

Cost of living update report

Date: 19th October 2022

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

The purpose of this report is to provide Executive Board with an updated position on the Council's response to addressing the cost-of-living situation in Leeds. A summary table of actions taken to help address the cost of living crisis (both national and local) is also attached as appendix 1.

This update follows the report which went to Executive Board in July 22, titled 'Understanding and addressing the cost-of-living crisis'. The July report set out the position in Leeds with regards to understanding both the challenges posed by cost-of-living crisis, and the associated response in terms of support provided by the Council and partners. This report is attached as appendix 2.

This update sets out any new developments, their potential impact, and any additional response required.

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. This report provides an update of the cost-of-living crisis and the actions being undertaken by the Council and partners from a welfare and financial inclusion perspective. This report follows on from the report received by Executive Board in July on “Understanding and addressing the cost-of-living crisis which is attached: appendix 2
2. Although poverty and financial exclusion have been deep-rooted challenges for many years, key factors affecting the current financial climate in 2022 have further escalated the situation, and have led to the cost-of-living crisis.
3. Inflation has risen steeply in 2022 due to the impact of the COVID-19 crisis, global supply issues, significant rises in gas and oil prices, and the war in Ukraine. Although the **Annual Inflation rate** in the UK edged lower to 9.9% in August 2022 this was from 10.1% in July, which was the highest level since 1982. The decrease in August was mainly down to a decrease in the price of petrol and diesel. However, costs rose faster for food, household items and clothing.
4. In addition, broader household costs have been rising steadily with increases in National Insurance and utility bills (although measures have been brought in), meaning a real term cut in take-home earnings for many before the recent spike in inflation impacted. Benefit levels, although uprated in April 2022 by 3.1%, have also failed to keep up with rising household expenditure.
5. By the end of July 2022, Citizens Advice nationally had already supported over 120,000 people with access to food banks and other support - more than numbers seen in 2019 and 2020 combined. In addition, clients presenting with negative budgets, meaning that people are unable to make debt repayments, have increased from 38% in 2021 to 46% in 2022.
6. This is also being reflected at a local level, with advice partners in the city reporting that despite the warm summer, ‘winter level’ demand for fuel vouchers is already being seen. In addition, demand for debt advice is rising and becoming more complex, along with high levels of associated safeguarding and mental health concerns, including suicidality.
7. In terms of food aid provision between 1st April 2021 and 31st March 2022, 64,636 food parcels in Leeds were given out via Community Care Hubs and Emergency Food Provisions. This compares to 16,000 per year pre-pandemic. Current reports from food aid providers suggest that demand remains high.
8. Other key local statistics;
 - 22% (174,000) of the Leeds population is living in relative poverty after housing costs are deducted from income.
 - 24% (36,496) Children and Young People live in poverty in the city.
 - There are over 71,000 Universal Credit claimants in Leeds compared to 33,000 in February 2020.

National updates since July 2022.

9. Over 7.2 million payments of £326 have been made through the government’s **£650 Cost of Living support**. The first payments were made on 14 July 2022, with the second instalment of £324 due later this year.
10. In September, the new Prime Minister announced further measures to support households with the cost of energy. This included the **Energy Price Guarantee (EPG)**, limiting the price of gas per unit for customers. Applicable from 1st October, the EPG will reduce the unit cost of electricity and gas so that a household with typical energy use in Great Britain pays, on average, around £2500 a year on their energy bills for the next 2 years. For an individual customer, the amount paid under the EPG will vary depending on how much energy they use, where they live, how they pay for their energy and their metering arrangement. The £2,500 figure is based on a household

with typical consumption on a dual electricity and gas bill paying by direct debit. Businesses will also see their energy costs capped at the same price per unit for an initial six month period. The freeze also includes the temporary removal of green levies on household bills.

11. The current price cap is £1,971 for those on default tariffs and £2,017 for households on a prepayment meter, the previous proposed increase was due to be £3,549.
12. The previously announced £400 help with energy costs through the **Energy Bills Support Scheme (EBBS)** will remain in place, so the effective price cap for this next year will be £2,100 a year (a 6.5% increase). This leaves possibilities of increases in monthly bills in April when the EBBS ends. The previously announced additional payments for those on benefits and pensioners will also continue.
13. Additional funding has also been announced so that the £400 EBSS payments will be extended to include people such as park home residents and those tenants with communal heating systems whose landlords pay for their energy via a commercial contract. The Government will also introduce legislation to ensure that landlords pass on the £400 EBSS payment to tenants who pay all-inclusive bills.
14. An additional payment of £100 to households across the UK who are not able to receive support for their heating costs through the energy price guarantee - such as in cases where they live in an area of the UK that is not served by the gas grid - to compensate for the rising costs of alternative fuels such as heating oil.
15. However, a year ago, when the price cap was £1,277, there were cheaper deals available via switching energy suppliers, so the increase year on year is still substantial, and, even with support provided, there is an impact on households' disposable income.
16. July 2022 saw the introduction of the **DWP Cost of Living Stakeholder Toolkit** - a range of materials for employers and partners to use, promoting all areas of support available. This can be accessed here: <https://www.understandinguniversalcredit.gov.uk/communicating-help-for-households-and-cost-of-living-payments/>. The Local Government Association (LGA) have also launched a toolkit designed to support Local Authorities in their approach to tackling the Cost of Living crisis. This can be accessed here: [Cost of Living Support - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/collections/cost-of-living-support)
17. On the 23rd of September the Government announced further changes through their mini budget. Below is a summary of the main areas regarding the cost of living.

