



Committee and Date

Cabinet

6 September 2017

**Adult Services Non-Residential Charging Policy 2017/18:
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 must be left with to pay for everyday living costs.
- 1.2 The late notification of the statutorily required MIG for 2017/18 by the Government meant that the Personal Budgets Contribution Policy for 2017/18 (which includes Shropshire Council’s MIG) could not be prepared in time for inclusion within the Council’s Fees and Charges Report. Shropshire Council is now able to update its Personal Budgets Contributions Policy following the notification of the statutorily required MIG from the Department of Health.
- 1.3 The Government has increased state retirement pension and pension credit by 2.5% for 2017/18. The Department of Health, however, has not increased the statutorily required MIG.
- 1.4 The statutorily required MIG is £189.00 per week for a single person and £144.30 per week for a member of a couple. Shropshire Council’s existing MIG is already set above the statutorily required levels, and is currently £194.50 per week for a single person and £148.50 per week for a member of a couple. Although Central Government requires that local authorities comply with the statutorily required MIG as a minimum, local authorities have the discretion to set the MIG at a higher rate, should they choose to do so, thereby allowing users of our services to keep additional income.
- 1.5 The MIG affects the level of the non-residential care contribution levied by the Council, and therefore the level of income received. 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.
- 1.6 This report recommends the retention of Shropshire Council’s existing rates of MIG, with no increase within 2017/18.

2. Recommendations

- 2.1 That the Personal Budgets Contribution Policy is updated for 2017/18, retaining Shropshire Council's existing levels of Minimum Income Guarantee, at £194.50 per week for a single person and £148.50 per week for a member of a couple.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Shropshire Council, like all other local authorities, is facing a significant increase in the cost of care. The demand for care following hospital discharge alone has more than doubled in the past 12 months.
- 3.2 Added to this, the average care package cost continues to rise at a rate above inflation. The average weekly gross cost of care packages rose from £418 in May 2014 to £500 in October 2016. This represents an average increase in costs of 8% per annum.
- 3.3 A growth model for Adults Social Care costs has been developed, using existing data to forecast costs and demand in future years. Demographic change, the ageing population and increasing complexity and cost of care mean that the cost to Shropshire Council of Adults Social Care is forecast to increase by £8m per year over the next three years.
- 3.4 The growth model for Adult Services has also demonstrated that the proportion of care costs that Shropshire Council is recovering as client income is reducing, as costs are increasing at a faster rate than income is being received.
- 3.5 Therefore, in order to take action to levy as much client contributions to costs as possible the Council would reduce the MIG to the statutorily required levels. However this would have the effect of reducing service user income.
- 3.6 As an example, a single pensioner would see their contribution rise by £5.50 a week if the Council reverted to the government-set £189.00 MIG rather than the current Council-set £194.50. Typically this could represent a 5% to 10% increase in their contribution, when their pension has increased by only 2.5%
- 3.7 It is recommended, therefore, that Shropshire Council simply does not change the MIG for 2017/18. This would have the effect of generating as much additional client contributions as possible without leaving service users worse off.

4. Financial Implications

- 4.1 Five options for retaining or increasing MIG are set out within Appendix 1.
 - **Option 1** (retain existing MIG) (**recommended**) would generate estimated additional income of £330,000 for the Council.

- Option 2 (increase existing MIG by 1%) would generate approximately £180,000 additional income for the Council.
 - Option 3 (increase existing MIG by 1.25%) would generate approximately £140,000 additional income for the Council.
 - Option 4 (increase existing MIG by 1.5%) would generate approximately £110,000 additional income for the Council.
 - Option 5 (increase MIG in line with 25% buffer) would result in a loss of income of approximately £20,000 to the Council
- 4.2 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 £4.90 in their income, and their contribution would increase by £4.40, leaving them with 50p additional income per week. One of a couple would receive £3.40 additional pension but would incur increased charges of £3.25, leaving them with 15p additional income per week. Therefore, if Shropshire Council's MIG were to remain the same as in 2016/17, 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.
- 4.3 This option is recommended as Shropshire Council's MIG levels are already above those set out in statute by the Department of Health. This option results in the greatest level of income being recovered by the Council without service users being penalised.
- 4.4 Under option 2, the benefit of the increased pension and pension credit would be shared between the service user and Shropshire Council. The service user would receive approximately 50% of the benefit of their increased pension income. A single older person would therefore receive net additional income of £2.40 per week and one of a couple would receive net additional income of £1.65 per week.
- 4.5 Under options 3 and 4, the benefit of increased pension and pension credit would be shared between the service user and Shropshire Council, but the Council would retain lesser shares of the benefit.
- 4.6 Under option 5, the benefit of increased pension and pension credit would be felt purely by the service user, to the extent that it would result in a reduction in their contributions for non-residential care of £0.30 per week for a single person and £0.25 per week for one of a couple. This would result in a loss of income to Shropshire Council of approximately £20,000.

