advice and support for older age
Independent Age

Department for Communities and Local Government - Self-sufficient local government: 100% Business Rates Retention

September 2016

About Independent Age

Whatever happens as we get older, we all want to remain independent and live life on our own terms. That's why, as well as offering regular friendly contact and a strong campaigning voice, Independent Age can provide you and your family with clear, free and impartial advice on the issues that matter: care and support, money and benefits, health and mobility. A charity founded over 150 years ago, we're independent so you can be.

Website

For more information, visit our website www.independentage.org

Helpline

We give free, confidential advice over the telephone for older people, their families and carers on issues such as getting help at home, adaptations, care assessments, paying for care, staying in touch with other people and welfare benefits.

Call our team of experts on 0800 319 6789, Monday to Friday, 8am-8pm, and Saturday to Sunday, 9am-5pm, or email your query to advice@independentage.org

Registered charity number 210729

Department for Communities and Local Government – Self-sufficient local government: 100% Business Rates Retention

Introduction

We welcome the Department's consultation on the proposal for the 100% retention of business rates by English local authorities. Any reforms to local government finance should be approached very carefully. We were pleased to note there might be future calls for evidence before these proposals are fully enacted. The way in which local authorities raise local revenue and spend this money is of the utmost importance to older people so we urge the maximum level of consultation as the Revenue Support Grant gets withdrawn.

How these proposals might affect local authorities' capacity to deliver quality care and support beyond 2019 is the issue of greatest concern to Independent Age.

We know care funding is the greatest portion of local authority spending, so whatever decisions the government takes as a result of this consultation will have a direct effect on the hundreds of thousands of older people and families who receive state funded social care, as well as those who access non-means tested services such as information and advice.

By 2040, nearly one in seven people in the UK will be aged 75 and over[1] making the reforms vital to our preparations for an ageing society. We are pleased that the government has committed to the incremental introduction of the full retention of business rates. It will take time and thorough analysis of local authorities' rapidly changing demographics before the full package of reforms can be designed in a way that feels consistent and fair.

In our response we directly address a number of the questions as well as setting out our view that:

- **Attendance Allowance <u>should not be devolved</u> to local authorities without significant safeguards built in** to protect older people – both now and in the future - who depend on the benefit to meet their disability-related extra costs.
- **Adult social care is substantially underfunded** and the reforms to local government finance have to be addressed in that wider context, where there are rising financial pressures on the care and support system in England.

We want to see a stronger safety net for councils. The full withdrawal of the Revenue Support Grant and a move to 100% business rates retention could indeed be compromised by sudden – very local – changes in tax take from local businesses. Ultimately, funding for adult social care needs to be placed on a firm and predictable footing so these reforms need to mitigate the risks any one authority might face around meeting their local population's needs.

[1] Future of an Ageing Population, Government Office for Science, July 2016

The needs formula for local authorities should indeed be fully updated prior to the full withdrawal of the Revenue Support Grant and the introduction of 100% business rates retention. This is the best way government can ensure the way in which the money being apportioned is fair and reflects new demographic circumstances. Some regions like the North East already have worries anticipated growth in business rate income will be outstripped by rapidly increased demands. We share some of these concerns.

There is a more fundamental question Communities and Local Government needs to resolve, which though beyond the scope of this individual consultation, nonetheless needs addressing. It is how the government can arrest the drop in the numbers of older people eligible for state-funded care and support at the very time our older population is growing.

Finally there is another issue DCLG, together with colleagues at the Treasury and the Department of Health need to look at too. At a time when the government is urging greater integration in health and social care, the funding models are becoming ever more varied: localised and increasingly driven by business rates and precepts for social care; but national and still funded from general taxation for the NHS. We want to see an independent commission appointed to take evidence and present options to the government on the long-term future of both health and social care services. If we don't see a cross-government approach, we risk seeing ever more piecemeal and even contradictory approaches to planning the care and support our ageing population needs.

