

The future of Attendance Allowance

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In partnership with: WLGA • CLILC

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Introduction

In December 2015, the UK Government announced that it was considering devolving Attendance Allowance to Wales, a benefit available to people aged 65 and over who have a disability which means that they require care or supervision on a daily basis. It is claimed by just over 100,000 people in Wales, at a cost of approximately £400 million a year.

Compared to other benefits for people with disabilities, Attendance Allowance has had a relatively low profile in recent years as it was not subject to significant change in the latest period of welfare reform. Claimants are also exempt from two of the key changes to social security in the UK – Universal Credit and the Benefit Cap.

In many ways Attendance Allowance is out of step with post-welfare reform benefits. It is a cash payment which is non-means tested and non-contributory, and it typically does not require applicants and claimants to go through the level of assessment and review that Personal Independence Claimants are required to do.

Attendance Allowance is credited as helping older people to remain in their own home and not move into residential care. According to Age UK, two of the key features of Attendance Allowance are that it promotes independence and well-being, as well as allowing choice and flexibility for claimants.¹

But, as is the case with other pensioner benefits, there are concerns that Attendance Allowance is not reaching all those who need it. The link between social care and Attendance Allowance is also under scrutiny, and is the main reason why it has already been devolved to Scotland as part of the package of disability benefits and is being proposed for devolution to Wales and English local authority areas. Advocates of devolution argue that it should be devolved to administrations which have responsibility for social care as there is the potential for efficiency savings and to develop a better offer for those requiring care.

But there is considerable opposition to devolving Attendance Allowance to Wales and local authorities in England. There are concerns about how administrations will be funded if they take on responsibility for a demand-led benefit, that the money will not be ring-fenced for a benefit akin to Attendance Allowance and that you cannot devolve Attendance Allowance for new claimants without devolving responsibility for adults aged 65+ who are already in receipt of it, or continuing to claim Disability Living Allowance or Personal Independence Payment.²

This paper looks at who claims Attendance Allowance in Wales and how much it costs, as well as how it is spent and the link between the benefit and local authority social

¹ Age UK (2011), Attendance Allowance and care reform - briefing

² Those claiming PIP or DLA on their 65th birthday continue receiving this benefit and are not required to transfer to Attendance Allowance.

care. It then considers the case for devolution, and the final section is a summary of a roundtable discussion hosted by the Bevan Foundation and Welsh Local Government Association to explore the future of Attendance Allowance in Wales.

Attendance Allowance³

Key points:

- Attendance Allowance (AA) is a benefit claimed by people aged 65 and over who have a physical and/or mental disability which means that they have significant care needs.
- Approximately 17% of people aged 65+ in Wales claim AA, at a cost of around £400 million per year.
- Just under two thirds of AA claimants are women, while more than two thirds of AA claimants are aged 80 and over.
- Just over half of AA claims have been open for five years or more.
- Despite a recent decline in AA claims across the UK, expenditure is forecast to rise.

Attendance Allowance (AA) can be claimed by someone aged 65 and over who has a physical and/or mental disability which is “*severe enough for [them] to need help caring for [themselves] or someone to supervise [them], for [their] own or someone else’s safety.*” It is administered by the Department for Work and Pensions and it is funded via Annually Managed Expenditure as it is demand-led.

AA operates as a direct payment to the individual to “*help with personal care,*” and is usually paid every four weeks. The benefit is non-means tested, non-contributory and not taxable. It is a cash benefit that does not have to be spent on care services, and it does not contain a mobility element.

Some AA applicants are required to participate in an assessment of eligibility, and awards are given either indefinitely or for a fixed period. They must have needed help with their care needs for at least six months, except for those who are terminally ill as they can claim immediately. There are two rates, eligibility for which depends on the level of care the claimant needs because of their disability.

Table 1: Attendance Allowance rates (November 2016)

Lower rate	£55.10	Frequent help or constant supervision during the day, or supervision at night
Higher rate	£82.30	Help or supervision throughout both day and night, or you’re terminally ill

³ Unless stated otherwise, all information on Attendance Allowance is from: UK Government (2016), Attendance Allowance [accessed via: <https://www.gov.uk/attendance-allowance/overview>] and Age UK (2016), Factsheet 34: Attendance Allowance

Upon a successful claim for AA, the recipient may become entitled to (or have an increase in) Pension Credit, Housing Benefit or Council Tax Reduction. An AA claim also means that the claimant's household is exempt from the Benefit Cap, and that their carer may be eligible for Carer's Allowance.

A claim for AA cannot be made if an individual is living in a residential care home (unless the costs are privately funded), and AA can be taken into account when calculating someone's eligibility for financial help with care costs. If the claimant goes into hospital while claiming AA, it will be suspended if the stay in hospital is for four weeks or longer.

It is worth noting that some over-65s are in receipt of Disability Living Allowance (DLA) or Personal Independence Payment (PIP) if they were already claiming the benefit prior to turning 65.

AA is often described as a straightforward benefit for people to claim, although this is difficult to evidence. In 2015-16, Citizens Advice in Wales received enquiries relating to AA from 1,964 people with 3,705 issues (note: in February 2016 approximately 106,000 people in Wales claimed AA). 39.6% of issues related to eligibility, 31.2% were to do with making and managing a claim, 1.8% of enquiries were for appeals, 2.2% related to renewals and reviews, and 2.6% were about challenging a decision.

In contrast, Citizens Advice in Wales was contacted by 14,175 people with 40,516 issues relating to the new disability benefit for adults aged 16-64, Personal Independence Payment (note: in February 2016 approximately 60,021 people claimed PIP in Wales⁴). 5.5% of issues were to do with appeals, 34.5% of issues referred to eligibility 34.5% and 5.1% of issues concerned challenging a decision.^{5,6}

Claimant rate⁷

As of February 2016, there were 105,700 people claiming Attendance Allowance in Wales. Just over 70% of claimants in Wales (75,950) received the Higher Rate, and 29,750 received the Lower Rate.

Approximately £8 million (£7,889,910) a week is spent in Wales on AA based on the current AA rates, or £410 million (£411,402,788) a year (excluding the Christmas

