

Fairer Contributions Policy MIG proposals

Analysis of current approach and equality issues

The current approach taken by SCC is to use the guidance and allowances as set out in the fairer contributions guidance.

1. MIG as laid out in regulations
2. 100% of disposable income
3. Individually calculated housing costs and DRE
4. Services charged at cost

Due to differences in the national benefits legislation and MIG in regulations there are differences in the amounts left to people based on age. Care has been taken to consider any differential treatment of people who were more severely disabled or people of different ages. Severely disabled was defined for the purposes of this analysis as people in receipt of High rate PIP and support element of ESA (hence also Enhanced Disability Premium).

An analysis of the current policy based on basic benefit rates and a notional rate of housing costs and DRE's (£20 per week). This eliminates factors of capital and private income. Clearly a person with capital will pay a higher proportion of their income as a function of the tariff income rules both from the charging policy and the benefits policy, these are known to result in a decline in capital. The inclusion of private income results in a higher proportion of both total and assessable income into account. This is an inherent effect of any fixed rate disregard even a banded one like the one used in the Care Act.

When attempting to consider discrimination there are a number of possible ways of comparing the different groups of people.

1. Absolute comparison
This would be comparing the amounts of money people are left with e.g. £189 per week vs £151.45. This is considering how much money the person can spend and what standard of living they can achieve.
2. Percentage of income
This would be a comparison of what proportion of the income they receive is taken as their contribution. This comparison was used in the Norfolk court case.
3. Percentage of assessable income
This eliminates income that is not eligible for inclusion in financial assessments under the regulations for example DLA/ PIP (Mobility) or earnings. This model looks at the fairness from the perspective of the charging policy.

Due to the way the benefits system is set out it is very likely that a policy which is fair under one of these measures is unfair under another and a policy which is the fairest under one measure may well be the most unfair under another.

It is therefore important to consider the primary purpose of a change and the view of the current position.

At present in absolute terms there is a clear difference between different cohorts, however the differences within age cohorts in terms of both %age of income and %age of assessable income are small.

There is difference between the proportion of income taken into account over different age groups however this is not large and balances between the two measures considered.

	Pension	25-pension (severely disabled)	<25 (severely disabled)	25-pension	<25
Total Income	£334.00	£349.00	£333.55	£263.80	£248.35
Assessable Income	£334.00	£286.75	£271.30	£240.20	£224.75
MIG	£189.00	£151.45	£132.45	£131.75	£112.75
Contribution	£125.00	£115.30	£118.85	£88.45	£92.00
%age of Income	37.43%	33.04%	35.63%	33.53%	37.05%
%age of assessable income	37.43%	40.21%	43.81%	36.82%	40.93%

N.B. %age of Income and %age of assessable income refer to the proportion of income people are required to contribute. Therefore lower percentages are better for the individual in these cases.

Considerations

No proposed change to the contribution rules will have any impact on either full fee payers or nil fee payers. Full fee payers are not impacted because their contribution is based on capital not income. Nil fee payers are not impacted because their contribution can not decrease below zero. They might be eligible for a discretionary fund as suggested in option 3 and this could particularly help nil fee payers.

It will also not impact people who do not pay their upper limit because their care costs less than their assessed upper limit. These people are getting less care than they can afford to pay for. They therefore automatically are left with more disposable income than the MIG or any increased MIG. There is a possible exception for people who are only just below their ability to pay.

Earnings are disregarded. This produces a significant difference in the contribution between people in work and people out of work. People with significant levels of earnings from paid employment are very likely to be nil fee based on income. This is a combination of the exemption from charging and the reduction in benefits income. As the earnings exemption is a statutory provision and no remedy other than a total cessation in charging is likely to resolve this while still complying with the statutory provisions this is acknowledged but no remedy is proposed.

The incomes of pensioners are much more variable due to different levels of private income, this can have a very significant impact on any proposal however the main principle is that

this cohort have the highest levels of MIG and ultimately receive the same disregards so analysis has been based on a single person on basic benefits without significant savings or private income and a basic state pension.

In all options there is a difference in the outcomes for disabled people in terms of percentages of total income and percentages of assessable income. This is caused by the inclusion of mobility payments in their total income. In most circumstances pensioners are not entitled to mobility related benefits so that difference is not replicated in their outcomes.

Options

Option 1

Increase the cost of living to eliminate the under 25 age band.

This removes the absolute distinction between working age people over and above the age of 25. This does however create a significant variance on both the other measures.

If the council considers that from a point of view of the actual cost of living there is no difference between a person under and over the age of 25 then this can be viewed as eliminating a discrimination inherent in the benefits policy. It does however create a discrepancy between the proportion of income taken between different age groups.

It also weights most of the benefit towards a very small group of individuals.

	Pension	25-pension (severely disabled)	<25 (severely disabled)	25- pension	<25
MIG	£190.75	£151.80	£151.80	£133.75	£133.75
Contribution	£123.25	£114.95	£99.50	£86.45	£71.00
%age of Income	36.90%	32.94%	29.83%	32.77%	28.59%
%age of Assessable Income	36.90%	40.09%	36.68%	35.99%	31.59%

Option 2

This proposal links the increase in cost of living allowance to the increase in benefits. This exacerbates the absolute difference between age groups because working age adults, who already have lower MIG's increase by a lower percentage.

