



Committee and Date

Cabinet, 21st March 2018

**Adult Services Personal Budgets contribution Policy 2018/2019:
The Minimum Income Guarantee (MIG)**

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1. Summary

- 1.1 The Minimum Income Guarantee ("MIG") is the amount that a recipient of Adult Social Care services must be left with to pay for everyday living costs after they have contributed to the care they receive in a non-residential setting.
- 1.2 Since the implementation of the Care Act 2014, the Department of Health and Social Care circular issued each year stipulates the minimum values for the MIG.
- 1.3 The Government has increased state retirement pension by 3% and pension credit by 2.3% for 2018/19. Allowances and benefits for working age citizens have increased by variable amounts, for example Employment and Support Allowance by 1.3%. The Department of Health and Social Care, however, has not increased the statutorily required MIG since 2015.
- 1.4 The statutory minimum income is £189.00 per week for a single person and £144.30 per week for a member of a couple. Local authorities have the discretion to set its MIG at a higher rate than the statutory minimum and Shropshire Council's MIG for pension age people is currently set above the statutorily required levels. For 2017/18, MIG is £194.50 per week for a single person and £148.50 per week for a member of a couple. The Councils MIG for working age people is currently set at the statutory level.
- 1.5 The MIG affects the level of the non-residential care contribution levied by the Council, and therefore the level of income which the Council can receive. Further detail is provided on this below, but in summary, the lower the level of the MIG, the greater the income that can be levied by the Council in the form of non-residential care contributions from individuals.
- 1.6 Shropshire Council, like other local authorities, is facing a significant increase in the cost of adult social care due to increasing demand, demographic pressures and rising contract costs; the cost of adult social care purchasing expenditure is forecast to increase by an average of 8% per year over the next five years. In such circumstances

it is inevitable that the Council must seek to maximise its income in a fair and transparent manner.

- 1.7 It is proposed that the Council consult on reducing its current level of MIG for people of pensionable age to that of the statutory minimum.

2. Summary of recommendations

- 2.1 That a public consultation is carried out into the proposals set out below, following which a recommendation will be made to Cabinet:
- 2.2 The Personal Budgets Contribution Policy is updated for 2018/2019, reducing Shropshire Council's existing levels of Minimum Income Guarantee for pension aged individuals to the governments' statutory minimum of £189.00 per week for a single person and £144.30 per week for a member of a couple.
- 2.3 That, subject to a means tested assessment, we increase the non-residential care contribution charges to this group of individuals in line with the changes to the Minimum Income Guarantee.

3. Background

- 3.1 When a financial assessment is made for non-residential care services, the MIG is the amount that a person must be left with to pay for everyday living costs.
- 3.2 Prior to April 2015, Local Authorities applied this by adding a 25% buffer to specific components of a person's actual income or entitlement. This meant that for every £1 increase in their welfare benefits, they would be better off by 25p.
- 3.3 From April 2015 the minimum level of MIG has been determined by Government as an absolute figure (rather than a percentage). Councils are able to set their own MIG higher than the statutory minimum if they choose to do so.
- 3.4 Cabinet resolved in May 2016 that this Council would increase its MIG rate for pension aged Service Users to £194.50 a week for a single pensioner and £148.50 for one of a couple. These were £5.50 and £4.30 a week higher respectively than the legal minimum MIG set out by the Department of Health and Social Care. For working age service users the Council has always applied the statutory minimum.
- 3.5 In September 2017 Cabinet resolved that during 2017/18 the MIG rates would remain as per the previous year.
- 3.6 On 30 January 2018 the Department of Health and Social Care issued its circular advice that there will be no changes in the level of the Minimum Income Guarantee for 2018/2019.

- 3.7 The Department of Health and Social Care has frozen the fixed amount of MIG in 2016, 2017, and 2018 but at the same time has increased the basic state pension and means-tested Pension Credit as well as other benefits.
- 3.8 In January 2018, Cabinet approved a review of the MIG for Shropshire Council in order to increase income from charges for care.

4. Risks and opportunities

- 4.1 Shropshire Council, like all other local authorities, is facing a significant increase in the cost of adult social care. Demographic change, the ageing population and increasing complexity and cost of care mean that the cost to Shropshire Council of commissioning adult social care is forecast to increase by £7m in 2018/19, and by an average of £8.3 million per year over the next 5 years. This represents an increase in adult social care purchasing expenditure of 8% per year.
- 4.2 The growth model for Adult Services has also demonstrated that the proportion of care costs that Shropshire Council is recovering from individuals for their care is reducing, as costs are increasing at a faster rate than income is being received by the Council.
- 4.3 There is a risk that individuals will have less disposable income after paying the charges for their care. All charges to individuals are based on a financial assessment to ensure that they can afford to contribute to their care. If a person's income is very low (below the MIG) they are not be charged for their care. This financial assessment process protects the people who are most financially vulnerable.
- 4.4 There is a risk of challenge from individuals affected by increased charges for the cost of their care. The views of individuals affected by the proposals will be very carefully considered as part of the consultation process before any final recommendations are made. An Equalities and Social Inclusion Impact Assessment will be carried out.