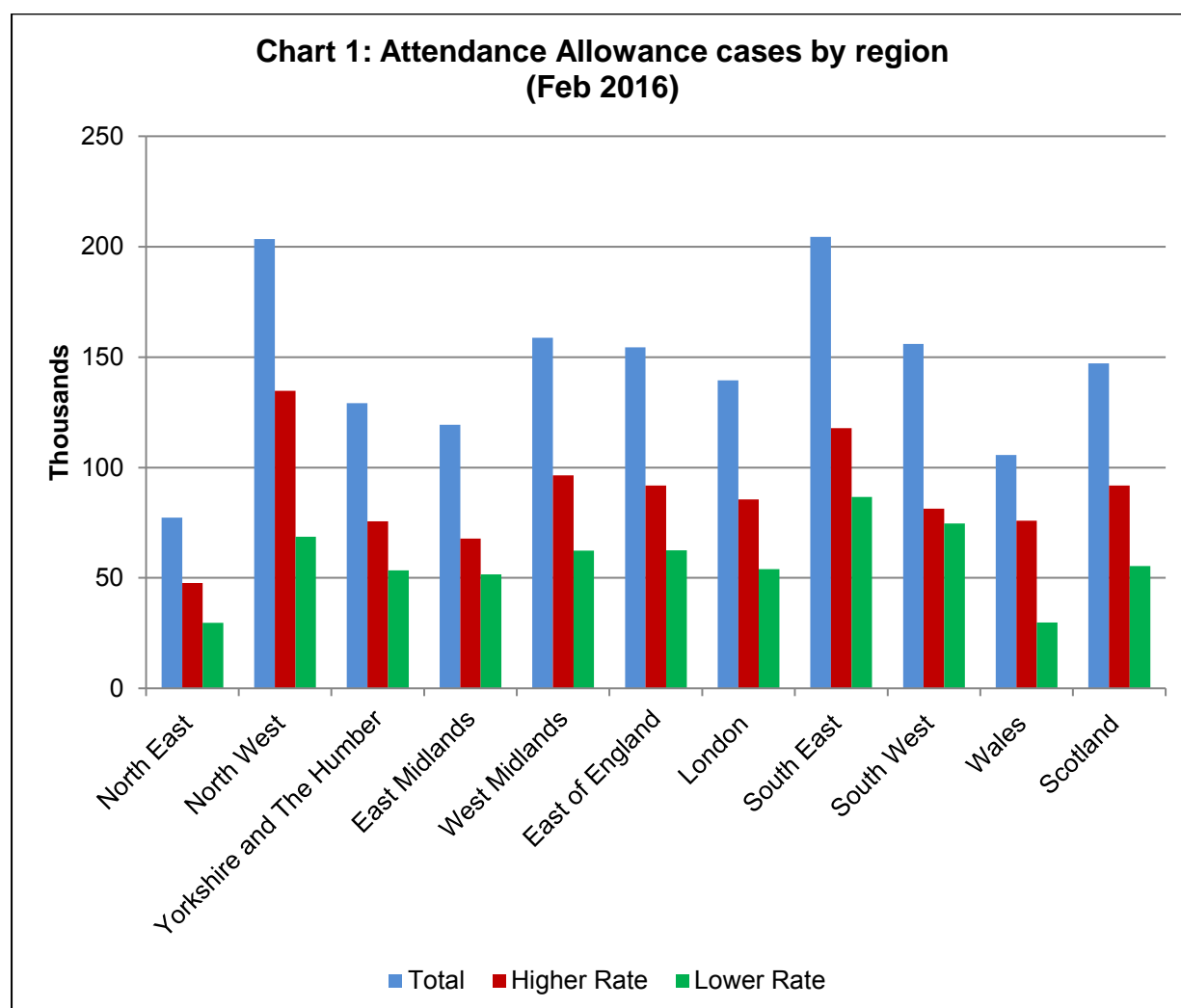
⁴ DWP Tabulation Tool (2016), PIP Claims in Payment (February 2016)

⁵ Citizens Advice (2016), Advice Trends in Wales 2015-16: Client statistics of the Citizens Advice service in Wales

⁶ Note that the data relating to appeals and challenging decisions is likely to be lower than the national average as many Citizens Advice clients would have already received support when they made their claim.

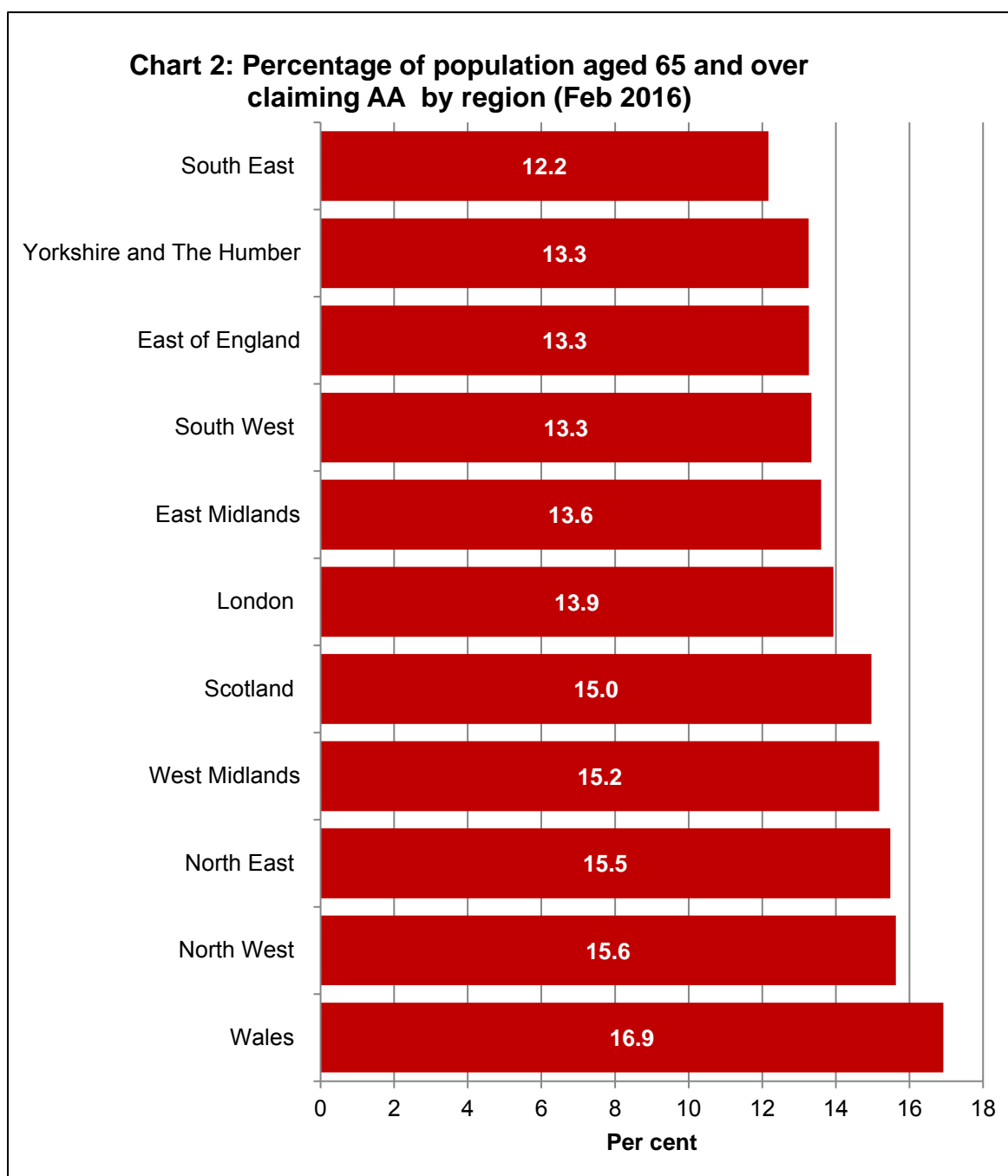
⁷ All data used in this section was sourced using the DWP Tabulation Tool, and refers to all entitled cases of AA (which includes those whose benefit has been suspended because for example, for example, they are in hospital) for February 2016.