If we consider the change as a %age of the contribution pensioners benefit over 5 times as much as any other group. Given this group already have the highest absolute value this does not appear equitable.

	Pension	25-pension (severely disabled)	<25 (severely disabled)	25-pension	<25
%age of contribution	3.02%	0.66%	0.56%	0.74%	0.61%

	Pension	25-pension (severely disabled)	<25 (severely disabled)	25-pension	<25
MIG	£192.78	£152.21	£133.11	£132.41	£113.31
Contribution	£121.22	£114.54	£118.19	£87.79	£91.44
%age of Income	36.29%	32.82%	35.43%	33.28%	36.82%
%age of Assessable Income	36.29%	39.95%	43.56%	36.55%	40.68%

Option 3

Discretionary payments

This would be dependant on the exact criteria for the discretionary fund and who applied. It is however a concern that the most vulnerable would be the least able to request any funds. This can not be analysed the same way as other proposals except in retrospect after it were put in place.

It does however allow payments to be made to nil fee payers who may not have sufficient income to meet the existing MIG and their disability expenses so are likely to be the most vulnerable group.

Option 4

Set a maximum percentage of disposable income to be used. This would reduce the charge of any individual by a fixed percentage. This is not the same as increasing the MIG as the impact will depend on each individual's assessed ability to pay.

This, by definition, gives the largest absolute benefit to those with the highest contribution. It will also have no impact on the comparison on %age of assessable income taken into account, all will decrease by the same percentage. It will also provide less benefit people with less exempt income. It will therefore favour pensioners and less disabled people over more disabled people.

It will also impact people with more housing and DRE's less than those with lower reductions to their contribution. Again benefiting less disabled people over those with more severe disabilities.

	Pension	25-pension (severely disabled)	<25 (severely disabled)	25-pension	<25
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MIG	£189.00	£151.45	£132.45	£131.75	£112.75
Contribution	£122.50	£112.99	£116.47	£86.68	£90.16
%age of Income	36.68%	32.38%	34.92%	32.86%	36.30%
%age of Assessable Income	36.68%	39.41%	42.93%	36.09%	40.12%

Option 5

Flat rate increase in MIG. This will increase the MIG by the same absolute value for all people regardless of age and disability. In absolute terms this is clearly the fairest. It will also have a redistributive impact in terms of its impact as a percentage of Income (i.e. those with the lower levels of absolute income will experience the biggest benefit in relative terms).

Its benefit is at its highest in relative terms for people with lowest income and lowest current cost of living allowance.

		25-pension (severely disabled)	<25 (severely disabled)	25-pension	<25
MIG	£191.50	£153.95	£134.95	£134.25	£115.25
Contribution	£122.50	£112.80	£116.35	£85.95	£89.50
change as %age of income	0.75%	0.87%	0.92%	1.04%	1.11%
change as %age of assessable Income	0.75%	1.16%	1.27%	1.58%	1.80%
%age of Income	36.68%	32.32%	34.88%	32.58%	36.04%
%age of Assessable Income	36.68%	39.34%	42.89%	35.78%	39.82%

Overall analysis

Under no option is any group worse off than they were before and in all proposals (except 3) everyone gets some benefit even if it is slight.

The most significant factor in the contributions in absolute terms is age and it is a highly significant factor in a percentage of income. Level of disability is also a significant factor in terms of percentage of assessable income.

The individual circumstances of the person will be highly significant in terms of percentage of assessable income and percentage of income.

Higher differentials in percentage terms are observed in the under 25 cohort. This is because of the lower level of their income in absolute terms, this makes absolute differences inherently more marked in percentage terms. The reverse is true for the people of pensionable age.

In all proposed models people with severe disability pay a lower proportion of their total income than less disabled people. However in all models people with severe disability pay a higher proportion of their assessable income than less disabled individuals. This is linked to the impact of the benefits system in particular the different rates of mobility payments and the higher total income of more severely disabled people. It may also be slightly skewed by the assumption in this analysis of identical housing and DRE costs which are likely be weighted towards more severely disabled individuals which will reduce the proportions for more disabled individuals. The proportions are sufficiently close that individual circumstances are likely to result in more significant changes than the level of disability on its own.

Summary

Given the overall low levels of the MIG and the duration of time that the rates have remained unchanged it seems reasonable to put the balance of resources into increasing the MIG in absolute terms, this maximises the real terms benefits for the most people and shares the available money equally between the whole cohort of vulnerable adults.

Option 5 provides an equal impact in absolute terms.

Option 4 provides an equal impact in terms of proportion of assessable income.

It is hard to demonstrate the impact in terms of total income due to the wide range of factors. It appears that option 4 provides a more equal impact in terms of total income, however its benefit is therefore weighted towards people with higher proportion of their income already taken into account – the people with the highest income and lowest allowances (e.g. housing costs and DRE's).

Option 1 removes a very specific absolute inequity but creates a relative inequity by benefiting one group over others.

Option 2 does help in terms of percentage of total income but exacerbates issues of absolute and %age of assessable income.