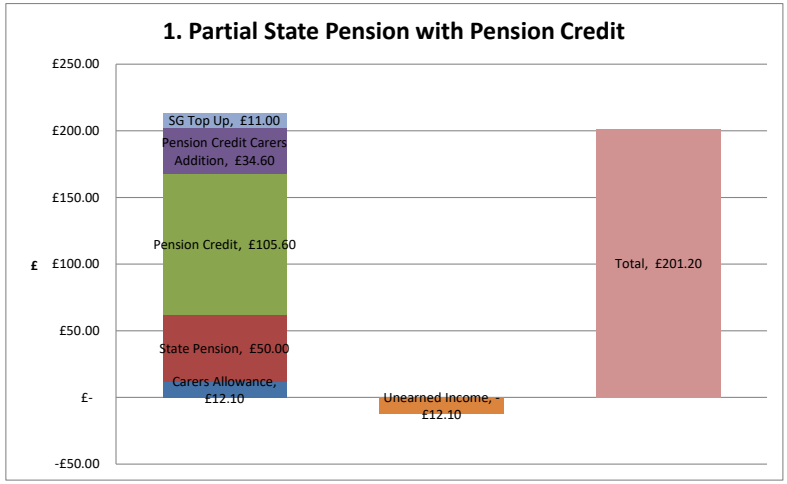
1. Partial State Pension with Pension Credit			
Component	**Cr**	**Dr**	**Total**
Carers Allowance	£ 12.10		
State Pension	£ 50.00		
Pension Credit	£ 105.60		
Pension Credit Carers Addition	£ 34.60		
Universal Credit Carers Element			
Unearned Income		-£ 12.10	
SG Top Up	£ 11.00		
Total			**£ 201.20**



Extract from **Social Security Programme: Strategic Outline Business Case Carer's Allowance Supplement** document rest of which is out of scope

1. Appendix 1: Social security outcomes for carers

1. The social security outcomes for carer benefit were agreed by the Scottish Government Carer Benefit Advisory Group on 25 April 2016.

2. The Scottish Government published "Creating a Fairer Scotland: A New Future for Social Security in Scotland"[1] on 14 March which sets out a vision for social security, including the outcomes we are working towards to achieve our fundamental aim of creating a fairer society. The carer outcomes dovetail into the high level social security outcomes. They also take into account Scottish Government policy for carers and the disability benefits outcomes developed with the Ill Health and Disability Stakeholder Reference Group.

Short to medium term outcomes

- Carers
  - have a positive experience of Scotland's social security system
  - feel they are treated with dignity and respect
  - can easily access help and advice to claim the benefits to which they are eligible
  - feel that the process for applying and receiving carer's benefit is user friendly and simple

- Carer's benefit is
  - administered swiftly and streamlined manner which meets the needs of recipients
  - paid to as many people who are eligible as possible

- Joining up services so
  - carers can access a range of carer support
  - carer's benefit works well with other devolved services
  - they provide value for money for Scottish taxpayers

Practitioners who advise on, or administer carer benefit
  - work collaboratively to implement the changes required
  - know what resources and services are available locally
  - support carers to identify their needs and agree a plan
  - reflect on their practice and continue to develop their knowledge and skills

[1] http://www.gov.scot/Topics/People/fairerscotland/future-powers/Publications/Future

- Society
    - views carer benefits and the role that carer fulfil positively and without stigma

Long-term outcomes

- Carers
    - are supported to look after their own health and wellbeing, improve their quality of life and reduce any negative impact of caring
    - participate fully in society and, if they choose, can engage in training, education and employment opportunities, as well as social and leisure
    - have an increased sense of control and empowerment over their lives

- At an organisational level
    - services are person centred and aligned with health and social care, employment and other local services
    - carer's benefit is effectively integrated with all other parts of the Scottish and reserved social security system
    - improvements support early intervention and means that there is less pressure on other public services

Carer characteristics

Carers in Scotland play a vital health and social care role by caring for family, friends and neighbours who are disabled or in poor health, including people with multiple and complex needs. There are around 759,000 unpaid adult carers in Scotland providing care to one or more people - 17% of the adult population - and an estimated 29,000 young carers in Scotland aged under 16.[2] Caring can be a rewarding and positive experience for both carers and the cared for. However, it is also associated with poor psychological wellbeing and physical health, a higher risk of poverty, and often restricts opportunities to participate fully in society, including work and education. According to Scottish Government analysis[3], recipients of Carer's Allowance are:

- more likely to be inactive or looking after the home
- more likely to be sick or disabled
- less likely to be in full time employment, self-employed or retired
- more likely to have no qualifications or only be educated to Standard Grade/GCSE level.