Income tax

- A cut in the basic rate of income tax to 19% from April 2023. Currently, people in England, Wales and Northern Ireland pay 20% on any annual earning between £12,571 to £50,270.

National Insurance

- The recent rise in National Insurance (NI) will be reversed from 6th November. Workers and employers have paid an extra 1.25p in the pound since April. The new Health and Social Care Levy to pay for the NHS will not now be introduced.

Benefits

- The rules around universal credit have been tightened. Around 120,000 more people claiming UC are to be asked to take steps to seek more work, or face having their benefits reduced.
- Jobseekers over 50 to be given extra time with work coaches to help them return to job market

Local updates

18. Leeds City Council and partners across the city have been recognised for the work undertaken to reduce poverty and tackle inequality for many years and has employed a highly effective

collaborative and co-ordinated approach to tackling poverty and mitigating its impact. The following paragraphs report on updates on work undertaken since July this year.

19. The **Local Welfare Support Scheme** supports residents experiencing financial hardship and an emergency or crisis, offering short term support to ease that position. This typically consists of an award made up of one or a number of the following: supermarket vouchers, fuel vouchers, white goods, furniture and flooring, all of which is underpinned by the provision of advice, guidance and signposting to additional services and partner agencies.
20. The Cost of Living crisis, combined with the legacy of the pandemic, is placing the LWSS scheme under huge pressure, with demand for the service rising at a rapid rate. As a year-on-year comparison, the latest monthly data for LWSS shows a significant increase in contact; from 316 individuals/households helped in August 2021 to 766 in August 2022, an increase of 142%. Something which is likely to increase further during the winter months.
21. In addition, from July 2022 through to August 2022 there has been a month to month increase of 78% in applications for support. The majority of applicants have never previously applied to the scheme and the most common reason for applying is due to the rising cost of living and applicant's income no longer meeting their outgoings. Most of these requests are for emergency food or fuel.
22. A comprehensive review of the LWSS scheme is currently underway. Once implemented this will provide much improved foundations for the scheme – including updated eligibility criteria, brought in line with current cost of living, efficient processes, improved systems and more holistic wraparound support, connecting with the wider welfare offer in Leeds.
23. Corporate Communications have produced a **dedicated Cost of Living Webpage** which is now live. This can be accessed here: www.leeds.gov.uk/costofliving. Further Information, Advice and Guidance will continue to be added to the webpage, with developments such as video animations, and customer 'vox pop' style videos filmed on location at the Council's Community Hubs and other sites across the city to be added shortly.
24. In response to the cost-of-living crisis the government announced a continuation of the **Household Support Fund** from October 2022 to the end of March 2023. The funding is allocated to all local authorities across the country and is to be used to support low-income households with the costs of energy, food and essential items. The allocation awarded to LCC for this period has now been set at £7.1 million (same as the previous 2 rounds). Previous rounds of this funding have been used in Leeds to give households on the lowest incomes additional payments towards energy bills, increase emergency assistance through the Local Welfare Support Scheme and to a range of third sector organisations to provide support directly. Proposals for the new round of funding are currently being developed.
25. Work is currently ongoing within the city, through the Council and with 3rd Sector colleagues to develop and advertise a city-wide network of **Warm Places** for customers/residents to access over the colder winter months. This network will help the most vulnerable groups who may not be able to afford to heat their homes adequately or at all. LCC Community Hub and Libraries will, along with statutory and 3rd sector partners, be part of the 'warm places' network; providing welcoming spaces, hot drinks, activities and access to wider support. LCC Community Hub and Library Warm spaces will be available from early October, with 3rd sector spaces to follow shortly after.
26. **Cost of Living support events** will start to take place at a number of LCC Community Hub sites from October onwards. Starting on the 18th October at the Compton Centre, then the 19th at Reginald Centre – a variety of partners including: Green Doctors, Money Buddies, Zero Waste Leeds, Healthy start, Sure Start, CAB, Better Leeds Communities and more will be in attendance offering IAG, financial assistance and general CoL focussed support. Additional events will follow to ensure coverage in the South/South East and West/North West areas of the city.

