

<b>Title:</b> Closure of the Independent Living Fund and integration of users into the mainstream care and support system <b>IA No:</b> <b>Lead department or agency:</b> Department for Work and Pensions <b>Other departments or agencies:</b> Independent Living Fund and the Scottish, Welsh and Northern Irish Governments.	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 17/12/2012			
	<b>Stage:</b> Final			
	<b>Source of intervention:</b> Domestic			
	<b>Type of measure:</b> Other			
<b>Contact for enquiries:</b> Richard Given (DWP)				

<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> RPC Opinion Status
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£-5m	N/A	N/A	No
			NA

**What is the problem under consideration? Why is government intervention necessary?**

Currently some ILF users receive different levels of funding compared to people with similar needs. The Government believes that ILF users should have their care and support needs assessed and met in the same way as all other users of the social care system. DWP has concluded that delivering this funding through the mainstream care and support system, which is overseen by local authorities (LAs), is preferable because this model is a fairer way of distributing this funding and has embedded local democratic accountability.

**What are the policy objectives and the intended effects?**

The policy objective is that all funding available for social care is spent by LAs in accordance with the eligibility criteria applied to all individuals within that LA. This change will ensure that all individuals are assessed and supported through a single, cohesive system with one assessment and administrative system for each individual. The change is also intended to support a local democratically accountable delivery model and is in line with the Government's principles of localism. Devolved administrations will have control over how the funding they are given is used.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

The main options considered were:

- 1) Closing the ILF in 2015 and devolving funding to local government in England and the devolved administrations in Scotland and Wales. Northern Ireland would no longer fund NI users' ILF packages.
- 2) Keep ILF open and support users within the budgetary limits of the ILF but keep fund closed to new applications.

Option 1 met the priorities of integrating ILF users into the mainstream care and support system and supporting the broader localism and public body reform agendas. It should also be noted that the changing context in social care over the last 20 years, which has led to greater choice and control for disabled people, has called into question the efficacy of the having a separate funding stream outside the main care and support system, which Option 2 would have maintained.

<b>Will the policy be reviewed?</b> It will not be reviewed. <b>If applicable, set review date:</b> Month/Year					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> No	<b>&lt; 20</b> No	<b>Small</b> No	<b>Medium</b> No	<b>Large</b> No
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A	<b>Non-traded:</b> N/A	

***I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.***

Signed by the responsible SELECT SIGNATORY: \_\_\_\_\_ Date: \_\_\_\_\_

# Summary: Analysis & Evidence

# Policy Option 1

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 6	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £-5m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£5m		£5m

#### Description and scale of key monetised costs by 'main affected groups'

Organisational closure costs of £5m would mainly be from redundancy packages for ILF staff and £1m of user debt write-off.

#### Other key non-monetised costs by 'main affected groups'

It is not possible to assess the exact impact on individuals as it will depend on individual LA assessment, the policies of the LA and the situation of each individual as well as, for some, the policies adopted by the devolved administrations. Some individuals, particularly those with lower levels of need, may have their care package changed or reduced as LAs prioritise spending based on their assessment criteria in line with local priorities.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£0m		£0m

#### Description and scale of key monetised benefits by 'main affected groups'

N/A

#### Other key non-monetised benefits by 'main affected groups'

The key benefit is that funding will be used to meet the needs of all individuals who are eligible for care and support within each LA. It is not possible to determine how much funding will be redistributed to other users of the social care system as this is dependent on individual LA assessment and the individual's situation. This change promotes a delivery model that supports local democratic accountability. Staff made redundant will receive a redundancy payment.

#### Key assumptions/sensitivities/risks

Discount rate (%) 3.5

All LAs in England will be required to meet needs defined as substantial or critical under the Fair Access to Care Services criteria under the new national minimum eligibility threshold that is proposed in the Department of Health White Paper entitled "Caring for our future: reforming care and support".

### BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	No	NA

## Evidence Base (for summary sheets)

### What is the current policy?

1. The ILF is a Non-Departmental Public Body (NDPB) operated under a Trust Deed from the Secretary of State for Work and Pensions. It was set up in 1988 and was originally established for a maximum of 5 years and was expected to support around 300 people. Applications to the ILF were accepted on a discretionary basis. At this time there was no mechanism to offer direct payments to disabled people through local authorities. The ILF was able to do this and therefore proved popular, with the number of applications much higher than had been expected. In 1992 the ILF was closed to new users and a new fund was created in 1993 to receive new applicants. The new fund required that individuals had a minimum contribution of £200 per week from local authorities to their care package to receive support from the ILF. Those in the original fund received transitional protection so that they continued to receive support based on the terms on which they joined the fund. The recipients of the original fund are referred to as Group 1 users and the recipients of the 1993 fund are referred to as Group 2 users.
2. In 2008, in the face of increasing applications and costs, funding was changed from a demand led to a cash limited basis. Further changes to the eligibility criteria for new applicants were required when the budget allocation for 2010/11 was reduced by the previous Government. However, in anticipation of the new rules, there was a very sharp increase in applications. Due to significant budgetary pressure the trustees had to take the decision to close the fund to new applications in July 2010 and it was announced in December 2010 that the fund would remain permanently closed to new users, user packages would be protected until 2015 and there would be a consultation on how to support current ILF users beyond 2015. This consultation concluded on October 12<sup>th</sup> 2012.
3. Since the announcement closing the ILF to new users, the ILF has continued to deliver their regular service to current users. This involves giving users direct payments to cover, in arrears, the cost of their care. The type of care ILF users are able to spend their money on is defined by the Qualifying Support Services policy. The most common use of ILF money is to employ personal assistants.
4. There are currently 19,136 users of the ILF. Of these, 3,008 are Group 1 users. Group 1 users do not necessarily need to have contact with their local authority. However, we know that around 1,812 of these users do have contact with their local authority. The remaining 16,128 users are Group 2 users. The 19,136 ILF users comprise a relatively small number of users of the social care system as a whole.

### What is the change in policy?

5. The Government undertook a public consultation on the future of the ILF between the 12 July 2012 and the 12 October 2012. The preferred policy option set out in this consultation was that the ILF was closed in 2015 and that the care and support needs of current ILF users would be met within the mainstream care and support system, with funding devolved to local government in England and the devolved administrations in Scotland and Wales. Following the consultation, and having taken into account the views expressed in the consultation, the Government still believes that this option is the most appropriate way for current ILF users to be supported beyond 2015.
6. The Government intends to devolve funding to local authorities and the devolved administrations to help them meet the care and support needs of current ILF users from 2015. The Government believes there is a strong case for funding being devolved in proportion to the current expenditure patterns. We will be bringing forward proposals to devolve funding on this basis in due course. The funding will not be ring-fenced to current ILF users. Nor will local authorities face any requirement to support current ILF users in a different way to others in their local authority if they do not wish to do so after the 31<sup>st</sup> March 2015. The LGA and ADASS in their joint response to this consultation said that local authorities may look to provide some sort of protection for current ILF users but that whether this was done and how it would be undertaken should be matters for the local authorities to decide. The Government concurs with this view. Local authorities must be given the responsibility to fund their core services in accordance with

their statutory responsibilities and in line with local priorities. They must be allowed flexibility in their use of funding to allow them to take responsibility for the delivery of services. The Government is also aware that numerous ring-fenced grants impose a problematic administrative burden upon local authorities. Furthermore, not ring-fencing funding will also allow all funding to be fairly distributed amongst all eligible individuals in each local authority in a consistent and fair way.

### **Reasons for the change in policy**

7. Currently some individuals receive funding solely through local authorities whereas others receive funding from the ILF in conjunction with, or independently of, local authorities. This means that people with similar needs are being served differently by the social care system depending on whether they applied to the ILF during the time it was open for applications. There was also considerable variation, across the ILF caseload and between different local authorities, in the size and complexity of user awards and the balance between local authority and ILF contributions to care packages. In a small number of local authorities the ILF on average contributes more than 50% of funding to Group 2 users. Furthermore, there is considerable variation in geographical take up rates of ILF funding reflecting the varying levels of engagement with this funding stream from local authorities. This Government believes that the care and support needs of all individuals can be met in a fairer way under one eligibility and charging system by local authorities who can prioritise spending within social care according to local needs. This will also allow for a rationalised system that will streamline assessment procedures and administration.
8. This change also supports the Government's localism agenda, which encourages local delivery of services where it is appropriate. This change also promotes a delivery model which has strong local democratic accountability.
9. The Government also notes the changing context of social care over the last two decades. When the ILF was set up there was no legal method for local authorities to make direct payments to disabled people and minimal choice and control for disabled people over their care and support. There have, however, been moves towards giving greater choice and control to disabled people across the UK. The personalisation agenda is well developed in England and greater choice and control has also been a feature of social care reform in Scotland, Wales and Northern Ireland. The Department of Health (DH) White Paper on care and support, entitled "Caring for our future: reforming care and support" (<http://www.dh.gov.uk/health/2012/07/careandsupportwhitepaper/>), sets out further reforms to put choice and control in the hands of disabled people. The paper details planned reforms in England. Amongst other reforms, it sets out plans to put personal budgets on a statutory footing and require all local authorities to offer personal budgets to all disabled people who are eligible for care and support. There will also be a right, except in a limited number of cases where individuals do not meet relevant criteria, to receive some or all of their funding through a Direct Payment. The experience of ILF users in managing their care will help to demonstrate their abilities to manage direct payments in the future. Furthermore, it details plans to introduce a national minimum eligibility threshold which would mean that all local authorities would have to meet care needs that are assessed at a certain level. The context of the wider changes to the care and support system add further weight to the Government's view that it is inappropriate to continue to administer a significant amount of social care funding through a discretionary trust which functions outside the main care and support system.