[2] Scotland's Carers, An Official Statistics Publication for Scotland, 24 March 2015 (http://www.gov.scot/Resources/0047/00473691.pdf)
[3] Scottish Government analysis of Family Resources Survey data at GB level.

These factors impact on the income levels, and Scottish Government analysis of income levels of recipients bear this out. Recipients are more likely live in households that are in the bottom half of income distribution.

While Carer's Allowance is not means tested, recipients may not earn more than £116 per week during 2017-18. This, like the rate of DWP Carer's Allowance, is subject to review..

Rationale 1

Poorer outcomes for carers may be attributed in part to low incomes amongst carers. For the purposes of this policy, receipt of Carer's Allowance is a proxy for low income. Increasing incomes through the increased payment will increase income levels and is therefore likely tomay therefore improve outcomes. The policy therefore contributes to the delivery of Scottish Government policy to tackle poverty, and could have a particular impact on women, who we know are more likely to live in poverty than men. Over two thirds of recipients of Carer's Allowance are women.

While people with lower educational attainment and income are more likely to be in receipt of Carer's Allowance, we cannot be certain about the direction of causation. i.e. are people with lower incomes and educational attainment more likely to become carers, or does being a carer lead to lower educational attainment and income?

Recipients report extra costs due to being carers for transport, heating and energy costs, laundry costs, household items and food costs. However, it can be argued that these costs are to do with the impact of the disability on the person for whom they are caring, and that this is already recognised through disability benefits.

One group of carers who will not benefit from the proposed increase are pensioners. Due to overlapping benefit rules individuals cannot receive the state pension and Carer's Allowance at the same time. In general, the level of pension payments is significantly higher than the level of JSA [see annex X]. As such, focusing the increase on those in receipt of Carer's Allowance targets the resource at those who tend to have lower incomes. A small proportion of pensioners (less than 1,000) receive a partial or full payment of Carer's Allowance. This group are likely to have the lowest incomes of pensioner carers, and as such the policy intent to improve outcomes for carers is effectively targeted.

Over two thirds of recipients of Carer's Allowance are women. The policy therefore contributes to the delivery of Scottish Government policy to address poverty, which impacts more on females than males.

Carer's Allowance sits outside Universal Credit which also remains reserved to the UK Government, although the Scottish Parliament will receive new flexibilities for the frequency of Universal Credit payments and over housing costs for people who rent their accommodation. Recipients of Universal Credit will not receive the top up. These carers are actively looking for work or are in employment, and the £1160 earnings limit does not apply . As such the rationale for the increase set out above does not apply to carers on Universal Credit.

Rationale 2

The Scottish Government consider it unfair that the support carers receive in the form of Carer's Allowance, which is currently reserved to the UK Government, is the lowest of all working age benefits.

There is no clear rationale for this relative positioning of and it may be interpreted as appearing to indicate that carers have a lower value role in our communities, than other people of working age. Scottish Ministers do not believe that this is the case and recognise the valuable role played by carers in Scottish society. The provision of caring support reduces pressure on formal social and healthcare services, releasing resource to be spent on other services and priorities. Cared for people have told us that they often feel more comfortable being cared for by close friends or family members than paid care workers, especially where personal care is required .

