

**Appendix - Sheffield City Council consultation:**

**Adult social care cost of living allowance**

**Examples of the financial impact of different options**

This is an appendix to the council’s consultation on increasing the cost of living allowance for people who pay for care and support and who live at home. The cost of living allowance would increase the statutory minimum income guarantee.

The consultation is running until **16 February 2021**.

You can respond to the consultation on-line at:

<https://sheffield.citizenspace.com/communities-business-strategy/adult-social-care-cost-of-living-allowance/consult_view>

Or you can get details of the consultation and other ways to respond by email at

[funding.team@sheffield.gov.uk](mailto:funding.team@sheffield.gov.uk)  or by phone on 0114 273 4725.

**The consultation options**

Subject to Government increases to pensions and benefits we anticipate having a budget of around £500,000 to pay for increasing the cost of living allowance in 2021-22. We have identified different options and used this set budget to work out what each option might mean for different groups of people financially. This is shown on the following pages. It reflects the fact that there are many more people of pension age and above compared to younger people. The figures shown are illustrative only to give an idea of possible impacts.

The options we have considered for increasing the cost of living allowance are:

Option 1 - Increase the cost of living allowance based on age

Option 2 - Increase the cost of living allowance based on increases to benefits

Option 3 - Make discretionary payments instead of increasing the cost of living allowance

Option 4 - Set a maximum income level instead of increasing the cost of living allowance

Option 5 - Increase the cost of living allowance by the same amount of money for everyone

Option 5 is the council’s preferred option.

On the next pages, the possible financial impact of the options is shown for people who are:

* over pension age
* aged between 25 and pension age (including people who are severely disabled), and
* aged under 25 (including people who are severely disabled)

This takes into account a recent court case highlighting the need to consider the impact on people who are classed as ‘severely disabled.’ In line with this, we are counting people who receive high rate DLA (Care) or high rate PIP (Care) as ‘severely disabled.’

**Option 1 – Increase the cost of living allowance based on age**

The minimum income guarantee is lower for younger adults (aged 25 and under) than it is for most people. Option 1 would help us to make it fairer by introducing cost of living allowances at different age bands. We would provide a bigger increase to people under 25 and others with the lowest benefit premiums.

This graph illustrates what option 1 might mean for different groups of people. It shows a cost of living increase above the minimum income guarantee.

The figures are a guide only and aim to show how this option might broadly compare to the others.

Our view is that option 1 would provide most financial help to quite a small amount of people overall and we would rather help more people. We therefore do not prefer this option.

**Option 2 - Increase the cost of living allowance based on increases to benefits**

This option would allow us to link increases in the cost of living allowance directly to increases in benefit rates: as benefit rates go up, so would the amount of someone’s cost of living allowance.

This graph illustrates what option 2 might mean for different groups of people. It shows a cost of living increase above the minimum income guarantee.

The figures are a guide only and aim to show how this option might broadly compare to the others.

Our view is that the most positive financial impact for option 2 would be seen by people who already have a higher minimum income guarantee. People with less income and whose benefits do not increase as much would see least positive change. We therefore do not prefer this option.

**Option 3 - Make discretionary payments instead of increasing the cost of living allowance**

Under this option, we would not increase the cost of living allowance above the minimum income guarantee. Instead, we would use money we receive from people’s contributions to make discretionary payments. We would create a fund that would be used to redistribute money to those who need it most. The discretionary payments could be paid to people who have the lowest minimum income guarantee or others depending on their situation.

It is not possible to show the financial difference option 3 would make for people because it would depend upon people applying for and receiving discretionary payments.

This option could help people most in financial need. However, we are concerned that not everyone who might need it would apply, and there would be a risk of low take-up of the discretionary payments. We therefore do not prefer this option.

**Option 4 - Set a maximum income level instead of increasing the cost of living allowance**

Like the previous option, under option 4 we would not increase the cost of living allowance above the minimum income guarantee. Instead, we would ignore some of the income that a person has when we work out their contribution. We would only take into account a percentage of someone’s ‘disposable income’ that they have available. This would produce a ‘saving’ for people and reduce the contribution they would pay.

This graph illustrates what option 4 might mean for different groups of people. It shows a cost of living increase above the minimum income guarantee.

The figures are a guide only and aim to show how this option might broadly compare to the others.

Our view is that people with higher income would see the most positive financial impact from option 4 and people with the lowest incomes would see the least. We therefore do not prefer this option.

**Option 5 - Increase the cost of living allowance by the same amount of money for everyone**

**This is our preferred option.** Everyone would get the same increase. Option 5 would benefit everyone equally. In financial terms, it would mean the most to people with the lowest income.

This graph illustrates what option 5 might mean for different groups of people. It shows a cost of living increase above the minimum income guarantee.

The figures are a guide only and aim to show how this option might broadly compare to the others.

Our view is that this would be the fairest option for increasing the cost of living allowance. Option 5 is therefore out preferred option.