Bonus one-off payment of £10 a year and any suspensions in benefit payment because of hospital stays etc.).⁸



⁸ DWP Tabulation Tool (2016), Attendance Allowance - all entitled cases (February 2016)

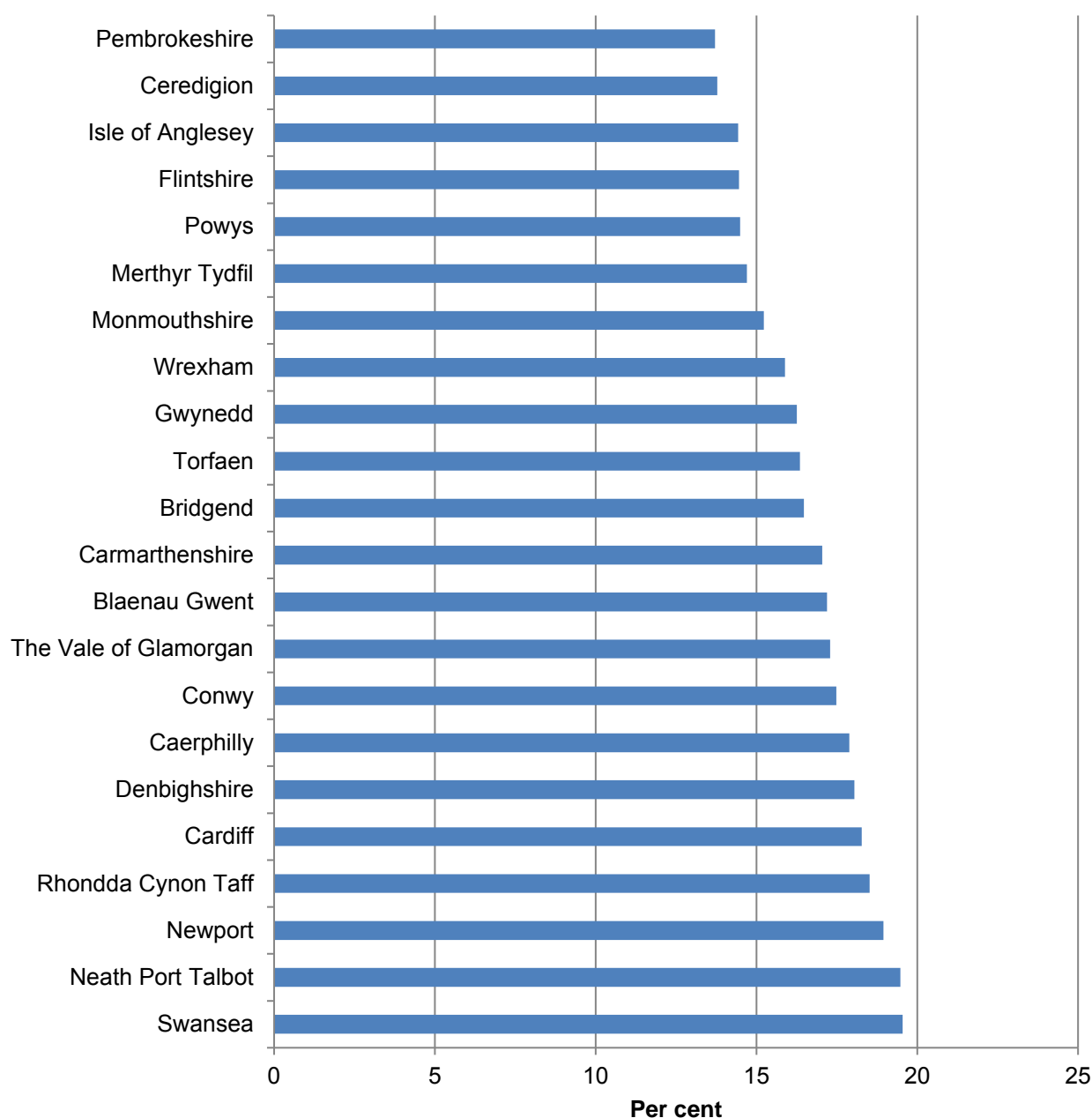
Wales has the highest AA claimant rate in the UK at almost 3.4% of the total population and 16.9% of the population aged 65+. ⁹



⁹ Population data sourced from ONS (2016), Population Estimates for UK, England and Wales, Scotland and Northern Ireland, MYE2: Population Estimates by single year of age and sex for local authorities in the UK, mid-2015

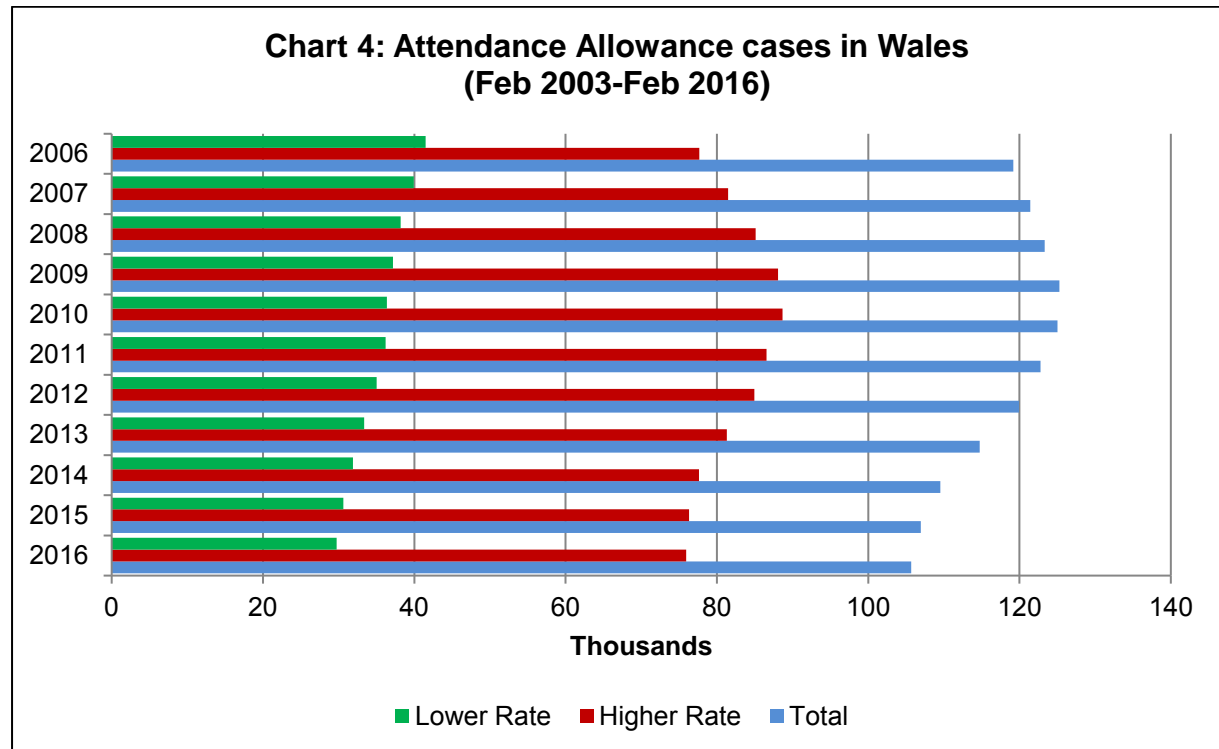
There is also some variation in the claimant rate across Wales' local authority areas. While almost 20% of people aged 65 and over are in receipt of AA in Swansea and Neath Port Talbot, less than 14 percent are in Pembrokeshire and Ceredigion.