5. Background

- 5.1 When a financial assessment is made for non-residential services, the MIG is the amount that a citizen must be left with to pay for everyday living costs. This amount varies according to age, relationship status and level of disability-related benefits awarded. Prior to April 2015, Local Authorities applied this by adding a 25% buffer to specific components of a citizen's actual income or entitlement. This meant that for every £1 increase in their welfare benefits, they would still be better off by 25 pence.
- 5.2 From April 2015 the minimum level of MIG has been determined by Government statute.

The Department of Health has frozen its MIG in 2016 and 2017, but has increased the basic state pension and means-tested Pension Credit. Applying the Council's existing MIG to the increased allowances for these older people in 2017/18 will mean that the majority of their increase will be taken as an increase in their contribution. For a single pensioner this will mean an increase of £4.40 in their weekly contribution, and for a member of a couple it will be an increase of £3.25.

- 5.3 An alternative, pursued by several councils including Shropshire Council in 2016/17, is of increasing the MIG in line with 'prior 2016/17' standard practice of the 25% buffer. This caused a reduction in contributions of £0.90 a week for as single pensioner in 2016/17, and £0.82 per week for one of a couple. If this practice were repeated in 2017/18, as per option 5 in Appendix 1, it would result in a reduction in contributions of £0.30 per week for a single person and £0.25 for one of a couple.

6. Additional Information

- 6.1 To date, client contributions within 2017/18 have been maintained at 2016/17 levels, as officers have not wished to pre-empt elected members' decision on retaining or increasing the MIG. In order to enable officers to notify service users of an increase to charges, and not to provide undue concern to service users, it is recommended that increases to contributions are not backdated, but are simply increased from as soon as is practicable. This would mean that any increase in income (as set out in appendix 1) as a result of the decision taken, would be received pro rata. For example, if option 1 were agreed, as recommended, this would be likely to result in six months' worth of increased client contributions in 2017/18, which would equate to additional income of approximately £165,000.

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| <p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <p>Personal Budgets Contributions Policy 2016-17</p> |
| <p>Cabinet Member (Portfolio Holder)</p> <p>Cllr Lee Chapman, Portfolio Holder for Health and Adult Social Care</p> |
| <p>Local Member</p> |
| <p>Appendices</p> <p>Appendix 1 – Options for Retaining or Increasing the Minimum Income Guarantee</p> |

Appendix 1

Options for Retaining or Increasing the Minimum Income Guarantee

| Single Pensioner | 2016/17 | 2017/18 | | | | |
|----------------------|---------|------------------------------------|---|--|---|---|
| | | Option 1: Retain Current MIG | Option 2: Increase Existing SC MIG by 1% | Option 3: Increase Existing SC MIG by 1.25% | Option 4: Increase Existing SC MIG by 1.5% | Option 5: Increase Buffer Amount to 25% |
| Total Income* | £272.55 | £277.45 | £277.45 | £277.45 | £277.45 | £277.45 |
| DRE** | £25.00 | £25.50 | £25.50 | £25.50 | £25.50 | £25.50 |
| MIG | £194.50 | £194.50 | £196.40 | £196.90 | £197.40 | £199.20 |
| Contribution | £53.05 | £57.45 | £55.55 | £55.05 | £54.55 | £52.75 |
| Change in Income | | £4.90 | £4.90 | £4.90 | £4.90 | £4.90 |
| Change in Charge | | £4.40 | £2.50 | £2.00 | £1.50 | -£0.30 |
| Service User Retains | | £0.50 | £2.40 | £2.90 | £3.40 | £5.20 |

| One of a Couple | 2016/17 | 2017/18 | | | | |
|----------------------|---------|------------------------------------|---|--|---|---|
| | | Option 1: Retain Current MIG | Option 2: Increase Existing SC MIG by 1% | Option 3: Increase Existing SC MIG by 1.25% | Option 4: Increase Existing SC MIG by 1.5% | Option 5: Increase Buffer Amount to 25% |
| Total Income | £173.88 | £177.28 | £177.28 | £177.28 | £177.28 | £177.28 |
| DRE | £14.00 | £14.15 | £14.15 | £14.15 | £14.15 | £14.15 |
| MIG | £148.50 | £148.50 | £150.00 | £150.40 | £150.70 | £152.00 |
| Contribution | £11.38 | £14.63 | £13.13 | £12.73 | £12.43 | £11.13 |
| Change in Income | | £3.40 | £3.40 | £3.40 | £3.40 | £3.40 |
| Change in Charge | | £3.25 | £1.75 | £1.35 | £1.05 | -£0.25 |
| Service User Retains | | £0.15 | £1.65 | £2.05 | £2.35 | £3.65 |

Estimated Additional (Reduced) Income to SC

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|-----------------|-----------------|-----------------|-----------------|-----------------|
| £330,000 | £180,000 | £140,000 | £110,000 | -£20,000 |
|-----------------|-----------------|-----------------|-----------------|-----------------|

*Based on typical service user income of £159.35 pension + £55.65 attendance allowance + £62.45 single person disability living allowance (2017/18 weekly rates)

**2017/18 figure represents anticipated increase based on inflating typical constituent parts