

Cost-of-Living - update report

Date: 17th April 2024

Report of: Director of Communities, Housing and Environment

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief Summary

This report provides Executive Board with an updated position on the cost-of-living crisis, national policy interventions and the Leeds City Council's response to addressing the crisis.

Attached as **appendix 1** to this report is the 'Cost-of-Living Dashboard Monthly Summary' for March 2024. For further context, a link to the full online cost of living dashboard which brings together detailed data and analysis is also included.

This update follows the report to Executive Board in November 2023 and sets out any new developments, their potential impact, and any additional response required.

It is recognised that current local action alone may not be enough to mitigate the impact, and that in the longer-term greater focus will be required across all three pillars of the Best City Ambition in sustainably addressing deep rooted poverty and inequality within the city.

Recommendations

Members of Executive Board are recommended to;

- a) Note the content of this report and endorse the approach being adopted.
- b) Note that the Director, Communities, Housing and Environment will be responsible for overseeing and implementing any actions arising from this report.

What is this report about?

- 1 Poverty and financial exclusion have been deep-rooted challenges in Leeds for many years. Despite significant work to address these issues locally, financial pressures and widening inequalities continue to impact households in Leeds and across the country.
- 2 Overall, the situation is likely to remain unchanged with continued low economic growth and Cost-of-Living pressures persisting.
- 3 This report provides an update on the Cost-of-Living crisis and the actions being undertaken by the Council and partners from a welfare and financial inclusion perspective. The report follows on from the report received by Executive Board in November 2023 and provides update and context at both national and local levels.

- 4 The Cost-of-Living Dashboard which has formerly been attached as an appendix to previous versions of these reports, is now hosted online as a fully interactive tool/resource. This is complimented by a paper-based 'Cost-of-Living Dashboard Monthly Summary' document –now attached as **appendix 1** (The weblink to the interactive dashboard is included in the attached 'Cost-of-Living Dashboard Monthly Summary' for further context).

National Context

- 5 According to the latest Office for National Statistics (ONS) figures, the economy shrank 0.3% between October and December 2023, following a 0.1% fall between July and September, meaning the economy went into recession at the end of 2023.
- 6 The latest Consumer Price Index (CPI) inflation figures published on 20th March reveal that the UK Inflation rate was 3.4% in February 2024. At 11.9%, alcoholic beverages and tobacco prices were the largest component to inflation, with the lowest contribution contributions being housing, water & fuels at –1.7%.
- 7 In March 2024, Bank of England interest rates continued to be maintained at 5.25% (stable since September 2023).
- 8 National data on the UK's economic position suggests conditions have remained largely the same since the last Cost-of-Living Update Report (November 2023), providing no relief to low-income households were already unable to afford the cost of essentials in normal economic conditions.
- 9 In addition, while some statistics initially appear to represent positive changes, further context often highlights negative repercussions or consequences.
- 10 The UK rate of employment is high (75.7%), and unemployment rates are lower than pre-pandemic levels (unemployment to September 2023 was 3.8%, compared to 4.2% in December 2019). In addition, the National Living Wage was uplifted to £10.42 per hour during 2023, meaning UK wages rose at the fastest rate in 20 years. Despite these positive statistics, wages are still lagging the rate of inflation. Pay failing to keep up with price rises, therefore means many working households are experiencing financial pressure and hardship.
- 11 The ratio of consumer debt to household income has fallen in recent years, even after rising interest rates, however this is partly due to lenders making it harder to access credit. As referenced by The Resolution Foundation¹; “around 13% of the poorest fifth of families having been rejected for credit in the previous 12 months. Faced with restricted access to consumer debt, many families have fallen behind on priority bills like gas and electricity to make ends meet. Ofgem data indicates that the number of accounts behind on their gas and electricity bills has reached the highest level since records began in 2012, and the latest data shows the average amount owed increased by 51% between Q2 2022 and Q3 2023.”
- 12 In February 2024, Citizens Advice launched 'The National Red Index²', which utilises data from debt advice clients and national survey data to estimate the number of people in the UK in a negative budget: 'Nearly 5 million people are in a negative budget, stuck in the red, building up debt to get by. A further 2.35 million are living on empty - only escaping a negative budget by cutting their essential spending back to unsafe levels.'