Chart 3: Percentage of population aged 65+ claiming Attendance Allowance by local authority area (Feb 2016)

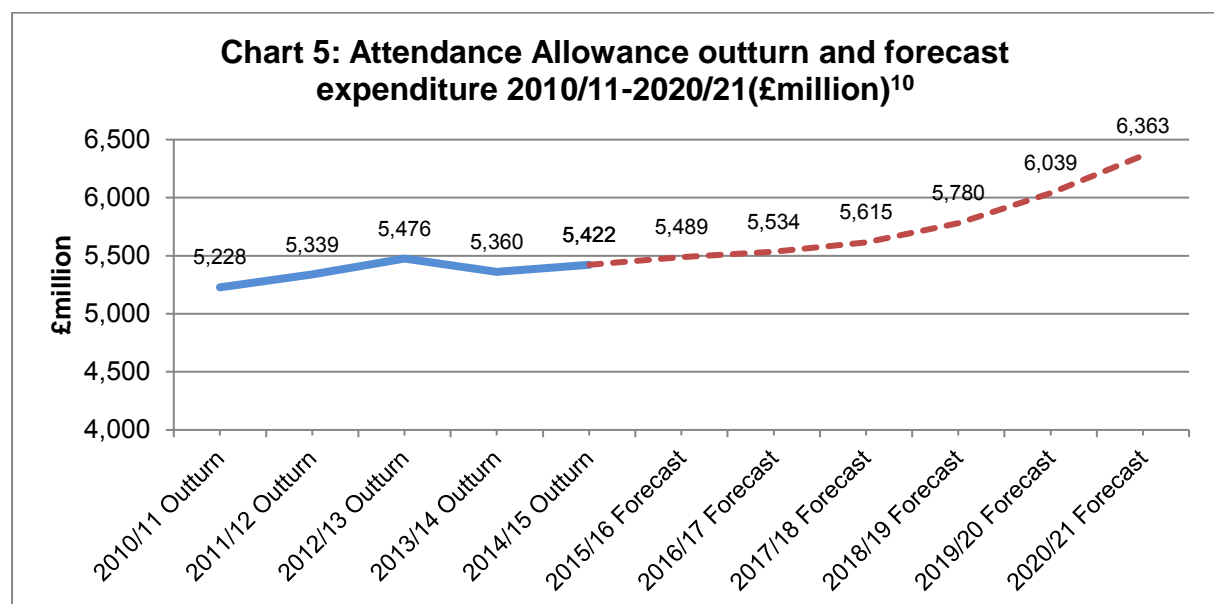


Trends

The number of AA claims in Wales for both the lower and higher rates has been in decline since 2009, a trend which is observed for the UK as a whole as well.



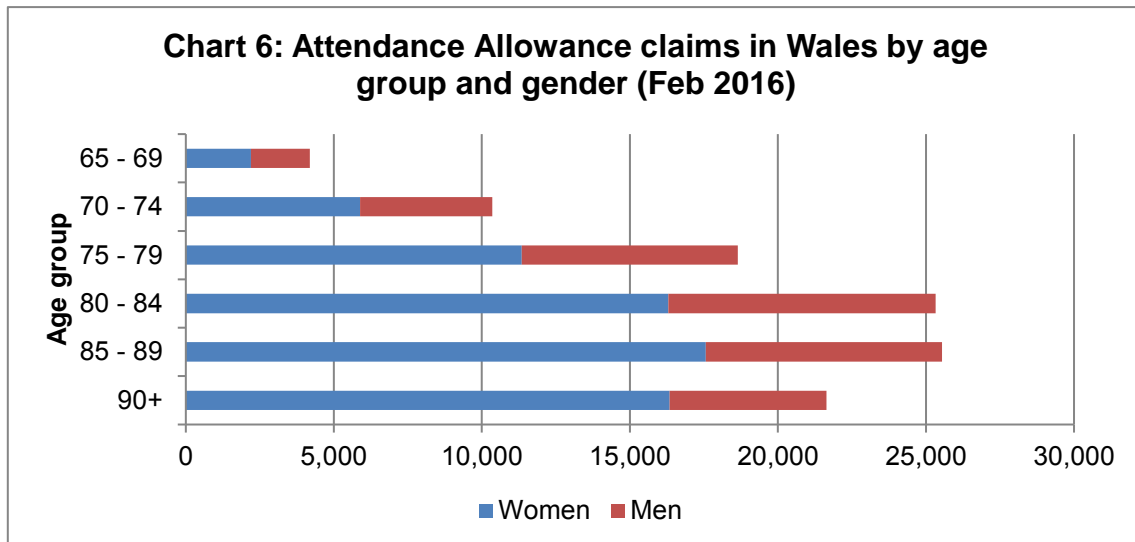
However, forecasts for the UK indicate that expenditure on AA is likely to rise by an estimated £1 billion by 2020/21.¹⁰



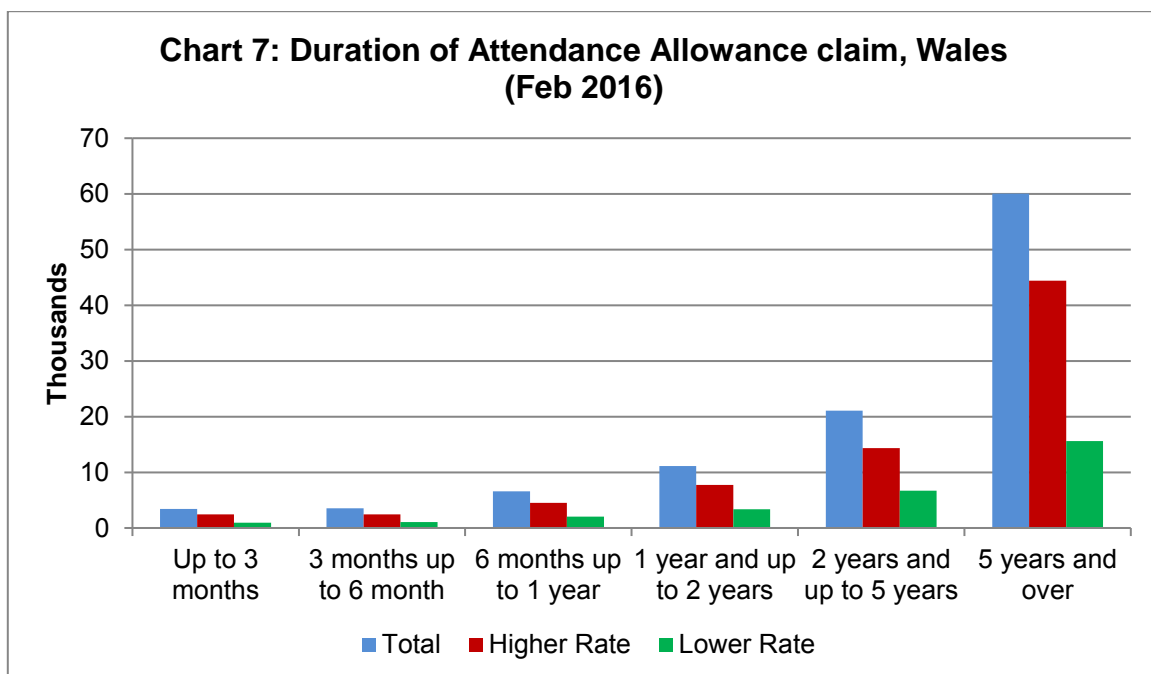
¹⁰ Department for Work and Pensions (2016), Benefit expenditure and caseload tables 2016

Who claims Attendance Allowance in Wales?

Just under two-thirds of AA claimants in Wales are women, and just over two-thirds are aged 80+. Less than 5% of claimants in Wales are aged between 65 and 69 (inclusive).



It is also worth noting that over half of AA claims in November 2015 had been open for five years or more, while less than 5% of cases had been open for less than three months. Claims of at least one year or more make up around 85% of cases.



Two in five (41.3%) AA claimants in Wales cite arthritis as their main disabling condition in their benefit application. In comparison, the second most frequent main disabling condition is heart disease at 8.8%, closely followed by dementia which is the

main condition cited in 7.7% of claims. Terminal illness is the main disabling condition for 1.7% AA claims. It is worth noting that many AA claimants have received the benefit for five years or more and the details of many claimants' main disabling condition may be out-of-date.

