

This descriptive finding regarding the tenure of AA recipients supports previous associational analysis using data from the Family Resources Survey (FRS) for 2002-5, which found that **owning a home is negatively associated with receipt of AA**.[12] The author suggests this outcome may be explained by "home owners' **poorer access to the benefits information** and support provided by [local authorities] and housing associations, and partly by the **social norms** associated with property ownership."[13]

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[8] Pudney S (2010) *Disability Benefits for Older People: How Does the UK Attendance Allowance System Really Work?*, ISER, University of Essex
[9] Pudney S (2010) *Disability Benefits for Older People: How Does the UK Attendance Allowance System Really Work?*, ISER, University of Essex
[10] Lloyd J and Ross A (2013) *Attendance Allowance in England*, Strategic Society Centre, London
[11] The data exclude individuals living in residential care, who may also be in receipt of Attendance Allowance.
[12] Pudney S (2010) *Disability Benefits for Older People: How Does the UK Attendance Allowance System Really Work?*, ISER, University of Essex
[13] Pudney S (2010) *Disability Benefits for Older People: How Does the UK Attendance Allowance System Really Work?*, ISER, University of Essex

The descriptive analysis of ELSA data for 2010-11 also provided insight around receipt of support. Among AA recipients living at home with some form of mobility, Activity of Daily Living (ADL) or Instrumental Activity of Daily Living (IADL) difficulty, **over three quarters (78.4%) reported receiving one or more forms of help**. This included:

- 36.1% who received support from a son or daughter;
- 29.8% who received help from a partner;
- 14.7% who received help from local authority social services;
- 12.9% who received support from a privately paid help, and;
- 8.0% who received help from a neighbour or friend.

These findings suggests that for the majority of AA recipients, **receipt of AA forms part of an overall package of support** alongside help received from a paid carer, relative, etc. In some cases, recipients may use AA to facilitate support, for example, reimbursing the petrol costs incurred by a family member who provides unpaid care.

Importantly, as the figures above indicate, there is overlap between the AA and adult social care systems: some AA recipients receive local authority support. The following table shows receipt of local authority social care by different levels of DLA and AA receipt, drawing on data from the Family Resources Survey for 2003-4 to 2007-8:[14]

Disability benefit receipt	% receiving local authority social care
No AA/DLA	1%
Low-rate DLA	7%
Standard-rate AA/DLA	11%
Higher-rate AA/DLA	13%

Source: Hancock R et al. (2016)

Interestingly, even among people receiving the highest rate of AA or DLA payments, only around one in eight receives any means tested local authority adult social care (ASC).

2.5. Social and economic characteristics of AA recipients

Analysis of social survey data can also reveal insights into the social and economic characteristics of AA recipients.

Previous analysis of Wave 5 (2010-11) of the English Longitudinal Study of Ageing (ELSA) found that **the financial wealth of AA recipients was typically lower than that of the older population** in England, as the following chart shows.[15]

[14] Hancock R et al. (2016) *Disability and poverty in later life*, Joseph Rowntree Foundation, York (forthcoming)
[15] Lloyd J and Ross A (2013) *Attendance Allowance in England*, Strategic Society Centre, London

Net financial wealth	AA Recipients	65+ Population
25th percentile	£2,275	£4,800
50th percentile (median)	£7,256	£20,600
75th percentile	£25,776	£70,702
95th percentile	£141,973	£260,102
Average (mean)	£28,762	£67,209

Source: Lloyd J and Ross A (2013)

Median financial wealth – comprising liquid savings, investments, etc. - among AA recipients was £7,256, which is equivalent to **around £8,390** in 2015 prices.[16]

Recipients of AA may have various sources of income including the State Pension, Pension Credit, private pension income and means tested benefits such as Housing Benefit and Council Tax Support.

However, in assessing the relative financial position of AA recipients, a useful indicator is private pension income. Previous analysis of Wave 5 (2010-11) of the English Longitudinal Study of Ageing (ELSA) found that the **private pension income of AA recipients was typically lower than that of the older population** in England, as the following chart shows.[17]

Equivalised annuitized weekly income (private pensions and other annuity)	AA Recipients	65+ Population
25th percentile	£0.00	£7.70
50th percentile (median)	£24.63	£60.82
75th percentile	£78.06	£142.11
95th percentile	£231.25	£336.09
Average (mean)	£56.42	£101.67

Source: Lloyd J and Ross A (2013)

Median private pension income was £24.63 per week for AA recipients, equivalent to around **£28.50 per week** in 2015 prices.[18]

In part, this finding could reflect the fact that AA recipients are typically in late old age and female – both characteristics that are typically associated with having a lower private pension income.

However, academic research on this issue reveals a more **complex picture**. Analysis using individual-level data come from the annual UK Family Resources Survey (FRS) for the three fiscal years 2002-03 to 2004-05 found a clear negative income gradient: the ratio of AA prevalence in the first and tenth income deciles is 8.8.[19]

[16] Adjusted for inflation using Bank of England inflation calculator.
[17] Lloyd J and Ross A (2013) *Attendance Allowance in England*, Strategic Society Centre, London
[18] Adjusted for inflation using Bank of England inflation calculator.
[19] Pudney S (2010) *Disability Benefits for Older People: How Does the UK Attendance Allowance System Really Work?*, ISER, University of Essex

This finding suggests that **take-up of AA is higher among low-income groups**. As such, although AA is not means tested, actual patterns of take-up in the older population to an extent **mimic the pattern of a means tested benefit**.

Indeed, academic research suggests that the **socioeconomic characteristics of AA recipients may be qualitatively different from the average**, and in fact, be **closer to that of older people who receive Disability Living Allowance** (DLA).[20]

As individuals who experienced working-age disability, older people who receive DLA unsurprisingly tend to be poorer and to have truncated work histories. However, academic research using data collected during 2002-05 by the FRS found similarly **truncated employment histories among both AA recipients and older people who receive DLA**.[21]

Specifically, the mean lifetime employment duration of AA recipients was found to be 32.9 years for AA recipients and 32.0 years for DLA recipients of retirement age. Thus, AA recipients have, on average, spent only 2.6% longer in work than over-65 DLA recipients. The research found the corresponding mean duration for older people not in receipt of either benefit was 34.8 years, suggesting both groups of disabled older people (AA and DLA recipients) tend to have truncated employment histories relative to non-recipients.

