Sandwell
Metropolitan Borough Council

Report to Cabinet
Appendix B: financial and equalities impact of the models

This analysis is based on the sample of **195 people** in the current financial assessments database (out of a total of approximately 2,500) used to test out a range of new models for calculating contributions. It shows the **gross** impact of the changes, i.e. **no transition has been included**.

Transition, if approved and not amended, would limit any increase faced by people to a maximum of £30 per week in the first year, £60 in the second (if required), and £90 in the third year (if required). After that, people would be paying the full changed contributions charges as applied in the tables below.

Financial impacts of the models compared with current methodology

Model 1: DRE DEDUCTED FIRST, AMENDED % SANDWELL ALLOWANCE		
	% of sample	No. if applied to total clients
% of sample facing increases in contributions		
Less than £5 per week	12%	295
£5 to £29 per week	38%	949
£30 to £59 per week *	10%	256
£60 to £89 per week *	1%	13
£90 and over *	0%	0
Subtotal - increases	*61%*	*1,513*
% of sample facing decreases in contributions		
Less than £5 per week	7%	167
£5 to £29 per week	5%	128
£30 and over	0%	0
Subtotal - decreases	*12%*	*295*
% of sample facing no change in contributions		
All	28%	692
** these clients would receive transitional protection to limit the increase*		

Model 2: AMENDED % ALLOWANCE, DRE DEDUCTED FIRST WITH TWO BANDS @ % OF DISABILITY BENEFIT		
	% of sample	No. if applied to total clients
% of sample facing increases in contributions		
Less than £5 per week	10%	244
£5 to £29 per week	36%	897
£30 to £59 per week *	9%	231
£60 to £89 per week *	1%	26
£90 and over *	0%	0
Subtotal - increases	*56%*	*1,397*
% of sample facing decreases in contributions		
Less than £5 per week	12%	308
£5 to £29 per week	4%	103
£30 and over	0%	0
Subtotal - decreases	*16%*	*410*
% of sample facing no change in contributions		
All	28%	692
** these clients would receive transitional protection to limit the increase*		

Model 3: ENHANCED MIG FOR WORKING AGE, NEW % ALLOWANCE TO ALL MIGS, DRE CASH BANDS, NO "SANDWELL ALLOWANCE"		
	% of sample	No. if applied to total clients
% of sample facing increases in contributions		
Less than £5 per week	6%	154
£5 to £29 per week	27%	679
£30 to £59 per week *	12%	295
£60 to £89 per week *	3%	64
£90 and over *	1%	26
Subtotal - increases	*49%*	*1,218*
% of sample facing decreases in contributions		
Less than £5 per week	15%	385
£5 to £29 per week	8%	205
£30 and over	0%	0
Subtotal - decreases	*24%*	*590*
% of sample facing no change in contributions		
All	28%	692
** these clients would receive transitional protection to limit the increase*		

Equalities impacts;

Current methodology

CURRENT METHOD																				
47% DISPOSABLE INCOME TAKEN ("SANDWELL ALLOWANCE")																				
Charges scaled to year	**Charges scaled to 2,500 clients**		***By gender***		***By age***		***By ethnicity***					***By disability severity***			***By primary support***					
£257,137	**£3,296,634**		*F*	*M*	*<65*	*65+*	*Asian*	*Black*	*Not known*	*Mixed*	*White*	*Low*	*Middle*	*High*	*LD*	*MH*	*Phys*	*Sens*	*Social*	*Memory*
		Income	*61%*	*39%*	*49%*	*51%*	*10%*	*11%*	*1%*	*2%*	*77%*	*3%*	*23%*	*74%*	*28%*	*5%*	*58%*	*2%*	*2%*	*5%*
Clients under 65 in sample		£1,172,289																		
Clients over 65 in sample		£2,124,345																		

Model 1

DRE DEDUCTED FIRST, AMENDED % SANDWELL ALLOWANCE - NO TRANSITION INCLUDED																						
75% DISPOSABLE INCOME TAKEN ("SANDWELL ALLOWANCE")																						
Charges scaled to year	Charges scaled to 2,500 clients	***Change from present***																				
£350,343	£4,491,573	***£1,194,939***	***36%***	***By gender***		***By age***		***By ethnicity***					***By disability severity***			***By primary support***						***Overall***
				F	*M*	*<65*	*65+*	*Asian*	*Black*	*Not known*	*Mixed*	*White*	*Low*	*Middle*	*High*	*LD*	*MH*	*Phys*	*Sens*	*Social*	*Memory*	
Clients whose contributions increase				*35%*	*25%*	*33%*	*28%*	*5%*	*6%*	*0%*	*2%*	*48%*	*2%*	*15%*	*44%*	*22%*	*5%*	*29%*	*1%*	*2%*	*2%*	***61%***
Clients whose contributions decrease				*7%*	*5%*	*3%*	*9%*	*2%*	*0%*	*0%*	*0%*	*10%*	*0%*	*2%*	*10%*	*2%*	*0%*	*9%*	*0%*	*0%*	*2%*	***12%***
Clients whose contributions unchanged				*19%*	*9%*	*13%*	*14%*	*4%*	*5%*	*1%*	*1%*	*18%*	*1%*	*6%*	*21%*	*5%*	*1%*	*21%*	*1%*	*0%*	*1%*	***28%***
The reduction in Sandwell Allowance leads to 61% of people paying a higher contribution, although (as with the current method), those with a higher disposable income still do relatively well. The 12% of people with a reduction in contribution have benefited from the change in the way DRE is allowed for, as it now offsets their income in full. As with all three models, 28% of clients are unaffected by any changes - they continue to pay no charge, as they still do not have any disposable income (either because of low income, or because they receive higher offsetting DRE and/or housing allowances)																						