Answers

Below we address each question from the consultation in turn.

1. We do not take a formal view on which identified grants and responsibilities are the best candidates to be funded through the retention of business rates.

<u>Devolution of Attendance Allowance</u>

However, we don't believe that Attendance Allowance (AA) is suitable for devolution to local government without significant additional safeguards.

The consultation sets out a number of criteria for the devolution of responsibilities from central to local government. Despite some opportunities to improve how AA works[2] the current proposals fall far short of the safeguards required to support any such reform.

Devolution of responsibility should build on the strengths of local government – The devolution of AA would create an anomaly within the disability benefits system which is administered, for the most part, by the Department for Work and Pensions. It is also administered very effectively, both in terms of current reach and effectiveness.

Our 2014 research on publicly funded care and support for older people with disabilities highlighted Census data identifying 4,297,932 older people living with

[2] Independence Allowance: Developing a new vision for Attendance Allowance in England, Independent Age and the Strategic Society Centre, June 2013

limited day-to-day activities in England. We estimated that 34% of this group received AA[3]. Using data from NHS Digital at the time, we were able to estimate that around 740,000 older people received local authority support, ranging from a funded place in a care home to day care in the community, or home adaptations. This represents around 17% of the older population with limited day-to-day activities. Our research demonstrated that the reach of the current disability benefits system – and specifically AA – is far larger than the local authority care and support system.

Local authorities do not have the existing expertise to easily take on responsibility for AA and any such move would require more staff and administrative support. Current levels of receipt for AA are strikingly consistent across the country, which suggests that universal, non means-tested support, offered via a familiar 'gateway' results in a relatively high take-up across the country[4]. We would not like to see take up rates decline in any local areas as a result of changes to how the benefit is administered.

To deliver on devolution, the key agencies need to want to take on devolved responsibilities being offered or granted. **In the case of Attendance Allowance, local government is very clear that it does not want to take on these responsibilities.** Local government has consistently and comprehensively rejected of the proposal to devolve AA by local authorities. The Local Government Association has made public statements making clear it doesn't want to take on this responsibility.[5]

There should be capacity at a local level to deliver services, taking into account other local pressures – Like others, we are concerned that the devolution of the AA budget to local authorities could lead to local authorities using this budget to ease historic pressures on adult social care. Recent evidence suggests monies channelled through the Better Care Fund are used in large part to keep current services going[6]. In 2015/16, £1.67bn (33% of the total fund) was spent on adult social care. ADASS claim that only £137 million of this is being used for new or additional services in the way that was first envisaged, so less than 10% of the £1.67bn of total monies for adult social care. There is nothing to suggest Attendance Allowance wouldn't also be used the same way: to plug existing gaps in state-funded services.

Without resolution of the social care funding crisis, there remains a serious risk that AA money could be shifted into plugging the gap for local authority funded care and support, meaning the preventative care funded by AA could falter and long term costs could rise.

[3] The Bigger Picture: Understanding disability and care in England's older population, Independent Age and the Strategic Society Centre, November 2014
[4] Attendance Allowance and Local Government: Examining the evidence and the options, Strategic Society Centre, July 2016
[5] Local Government Association: On the Day Briefing The Government's consultation on business rates retention, Local Government Association, July 2016 (Link - access 7.9.2016)
[6] ADASS Budget Survey 2016

Further, there is concern from local authorities that they would face mounting costs as a result of any devolution of AA. As the Communities and Local Government Committee's report published in June this year stated:

> 'There was concern among councils that the transfer of funding for "demand-led'" services, such as Attendance Allowance, would over time leave them facing increasing costs as pressures mounted. Essex County Council were concerned that the Government expected business rates to fund demand-led services "despite the fact that demographic growth will likely far outstrip growth in business rates[7]".'

