

The role of councils in addressing the rising cost of living

Purpose of report

For direction.

Summary

This paper provides an overview of the LGA's current work on support for low-income households, led by the Resources Board and Rose Doran, senior adviser in the Children, Welfare, Equality and Democracy (CWED) officer team. It provides background information for members ahead of a discussion with Rose at the Board around opportunities for join-up.

Is this report confidential? Yes No

Recommendation/s

Members are asked to consider the LGA's work to date on support for low-income households led by the Resources Board to inform a discussion with Rose Doran about opportunities for policy join-up.

Action/s

Members are asked to agree on a board member to represent the City Regions Board on a cost-of-living steering group.

Officers will take away actions around suggested future work and build them into the Board's work programme for the 22-23 cycle.

Contact officer: Esther Barrott
Position: Adviser
Phone no: 07464652906
Email: esther.barrott@local.gov.uk

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Background

1. Inflation is currently running at 9 per cent and is expected to increase further. Recent estimates by the [Bank of England's Monetary Policy Committee](#) suggest that the conflict in Ukraine, combined with global supply constraints and rising energy costs could push 2022/23 peak inflation above 10 per cent.
2. Low-income households spend a greater proportion of their income on energy and food than households on higher incomes, which makes them more vulnerable to rising costs.
3. The [latest ONS data](#) shows upward pressure on pay and high levels of vacancies, but pay recovery is lagging inflation, with some sectors (e.g. retail) slower to recover than others. The positive unemployment data is counter-balanced with some complexities in the jobs market including increased numbers of people leaving the labour market, long-term sickness, and reductions in self-employment.
4. The Government has committed to tackling health disparities. Councils have highlighted the importance of addressing the wider determinants of public health as part of that work.
5. In December 2021 life expectancy in the most affluent areas was on average nine years longer than for those in the least affluent. Those living in the most-deprived areas were identified as spending nearly a third of their lives in poor health, compared with only about a sixth for those in the least-deprived areas.
6. In 2019 Sir Michael Marmot highlighted that if a household in the lowest income decile followed Public Health England's healthy eating advice, they would need to spend 74% of their income on food. A 2021 report by the Food Foundation found that healthy food is almost three times as expensive as unhealthy food. This is likely to become more of an issue as food costs continue to rise.
7. On 26 May 2022 the Chancellor acted on calls by the LGA, councils and partners to increase and extend the Household Support Fund to the end of the financial year. The LGA is calling on Government to accompany these measures with a longer-term solution to addressing wider cost of living pressures to build resilience through the wider welfare system which includes not just benefits but employment support, housing, health and financial inclusion.

8. The cost-of-living policy work sits within the LGA's Resources Board remit and is led by the CWED officer team. To date, the team have commissioned Shared Service Architecture to deliver a programme of action learning on the role of councils in supporting low-income households with the impacts of the cost-of-living crisis as we move into recovery from the pandemic.
9. A Debt Maturity Model is also being developed for councils and there is a wider programme of work planned for 2022/23 looking at the longer-term role of councils in the wider welfare system which will look at how local, discretionary support interacts effectively with Universal Credit and the mainstream benefits system.

Urban implications

10. As members are aware, people living in urban areas are particularly vulnerable to the rising cost of living. Recent research from debt collection company Lowell and the Urban Institute think tank found households in major UK cities have been left financially scarred by the coronavirus pandemic with high-cost debts and little in the way of savings. As a result, these cities are far more vulnerable compared with other areas to the further economic shock of the rising cost of living.
11. Centre for Cities explored the impact of the pandemic on cities and the rising cost of living further and found Slough, Hull and Blackpool are most likely to be worst affected by the rising cost of living as residents were least likely to have been able to save money during the pandemic and they have the highest shares of universal credit claimants. Urban areas which haven't returned to pre-pandemic levels of growth are at an increased risk of financial vulnerability and will therefore be disproportionately impacted by the rising cost of living.

Opportunities for join-up

12. The LGA is keen to develop an integrated approach to supporting councils and communities meet the rising cost of living. There are several suggested projects which the City Regions Board might like to get involved with.
13. Resources Board members and policy colleagues recently agreed to set up a cost-of-living steering group, with engagement from key researchers, think tanks, partners, and stakeholders to work to identify key priorities for councils, partners and communities, both in terms of impact and support.
14. Participants will identify and share their own relevant research, as well as advising on potential areas of focus and sources of evidence to inform the LGA's lobbying, research and improvement work. The Board might like to have a representative sitting on the steering group.

15. There is an opportunity to explore the role of councils in addressing the cost-of-living crisis in the 'productivity and prosperity' session of the Levelling up Locally Inquiry. The roundtable looks to explore the role of the private and public sector in addressing inter and intra-regional inequalities and consider the shift towards sustainable and inclusive models of prosperity.
16. The session will be used to explore what inclusive economies look like in practice and which financial models support this, as well as the role of local partners and services in building financial resilience within places.

Next steps

17. Members will have the opportunity to hear about the cost-of-living work undertaken to date from Rose and have a wider discussion about areas of possible join-up.
18. Members are asked to agree on whether they are happy for a member to represent the City Regions Board on a cost-of-living steering group.
19. Officers will take forward proposals and build these into the Boards work programme for the 22/23 cycle.

Implications for Wales

20. Benefits delivery and financial inclusion are devolved. However, we do share ideas and learning with WLGA colleagues and Welsh Councils where appropriate and will continue to do so for wider, integrated work on the cost of living.

Financial Implications

21. Any financial implications arising from this work will be met from the Boards' agreed programme budgets.