Further analysis of AA claimants was done by Steve Pudney at the Institute for Social and Economic Research in 2010. He found that although AA is not means-tested, those on higher incomes and homeowners are less likely to receive it and it has a stronger link to income than Disability Living Allowance (DLA). Married women are also more likely to claim AA than married men, and there is a low level of transition from lower to higher rate AA, with the likelihood of receiving higher rate AA somewhat dependant on age and income, as well as having a physical or mental disability.¹¹

¹¹ Pudney, S. (2010), Disability Benefits for Older People: How does the UK Attendance Allowance system really work?, Institute for Social and Economic Research

Attendance Allowance & Social Care in Wales

Key points:

- Approximately one in twelve people aged 65+ receive some sort of social care from their local authority.
- AA is typically counted as a form of income when calculating if someone is entitled to assistance with social care fees.
- There is no correlation with the proportion of older people receiving AA and older people receiving non-residential care across Wales' local authority areas.
- There is only limited information about what AA claimants spend their benefit on, but analysis indicates that one third of 65-74 years olds and almost two thirds of those aged 75+ who received local authority social care services claimed AA.

Social care in Wales has long been devolved and has been the focus of considerable attention in Cardiff Bay. The flagship piece of Welsh Government legislation is the Social Services and Well-being (Wales) Act 2014, which requires all agencies involved to promote the well-being of those receiving care so that they can live fulfilled lives. It seeks to put the individual at the centre of their care, giving them a voice in terms of how their well-being is achieved through their care, and it also seeks to extend the use of preventative services.¹² Following on from this, the Regulation and Inspection of Social Care (Wales) Act 2016¹³ creates a regulatory system that supports this approach to social care.

The Well-being of Future Generations (Wales) Act 2015 is also relevant to social care delivery in Wales. It puts an obligation on public bodies to set well-being objectives so that it can work towards meeting the well-being goals set out in the act. In a Technical Note, the Welsh Government has set out how the work done by the public boards created through the Social Services and Well-being (Wales) Act 2014 and Well-being of Future Generations (Wales) Act must complement each other rather than work in isolation, partly to avoid duplication of work.¹⁴

Approximately 50,000 people aged 65 and over receive some sort of social care from their local authority in Wales, roughly one in twelve people in that age group. The majority of care provided is in the community, and includes day visits, adaptations, meal services and direct payments. Throughout Wales, approximately one in five

¹² Welsh Government (2014), Social Services and Well-being (Wales) Act 2014

¹³ Welsh Government (2016), Social Care (Wales) Act 2016

¹⁴ Welsh Government (2015), The relationship between the Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015

adults aged 65+ in receipt of local authority social care is in a residential care home, although there is quite considerable variation between different local authority areas.¹⁵

Social services for people aged 65+ in Wales cost £573 million in 2014-15. This included £173 million spent on home care, £28.5 million on day care services and £235.3 million on residential care and nursing placements. It is worth noting that £15.7 million was spent on direct payments for people to purchase their own care and £60.8 million on assessing and managing care services.¹⁶

Those receiving social care services in the community are likely to be eligible for AA, and the benefit can help them meet the cost of their care as local authorities in Wales charge up to £60 a week for these services.¹⁷ This charge is means-tested, but the majority of local authorities in Wales counted AA as a form of income for this when last surveyed – only the lower rate was disregarded by Blaenau Gwent, Cardiff and Flintshire councils and partially (25%) disregarded by Carmarthenshire Council.¹⁸

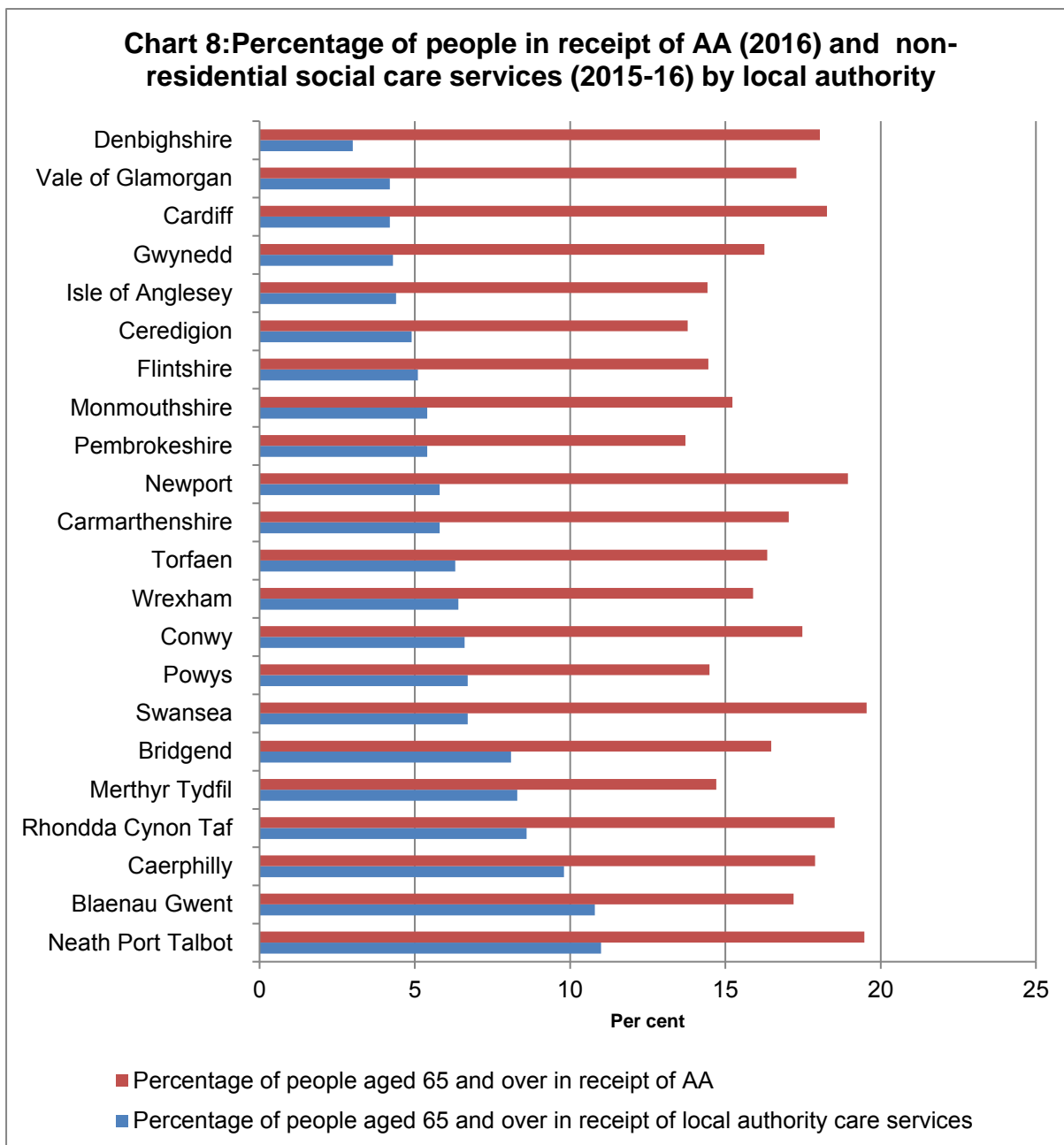
Interestingly, across Wales' local authority areas there is no obvious relationship between the number of adults aged 65+ receiving AA and those receiving non-residential social care. In Denbighshire, for example, 3% of adults aged 65+ receive social care and 18% receive AA, while in Blaenau Gwent 11% receive non-residential social care and 17% claim AA.