Cost-of-Living Support- National

- 13 The Cost-of-Living package of support from National Government for 2022 and 2023 focused on a range of energy support schemes, household support fund and scheduled payments for eligible means-tested benefits claimants³, with the final payments due in Spring 2024.
- 14 Key measures in relation to Cost-of-Living support for households in 2024 were announced during the Spring Budget and include;

¹ [In too deep? • Resolution Foundation](#)

² [The National Red Index: how to turn the tide on falling living standards - Citizens Advice](#)

³ For full details of Cost of Living Payment eligibility, please see - [Cost of Living Payments 2023 to 2024 - GOV.UK \(www.gov.uk\)](#)

- Removal of the £90 administration fee for Debt Relief Orders (DRO) from 6 April 2024. From 28th June 2024, the associated maximum debt value threshold will also increase from £30,000 to £50,000.
- Confirmation that the Pre-Payment Meter standing charge premium will be permanently removed.
- Increasing the repayment period on budgeting advance loans taken out (from December 2024) by claimants on Universal Credit from 12 months to 24 months.
- Continuation of Household Support Fund at the current rate for 6-months.

15 As referenced in previous reports, considerable concern was raised both nationally and locally around the future of support Cost-of-Living measures including the Household Support Fund which had been set to end in March 2024. While the extension for 6 months is welcome support in the immediate term, the short notice coupled with lack of any commitment regarding the long-term future of the fund, means continued uncertainty and instability within the context of welfare support. Furthermore, without the additional Cost-of-Living payments (£900 in 2023/24), the fund is likely to come under substantial pressure.

16 In response to the Spring Budget, the Chair of the Local Government Association said 'It is disappointing that the Government has not announced measures to adequately fund the local services people rely on every day. Councils continue to transform services but, given that core spending power in 2024/25 has been cut by 23.3% in real terms compared to 2010/11, it is unsustainable to expect them to keep doing more for less in the face of unprecedented cost and demand pressures.'

Energy Support

17 The Energy Price Cap (EPC) was initially introduced in 2019, with an aim of protecting UK households from volatile and inflated energy prices by limiting the amount suppliers could charge households for default energy tariffs. Since then, the energy crisis has seen energy suppliers utilise the maximum cap level as the standard price for energy. This has served to essentially freeze the energy market and reduce supplier competition, resulting in high energy prices for households and no incentive for suppliers to reduce prices.

18 Between 1 April to 30 June 2024 the energy price cap will be set at £1,690 per year for a typical household on direct debit. This is £238 lower than the cap set between 1 January to 31 March 2024 (£1,928).

19 Energy debt in the UK reached a record high of £3.1 billion as reported by Ofgem (February 2024). In response, Ofgem has announced additional support measures for energy suppliers, including a temporary additional payment of £28 per year (equivalent to £2.33 per month) for direct debit and credit customers (prepayment meter customers are not affected). According to Ofgem; "This will be added to the bills of customers who pay by direct debit or standard credit and is partly offset by the termination of an allowance worth £11 per year that covered debt costs related to the COVID-19 pandemic."

20 Various cross sector groups are calling for the instatement of social tariffs to help low-income households with the cost of energy, with Centrica (British Gas parent company) calling it "the best thing we can do for consumers", however there have been no Government announcements in relation to social tariffs, which would also be unlikely to reduce UK energy prices more widely.

21 In February 2023, all UK energy suppliers were banned from force-fitting prepayment meters, following considerable national campaigning and press interest which highlighted concerns about the practice. A new Code of Practice was introduced by Ofgem and incorporated into mandatory Supply Licence Conditions on 8 November 2023, however as of February 2024, three energy suppliers have been given permission to reinstate the practice, with the ban still effective for all other UK suppliers.