5. Options appraisal

- 5.1 It is proposed that two options for retaining or reducing the current level of MIG are consulted upon with Option 2 currently being the preferred approach. The options are set out within Appendix 1 in detail and are summarised as follows:

- **Option 1** Retain existing MIG and increase care contributions in line with benefits increases. This would generate estimated additional income of approximately £250,000 per annum for the Council.

Option 1 would effectively cancel out a service user's increased pension. A single older person receiving pension credit would receive a weekly increase of £7.15 in their income, and their contribution would increase by £6.39, leaving them with typically 76p additional income per week. One of a couple would receive £4.43 additional pension but would incur increased charges of £4.01, leaving them with typically 42p additional

income per week. Therefore, if Shropshire Council's MIG were to remain the same as in 2017/12018, the financial consequence for service users over retirement age would be that their weekly increase in pension would be absorbed almost entirely by the increase in their contribution to their care and support.

- **Option 2 – Decrease the MIG to the legal minimum therefore maximising care contributions.** This would generate approximately £467,000 per annum in additional income for the Council.

Under option 2, affected individuals will have an increase in their contribution that would see their actual income in 2018/2019 fall. This would be typically by £4.74 a week for a single person and £3.35 a week for one of a couple. Consultation will include contacting people who will be affected. This option will leave people who are charged for their care with less income than option one.

The cabinet resolution to raise the MIG in 2016 was only for pension aged service users therefore this recommendation does not refer to working age service users as the MIG for this group is already at the government statutory level. Option 2 effectively will ensure the equitable application of the MIG across all cohorts.

In summary, income to the council under Option 1 will be £20,839, and income to the Council under option 2 will be £38,947 per month.

Following public consultation a conclusive report will be collated and returned to Cabinet for final decision.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Personal Budgets Contributions Policy 2016-17 Cabinet papers May 2016
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Cabinet Member (Portfolio Holder)
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Cllr Lee Chapman, Portfolio Holder for Health and Adult Social Care

Local Member - All

Appendices

Appendix 1 – Options for Retaining or Increasing the Minimum Income Guarantee

Appendix 1 Options for Retaining or Reducing the Minimum Income Guarantee

Single Pensioner	17/18	18/19	
		Option 1: Retain Current MIG	Option 2: Reduce MIG
Total Income*	£277.45	£284.60	£284.60
DRE**	£25.50	£26.27	£26.27
MIG	£194.50	£194.50	£189.00
Contribution	£57.45	£63.84	£69.34
Change in Income		£7.15	£7.15
Change in Charge		£6.39	£11.89
Service User gains/loses		£0.76	-£4.74

One of a Couple	17/18	18/19	
		Option 1: Retain Current MIG	Option 2: Reduce MIG
Total Income***	£177.27	£181.70	£181.70
DRE**	£14.00	£14.42	£14.85
MIG	£148.50	£148.50	£144.30
Contribution	£14.77	£18.78	£22.55
Change in Income		£4.43	£4.43
Change in Charge		£4.01	£7.78
Service User gains/loses		£0.42	-£3.35

Option 1 Keep MIG at current level -

Summary		Estimated % who have contribution			Equates to this many Service users	Weekly increase in charge	Anticipated Annual Increase in Care Contributions
No. of single older people	850	80%			680	£6.39	£225,774
No of older couples	353	33%			116	£4.01	£24,290
total expected increase in income							£250,064

Option 2 Reduce MIG to legal minimum -

Summary		Estimated % who have contribution			Equates to this many Service users	Weekly increase in charge	Anticipated Annual Increase in Care Contributions
No. of single older people	850	80%			680	£11.89	£420,254
No of older couples	353	33%			116	£7.78	£47,111
total expected increase in income							£467,365

The numbers of cases affected are based on those pension age Service Users recorded on CareFirst receiving non-residential services and a 4% sample to determine those with a contribution.

*Based on typical service user income of £284.60, made up of pension credit of £163.00 + £57.30 attendance allowance + £64.30 single person disability living allowance (2018/19 weekly rates)

**2018/19 figure represents anticipated increase based on inflating typical constituent parts

*** Typical income for one of a pension age couple, made up of half of pension credit entitlement of £124.40 + £57.30 Attendance Allowance. As one of a couple they would not normally receive the Sever Disability Premium.