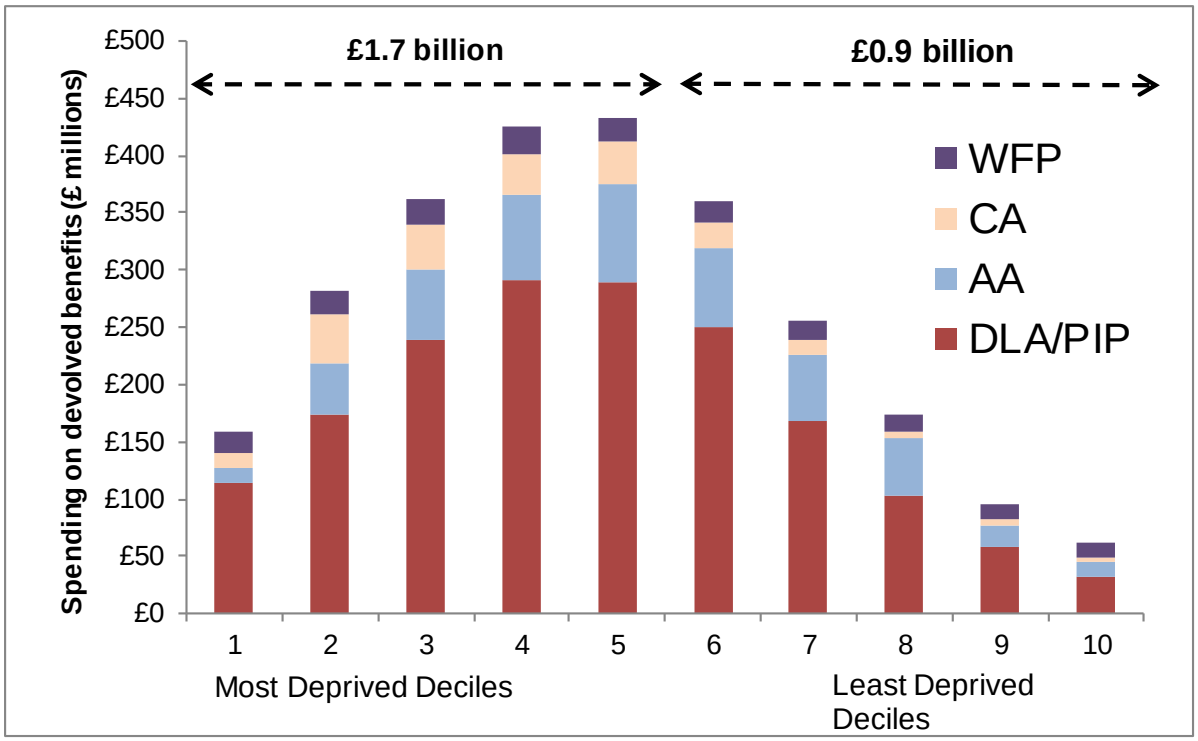
Rationale 3

An economic assessment of the distributional impact of the rise is provided in the socio-economic case. This suggests that every £1 of additional expenditure on Carers Allowance generates £1.30 of benefits.

The increase is targeted at recipients of Carer's Allowance, not those with 'underlying entitlement'. 40% of people who are eligible for Carer's Allowance do not receive it because they are also in receipt of another income replacement benefit (known as the 'overlapping benefit rule') such as State Pension, contribution based Jobseeker's Allowance or Contributory Employment and Support Allowance which is paid at an equivalent or higher rate. However, carers on lower incomes with an 'underlying entitlement' to Carer's Allowance may receive an additional amount in the form of a premium or addition from DWP. This is extra money included in the calculation of means tested benefits such as Income Support and Pension Credit. People receiving Universal Credit, who are also caring for 35 hours a week, may also qualify for extra money (carer element). These additional payments remain reserved to the UK Government.

2. Appendix 2: Distributional Analysis

Annex E of the Green Book details the approach used in this section. The fundamental economic principle of 'diminishing marginal utility' dictates that the additional utility or 'true value' that a person derives from an increase in their income (i.e. though social security benefits) diminishes as level of income they have increases. Therefore, it is recognised that the 'true value' of social security benefits (as well as other forms of additional income) for an individual's well-being will vary according to the relative prosperity of the person receiving the benefits. The diagram below shows the distribution of key social security spending on the devolved benefits across the income distribution.



HM Treasury guidance proposes a standard methodology for analysing the 'true value' of public spending so that any proposed policy which provides greater net benefits to lower income deciles is rated more favourably than one whose benefits largely accrue to higher deciles. According to this methodology, appropriate decile weights are derived by comparing the median equivalised net income within each decile to the median equivalised income across the whole income distribution[4].

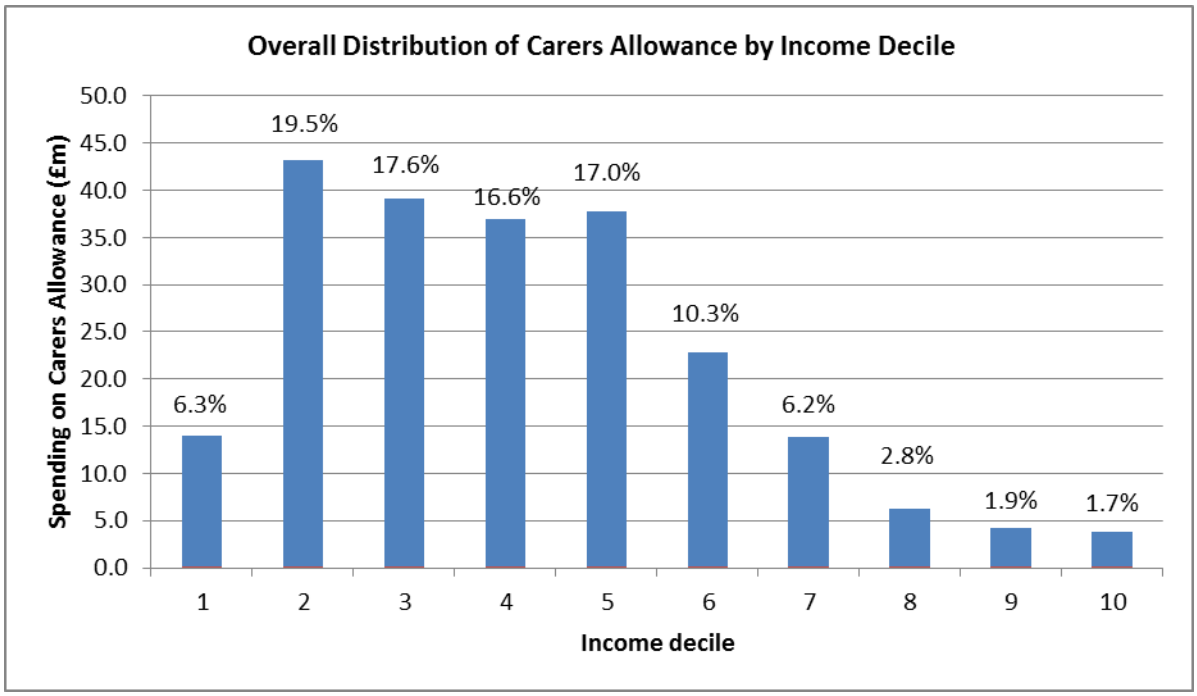
There has been significant empirical research into the extent of this effect. Pearce and Ulph (1995) estimate a range for the elasticity of marginal utility of 0.7 to 1.5 with a value of 1 being defensible. A value of 1 gives a utility function of the form: U = log C which is helpful with calculations. Thus marginal utility of consumption is 1/C or if consumption doubles, marginal utility falls to half of previous value. The income weights are calculated by expressing the marginal utility of at each income decile level