¹⁵ StatsWales (2016), Adults receiving services by local authority and measure

¹⁶ StatsWales (2015), Social services revenue expenditure by client group (£ thousand)

¹⁷ Welsh Government (2015), 'Paying for non-residential services' [accessed via: <http://gov.wales/topics/health/socialcare/care/charging-for-social-services/?lang=en>]

¹⁸ LE Wales (2014), Future of Paying for Social Care in Wales: First Report to the Welsh Government, Table 2: Income disregards for non-residential care services across Welsh local authorities



So do claimants spend AA on social care?

AA is a cash benefit that claimants can spend how they wish, so it is not necessarily spent on social care services. As we have already seen, many more people receive AA than receive local authority social care services, so how do AA claimants spend their benefit?

In 2008, Age UK surveyed 700 AA recipients. Over half used the benefit to pay for help at home, such as a cleaner, and a quarter used it to buy care services. 13% of respondents used it to fund travel, such as a mobility scooter or taxis, and around a

third said they used their AA to buy more or better quality food, food relating to a special diet, or having pre-prepared or cooked meals delivered.¹⁹

The overlap between AA and local authority social care services is complex. Analysis of the Family Resources Survey 2003/04-2007/08 by the Joseph Rowntree Foundation showed that approximately a third of state-funded social care clients aged 65+ received no disability benefits at all, while around a third received the higher rate of AA or DLA and approximately a third received the lower rate of AA or DLA.²⁰

Analysis of the Family Resources Survey 2003-12 by LE Wales in a report for Welsh Government on the future of paying for social care estimated that one third of 65-74 years olds and almost two thirds of those aged 75+ who received local authority social care services claimed AA. In contrast, those who privately funded their care or received informal care were less likely to claim AA. The analysis also suggests that there is a significant number of people aged 65+ receiving some form of care that do not claim AA, and a small minority who claim AA but who are recorded as not receiving any care.

Table 2: Percentage of AA claimants by type of care received and age				
	No care	Local authority care	Private care	Informal care
Aged 65-74	1.4%	32.1%	27.5%	20.9%
Aged 75+	8.4%	57.0%	49.6%	48.4%

Source: LE Wales (2014), [Future of Paying for Social Care in Wales: Second report to the Welsh Government](#), Table 13: Benefits by care type [based on the Family Resources Survey 2003-12]

¹⁹ Age UK (2011), Attendance Allowance and care reform - briefing

²⁰ Joseph Rowntree Foundation (2016), Disability and Poverty in Later Life (using estimated proportions based on analysis of data on individuals aged over 65 in Great Britain, from the Family Resources Survey, 2003/4– 2007/8)

Devolution of Attendance Allowance

Key points:

- Proposals to devolve AA to Wales and to local authorities in England have been met with strong opposition.
- AA has been devolved to Scotland as part of the devolution of disability social security benefits, with the Scottish Government already considering possible changes.
- The funding arrangement for AA and other disability benefits in Scotland is a baseline addition to the block grant, based on the UK government's spending on these areas in Scotland in the year immediately prior to the devolution of powers, which is then indexed using the Barnett formula, with the comparability factor set at 100% for the devolved benefits.
- Additional funding has been arranged for Scotland to reflect the administration costs of the disability benefits.

Attendance Allowance has been identified by the UK Government as a suitable candidate for devolution because of its link to devolved policy areas (e.g. social care), and issues which have arisen around eligibility when devolved administrations have sought to introduce more generous social care packages.^{21,22} It has already been devolved to Scotland (as part of the package of disability benefits) and Northern Ireland, and the UK Government has announced it is looking at the devolution of AA for new claimants to Wales and to local authorities in England.

Those in favour of the devolution of AA have often cited how the budget could be used more effectively if it were a part of the social care budget. For example, the Commission on the Future of Health and Social Care in England proposed the devolution of AA so that the budget could be integrated into a single local budget which also comprised of the NHS budget for clinical commissioning groups, including primary care, continuing healthcare, the registered nursing contribution and other special placements, and the local authority social care budget for home care, residential and nursing care. The proposed budget would fund a more graduated system of support for disabled older people and would still feature an element of cash payment.²³

However, there has also been strong opposition to proposals to devolve AA with critics claiming that the budget will not be ring-fenced once it is devolved (essentially abolishing AA for new claimants) and that it will be used to plug a hole in the social

²¹ Commission on the Future of Health and Social Care in England (2014), A new settlement for health and social care: final report

²² IPPR (2014), Devo More and Welfare: Devolving Benefits and Policy for a Stronger Union

²³ Commission on the Future of Health and Social Care in England (2014), A new settlement for health and social care: final report

care budget.²⁴ When the devolution of AA to Scotland was proposed, there were also concerns about devolving it without devolving responsibility for DLA for over-65s.²⁵

Scotland

Following on from recommendations made by the Smith Commission, the Scotland 2016 Act devolves responsibility over all disability benefits, including Attendance Allowance. The Scottish Parliament can now introduce a new 'Scottish' version of AA, change the eligibility criteria or benefit rules, or replace it entirely with a new benefit. An important point in regard to funding is that Attendance Allowance has not been devolved, rather the Scottish Parliament has been given legislative competence for provisions currently covered by Attendance Allowance. The Act's command paper states that it will be funded by an addition to the Barnett-based block grant:

*"While there will again be an increase in the block grant in year 1, reflecting the spending (both on front line programmes and the associated administration costs) that the UK Government will no longer undertake, the UK and Scottish Governments will need to work together to determine how this funding changes in subsequent years to dynamically and mechanically reflect changes in the welfare spending that would have been undertaken by the UK Government over time."*²⁶

However, the funding arrangement, which has been set out in a separate agreement between the UK and Scottish Governments, states that:

*"The initial baseline addition to the block grant for devolved welfare payments will be the UK government's spending on these areas in Scotland in the year immediately prior to the devolution of powers, with the exception of the Cold Weather Payment."*²⁷

The spending will then be indexed and, according to the agreement, the chosen method for this will be the Barnett formula, with the comparability factor set at 100% for the devolved benefits. The agreement also states that *"the UK Government will transfer funding to support a share of the associated implementation and running costs for the functions being devolved."* The funding agreed for this includes a one-off transfer of £200 million and a baseline transfer of £66million which will be indexed, again using the Barnett formula.²⁸

²⁴ For example, Carers UK (2016), Potential devolution of Attendance Allowance: impact on carers

²⁵ Bell, D. (2014), On Devolving Welfare Benefits; Spicker, P. (2014), The Devolution of Social Security Benefits

²⁶ HM Government (2015), Scotland in the United Kingdom: An enduring settlement

²⁷ HM Government and Scottish Government (2016), The agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework

²⁸ Ibid.

The Scottish Government has launched a consultation on social security in Scotland which includes questions about how disability benefits could be changed to improve equality and how a new system should operate.²⁹ In the consultation document, it pledged to change the assessment process for disability benefits, which may apply to future AA claimants, and “committed to maintaining the level of the disability benefits for individuals and raising them by at least the rate of inflation, using the Consumer Price Index as a starting point.”³⁰

The consultation document goes on to state:

“In the short term, a secure and smooth transition to devolved disability benefits payments, ensuring that transfer arrangements are well communicated and every recipient continues to receive their benefits, will be our absolute priority. But we are still committed to making improvements as soon as practicable, for example – a consistent theme from engaging with people over the past year has been that there should be a transparent and easy-to-access process of application, assessment/consideration, decision-making and award for people claiming the benefits. We want to make sure that the process from start to finish is clear and accessible, and that people understand how and when their claim will be dealt with.