Devolution of responsibility should support the drive for economic growth – The devolution of AA to local authorities will not support economic growth. We support the Local Government Association's position rejecting the devolution of AA that calls on the government to consider devolution of responsibilities more relevant to driving economic growth.[8]

Devolution of responsibility should consider the medium-term financial impact on local government – As previously stated one of the main objections to the proposed devolution of AA is that devolution of demand-led services could mean local authorities not being able to meet such demand with their tax raising powers in the medium and long term.

The Local Government Association has stated:

> 'This is because cost pressures and applications for demand-led services like Attendance Allowance can increase very quickly whereas it can take much longer for local areas to generate business rates income[9].'

---

[7] 100 per cent retention of business rates: issues for consideration, House of Commons Communities and Local Government Committee, June 2016

[8] Local Government Association: On the Day Briefing The Government's consultation on business rates retention, Local Government Association, July 2016 (Link - access 7.9.2016)

[9] Ibid

Attendance Allowance in focus

Attendance Allowance basically works. There are strikingly consistent levels of entitlement across different areas, both at regional level and indeed between neighbouring local authorities. However, there does appear to be a substantial amount of variance in the overall proportion of older people receiving local authority community support. Given the variations observable even in single regions, it does not appear that these variations are simply the result of means testing and different population wealth profiles. As such, it does appear that local authority support depends on where people live.

In our 2014 report, *The Bigger Picture: Understanding disability and care in England's older population*, we undertook extensive analysis of Census and Department for Work and Pensions data showing remarkably little variation in AA support within regions of England. So for example, across different areas in the East Midlands -which our analysis showed was typical of the national picture - we found little variation of AA receipt among adults aged 65+ with limited day-to-day activities. It varied from just 32% uptake to 35%. By contrast, the total number of individuals aged 65+ with limited day-to-day activities receiving local authority-funded community support varied from 5% to 20% across different authorities in the East Midlands.

The contrast between the AA and local authority care systems identified in our *Bigger Picture* report suggests several observations.

First, where eligibility for state support is universal, and non-means tested, then coverage is likewise consistent and also high. Second, where there is scope for reform it is to ensure national policymakers work with local authorities to ensure a 'consistent offer' for the older population with day-to-day difficulties with activities of daily living. Among other things, that could mean ensuring all older people who undergo a needs assessment for care and support are signposted or facilitated to make a claim for AA, whatever their eligibility for state-funded care. It might likewise mean that whenever an individual applies for AA, they too are signposted to their adult social services department, to access universal information and advice and where appropriate, to undergo a needs assessment.

2. No response
3. No response
4. We do not take a definitive view on whether some or all commitments in existing and future deals could be funded through retained business rates. We do propose, however, that the Department consider an extension of the 2% social care precept to other forms of taxation controlled by local authorities. This recommendation was set out in a recent report by the Strategic Society Centre looking at the social care precept and the financial sustainability of adult social care.

   The report states:

'The government could enable local authorities to introduce additional social care precepts in relation to other forms of taxation that currently sit outside local authority revenue raising powers. For example, just as local authorities can increase council tax on homes left empty for more than two years – in effect, an empty homes tax – a 'social care precept' could be applied to the value of capital gains experienced by homeowners selling their main homes. Multiple other options exist that would derive revenue from the income or wealth of individuals or households in different ways[10].'

The extension of the precept could be one way to increase funding for adult social care in the medium-term, but all of these approaches would require thorough analysis and consultation.

5. We strongly agree that the new burdens doctrine should be extended beyond-2020 to ensure transparency and accountability for any devolution of new responsibilities to local authorities. We believe that the new burdens criteria could be improved and that the full retention of business rates offers an opportunity to review how government applies the new burdens criteria. We encourage the Department to carry out a review of the current system in the context of the evaluation and recommendations made in the National Audit Office's June 2015 report[11]. For example, the report found that:

    - Some departments' approaches for calculating costs created risks that new burdens would be under- or over-funded.
    - Inadequate information systems limit how well the Department uses intelligence from the new burdens regime to understand local government pressures[12].