Universal Credit (UC)

- 22 Universal Credit was first introduced in 2013, with the aim of streamlining and simplifying the benefits system and better supporting those on low incomes.
- 23 'Managed migration' (also known as 'Move to UC') is the final phase of the rollout of UC, wherein the DWP is gradually contacting working age legacy benefit claimants to notify them that those benefits will be ending and informing them of the need to claim UC instead. Managed migration is expected to be complete by March 2025 for most people, however those in receipt of Employment and Support Allowance and do not get tax credits are expected to move to Universal Credit by 2028.
- 24 DWP began issuing Migration Notices to Leeds claimants in August 2023, with a focus on households claiming tax credits only.
- 25 In February 2024, the National Audit Office published a report highlighting that after receiving a managed migration notice, one in five legacy benefit claimants do not claim UC and recommends further research to understand this issue is needed.
- 26 Further to this, the charity Child Poverty Action Group highlights aspects of the managed migration process remain ambiguous – even to advisers and that; 'It is seeing cases of people struggling to claim UC and nearly missing their deadline to do so because they do not understand what is required of them. Even if people who miss their migration deadline do eventually manage to claim UC, they will have lost their entitlement to transitional protection – a top-up which ensures claimants are not worse off at the point of transition to UC, sometimes worth hundreds of pounds a month.'
- 27 The DWP's own research found several reasons why couples previously on Tax Credit are choosing not to claim UC:
 - Households have experienced a change in circumstances: Belief that they would no longer be eligible for UC due to a change in their household circumstances which they thought would affect their eligibility for UC.
 - Low UC award perception: That it was not worthwhile making a claim due to a perception that the amount they would receive from UC would be small.
 - Requirements for self-employed: The additional UC checks that are made on claims in comparison to Tax Credits and time taken may be a factor in some self-employed claimants choosing not to make a claim to UC.
 - Households with savings: Some couples had savings higher than the £16,000 threshold and believed they would not be eligible for UC.

Local update & key statistics

- 21% (176,376) of the Leeds population is living in relative poverty after housing costs are deducted from income⁴.
 - 22% (33,482) of children in Leeds, were estimated to be living in relative low-income families before housing costs⁵.
- 28 The Cost-of-Living Dashboard (formerly attached as an appendix to previous versions of these reports), is now hosted online as a fully interactive tool/resource. This is complimented by a paper-based 'Cost-of-Living Dashboard Monthly Summary' document – now attached as **appendix 1** (The weblink to the interactive dashboard is included in the attached 'Cost-of-Living Dashboard Monthly Summary' for further context).
 - 29 Key data highlights include;
 - 83,621 people claimed UC in Leeds in Jan 2024. The number of UC claimants has continued to increase since January 2022, and is up 13.2% since Jan 2023.

⁴ Leeds Poverty Factbook: <https://observatory.leeds.gov.uk/leeds-poverty-fact-book/>

⁵ As per footnote 4.