The authors posit that such effects may be the result of two potential factors:[22]

- "For the cohorts we are interested in, people from lower socioeconomic groups are more likely to have left employment before normal retirement age through open or disguised unemployment…
- …Lower socio-economic groups are also characterised by a greater risk of disability at all ages and are thus more likely to be in need of disability support after age 65."

Hancock R et al. (2010)

Indeed, the researchers go on to note that **there is no substantial difference in the age-specific average levels of pre-benefit weekly equivalised income** for benefit units receiving DLA and those receiving some AA but no DLA.

As such, despite the assumption sometimes made that because it has to be claimed before reaching age 65, the typical recipient of DLA will have experienced earlier onset and a longer history of disability, and will therefore more likely be 'poorer', this academic research suggests that AA recipients are similar to DLA recipients in key respects. Indeed, this suggests that the impact on older people's financial wellbeing of withdrawing AA would not be less than that from withdrawing DLA.

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[20] Hancock R., Morciano M. and Pudney S. (2012) 'Attendance Allowance and Disability Living Allowance claimants in the older population: is there a difference in their economic circumstances?' *Journal of Poverty and Social Justice* 20 (2), 191-206

[21] Hancock R., Morciano M. and Pudney S. (2012) 'Attendance Allowance and Disability Living Allowance claimants in the older population: is there a difference in their economic circumstances?' *Journal of Poverty and Social Justice* 20 (2), 191-206

[22] Hancock R., Morciano M. and Pudney S. (2012) 'Attendance Allowance and Disability Living Allowance claimants in the older population: is there a difference in their economic circumstances?' *Journal of Poverty and Social Justice* 20 (2), 191-206

2.6. Conclusion

This chapter has explored the functioning of the AA system, and the people who local authorities would take on responsibility for if the government chooses to transfer AA to councils.

Indeed, by reviewing the evidence in this chapter, it is possible to build an understanding of the **additional client group** that local authorities would take on responsibility for, under the government's proposal to transfer public spending on AA to councils.

This group would eventually exceed 1 million older people, who are typically older, female and poorer, and at any one time, around half would have been in receipt of support for at least five years.

Interestingly, evidence on the financial characteristics of AA recipients suggest the **average AA recipient would not be disqualified from local authority support on the basis of their financial means**, if they were assessed as having eligible care needs. As such, transferring responsibility to councils for people who would otherwise receive AA could in fact result in an increase in the number of people claiming and qualifying for local authority ASC.

Indeed, as evidence reviewed in subsequent chapters shows, the reach of AA among older people with the most severe levels of disability is actually higher than the ASC system.

3. Attendance Allowance and Adult Social Care: A comparison

3.1. Introduction

The government has proposed giving more responsibility to local authorities in England and Wales to support older people with care needs, including people who would currently be supported through the Attendance Allowance system.[23]

Local authorities in England currently have responsibility for arranging and funding care for older people, under legal duties set out in the **Care Act (2014)**. However, although Attendance Allowance and the local authority adult social care system overlap in remit and their target groups, the two systems are different in key respects.

To explore and evaluate options for the government in transferring to local authorities responsibility for supporting older people who currently receive AA, this chapter compares and contrasts the operation of the Attendance Allowance (AA) and adult social care (ASC) systems across key domains.

3.2. Legislation

The AA and ASC systems operate under different pieces of primary legislation.

- **AA** - the rules on AA are set out in primary legislation: Part 3 of the Social Security Contributions and Benefits Act (1992);
- **ASC** – the legislative basis of the adult social care system in England is the Care Act (2014), which provides a set of duties on councils in relation to their local population in regarding wellbeing, care and support.

3.3. Policy objective

The AA and ASC systems have different policy objectives.

- **AA** – the purpose of AA is to be a contribution toward the extra cost for older people of living with a disability;
- **ASC** – following the Care Act (2014), the aim of the adult care and support system is to help people meet their needs to achieve the outcomes that matter to them in their lives, and which in turn promote their wellbeing.[24]

[23] DCLG (2015) *The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years*, DCLG, London
[24] Source: SCIE

3.4. Numbers receiving support

The total number of AA recipients far exceeds the number of older people receiving support from the ASC system in England:

- **AA** - in November 2015, there were 1.24 million people in England in receipt of AA (and 768,340 people aged 65+ in receipt of DLA);[25]
- **ASC** – data for 2014-15 collected by the Health and Social Care Information Centre (HSCIC) shows that around 411,000 people in England aged 65+ were receiving long-term social care support at the end of the financial year, whether residential care or care in their own home.[26]

3.5. Type of public spending

The AA and ASC systems fall into two separate categories of public spending, which ultimately have different implications for those in receipt of support.

- **AA** – public spending on AA comprises 'Annually Managed Expenditure' (AME), which refers to demand-led programmes such as welfare, tax credits and public sector pensions. Under AME spending, the government sets the parameters of entitlement, but ultimate expenditure is a function of demand over the course of the fiscal year or spending review period;
- **ASC** – public spending on ASC is part of local government expenditure, classified as 'Department Expenditure Limit' (DEL) spending. For DEL spending, HM Treasury sets and allocates a budget for government departments. This amount, and how it is split between government departments, is set at Spending Reviews. Public expenditure on local government is part of the budget allocated to the Department for Communities and Local Government (DCLG).

3.6. Total public spending

Public spending on the local authority ASC system far exceeds spending on AA:

- **AA** – using data for AA rates and cases in payment, the total cost to the Exchequer of AA in England can be estimated at around £4.755 billion per year in 2015;
- **ASC** – net current expenditure on adult social care by local authorities in England is set to be £14.081 billion in England during 2015-16, which represents a reduction of £283 million from the previous year.[27]

3.7. Public spending history

Reflecting the fact that they represent separate types of public spending, the history of recent public expenditure on AA and ASC are very different.