27. Work is also underway with **3rd sector** colleagues to look at how the partnership can work collectively to provide additional support to the 3rd sector to help them meet the increased demands being placed on them because of the cost of living crisis, coupled with the increases in operating costs they are experiencing along with other organisations in the city. Whilst recent business support measures announced by the government will mitigate the impact on their costs to some degree, costs will remain high.

Progress on the breakthrough priority on Cost of Living/Welfare

28. It is imperative that there is a coordinated and collaborative approach to understanding and addressing the cost of living crisis both in the immediate term and over the next 18-24 months. Given this, and as set out in the July Executive Board report, a breakthrough priority has been established to set out how a more integrated city-wide welfare support approach can be developed.

29. In the short-term, it has been agreed that colleagues involved in the breakthrough priority, from the Council, partners and the 3rd Sector, will come together to form a City Operational Group who will co-ordinate and integrate activity to help mitigate as far as possible, the immediate cost of living issues arising. This group, which met, through a range of 1:1's over the Summer and for the first time collectively, on 28th September, will meet fortnightly and will report into a City Strategic Group which has been established, and has a membership comprising of Cross Sector CEO level representation, relevant Chief Officers and the Director of Communities, Housing and Environment. The first meeting of this group will take place at the end of October and will meet again in February 2023.

30. Further to this, the City Operational Group will identify appropriate workstreams for development, with short-term Task and Finish Groups established to take the workstreams forward and report back into the Operational Group. An example of a Task and Finish Group is the already established Warm Spaces Group who are working to put in place a searchable digital map of all Warm Space provision in the city.

31. Initial discussions have taken place between members of the City Operational Group (both over the summer and in the initial meetings) and some common areas of immediate focus/work to take forward have clearly emerged including,

- An Integrated Communications and Campaign approach, including a single web-presence.
- Greater integration across partners to ensure consistency on Information, Advice and Guidance (IAG)
- A training package for front line workers on the IAG available in the city
- A support 'Toolkit' for front line workers to help them support and signpost appropriately
- A collective focus on the provision of Warm Spaces across the city
- An ask around additional volunteers to support the city's work
- A focus on the provision of funding to support the following:
 - To increase organisational resilience and ensure a sustainable approach across the city
 - The provision of direct support to individuals and families - fuel, food and practical support.
 - The availability of Debt Advice within the city
- A City Dashboard of demand and response

32. Given the above, future reports to Executive Board will focus on the key workstreams of work being delivered through the City Operational Group and will provide an update on progress made on each. This will be alongside any updates needed because of local and/or national developments.

State of the city event

33. There is a State of the City event on the 7th Dec 2022. This will be an action-focused Summit that explores how Leeds can respond to the cost-of-living crisis with the means and resources available to us as a city, in order to:

- Minimise the impacts of rising living costs on the poorest residents.
- Support businesses and organisations through economic shocks, particularly those most vulnerable.

34. It is proposed that the Summit will cover:

- What support is available for people and businesses in the city to survive the immediate impacts of rising living costs, and what more is needed.
- How we can create greater security for people and organisations in the city, for example through energy efficiency, food security and welfare.

35. Invites and further information will be made available in the near future.

What impact will this proposal have?

36. The focus of this report is on poverty and inequality which is a protected equality characteristic. It sets out the impact of the cost-of-living crisis will have on households living on the lowest incomes in the city, the actions currently being undertaken to mitigate the impact and the proposed citywide approach. Equality, Diversity, Cohesion and Integration screening will be undertaken as appropriate for each future measure.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

37. As the cost-of-living crisis will impact all three key pillars of the Best City Ambition, this work contributes to achieving the Leeds Best City Ambition, which has at its heart, the mission to tackle poverty and inequality and improve the quality of life for everyone who calls Leeds home.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

38. 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?

39. All of 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?

40. A corporate risk has been identified on Escalating Poverty. Further details of the risk can be seen in the Annual Corporate Risk Report to be reported at this meeting.

What are the legal implications?

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

Options, timescales and measuring success

What other options were considered?

42. No other options have been considered.

How will success be measured?

43. Success will be measured via update reports and the provision of a city dashboard on demand and response

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

44. Implementation will be immediate.

Appendices

- Appendix 1 – table of action (July 22 onwards)
- Appendix 2 – July Executive Board report: Understanding and Addressing the Cost of Living Crisis

Background papers

- There are no background papers to this report