Model 2

AMENDED % ALLOWANCE, DRE DEDUCTED FIRST WITH TWO BANDS @ % OF DISABILITY BENEFIT- NO TRANSITION INCLUDED

DISPOSABLE INCOME TAKEN ("SANDWELL ALLOWANCE") >	80%	% DISABILITY BENEFIT USED FOR DRE BANDS >	10%

Charges scaled to year	Charges scaled to 2,500 clients	***Change from present***	
£346,949	£4,448,067	***£1,151,433***	***35%***

	By gender		***By age***		***By ethnicity***					***By disability severity***			***By primary support***						***Overall***
	F	*M*	*<65*	*65+*	*Asian*	*Black*	*Not known*	*Mixed*	*White*	*Low*	*Middle*	*High*	*LD*	*MH*	*Phys*	*Sens*	*Social*	*Memory*	
Clients whose contributions increase	*34%*	*22%*	*29%*	*27%*	*4%*	*5%*	*0%*	*1%*	*47%*	*2%*	*14%*	*39%*	*19%*	*4%*	*28%*	*1%*	*2%*	*2%*	***56%***
Clients whose contributions decrease	*8%*	*8%*	*7%*	*9%*	*3%*	*1%*	*0%*	*1%*	*12%*	*0%*	*2%*	*14%*	*4%*	*1%*	*10%*	*0%*	*0%*	*2%*	***16%***
Clients whose contributions unchanged	*19%*	*9%*	*13%*	*14%*	*4%*	*5%*	*1%*	*1%*	*18%*	*1%*	*6%*	*21%*	*5%*	*1%*	*21%*	*1%*	*0%*	*1%*	***28%***

Although this model further reduces the Sandwell Allowance, the effect on contributions is less than Model 1, because of the allocation of DRE as a banded allowance, which benefits most clients. This model tends to be benefit clients under pension age, as they tend to have lower disposable income compared with people over pension age. As with all three models, 28% of clients are unaffected by any changes - they continue to pay no charge, as they still do not have any disposable income (either because of low income, or because they receive higher offsetting DRE and/or housing allowances)

Model 3

ENHANCED MIG FOR WORKING AGE, NEW % ALLOWANCE TO ALL MIGS, DRE CASH BANDS, NO "SANDWELL ALLOWANCE" - NO TRANSITION INCLUDED

NEW MINIMUM MIG >	£131.75	% ENHANCEMENT ON ALL MIGS >	5%	LUMP SUM DRE - LOWER >	£5.00	LUMP SUM DRE - HIGHER >	£9.00

Charges scaled to year	Charges scaled to 2,500 clients	***Change from present***	
£369,691	£4,739,625	***£1,442,991***	***44%***

	By gender		***By age***		***By ethnicity***					***By disability severity***			***By primary support***						***Overall***
	F	*M*	*<65*	*65+*	*Asian*	*Black*	*Not known*	*Mixed*	*White*	*Low*	*Middle*	*High*	*LD*	*MH*	*Phys*	*Sens*	*Social*	*Memory*	
Clients whose contributions increase	*29%*	*20%*	*23%*	*26%*	*4%*	*5%*	*0%*	*1%*	*39%*	*0%*	*13%*	*35%*	*15%*	*4%*	*26%*	*1%*	*1%*	*1%*	***49%***
Clients whose contributions decrease	*13%*	*10%*	*13%*	*10%*	*3%*	*1%*	*0%*	*1%*	*19%*	*2%*	*3%*	*18%*	*8%*	*1%*	*12%*	*0%*	*1%*	*3%*	***24%***
Clients whose contributions unchanged	*19%*	*9%*	*13%*	*14%*	*4%*	*5%*	*1%*	*1%*	*18%*	*1%*	*6%*	*21%*	*5%*	*1%*	*21%*	*1%*	*0%*	*1%*	***28%***

This is a more radical model which significantly increases contributions for anyone (of any age) with high disposable income/benefits. The new "minimum" figure for Minimum Income Guarantee benefits those of working age, whilst the 5% enhancement on all MIG, plus the use of banded allowances for DREs, helps to redistribute the effects of the model to the benefit of those with lower incomes/benefits. As with all three models, 28% of clients are unaffected by any changes - they continue to pay no charge, as they still do not have any disposable income (either because of low income, or because they receive higher offsetting DRE and/or housing allowances)

Case studies - 1

Client is a 90-year-old female (ref 48).