“We also have bold aspirations for the longer term. For example, we want to ensure that disability benefits work as effectively as possible with other devolved services such as health and social care and housing, and to explore the potential for a “whole-of-life” disability benefit that is responsive to people’s needs at different stages of their lives. A single benefit across the age range could remove arbitrary age-related requirements for people to re-apply for a different benefit – for example, it might not be necessary for everyone to apply for a new benefit when they reach a specific age.”³¹

As well as considering the future of AA and other devolved disability benefits, the Scottish Government has also stated that it will consider how the outgoings for disabled people could be reduced.

England

In December 2015, the UK Government proposed to devolve responsibility for AA to local authorities in England in a consultation document, ‘The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years.’ It states that:

²⁹ Scottish Government (July 2016), Consultation Document: A New Future for Social Security Consultation on Social Security in Scotland

³⁰ Ibid.

³¹ Ibid.

“[T]he 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...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.”³²

The proposal for England was mentioned in the Department for Communities and Local Government’s ‘Self-sufficient local government: 100% Business Rates Retention’ consultation document, which ran until 26th September 2016, but it made no reference to Wales.

Some campaigners have described the proposals as an attempt to abolish AA for new claimants.³³ The Local Government Association (LGA) has also expressed objection on the basis that administering the demand-led AA would result in significant cost pressures for local authorities, warning that *“cost pressures and applications for demand-led services like Attendance Allowance can go up very quickly whereas it can take much longer for local areas to generate business rates income.”³⁴*

Northern Ireland

As a result of the social security parity principle applying to Northern Ireland, AA is subject to the same rules and rates which apply in the rest of the UK, while it is administered by the Disability and Carer’s Service (part of Northern Ireland’s Department for Communities). AA is one of several benefits funded by Annually Managed Expenditure (AME) in Northern Ireland, and this is calculated separately to the Barnett-based block grant using detailed forecasting.³⁵ For 2016-17, Northern Ireland has been granted £5.885 billion for benefits expenditure in AME by HM Treasury.³⁶

³² Department for Communities and Local Government (December 2015), Consultation Document: The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years

³³ Department for Communities and Local Government (July 2016), Consultation Document: Self-sufficient local government: 100% Business Rates Retention

³⁴ Local Government Association (2016), Media release 05.07.2016: LGA responds to DCLG consultation on business rates retention [accessed via http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7885378/NEWS]

³⁵ HM Treasury (2015), Statement of Funding Policy: Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly

³⁶ Northern Ireland Executive (2016), Budget 2016-17

Wales

The announcement that the UK Government is considering devolving responsibility for AA to Wales was also made in the consultation document, 'The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years,' published in December 2015. The Welsh Government said it was "*extremely cautious*" about how a change would be funded.³⁷

Ahead of the 2016 National Assembly for Wales elections, only Welsh Labour made specific reference to AA in its manifesto, which stated, "*[w]e will resist attempts by the UK Government to transfer Attendance Allowance to the Welsh Government and instead fight hard to protect it at the current rate.*"³⁸

To date, neither the UK or Welsh Governments have published any further proposals regarding the devolution of AA to Wales.

³⁷ BBC Wales (14 January 2016), '£400m welfare benefit could be devolved to Wales'

³⁸ Welsh Labour (2016), Together for Wales: Welsh Labour Manifesto 2016

Issues arising from the proposal to devolve AA to Wales

To raise awareness about the proposal to devolve AA, and to gather opinions about this proposal and the future of AA in Wales, the Bevan Foundation and Welsh Local Government Association hosted a roundtable discussion on Wednesday 7th September 2016 in Cardiff (see annex 1 for a list of attendees).

The following points and issues were raised during the roundtable discussion in response to participants being asked for their views on the proposals to devolve AA and what they would like a devolved version of the benefit to look like.

Funding arrangements

The proposal to devolve AA to Wales has been met by strong opposition because of concerns that neither the benefit, nor the cost of setting up and administering a new benefit will be sufficiently funded.

This scepticism around how a devolved AA scheme would be funded stems from suspicions about why the devolution of AA has been suggested. Given that AA was not subject to significant change during welfare reform, there is a suspicion that the motivation for devolving it is to save money, which again raises concerns about how it will be funded. This scepticism also extends to the UK Government's suggestion that the devolution of AA would enable the budget to be used more effectively as decisions could be taken locally, as the advantages of this are unclear – particularly when a funding settlement has not been arranged.

There is a fear that the devolution of AA for new claimants may lead to a two-tier system between existing claimants who will continue to receive AA and new claimants for the devolved benefit. In fact, this would lead to a three-tier system, as claimants who receive Disability Living Allowance or Personal Independence Payments before their 65th birthday continue receiving this on or after their 65th birthday so long as their claim remains open. While the rates for PIP and DLA³⁹ are the same as AA, PIP and DLA feature an additional mobility component.

This aside, if AA were devolved the funding agreement is likely to be calculated using a baseline figure using a given year's AA claimant rate (as was the case in Scotland). There is therefore a strong case for the Welsh Government to be doing everything it can to encourage take-up of AA now, so that the claimant rate used to calculate the baseline is a better representation of all those who are eligible.

³⁹ Note that there is a lower rate of DLA as well as a standard and higher rate.

Interface with social care

The interface between social care and AA is an area of interest due to the high number of people receiving both, and using their AA to pay for their local authority-provided care. The separation between AA and the social care system has been blamed for people not being made aware of all the support which is available, and it was suggested that if the same body were responsible for delivering social care and the replacement benefit to AA then this would tackle under-claiming.

It is a controversial issue as some opponents to devolution have argued that it will result in AA being effectively scrapped as a cash benefit, as the funding is absorbed into the social care budget. Ring-fencing the funding for the benefit may be one way to combat this, and there is also the potential to merge it with the Direct Payment scheme.

Critics have also argued that merging the social care and AA budgets may result in claimants having less choice over what sort of care they are able to fund. Those who choose to fund their care privately, or who rely on informal care or services which are not provided by the local authority may no longer receive any help if the benefit were made a part of the social care system, therefore limiting the options which are available to them and concentrating the provision of social care within the local authority.

Given the constraints on the social care budget and the forecasted rise in expenditure on AA, consideration should be given to how maintaining the current provision would be afforded. Introducing means-testing for the successor benefit to AA has been raised, but it is controversial as working-age disability benefits are not means-tested. It is also doubtful that it would lead to significant savings, given the additional administration costs and the evidence that higher-income households are already less likely to claim AA.

The debate around means-testing is partly based on a difference in interpretation of what AA is intended for - whether it is to pay for care services or to cover a broader range of additional costs associated with a disability. This comes down to a disagreement on the principle behind disability benefits – whether the benefit should be a right based on someone's disability and in principle they should not be required to pay for any additional costs associated with this, or if they should pay for this if they can afford to.

Interface with other social security benefits

AA is a 'passport' benefit. Claimants may be entitled to extra Pension Credit, Housing Benefit or Council Tax Reduction once they start receiving AA, and their carer may be eligible for Carer's Allowance. Furthermore, other non-monetary benefits such as assistance with utilities and railcards can be accessed once someone claims AA. These 'passporting' arrangements need to be maintained without interruption once the

new devolved benefit is introduced, and the value of the new benefit must also be considered in relation to the value of the 'passported' benefits so that there are no unexpected losses for new claimants. This is made more complex as many of the 'passported' benefits are not devolved, so it will require the Welsh and UK Governments to work together to ensure that there is no delay for new claimants.