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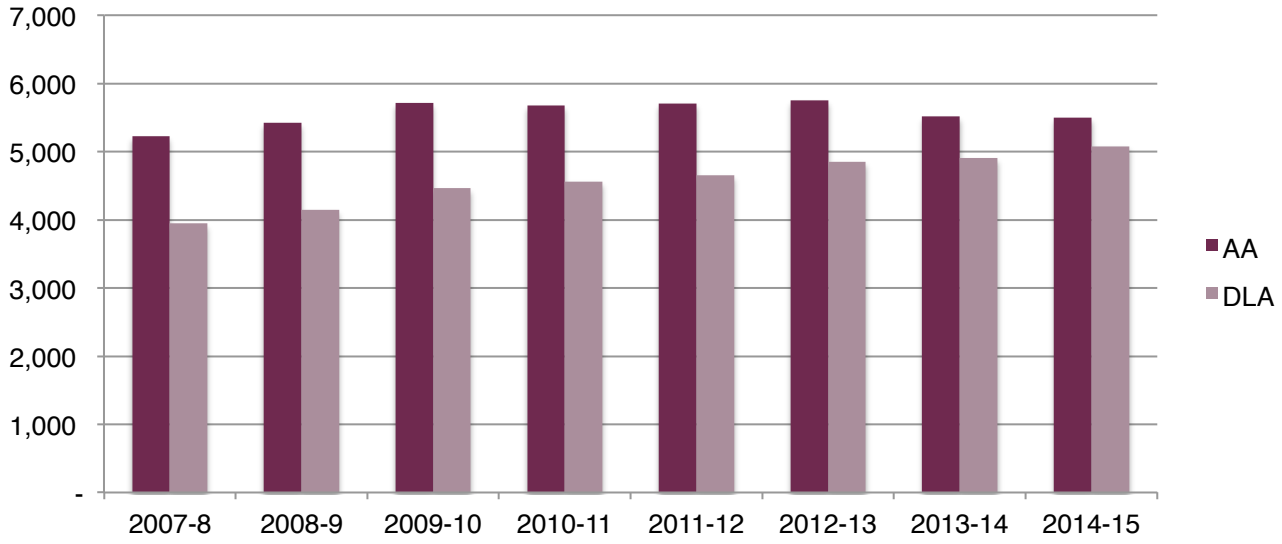
[25] Source: DWP statistics
[26] HSCIC (2015) *Community Care Statistics, Social Services Activity, England - 2014-15*, HSCIC, Leeds
[27] Source: DCLG (2015) *Local Authority Revenue Expenditure and Financing: 2015-16 Budget, England*, DCLG, London

- **AA** – as a form of AME, demand-led spending, public expenditure on AA has been broadly consistent in recent years. The following chart shows UK public expenditure on AA, and expenditure on DLA for pensioners, from 2007 to 2014, in 2015-16 prices:[28]

Public expenditure on Attendance Allowance, DLA for pensioners, £ million, UK, (2015/16 prices)



Source: DWP statistics (2015)

- **ASC** – the Health and Social Care Information Centre (HSCIC) collects data on adult social care expenditure, adjusting for price inflation. HSCIC found that expenditure on adult social care in England during 2014-15 was £17.0 billion, representing a 1% reduction in cash terms from £17.2 billion in 2013-14, which is the equivalent of a 3% decrease in real terms from the preceding year.[29] HSCIC note that over the five-year period from 2009-10, when the figure was £16.8 billion, expenditure on social care has increased by 1% in cash terms, which is a decrease of 8% in real terms.[30]

3.8. Definition of need

Both the AA and ASC system provide support to older people assessed as having an eligible need. However, the two systems define need in different ways:

- **AA** – as described above, an individual may claim AA if they either: 1) have a physical disability (including sensory disability, e.g. blindness), a mental disability (including learning difficulties), or both; 2) their disability is severe enough for the person to need help caring for themselves or someone to supervise them, for their own or someone else's safety;
- **ASC** – following the Care Act (2014), national eligibility criteria set a minimum threshold for

[28] DWP (2015) Autumn Statement 2015: Expenditure and Caseload Forecasts, DWP, London
[29] HSCIC (2015) *Personal Social Services: Expenditure and Unit Costs, England - 2014-15, Final release*, HSCIC, Leeds
[30] It is worthwhile noting that adopting a different methodology, across England, budgeted net expenditure on social care by local authorities is £14.1 billion in 2015-16 according to government statistics, down from £14.4 billion in 2014-15. Source: CLG (2016) *Local authority revenue expenditure and financing England: 2015 to 2016 budget*, CLG, London

entitlement to local authority ASC. All local authorities must at a minimum meet needs at this level, although different local authorities may interpret these eligibility criteria differently. The threshold is based on identifying how an individual's needs affect their ability to achieve relevant desired outcomes, and whether as a consequence this has a significant impact on their wellbeing.[31]

3.9. Determination of eligibility for support

The AA and ASC systems deploy different methods of determining eligibility for support among individuals assessed as having eligible needs, particularly in relation to means testing:

- **AA** – if the DWP is satisfied that someone meets one of the criteria of need set out above, individuals will be entitled to either Higher or Lower rate AA. Eligibility is not dependent on whether individuals receive formal or unpaid care, where they live, nor on a person's level of income or wealth;
- **ASC** – if someone is determined to have eligible need, local authorities will then go on to determine a person's eligibility for support via **two further steps**. First, they will determine the estimated financial cost of meeting a person's eligible needs, for example, a daily visit from a home care assistant at a cost of £200 per week. The local authority will then determine what percentage of a person's assessed care costs they are required to meet themselves, through undertaking a means assessment of their income and wealth. If their total 'assumed income' leaves them with inadequate income to meet their assessed care costs, the local authority will fund this difference.

3.10. Form of support

- **AA** – as a disability benefit, AA is paid to individuals as a cash payment, over which individuals have total control, and can be used however they wish;
- **ASC** – care and support funded by a local authority may take several different forms. Among the 411,000 people aged 65+ receiving long-term social care support during 2014-15 in England,[32] around 49,000 received nursing care, 108,000 received residential care, 33,000 received a Direct Payment in the community, 177,000 received a managed Personal Budget in the community, with the remainder receiving various types of community support.