6. No response

7. We agree that the government should fix reset periods for the system to provide budgetary certainty to local authorities over time.

<u>Social care challenges</u>

8. We understand and support the idea that a partial reset should reward growth and redistribute revenue to meet changing need. We believe that a partial reset every five years is appropriate. Adult social care is the largest single area of spending for local authorities therefore we propose that any partial reset must always account for demographic change and the latest projections relating to the local population of older people and disabled people. This is essential to meet the changing demands for adult social care services. The partial reset should also have to account for the fair price of care in each local authority in order to assure market sustainability. Local authorities should be supported by central government to conduct their own fair price of care review.

[10] Reforming the Precept: A stepping-stone to sustainable care, The Strategic Society Centre, July 2016
[11] Local government new burdens, National Audit Office, June 2015
[12] Ibid

The government has proposed that the 'improved' Better Care Fund could be used to make up the shortfall between available funding and demand for social care, in addition to a local authority's use of the social care precept.[13] The use of the fund to plug gaps in adult social care budgets is likely to undermine the original intention of the Better Care Fund to better integrate health and care provision, and to reduce hospital admissions. The fund can likely achieve one of those aims, but certainly not all three.

The additional value of the full retention of business rates is estimated by the government to be £12.5 billion. Part of this additional revenue should be used to reduce the pressures on adult social care budgets. Spending on social care has fallen by 10% since 2010.[14] This has resulted in at least 400,000 fewer people receiving services from their local authority since 2009-10.[15] Local authorities desperately need additional funding in order to meet the care and support needs of their local population and comply with the Care Act. One of the most alarming findings from the ADASS Budget Survey 2016 is that only 36% of directors are 'fully confident' of meeting their statutory obligations in 2016-17. This level of confidence deteriorates looking further forward. For example, in 2017-18 only 8% are 'fully confident' and 16% have 'no confidence' in their ability to meet statutory duties.[16]

We estimate that adult social care needs at least an additional £1 billion this financial year,[17] and in every financial year until 2020, to allow local authorities to provide the same level of care as last year. We welcome any opportunity devolution represents in terms of an overall increase in funding for adult social care but we still have significant doubts that this policy of 100% business rates retention can itself engineer the necessary increase in funding older and disabled people need.

9. No response

10. No response

11. We agree that the government should continue to adjust retained incomes for individual local authorities.

12. We support in principle the opportunity for Mayoral Combined Authorities to be given additional powers and incentives. We would encourage the Department to formally consult on any proposed additional powers and consider if these powers could be extended beyond Mayoral Combined Authorities to all relevant local authorities. We would especially encourage that any measurement for a 'single area-wide "baseline" of relative need' is consulted on and supported by the best available evidence. The Department for Communities and Local Government

[13] Provisional local government finance settlement 2016 to 2017, Gov.uk website published on 17.12.2015 (accessed on 16.8.2016 Link)
[14] Discharging older patients from hospital, National Audit Office, May 2016
[15] ADASS budget survey 2015, ADASS, June 2015
[16] ADASS Budget Survey 2016, ADASS, July 2016
[17] Ibid

should work closely with the Department of Health and bodies like NHS Digital on the development of this measurement.

13. The introduction of the social care precept in the 2015 Spending Review and the subsequent research on this policy has provided good quality evidence on the differences between local authorities' tax raising powers. For example, research has shown that the social care precept raises an amount equivalent to 2.29% of the adult social care budget for the most deprived quartile of unitary and metropolitan district councils.[18] In contrast, for the least deprived quartile of unitary and metropolitan district councils the social care precept raises 3.66% of the adult social care budget.

    The difference in tax raising powers between local authorities and between different tiers of local government is particularly relevant to the current proposals on business rates. We agree with the finding in the Communities and Local Government Committee's own report from June this year that:

    > 'The current apportionment (between districts and county councils) does not reflect their responsibilities for providing demand-led services or services[19]'.