She receives the highest rate of DLA benefit (£89.60) and the over 65's MIG allowance (£189).

Her income from pensions and non-disability benefits is £247 a week, well above the over 65's average (in the sample of 195 cases studied) of £176. She has been awarded £6 in Disability Related Expenditure but no Allowable Housing costs.

Currently she is assessed to have disposable income of £118 per week. SMBC allow her to keep 53% of this (the "Sandwell Allowance") which is £63, and because this is more than her £6 DRE, she does not receive any allowance for the DRE. Her contributions are based on the remaining 47% i.e. £55 per week, plus she must meet her DRE costs from her "Sandwell Allowance" – effectively a total weekly cost to her of £61 per week.

In Model 1, her DRE of £6 is allowed first, reducing her disposable income to £112 per week. We allow her to keep the "Sandwell Allowance" – now only 25% of disposable income i.e. £28, and her contributions are based on the remaining 75%, i.e. £84 per week, an increase of £29, and just below the limit whereby transitional funding would be applied. However, she also receives the £6 DRE offset in full, so the net increase is effectively **£23** a week.

In Model 2, SMBC give her a flat rate DRE of £9 per week, which more than covers her DRE claim, and reduces her disposable income to £109 per week. The "Sandwell Allowance" is now only 20% of her income (i.e. £33), and her contributions based on the remaining 80% are £87 per week, an increase of £32. Transitional funding would limit this to an extra £30 in the first year, and the full £32 a week from the second year. However, she also receives the £9 DRE offset in full, so the net increase is effectively **£23** a week.

In Model 3, she again is given a flat rate DRE of £9 per week. There is no "Sandwell Allowance" in this model, but her MIG is enhanced to £198 per week so her disposable income on which contributions are based is £100 per week, an increase of £44 from current. With transitional funding, she would only pay an extra £30 in the first year, and the full £44 a week from the second year. However, she also receives the £9 DRE offset in full, so the net increase is effectively **£35** a week.

This client demonstrates that the current percentage funding model allows those with the highest disposable income to keep the largest cash allowance.
The new models progressively remove that advantage, particularly Model 3. However, all three models ensure that if people have a DRE cost offsetting their contribution, they receive it; it is not set against their "Sandwell Allowance".

Case studies - 2

Client is a 25-year-old female (ref 98).

She receives the highest rate of PIP benefit (£89.60) plus the enhanced disability rate of MIG for those under 65 (£132).

Her income from working age non-disability ESA benefit is £131 a week, slightly above the under 65's average (in the sample of 195 cases studied) of £124. She has been awarded Disability Related Expenditure of £34, but no Allowable Housing costs.

<u>Currently</u> she is assessed to have disposable income of £59 per week. SMBC allow her to keep 53% of this (the "Sandwell Allowance"), which is £31. However, she is only given the "excess" DRE of £3 (£34 claimed, minus Sandwell Allowance £31). Her contributions are based on the net difference i.e. £25 per week, plus she must meet her missing £31 of DRE costs from her "Sandwell Allowance" – effectively a total weekly cost to her of £56 per week.

In <u>Model 1</u>, the £34 DRE is allowed first, reducing her disposable income to £25 per week. We allow her to keep the "Sandwell Allowance" – now only 25% of disposable income i.e. £6 **-** so her contributions based on the remaining 75% are £19 per week, a decrease of £6. (Transitional funding would not apply). However, she also receives the £34 DRE offset in full, so the decrease is effectively **£40** a week.

In <u>Model 2</u>, the client receives a flat rate DRE allowance of £9 per week, plus the balance of her DRE (£25), leaving her with the same revised disposable income of £25 per week as Model 1. The "Sandwell Allowance" is now only 20% of her disposable income, i.e. £5, resulting in her contributions based on the remaining 80% as £20 per week, a decrease of £5 from the current. However, she again receives the £34 DRE offset in full, so the decrease is effectively **£39** a week.

In <u>Model 3</u>, she again receives a flat rate DRE allowance of £9 per week, plus the balance of her DRE (£25). There is no "Sandwell Allowance"; instead, her MIG is enhanced to £139 per week leaving her disposable income as £52. With the DRE deducted in full, her contributions are £18 per week, a decrease of £7 from current. Again, however, she receives the £34 DRE offset in full, so the decrease is effectively **£41** a week.

This client demonstrates that the <u>current</u> funding model does not favour those with lower disposable income, particularly if they are awarded DRE, as the value of the "Sandwell Allowance" is relatively small for them, and any DRE is absorbed by that allowance. All the <u>new models</u> make full allowance for any DRE and the loss of "Sandwell Allowance" has a minimal impact.