3.11. Consistency and reach across geographic areas

The AA and ASC systems are different in their consistency and reach across geographical areas:

- **AA** – the AA system is consistent across every geographical area: the same needs assessment is applied to determine the same two potential levels of support, Higher and Lower rate;
- **ASC** - the ASC system is subject to local variation. Although a minimum eligibility threshold applies across England as a result of the Care Act (2014), both the financial value and type

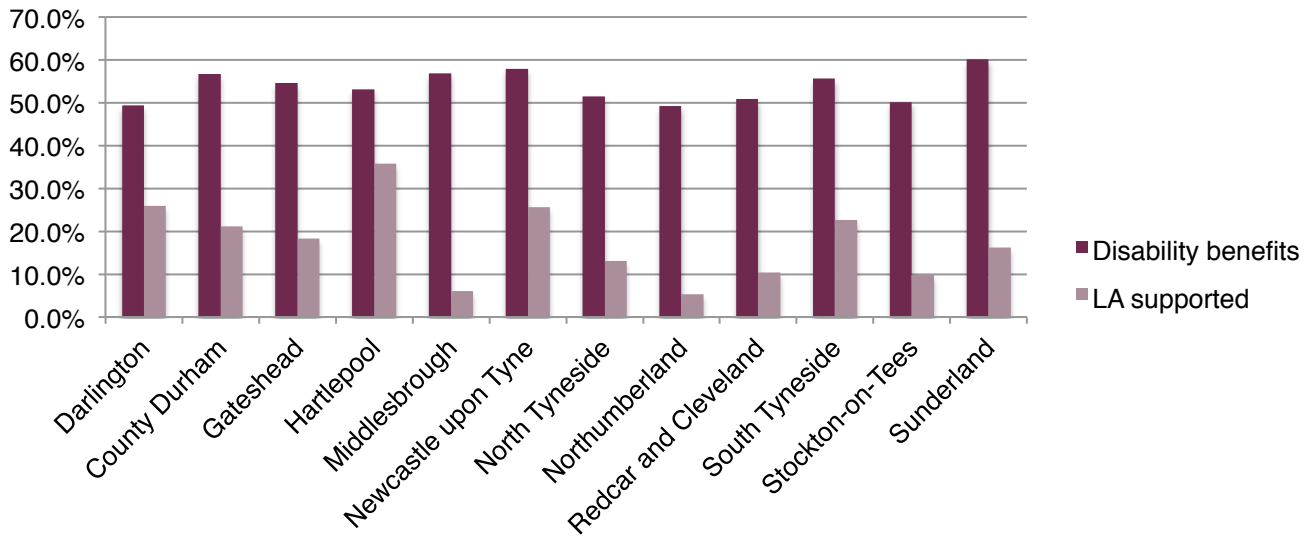
[31] Source: SCIE
[32] HSCIC (2015) *Community Care Statistics, Social Services Activity, England - 2014-15*, HSCIC, Leeds

of support offered for different types and level of need depend on local decisions, political choices, priorities and commissioning practices. More widely, the ASC system is subject to variations in the interaction between local councils and their populations, engagement with advice services, etc. For example, unlike the AA system, in which all claims are all ultimately routed via the DWP, there are in effect 152 different 'doors' to enter the ASC system, and given variations among different councils, these doors may lead to different outcomes.

Historically, such differences between the AA and ASC systems have shown up in the overall reach and variation across different areas between disability benefits (AA and DLA) and system and ASC system.

The following chart uses data from DWP, Census 2011 and the Health and Social Care Information Centre (HSCIC) to show the number of older people receiving disability benefits (AA and DLA) or ASC (residential or community support) as a percentage of older people in the local authority areas of the North East, who report a longstanding health or disability condition that limits their day-to-day activities.[33]

Percentage receiving any disability benefits or LA community/residential support, 65+ with long-term health or disability condition whose day-to-day activities are limited, North East, 2011 (HSCIC, DWP, Census)



Source: Lloyd J and Ross A (2014) The Bigger Picture

As the chart shows, the reach of the disability benefits system is considerably greater than the ASC system, but there is also more consistency in reach across different areas.

Nevertheless, it is important to note that following the Care Act (2014) and the introduction of a national minimum eligibility threshold, the consistency of reach of the ASC system across different areas may have increased.

33 Lloyd J and Ross A (2014) *The Bigger Picture: Understanding disability and care in England's older population*, Strategic Society Centre and Independent Age, London

3.12. Overlap

Individuals who receive local authority ASC in the community may also claim AA, and vice versa (those receiving local authority-funded residential care are disqualified from receiving AA).

Academic research confirms that some individuals receive both forms of support. Analysis of the Family Resources Survey for 2003-4 to 2007-8 suggests that just over one-third of local authority ASC recipients receive no disability benefits (AA or DLA), and only one-third receive Higher rate AA or DLA.[34]

Receipt of disability benefits by receipt of local authority ASC, England, 65+

	Local authority-funded social care		All over-65s
	Recipients	Non-recipients	
% receiving no AA/DLA	35%	87%	85%
% receiving low-rate DLA	2%	1%	1%
% receiving lower/standard rate AA/DLA	30%	6%	7%
% receiving Higher rate AA/DLA	33%	6%	6%

Source: Hancock R et al. (2016)

3.13. Conclusion

The government has proposed transferring to local authorities responsibility for those individuals who would currently be supported by AA paid by DWP.

From the perspective of older people and their families, the AA and ASC systems are experienced very differently. As this chapter has shown, AA is universal, consistent, simple, reaches far more people and affords control to individuals as to how they use the support they receive.

In contrast, the ASC system is much more narrow in scope, involving means testing and assessments of what support individuals need to achieve specific outcomes. The ASC system supports fewer people more intensely, but is also subject to local variation, reflecting in part the different political priorities of elected councils in different areas.

Ultimately, the central objective of AA is to be a contribution toward the cost of living with a disability, whereas the ASC system seeks to achieve certain outcomes in people's lives, thereby providing a contribution to the costs of disability in a different way.

The next chapter therefore explores in more detail the costs of living with a disability, and how the AA and ASC systems support these costs.

[34] Hancock R et al. (2016) *Disability and poverty in later life*, Joseph Rowntree Foundation, York (forthcoming)

4.The costs of disability and public support

4.1. Introduction

Attendance Allowance (AA) is a contribution for older people toward the cost of living with a disability. The government has proposed transferring to local authorities responsibility for individuals who would currently be supported through the AA system. In exploring the government's options for transferring responsibility for new AA recipients to councils, it is therefore necessary to understand:

- What are the extra costs that older people face in living with a disability?
- To what extent do the AA and ASC systems meet the extra costs of disability for older people?