as a proportion of the marginal utility of the median income. This gives rise to an income weighting schedule (for Scotland as follows).

Weighting Social Security spending by Relative Prosperity

Deciles	Overall Equivalised Median Income	'True value' of £1 of additional income
1	£9,640	2.45
2	£14,118	1.67
3	£16,803	1.41
4	£19,270	1.23
5	£22,149	1.07
6	£25,399	0.93
7	£29,318	0.81
8	£34,390	0.69
9	£41,399	0.57
10	£59,740	0.40
Median Income	£23,621	

The distribution of carers allowance across the income spectrum in Scotland is shown in the Chart below.



Multiplying the percentage distribution figures for carers allowance by the associated income weights and summing together gives the overall income weight of £1 of additional carers allowance expenditure. This is £1.30.

Estimate of the cost of paying CA and CAS to all CA entitlement only cases over 65
Amounts and adjustment factors from SFC May MTFS Expenditure Spreadsheet

			Caseload	Amount - CA	Amount - CAS	
31/05/2018	2018/19	Outturn	#REF!	64.6	221	1
31/08/2018	2018/19	Forecast	#REF!	64.6	221	0
30/11/2018	2018/19	Forecast	#REF!	64.6	221	1
28/02/2019	2018/19	Forecast	#REF!	64.6	221	0
31/05/2019	2019/20	Forecast	#REF!	66.15	226.2	1
31/08/2019	2019/20	Forecast	#REF!	66.15	226.2	0
30/11/2019	2019/20	Forecast	#REF!	66.15	226.2	1
29/02/2020	2019/20	Forecast	#REF!	66.15	226.2	0
31/05/2020	2020/21	Forecast	#REF!	67.55	230.1	1
31/08/2020	2020/21	Forecast	#REF!	67.55	230.1	0
30/11/2020	2020/21	Forecast	#REF!	67.55	230.1	1
28/02/2021	2020/21	Forecast	#REF!	67.55	230.1	0
31/05/2021	2021/22	Forecast	#REF!	68.85	234	1
31/08/2021	2021/22	Forecast	#REF!	68.85	234	0
30/11/2021	2021/22	Forecast	#REF!	68.85	234	1
28/02/2022	2021/22	Forecast	#REF!	68.85	234	0
31/05/2022	2022/23	Forecast	#REF!	70.25	237.9	1
31/08/2022	2022/23	Forecast	#REF!	70.25	237.9	0
30/11/2022	2022/23	Forecast	#REF!	70.25	237.9	1
28/02/2023	2022/23	Forecast	#REF!	70.25	237.9	0
31/05/2023	2023/24	Forecast	#REF!	71.65	243.1	1
31/08/2023	2023/24	Forecast	#REF!	71.65	243.1	0
30/11/2023	2023/24	Forecast	#REF!	71.65	243.1	1
29/02/2024	2023/24	Forecast	#REF!	71.65	243.1	0
31/05/2024	2024/25	Forecast	#REF!	73.1	247	1
31/08/2024	2024/25	Forecast	#REF!	73.1	247	0
30/11/2024	2024/25	Forecast	#REF!	73.1	247	1
28/02/2025	2024/25	Forecast	#REF!	73.1	247	0

Expenditure - (	Expenditure CAS			Adj factor	Adj factor	Expenditure - (
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#REF!	#REF!		2022/23	1.042558	1.044317	#REF!
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Expenditure - CA and CAS

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