- As of April 2023, although the median average wage for Leeds residents was £15.43 per hour, an estimated 44,968 (14.3%) Full Time Equivalent (FTE) Leeds residents earned less than the 2023 Living Wage of £10.90 per hour.
 - The real term impact on Leeds residents estimates the lowest (10%) of earners, saw a weekly loss of 6% (£12), in comparison to the top 10% of earners who lost only 4% of their income (£46), highlighting how those on the lowest incomes continue to be hit the hardest by inflationary impacts and the Cost-of-Living.
 - The total number of enquiries seen by Leeds City Council's Welfare Rights Unit in 2023/24 was 2631, a significant year on year increase since 2020/21 (1140 enquiries)
 - Local Citizens Advice data shows total enquiries increased by 15% in Quarter 3 2023/24 to 51,476 (from 45,554 enquiries in quarter 3 2022/23). The data also reveals women, people from diverse communities and disabled people/people with a long-term health issue are all representing for advice at higher proportions than they are in the wider Leeds population.
- 30 Since the last Cost-of-Living Update report submitted in November 2023, the exceptional pressure on services, staff and customers has continued.
- 31 Funding instability and cuts to local authority, NHS and third sectors continue to compound the situation, with prolonged exceptional pressure challenging the operations of services, at a time of rising need. Cross sector examples of organisations reaching untenable positions are now coming to light, with many having little option but to consider necessary service reviews, reductions and policy changes which are nonetheless detrimental to the capacity and capability of support in the city.
- 32 As reported by the Local Government Association, the Spring Budget represents the sixth one-year settlement in a row for councils which has inevitably led to the steady weakening of local services; "Councils need greater funding certainty through multi-year settlements to prevent this ongoing decline but also to ensure key national government policies – such as boosting economic growth, creating jobs and building homes – can be achieved."
- 33 Combined with rising inflationary costs and significant levels of need in communities, many organisations in the city, have been left with little option but to consider service changes and reductions essential for the organisation to remain operational, but that will nonetheless result in a reduction to service capacity and availability.
- 34 The latest State of the Third Sector in Leeds report (published in 2023 with 2022 data) highlights between 2020 and 2022, the third sector has seen.
- 34% drop in paid workforce
 - 25% drop in registered volunteers
 - 10% drop in registered organisations
- 35 **Appendix 3** provides details of experiences from local frontline staff and volunteers in terms of current challenges due to the Cost-of-Living. The anonymised experiences were collected as part of recent training/briefings delivered by the Financial Inclusion Team, and represent a range of services including food banks, children's services, LCC Gas & Electric operatives, third and faith sector, Welcome Spaces and Elected Members.

Local Action

- 36 As reported previously and linked to both the Best City Ambition and the breakthrough priority to develop an integrated city-wide welfare support approach, strategic and operational groups have been meeting since September 2022 to coordinate actions to mitigate as far as possible the impacts of the Cost-of-Living crisis. Reflecting the 'Team Leeds' approach the groups all have senior representatives from the Council, health, third sector and the Department for Work and Pensions and have expanded to include other key partners where appropriate.
- 37 The work areas and actions emerging from the meetings have focussed on awareness and understanding of support available, developing practical support to enhance existing services, and ensuring funding available is coordinated and maximised. Please see **appendix 2** for further details and updates of work undertaken to date.

- 38 In addition, the Equality, diversity, cohesion, and integration screening undertaken with respect to the 'Cost-of-Living and Welfare strategic and operational arrangements' included in this report is attached as **appendix 4**.
- 39 These project areas are continually reviewed and updated. Key workstreams include:
- 40 Review and update of the **Together Leeds campaign** site, ensuring all Cost-of-Living information and advice is up to date and seasonally accurate alongside dedicated social media content. Online content is complimented by a range of offline advertising activity, particularly via the **Welcome Spaces project**.
- 41 Welcome Spaces have ensured all Leeds residents could access face to face support for free in a safe, warm and welcoming environment throughout the colder weather. Building on successes and learning from the initial Warm Spaces pilot in 2022/23, additional training opportunities and signposting materials have been provided to organisations delivering Welcome Spaces, and better links have been established with the Leeds Community Anchor Network who have played a key role in terms of direct delivery as well as coordination of local activity and funding.
- 42 Furthermore, the **Zero Waste Leeds - Winter Coat Appeal**, which collects and distributes good quality, clean coats across selected community locations has also been delivered in collaboration with Welcome Spaces.
- 43 The **Leeds Money Information Centre (MIC)** continues to be the main signposting opportunity for money advice in the city. Printed copies of MIC resources have been distributed to all community hubs, libraries, housing offices, and made available to financial inclusion partners including DWP JobCentre Plus.
- 44 The Financial Inclusion Team are also continuing to provide **training and awareness sessions** for a range of frontline services including LCC children's services, customer services, Welcome Spaces, LCC Housing, Gas and Electric Teams as well as external partners and third sector volunteers. Bespoke briefing sessions on key financial inclusion issues and initiatives have also been delivered recently for Elected Members.
- 45 There is continued focus on ensuring short term funding such as the **Household Support Fund, Holiday Activity and Food Funding, West Yorkshire Mayoral Fund and UK Shared Prosperity Fund** are prioritised to support people most impacted by the Cost-of-Living crisis (including via third sector partners in the city), whilst adhering to the criteria of the different funds and differing timescales for delivery.