4.2. What are the extra costs of living with a disability?

The most detailed assessment of the costs for older people in Great Britain of living with a disability was undertaken using data from the Family Resources Survey (FRS), covering the period 2007-08.[35] During this period, the Higher rate of AA was worth £64.50 and the Lower rate was worth £43.15.

The research applied a **Standard of Living (SoL) approach** to estimating the costs of living with a disability, which assumes that disabled people, in diverting resources to goods and services which are required because of disability, experience a **lower SoL than their non-disabled counterparts**. Alternative methodologies used in research on estimating the cost of living with a disability are described in the box below.

On this approach, the **absolute costs of disability can be identified as the additional income required by a disabled person to reach the same SoL as a non-disabled person**, holding constant other characteristics. Conversely, the **relative cost of living with a disability is the ratio of the absolute cost to a person's income**.

The research looked at households in Great Britain where all members are aged over state pension age (65 for men; 60 for women) and the household contains only a single person or a couple. Respondents in the FRS are asked whether they have a health problem or disability. If they answered 'yes', they are then asked if that means they have significant difficulties in any of nine areas of life. The study found that 53% of the sample reported having no disability, and 20% reported having three or more difficulties. The most common difficulties are those concerning physical impairment (difficulties in mobility; with lifting, carrying or moving objects).

Standard of living was measured using a wide range of variables in the FRS, relating to items such as having enough money to undertake a leisure activity, take a holiday and make

[35] Morciano M et al. (2015) "Disability costs and equivalence scales in the older population" in *Review of Income and Wealth* Vol. 61, No. 3, p494-514

savings of £10 per month or more.[36] Overall, the research found that the additional costs of living associated with disability are large: among the group of older people with some detectable degree of disability, the research estimates the **average cost of living with a disability was just under £100 per week**, which was around 50% of their weekly income. The analysis found that the size of disability costs rises sharply with the severity of disability.

How to estimate the costs of disability?

One [method] is to exploit the existing benefit system and assume that the political process has resulted in an acceptable evaluation of disability costs. This implies use of an income measure for distributional analysis which excludes any receipt of disability benefit (see Hancock and Pudney, 2010, Morciano et al., 2010), on the assumption that income from disability benefit is exactly offset by the extra costs of disability. However, in practice such payments follow simple rules not well tailored to each individual's specific configuration of impairments and they are not necessarily intended to meet the full costs of disability. There may also be imperfections in the eligibility judgements made by programme administrators and non take-up by potential claimants. Consequently, this approach may give a poor approximation to disability costs, with underestimation in many cases, leading to bias in the distributional analysis.

A second, judgement-based, approach attempts to estimate the disability costs by asking a panel of 'experts', or disabled people themselves, to identify disability-related costs: see Martin and White, 1988, Thompson et al., 1990, Smith et al., 2004 for examples of this approach. The difficulty here is that the appropriate costs may depend not only on the nature of the impairments suffered by the individual, but also other characteristics that vary across households, and it is not feasible to use expert judgement at the level of individual respondents to large-scale surveys. Disabled people themselves may also find it difficult to envisage and evaluate the counterfactual situation in which their disability is removed but all else remains constant.

A third 'objective' revealed preference approach constructs an equivalence scale by using the consumption pattern (typically the household's food budget share) as an indicator of living standards in a comparison of a sample of disabled people with matched individuals who are unaffected by disability. This has been done extensively in the context of adjustment for household size and structure, but less often for disability (although see Jones and O'Donnell, 1995 for a UK example). The main difficulty with this revealed preference method is the need for strong assumptions to overcome inherent identification problems (Pollack and Wales 1979; Muellbauer 1979; Coulter et al., 1992; Banks et al., 1997; Deaton and Paxson, 1998).

A fourth alternative is to use a 'subjective' equivalence approach, based on individuals' reported satisfaction with their well-being. Two main types of subjective information have been used: evaluations of standard of living using an arbitrary numerical scale; or judgements on the level of income believed necessary to reach a specified standard of living (see Stewart, 2009). For the subjective approach, there are concerns about the quality of subjective assessments and the failure to address problems caused by measurement error.

A fifth and less widely-used Standard of Living (SoL) approach which lies somewhere between these last two approaches. The method is closely related to work on material deprivation which seeks to expand the concept of poverty beyond conventional income- or consumption-based constructs (see Berthoud et al., 1993; Zaidi and Burchardt, 2005; Cullinan et al., 2011). We assume that disabled people, in diverting resources to goods and services which are required because of disability, experience a lower SoL than their non disabled counterparts. The absolute costs of disability can be identified as the additional income required by a disabled person to reach the same SoL as a non disabled person, holding constant other characteristics, and the relative cost is the ratio of this amount to income. As Zaidi and Burchardt (2005) point out, estimates depend on the choice of a suitable standard of living indicator and the form of its relationship to income and disability status.

Adapted from Morciano M et al. (2015) "Disability costs and equivalence scales in the older population" in *Review of Income and Wealth* Vol. 61, No. 3, p494-514

[36] These were: having enough money to keep your home in a decent state of decoration; hobby or leisure activity; holidays away from home one week a year; household contents insurance; friends/family round for drink or meal at least once a month; make savings of £10 a month or more; two pairs of all weather shoes for each person in the HH; replace any worn out furniture; replace or repair broken electrical goods such as fridge, washing machine; money to spend each week on yourself, not on your family.

4.3. To what extent do the AA and ASC systems meet the extra costs of disability for older people?

The AA system is configured to provide older people with extra support with the cost of living with a disability. Academic estimates, described above, have found that among older people with some detectable degree of disability, the **average cost of living with a disability is just under £100 per week**, representing around 50% of their weekly income.

In proposing that in future, individuals who would otherwise be in receipt of AA should instead be supported by local authorities, the government has effectively suggested that local authorities take over providing support to these individuals.

It is therefore useful to compare the reach of disability benefits and ASC among older people with different levels of disability.