### **Estimating Costs and Benefits**

10. NPV has been calculated from the financial year 14/15 as this is when transition costs will materialise. The 6 year time period is to cover the non-monetised costs and benefits which will appear in the first 5 years after transfer.

### **Estimating Costs**

Monetised Costs:

11. The estimated transfer costs are £5m. This encompasses organisational closure costs and debt write off.

Non-monetised costs:

12. There may be some reduction or alteration in care packages for some current ILF users because local authorities are not always able to provide the same type or level of support to users that the ILF does. The local authorities have a statutory duty to meet care and support needs. Needs are assessed using the FACS criteria with needs classed as either low, moderate, substantial or critical. Currently most local authorities meet needs defined as substantial or above. As outlined above, the national minimum eligibility threshold, which is detailed in the DH White Paper, will mean that English local authorities will have to meet needs that are assessed at a certain level. We anticipate that Group 2 users would be highly likely to qualify for local authority support given their levels of need and the level of funding they currently receive from their local authority. However, some users may not receive the same level of support or be able to use their funding in the same way as they currently do. We would encourage local authorities to consider the efficacy of current care and support arrangements before making any alterations. The Local Government Association (LGA) and Association of Directors of Adult Social Services (ADASS) in their joint response to the consultation said that some local authorities may choose to offer some transitional protection to users but that they should be under no compulsion to do so. The Government supports this view.
13. It is not possible to estimate the numbers of Group 1 users who would fall into the separate FACS categories. It is likely there would be some users in every category under FACS. Given that Group 1 users are not required to have any local authority contribution to their funding, there are probably a number of users with needs that may be classified as moderate or below on the FACS scale. These users would be unlikely to be eligible for any funding from local authorities. There are currently 1,196 ILF users with no known local authority contribution to their care package. 759 of these users reside in England, 274 are in Scotland, 74 are in Wales and 89 are in Northern Ireland. It is not possible to project how many users who do not currently have contact with local authorities will fall into each FACS category. This is because the way ILF funding is used is very widely varied and the proportion of ILF funding used to meet needs which would otherwise be funded by the local authority is both widely varied and uncertain.
14. If there are reductions in care packages for some individuals it could have a knock-on impact on their families, carers and/or personal assistants. These impacts may include further investment of family time in caring responsibilities and some users needing to change who their personal assistants are or reduce their wages. However, these impacts are very difficult to quantify and depend significantly on individual circumstances. ILF users would be entitled to the same care and support that all others who use the mainstream care and support system are entitled to.

## **Estimating Benefits**

Monetised benefits:

15. None.

Non-monetised benefits:

16. Moving current ILF users into the mainstream care and support system would mean that all individuals within a local authority would be assessed as to their eligibility for social care within the same system. This would help ensure that local authorities were able to distribute funding to those eligible individuals within their area in a fair and consistent way and deliver funding in line with local priorities. It would also mean that users would only have to undergo one assessment and deal with one set of administrative procedures which would allow for some streamlining of processes. This may result in the redistribution of funding from current ILF users, particularly those with lower needs, to other users of the mainstream social care system.
17. This policy supports the broad Government direction of travel towards localism in the delivery of services. It also promotes a delivery model with strong local democratic accountability.
18. Staff made redundant will receive a redundancy payment.

19. It is not possible to provide individual users or groups of users with an accurate estimate of their future care packages given that there are variations between local authorities in terms of policy and funding. Impacts on users in the devolved administrations will also be partly dependent on how these administrations utilise the devolved funding. The exact nature of the social care landscape in 2015 cannot be known, although this impact assessment, when read in conjunction with the care and support White Paper published by Department of Health's, gives an indication of the Government's vision for social care.

### **Summary and Implementation**

20. This Government intends to close the ILF in 2015 and devolve funding to local government in England and the devolved administrations in Scotland and Wales. The Independent Living Fund will be engaging further with users and local authorities on the timetable for the review of users and the plans for the transfer over to sole local authority care and support. The review process will be designed to ensure that the local authority was fully aware of an ILF user's current package of support and facilitate a smooth transfer of responsibility to local authorities for users' care packages. ILF users' packages will be protected until 2015.

## Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

**Basis of the review:**

N/A

**Review objective:**

N/A

**Review approach and rationale:**

N/A

**Baseline:**

N/A

**Success criteria:**

N/A

**Monitoring information arrangements:**

N/A

**Reasons for not planning a PIR:**

DWP will not undertake a PIR because after implementation in 2015 this will cease to be departmental business.