What impact will this proposal have?

- 46 The proposal sets out how the Council and partners are adopting a strategic, coordinated, and collaborative response to the Cost-of-Living crisis. However, many of the projects and initiatives referenced are short term. The challenge for the council and partners is how this work can be used to make a substantial long-term difference to the people of Leeds, without significant change in national policy and adequate long term sustainable funding.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 47 The Leeds Best City Ambition has at its heart the mission to tackle poverty and inequality and improve the quality of life for everyone who calls Leeds home. The actions and initiatives set out within the report to mitigate the impacts as far as possible of the Cost-of-Living crisis, impact all three pillars of the Best City Ambition. Furthermore, the approach adopted has been undertaken as a Team Leeds approach.
- 48 In the longer term a greater focus will be required across all three pillars of the Best City Ambition in sustainably addressing deep rooted poverty and inequality within the city.
- 49 Poverty and inequality are protected characteristics, and Equality, Diversity, Cohesion and Integration screening are undertaken as appropriate for each measure, with the EDCI screening document for the 'Cost-of-Living and Welfare strategic and operational arrangements' included in this report, attached as **appendix 4**.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

50 Partner organisations referred to in this report have been consulted to provide relevant and up to date information about the projects, initiatives and services referenced.

What are the resource implications?

51 All the projects and services referred to in this report are being undertaken within current budgets, there are no additional resource implications arising from this report.

What are the key risks and how are they being managed?

52 The Corporate Risk Register houses the most significant and cross cutting risks facing the council and city. The register includes a risk on Escalating Poverty - 'The impact of poverty in the city escalates due to factors such as inflation, fuel, food and energy prices increases.' Should the council fail to play an effective part in tackling the risk, then the impact of the risk increases, and it will have a more detrimental effect on the citizens and communities of Leeds. This could lead to a loss of public faith in the council and subsequent reputational damage.

53 The risk is managed through a range of activities as outlined in this report, including regular strategic and operational group meetings. The risk is regularly reviewed, updated and reported within the council, to the Communities, Housing and Environment Directorate Leadership Team and onto the Corporate Leadership Team.

54 An additional risk on Third Sector Sustainability also appears on the Corporate Risk Register – the risk that third sector organisations will not be able to deliver due to reduced funding and increased demand. The key controls to manage this risk will be the development of a strategy based on the following principles:

- Working in a way that ultimately benefits people and communities living in Leeds.
- The importance of delivering preventative measures where possible.
- Investment in resilience.
- The importance of working together in partnership.
- A commitment to 'one workforce'.
- The third sector being an equal partner as part of both the West Yorkshire Health and Care Partnership, 'Team Leeds' approach and West Yorkshire Combined Authority.

What are the legal implications?

55 There are no specific legal implications or access to information issues with this report.

Options, timescales and measuring success

What other options were considered?

56 No other options have been considered.

How will success be measured?

57 Success will be measured by update reports and the Cost-of-Living dashboard.

What is the timetable and who will be responsible for implementation?

58 Implementation is immediate and continuous.

Appendices

- Appendix 1: Cost-of-Living Dashboard Monthly Summary
- Appendix 2: Cost-of-Living Action Plan
- Appendix 3: Experiences of frontline services
- Appendix 4: Equality, Diversity, Cohesion & Integration Screening - 'Cost-of-Living and Welfare strategic and operational arrangements'.

Background papers

None