The following table examines the reach of the AA and DLA systems, and the local authority ASC system, by quintile of disability among older people in England living at home, allocating individuals to one of five groups by their level of disability.[37]

The analysis was undertaken in relation to two datasets: the Family Resources Survey (FRS) for 2004-5 to 2007-8, and the English Longitudinal Study of Ageing (ELSA) for 2012-13.
For each quintile of disability, the chart shows the percentage receiving disability benefits (AA or DLA), the percentage receiving local authority ASC, and the percentage receiving disability benefits or ASC, given these two groups overlap.

Estimated disability level	Receiving AA/DLA	Receiving local authority ASC	Receiving AA/DLA or local authority ASC
Analysis of FRS data 2004-5 to 2007-8			
None	0.9%	0.1%	0.9%
1st disability quintile	6%	1%	7%
2nd disability quintile	15%	2%	16%
3rd disability quintile	21%	3%	23%
4th disability quintile	38%	6%	39%
5th disability quintile	57%	13%	61%
All with disabilities	27%	5%	29%
All	14%	3%	15%
Analysis of ELSA Wave 6 data, 2012-13			
None	2.1%	0.1%	2.2%
1st disability quintile	6%	0%	2.2%
2nd disability quintile	13%	1%	14%
3rd disability quintile	18%	4%	21%
4th disability quintile	35%	5%	38%
5th disability quintile	55%	21%	64%
All with disabilities	26%	6%	29%
All	14%	3%	15%

Source: Hancock R et al. (2016)

The chart shows that across all disability quintiles, receipt of AA and DLA is higher. For example, ELSA data for 2012-13 suggest that among the 20% of disabled older people with

[37] Hancock R et al. (2016) *Disability and poverty in later life*, Joseph Rowntree Foundation, York (forthcoming)

the most severe disability who live in the community, 57% receive disability benefits, but only 13% receive local authority ASC.

Although in part this difference in reach may reflect the fact that local authority support is means tested, evidence noted in previous chapters suggests that the AA system also mimics a means tested system in the distribution of take-up across income groups. Indeed, AA recipients typically have low levels of income and wealth that would not disqualify them from means tested local authority support.

As such, transferring responsibility for people who receive AA to local authorities implies a significant **increase in engagement and responsibility** for the most disabled older people in society by local authorities.

4.4. Value of support by level of disability

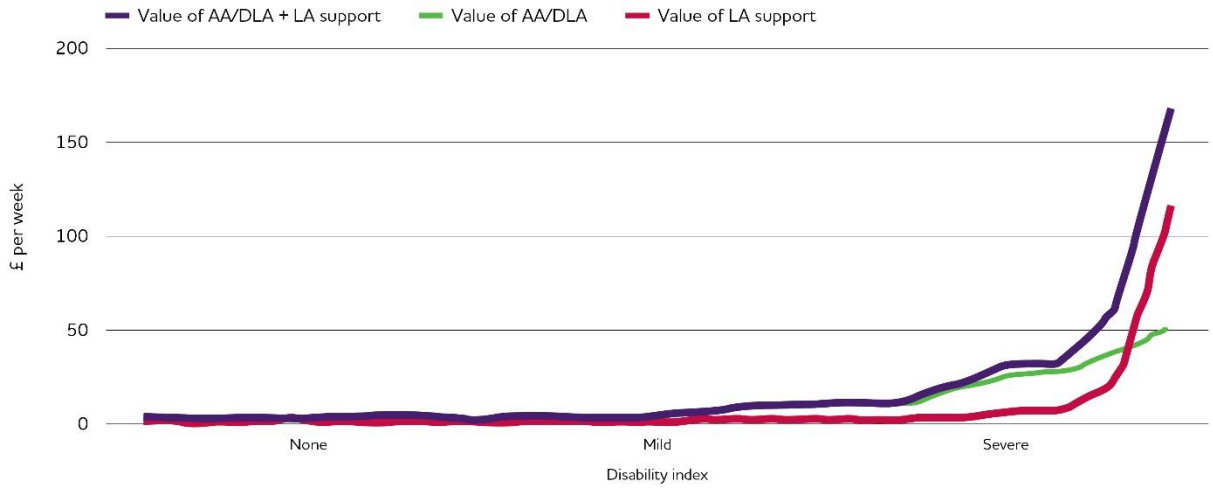
In addition to comparing the disability benefits and ASC systems in their reach among older people with different levels of disability living at home, it is possible to compare differences in the value of support by disability.

The following table shows similar analysis to that above, but includes:

- Estimates of the financial value of support received from the AA and ASC systems;
- Estimate of disability-related costs.

The analysis was conducted for over-65s in Wave 6 of ELSA, which covers 2012-13, with the figures uprated to 2015 prices. ELSA data exclude individuals living in residential care settings.

Value of support by disability index, AA/DLA, LA support, 65+, England



Source: Hancock R et al. (2016)

The chart shows that local authority support is concentrated on those with the most severe levels of disability, and among this group, the value of support exceeds disability benefits.

However, the AA and DLA systems provide significantly more financial support to those with slightly lower levels of disability, and among such groups, the value of disability benefits received is typically higher than local authority support.

4.5. Conclusion

The AA system provides a contribution toward the cost of living with a disability for around 1.24 million older people in England. AA is currently worth £55.10 or £82.30 per week, although academic research deploying a 'Standard or Living' method suggests the average costs of living with a disability may be closer to £100 per week.

Take-up of AA and DLA is higher than local authority ASC among older people living with a disability, including those with the highest levels of disability, although even among this group, it is clear that some individuals do not receive any public support. However, among older people with the most severe levels of disability, the average financial value of ASC support is higher.

Proposals that responsibility for supporting individuals who would currently receive AA is transferred to local authorities suggest that councils would take on more responsibility for more people, including some with the very highest levels of disability. This raises the important question of whether **effective 'demand' for local authority ASC could increase through transferring AA to local government**: some individuals in receipt of AA may qualify for local authority support, and councils would be obliged to provide it, **potentially at considerable extra cost**.

Such issues must ultimately inform evaluation of the government's options for transferring responsibility for AA to local government, and this is the topic of the next chapter.