    We strongly support the report's suggestion that:

    > 'The Government and local authorities should explore together how the shares should be adjusted, including whether an approach based on an authority's needs would be fairer[20].'

    We would strongly encourage an urgent review of the distribution of business rate revenue between different tiers of local government. As part of a revised system we would want to see a distribution formula which was far more focused on the demand for adult social care services under Care Act criteria.

14. No response

15. We encourage the Department for Communities and Local Government to consider how the building of care facilities, e.g. care homes and specialist retirement accommodation, could be encouraged through reductions and exemption in business rates. Encouraging support for care facilities could create longer term economic growth, for example, through improved local employment and property taxes.

16. No response

17. No response

18. No response

19. No response

20. No response

---

[18] Who wins from the social care precept?, The Municipal Journal, May 2016 Link (accessed 5.9.2016)

[19] 100 per cent retention of business rates: issues for consideration, House of Commons Communities and Local Government Committee, June 2016

[20] Ibid

21. We believe that the safety net level is set too low. The transition from 50% business rates retention to 100% means that local authorities will be more vulnerable to changes in their tax base. Any significant drop in business rate revenue – which some authorities convincingly argue is sometimes well outside their control - could mean local authorities having to significantly reduce the level of care and support they provide for older and disabled people. We would welcome a review of the current safety net to place the care needs of the local population at its heart.

22. No response

23. No response

24. No response

25. No response

26. No response

27. No response

28. No response

29. No response

30. Any future definition of local government infrastructure should include care facilities. The Care Act introduced care needs prevention as a statutory obligation and local authorities are expected to fund services that stop future needs escalating as well as services that respond to existing needs. Despite this obligation in recent years local authorities have reduced their spending on prevention.[21] As the ADASS Budget survey 2016 states:

    > 'As budgets reduce it becomes harder for councils to manage the tension between prioritising statutory duties towards those with the greatest needs and investing in services that will prevent and reduce future needs[22].'

    Spending on prevention in 2016-17 will make up just 7.1% of the total adult social care budget. This is a decrease in real terms of 4% compared with 2015-16[23.] Lack of investment in prevention will create future financial pressures as the care infrastructure struggles to respond to the needs of the ageing local population. The inclusion of care facilities in the definition of infrastructure would be a welcome recognition of the need for long term investment in care services for an ageing society.

31. No response

32. No response

33. No response

[21] Ibid
[22] Ibid
[23] Ibid

34. No response

35. No response

36. No response

37. No response

Conclusion

In the foreword to this consultation the former Secretary of State states that the full retention of business rates is meant to allow local authorities to 'take control as never before'. In principle we are supportive of reforms that seek to provide local authorities with greater revenue-raising powers and recognise that local authorities have campaigned on this issue for a number of years. We welcome the commitment to:

- **the incremental introduction** of the full retention of business rates
- **the creation of a formal structure of redistribution** between local authorities
- **the protection from undue shocks** or significant reductions in income for councils.

Under the current proposals we do not believe that there are enough safeguards in place for the Department of Communities and Local Government to devolve Attendance Allowance to local authorities. Local authorities have been very clear in their objections to this proposal, and we have set out above why it does not meet the criteria for devolution set out in this consultation.

The ADASS Budget Survey 2016 has shown once again the unprecedented pressure on adult social care budgets. The underfunding of social care is leaving hundreds of thousands of older people without the basic support they need to live well. It is also compromising the aims and objectives of the Care Act. Part of the increased revenue for local authorities, created as part of these reforms, should be urgently used to alleviate some of these pressures on social care. This would truly be giving local authorities back control of how they serve their communities.

However, we question whether the revenue raised through these extended powers to retain business rates will necessarily provide the total level of required funding care and support services so badly need. Our view is that the Government should address the longer-term challenges our care services face by appointing an independent commission to take a genuine look at the long-term demands and funding needs of both the NHS and adult social care.