A national framework

Were AA devolved, the experience of benefit devolution in Wales and the risks posed by an alternative arrangement indicate that a national framework for delivering the replacement benefit is the most desirable model. If different local authority areas were able to design and introduce their own AA replacement benefit then this would lead to a complex and potentially unfair system, and could result in 'benefits tourism'.

The claimant's experience is also important. AA is perceived to be a straightforward social security benefit to claim, which claimants understand and experience few difficulties with. Given the changes which have taken place to working-age disability benefits as part of welfare reform, there is a high level of doubt that any transition period will be smooth and that claimants will not be subject to more rigorous eligibility testing, akin to the assessment for Personal Independence Payment. The simplicity of AA is highly valued by claimants and those who work with them.

Communicating any changes to benefits is very important. Were AA devolved, a communications campaign would be necessary to raise awareness of the new benefit, which is why it is important that the benefit is both straightforward and does not differ throughout Wales. The language and name of the benefit is also very important. Many older people who have little experience of the welfare system may not see themselves as benefit claimants, so may miss out on the support they are entitled to. Making it seem like a 'right' rather than a 'benefit' may change this problem with perception, as would changing the name of the benefit to one which better describes what it is meant for.

Taking that into account, the eligibility criteria for the new benefit could be amended or revised, and it does not necessarily have to be replaced with a single benefit. While there is a preference for at least a part of the benefit to be delivered as a cash benefit, this could take the form of a basic credit for disabled people aged 65+, with additional funding available for those who require care which can be used internally by local authorities, offering administration savings.

Given our limited knowledge of how people spend AA, it is difficult to determine what value this basic credit should take. It is also difficult to determine whether linking AA and the social care system may deter some people from claiming benefits if their attitudes differ towards the two systems significantly.

Administration

Establishing a new benefits administration department would come at a huge cost, which is unlikely to be met in full by the funding settlement. Therefore, there is a strong case for the devolved benefit to be administered by local authorities (LAs) as they are already experienced in administering Housing Benefit, Discretionary Housing Payments and Council Tax Reduction. An element of discretion for LAs may be helpful, as has been the case with Discretionary Housing Payments, particularly if the links between the devolved benefit and social care are stronger than current arrangements.

Conclusion

Since the proposal to devolve Attendance Allowance to Wales for new claimants was announced, significant concerns have been raised about the adequacy of any financial settlement to cope with an increasing claimant rate, and the implications for new claimants who may no longer be 'passported' to other benefits as existing AA claimants are.

Opponents also warn of the potential inequalities arising between new claimants receiving the devolved benefit and existing claimants who would continue to receive AA, as well as the fact that claimants who receive Disability Living Allowance (DLA) or Personal Independence Payment (PIP) prior to their 65th birthday continue to receive the respective benefit when they are 65 and over, and are not transferred to AA. If the replacement benefit to AA were used to directly fund social care, this could lead to complex arrangements for those who continue to claim DLA or PIP.

However, if the UK Government were to press ahead with the devolution of AA to English local authorities, then it is imperative that it engages in early dialogue with Welsh Government, particularly in respect of the funding settlement and the implications for other social security benefits.

The devolution to Wales should not necessarily result in the same arrangements as the devolution to local authorities in England, if this were to happen, particularly in regard to funding. The budget for AA is currently provided through Annually Managed Expenditure, reflecting its volatility, so if responsibility for the benefit were devolved the funding arrangements would need to reflect this, as well as factor in the forecasted rise in claimants, if the UK Government is committed to ensuring that no one loses out.

It is also important that the terms of devolution reflect the specific needs and circumstances of Wales, both in relation to the make up of Wales' population and its inexperience and available resources for managing and delivering benefits. The administration of the devolved version of AA will be a costly system to establish, and consideration needs to be given to how this will be funded and what body will be responsible for it. New ways of working with HMRC and the Department for Work and Pensions would also need to be set up so that 'passporting' arrangements can continue.

The Welsh Government is understandably opposed to the devolution of AA, but it is very difficult to imagine a scenario whereby AA were devolved to local authorities in England, and the DWP continued to manage a benefit that was only offered to new claimants in Wales. The UK Government has already announced its intention to consult on both the devolution to Wales and English local authorities, so we recommend that the Welsh Government should establish an advisory group of experts

on social care, welfare benefits and disability to demonstrate their concern and to provide advice should the UK Government pursue a consultation.

Were AA devolved, there is considerable interest in how the devolved AA budget could be used more efficiently in relation to the social care budget. With reference to this, we recommend that the Welsh Government should explore the benefits of devolving AA for all claimants, not just new claimants, so that a two-tier system does not emerge.

Participants in our roundtable discussion agreed that a Wales-wide framework for the replacement benefit(s) should be designed with considerable interest in the benefit being managed and administered by local authorities, given their experience of benefits administration and their existing relationship with those receiving care and other local authority services.

Many of those who participated in the discussion felt that part of the motivation for devolving AA was to reduce costs, and so the devolved benefit may need to reflect this need for savings to be made. Proposals to means-test the devolved benefit were favoured by several participants, who envisaged an income or savings cap similar to the arrangement for Child Benefit. But some participants were strongly opposed to the devolved benefit being means tested, questioning how this fitted in with the principles underpinning disability benefits. Therefore we recommend that prior to considering what a devolved version of AA should look like, the Welsh Government must consider what sort of principles should underpin Wales' social security system if the benefit were devolved.

In relation to the funding arrangement, we recommend that the Welsh Government pursues a budget based on the previous year's expenditure with an additional budget transfer for administration costs, and then the application of the Barnett formula to future years – as has been the case for Scotland.

Given that we recommend that the baseline allocation should be based on the previous year's expenditure, we also suggest that the Welsh Government pursues an active take-up campaign to ensure that the baseline figure gives an accurate picture of all those who are eligible for the benefit. The risk posed to Welsh Government by the devolution of AA for new claimants is exacerbated by the fact that AA appears to be under-claimed. It is therefore in Welsh Government's interest to do all it can now to encourage those who are eligible to apply for AA.

Annex 1: Participants in roundtable discussion on the future of Attendance Allowance in Wales

Name	Organisation
Janet Alexander	Institute of Revenues Rating and Valuation
Naomi Alleyne	Welsh Local Government Association
Keith Bowen	Carers Wales
Linda Davis	Welsh Government
Lisa Hayward	Welsh Local Government Association
Janice Jenkins	Bridgend County Borough Council
Lisa Jones	Macmillan Cancer Support
Matthew Kennedy	Chartered Institute of Housing
Nisreen Mansour	Bevan Foundation
Emma Sands	RNIB
Kevin Stewart	Institute of Revenues Rating and Valuation
Vivienne Sugar	Bevan Foundation
Mark Wilkinson	ADSS Cymru
Iwan Williams	Older People's Commissioner for Wales
Victoria Winckler	Bevan Foundation

About the Bevan Foundation

The Bevan Foundation develops ideas to make Wales a fairer, prosperous and sustainable place. We are independent of government or any political party, and are funded by subscriptions, donations, grants from charitable trusts and foundations and commissions.

We have made every effort to ensure this report is accurate but responsibility for any errors, and for the views in the report, are those of the Bevan Foundation.

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