5. Transferring Attendance Allowance to Local Government: The options

5.1. Introduction

This chapter identifies and evaluates options for the government, following its proposal to give responsibility to local authorities in England and Wales to support older people who would currently be supported through the Attendance Allowance (AA) system. The options examined are:

- Transfer AA spending to the local authority ASC system;
- Administration of AA system by local authorities;
- New universal, disability-related cash payment for older people paid by local authorities;

To provide a benchmark to evaluate and compare different options, the chapter begins by evaluating the status quo: retention of the current AA system.

5.2. Retention of current AA system

Summary

- The current AA system is retained.
- In order to give local authorities more spending powers as part of reform to local government financing, additional spending powers are devolved that are more closely related to encouraging economic growth, for example, relating to skills and education.

Pros

- **Control** – the AA system gives recipients total control over how the payments are used, for example, paying a care assistant, paying for the petrol costs of a family carer or using a taxi;
- **Simplicity** – AA is relatively simple in design and entitlement, with the same eligibility rules and payment levels operating across England, and a single 'entry door' to make a claim;
- **Consistency** – there is relatively consistent take-up of disability benefits among older people across different geographic areas;
- **Predictability** – older people in all parts of the country know what level of support they are likely to receive;
- **Accountability** – as a form of AME spending, any changes to AA entitlements and levels must be made by national government, and affect the whole country, thereby enabling high levels of scrutiny and accountability of policy decisions affecting AA;
- **Distribution of spending** – as academic research has noted, public spending on AA is geared toward the lowest income households since take-up is higher among these groups, and older people with a disability tend to be poorer.

Cons

- **Limited take-up** – some higher-need individuals who would be entitled to AA may not claim, although limited take-up is a feature of both disability benefits and the adult social care system;
- **Level of support** – academic research suggests that individuals assessed as having Higher or Lower rate eligible needs may nevertheless have disability costs that exceed the amount of AA they receive;
- **Targeting of support** – some AA recipients may fail to move on to Higher rate AA when their needs escalate;
- **Targeting by income** – although take-up of AA is higher among low-income groups, some high-income older people do receive AA;
- **Varying disability costs** – through paying the same amounts to everyone, the AA system does not take account of regional variations in disability costs;
- **Lack of focus on outcomes** – unlike the ASC system, AA does not seek to achieve specific outcomes, and is dependent upon the spending choices of recipients to have a positive effect on their lives.

5.3. Transfer AA spending to local authority ASC system

Summary

- The government stops all new claims for AA, while continuing to pay AA to current recipients.
- As savings accrue from this change, the government transfers these savings to local authorities, as ring-fenced funding to be spent meeting duties under the Care Act (2014), adding to current expenditure on ASC of around £14.081 billion in England.
- However, since local authorities take account of a person's income from AA in undertaking a means test for home care, phasing out AA would mean that more individuals may be entitled to local authority financial support for home care, and for increased levels of financial support. In addition, without AA, individuals who fund their own residential care may pay lower fees as 'self-funders', reducing the amount of 'cross-subsidy' in the residential care market from self-funders to local authorities. For these reasons, gradually transferring public spending on AA to local authorities over a number of years would result in a net increase in ASC budgets of **less than the full £4.755 billion** of current public spending on AA.

Pros

- **Local authority budgets** – additional financial resources for local authority ASC would provide considerable relief to local authority ASC departments, particularly in the wake of the National Living Wage and cuts to local government budgets in recent years.

Cons

- **Reduction in supported population** – given budget pressures on ASC budgets relating to rising demand, population ageing and the National Living Wage, it is unlikely that many additional people would receive ASC support from local authorities as a result of the transfer of public spending on AA. As such, the number of older people with a disability receiving state support in England would eventually drop from around 1.24 million to 411,000;

- **Disability costs and unmet need** – the transfer of public spending from AA to local authorities may result in greater unmet need in the older population, and individuals confronting higher disability-related costs as a proportion of their personal expenditure, effectively pushing more older people into income poverty when their additional disability costs are taken account of;
- **Increased ASC demand** – where AA is used by its 1.24 million recipients to facilitate and enable different forms of support, for example, paying the petrol costs of family carers, the phasing out of AA may make some support arrangements unsustainable, ultimately increasing demand for local authority support;
- **Political risk** – although new funding from AA may be ring-fenced for ASC, this will not preclude further cuts to local government budgets over successive government spending reviews, forcing cuts to ASC budgets. As such, the additional spending available to local authority ASC departments may be eroded over successive spending review periods, despite the transfer of public spending on AA, and ultimately the extra financial resources provided by the AA system may effectively disappear completely;
- **Pressure on care homes** – some AA recipients are 'self-funders' who pay for their own residential care. If future self-funders of residential care do not have entitlement to AA, their incomes will be lower, thereby reducing their ability to pay for care, and putting pressure on the residential care sector.

5.4. Administration of AA system by local authorities

Summary

- The current AA system is retained, but administered by local authorities rather than DWP.
- The legislation underpinning the AA system is incorporated into the Care Act (2014), and relevant new legal duties apply to local authorities. Public spending on AA transfers from DWP to local government.
- Eligibility for AA remains universal and unchanged, relating to physical disability, mental disability, or experiencing a disability severe enough for the person to need help caring for themselves or someone to supervise them. AA continues to be a weekly cash payment, paid at Higher and Lower rates, with the rates set by national government.

Pros

- **Continuity** – the AA system will retain the same benefits for older people in relation to **control**, **simplicity**, **consistency**, **predictability** and **political resilience**;
- **No reduction in supported population** – the number of older people with a disability receiving state support in England would be maintained at around 1.24 million;
- **Local authority reach** - local authorities would have far more contact with older people experiencing limited day-to-day activities, creating new opportunities for preventative interventions, supporting people and promoting wellbeing;
- **Targeted support** – local authorities could provide more bespoke, targeted help – for example, in deciding how best to use AA - to individuals in receipt of AA, than the AA does currently. However, administering the AA system would bring more recipients into contact with local authorities, councils are already obliged to provide information and advice to individuals, including AA recipients, as part of their duties under the Care Act (2014).

Cons

- **Take-up** – the take-up of AA may be reduced if older people must apply for AA from the local authority, rather than DWP;
- **Administrative costs** – a single (DWP) administrative system for assessing and evaluating AA claims would be replaced by 152 new local authority administrative systems, potentially increasing the overall costs of administering the AA system, given considerable loss of economies of scale;
- **Additional local authority costs** – local authorities would be required to train staff – and potentially recruit new staff – to administer AA;
- **Inflexibility and budget pressures** – if local authorities administered the AA system under duties imported into the Care Act, their legal obligation to pay AA within DEL spending would impose considerable inflexibility on their budget management, particularly in the face of wider budget pressures, creating the need to cut other areas of local authority spending to maintain AA payments;

5.5. New universal, disability-related cash payment for older people paid by local authorities

Summary

- While protecting existing AA recipients, AA is replaced by a new, universal 'Direct Payment AA' for older people living with a disability, paid by local authorities. Public spending on AA is gradually transferred to local authorities.
- An additional eligibility assessment applied by local authorities is incorporated into the Care Act (2014), drawing on the existing AA assessment. Eligibility for the new 'Direct Payment AA' is not means tested, however local authorities are free to set their own rates for the new payment.

Pros

- **Simplicity and control** – a new 'Direct Payment AA' would be simple for people to understand, and would allow older people to choose how to use the money to meet their disability costs;
- **Take-up of local authority support** - more individuals may approach local authorities to request support given the possibility of receiving a non-means tested cash payment, thereby helping councils identify older people with a disability, and potential unmet need.

Cons

- **Take-up of 'Direct Payment AA'** – there may be a reduction in take-up relative to the current AA system, i.e. local government may struggle to keep levels of take-up equivalent to the existing AA system;
- **Local variation** – allowing local authorities to set the value of a 'Direct Payment AA' would result in less geographic consistency across areas, and increase unpredictability for older people;
- **Political risk** – although the government may transfer public spending on AA to local authorities to finance a new 'Direct Payment AA', subsequent spending reviews may cut local authority budgets, reducing the value of the new payment to older people.

5.6. Conclusion

This chapter has evaluated three options for the government in transferring AA to the local authority ASC system:

- Transfer AA spending to the local authority ASC system;
- Administration of AA system by local authorities;
- New universal, disability-related cash payment for older people paid by local authorities.

The analysis suggests that there are **complex trade-offs** associated with each option. Different stakeholders are likely to see these options differently, and place varied emphasis on different outcomes, for example, the value of the consistency and predictability that the AA system provides to older people and their families.

The analysis also suggests that it is important to understand the granular effects of possible changes.

For example, transferring public expenditure on AA to local authorities would not necessarily result in an additional £4.755 billion of extra public spending power for local authority ASC departments. Instead, local authorities may find that demand for ASC increases, individuals entitled to support at home would have lower income and therefore be entitled to more means tested support, and 'self-funders' in residential care would have less spending power, reducing the 'cross subsidy' in care fee levels paid, that is available to councils from self-funders via the operation of the residential care market.

6.Conclusion

6.1. Introduction

The government has set out proposals to give local authorities additional spending responsibilities for councils of around £13 billion per year, with a view to encouraging them to make policy decisions that drive local economic growth.[38] In order to have sufficient additional spending responsibilities for councils, the government has proposed giving more responsibility for supporting older people who would currently be supported through the Attendance Allowance (AA) system.

Ultimately, the government could give local authorities additional spending powers in areas of spending more closely related to economic growth than disability benefits.

As the data on the AA system reviewed in this report makes clear, the government's proposals on AA would affect millions of older people in coming decades.

This report therefore concludes with key observations for policymakers and social care stakeholders.

Understanding the AA population group

It is important that the government and local authorities have a clear understanding of the population group that currently receives AA, in relation to their number, disability, and socioeconomic characteristics. Indeed, the government's proposal to transfer responsibility for this group implies local authorities taking on additional responsibility for over one million people, who are typically older, poorer, live alone, and with high levels of disability. Taking on responsibility for this group under the aegis of the Care Act (2014) may be highly challenging for local authorities, even with additional resources available.

Targeting

The local authority ASC system places a great emphasis on targeting support, both in relation to need and financial means. However, evidence in this report makes it clear that for a variety of reasons, public spending on AA is also geared toward poorer households, and that AA reaches a far higher proportion of older people with high levels of disability than the ASC system.

Additional costs for local authorities

As noted in the previous chapter, any transfer of AA expenditure to local authorities may

[38] DCLG (2015) *The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years*, DCLG, London

result in additional costs in the form of entitlement to increased levels of means tested support for care at home, and reduced cross-subsidy for care fees in the residential care market. Demand for local authority ASC may increase as more individuals who would have received AA but never applied for council support come into contact with the ASC system. If the transfer of responsibility for AA reduces the reach of support of the AA system, this may reduce the provision of other forms of support, such as unpaid care, and may also lead to an increase in demand for local authority ASC.

As such, it is important to recognise these potential additional costs in estimating net financial position of local authorities in the wake of any transfer of public spending on AA.

Public spending and political risk

Given they comprise different types of public spending, the experience of the AA and ASC systems in recent years is very different. Importantly, in transferring public expenditure on AA to local government – and from AME to DEL spending – local authorities cannot assume that this additional spending will be available permanently.

Subsequent spending reviews could see local government budgets cut, including the value of this transfer from the AA system. Indeed, to the extent that public spending on AA ultimately finds its way into the local authority ASC system, this revenue is more likely to be maintained in future and guaranteed for local authorities, if it remains AME spending as part of the benefits system.

In part, this reflects the greater public accountability afforded to the disability benefits system given national eligibility and support levels, to which changes can be properly scrutinised in the public and political domain. By contrast, the many individual local authority decisions on ASC spending are arguably subject to lower scrutiny.

Opportunities for reforming AA exist

In several respects, the local authority ASC system does have advantages over AA, for example, in the scope to tailor support to individuals with the highest needs. However, as previous publications have noted, there are significant opportunities available to policymakers to reform AA and improve the AA system.[39] For example, telephone advice and information could be targeted at AA recipients via the existing system. Implementing such measures could considerably increase the value-for-money of public spending on AA, be an effective form of prevention, and ultimately reduce demand for ASC and NHS support.

[39] Lloyd J (2013) *Independence Allowance: Developing a new vision for Attendance Allowance in England*, Strategic Society Centre, London

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