

Meeting: Executive Advisory Board

Date: 8 December 2022



The impact of cost-of-living pressures on people and communities

Purpose of report

For information and direction

Summary

This report sets out the LGA's approach to shaping policy and supporting councils with the impact of cost-of-living pressures on **people and communities**. It summarises the range of work that is already taking place within the Policy team, and where it links to improvement work, and seeks the views of members on appropriate leadership for a cross-cutting approach.

The report includes proposals for our work on both the immediate impacts, and on the role of councils and their partners in reducing socioeconomic inequality and insecurity, and strengthening financial resilience in the longer term.

Is this report confidential? No

Recommendation/s

That the Board reviews and advises on the LGA's approach to shaping policy and supporting councils with the impact of cost-of-living pressures and socioeconomic inequality on people and communities.

That the Board gives a steer on effective leadership for a cross-cutting approach

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The impact of cost-of-living pressures on people and communities



Background

1. The LGA has identified three broad priority areas related to the rising cost of living:
 - The Finance team and Resources board are leading on the **impact on council budgets**. They will draw on evidence and priorities from the other boards and policy colleagues, for example Culture Tourism and Sport on leisure services.
 - The Workforce team and Resources board are leading on the impact on councils' human resources and the **local government workforce**. They will draw on evidence from other boards and policy colleagues, for example on social worker recruitment and retention
 - The Policy team is leading on **impact on people and communities** and the implications for local support and services, with relevant work taking place across all boards and links into our improvement support

Impact on communities

2. There is a central emphasis in this area of work on welfare support and financial inclusion ('support for low-income households'), which is being led by Rose Doran, Senior Adviser through the Resources Board. However, highly relevant policy priorities are being led by other boards and colleagues across the Policy team. Colleagues have been working together to develop an integrated and cross-cutting approach, which also reflects the approach being taken by councils and their local partners.
3. We have delivered a range of briefings and support, including a [Cost of Living hub](#), a monthly bulletin and a programme of action learning and monthly webinars, which we share with a growing network of officers and councillors.
4. Policy colleagues are working with improvement colleagues including the Principal Advisers and the Behavioural Insights team, for example considering how councils can encourage people to seek out debt and financial support at the earliest opportunity, and engaging communities in energy efficiency programmes.
5. We work with a wide range of partners, stakeholders and Government departments to strengthen understanding of the role of local government and to develop a positive, consistent approach to agreeing priorities and delivering shared outcomes. For example, we have worked closely with the advice sector, think tanks, councils and the Department for Work and Pensions on strengthening local welfare support. This has contributed to securing £1bn of additional funding for the Household Support Fund in 2022/23.

6. At the Resources board meeting on 22nd September some board members expressed concerns that the board's proposed priorities for 2022/23 included taking the lead on cross-cutting work to support councils with the impact on communities. Although they have the lead for support for low-income households, they felt that the breadth of relevant policy areas meant that the LGA's key lines and priorities needed to be discussed in more detail – and potentially led – by the Executive Advisory Board.
7. We have worked with members, the policy boards and the political groups to set up a member advisory group, to make connections across the boards' priorities.
8. The recent Autumn Statement set out [a range of measures to help low-income and disadvantaged households](#). However, the Chancellor was clear about the [challenging fiscal and economic outlook](#), with councils and Government departments continuing to face considerable funding constraints. This has implications across all LGA priorities and boards, and high levels of continued socioeconomic insecurity and geo-political uncertainty mean that we may need to adjust and adapt our lines outside of the board cycles.
9. Despite the support put in place by Government, councils and partners, analysis suggests that [many households across the income spectrum remain at risk of hardship, insecurity and reduced wellbeing](#), with the [squeeze on household finances projected to last for a number of years](#). This will continue to place demand pressures on local services including housing, health and social care.
10. Services that enable households to mitigate the effects of rising costs and a challenging fiscal and economic outlook – for example employment and skills support, energy efficiency measures and debt and welfare advice – will need to be funded sustainably and targeted effectively. The sector is therefore looking to the LGA to show solidarity and leadership to councils and their residents.

Current and proposed approach

Preventing short-term hardship and promoting long-term resilience

11. The LGA has worked closely with Government, councils and partners throughout the implementation of a range of local crisis support, and we have welcomed the Government's commitment to preventing hardship throughout the pandemic and in the context of rising energy costs. We have highlighted that we need to continue to ensure that immediate support is adequate and effective.
12. However, it is also very clear, across a wide range of services, that we need a proactive, positive and adequately funded approach to lifting people out of poverty and preventing recurrent crises in the longer term.

Immediate support

13. Councils are experiencing rising demand for support, growing health inequalities and increasing pressures on housing and homelessness support. To demonstrate leadership on reducing inequality, show solidarity with councils and communities and maintain credibility with the sector and partners it is important that we continue to take a

clear and unambiguous position on the need for the social security system to provide an effective safety net and contribute to levelling up.

14. We continue to make the case for the Local Housing Allowance rate freeze to be lifted and restored to at least the 30th percentile of market rents.
15. Councils have highlighted the costs and challenges that are presented by the household benefit cap, the removal of the spare room subsidy ('bedroom tax') and the shared accommodation rate (SAR) for under-35s. The decision to raise the benefit cap in-line with inflation in the Autumn budget will help to relieve some of that pressure. We would now like to work with Government on a wider review of welfare reforms, as set out, for example, in our response to the Rough Sleeping Strategy.
16. This should ensure that the welfare system as a whole provides the right support and incentives to people and does not lead to unintended cost-shunts or inefficiencies for local services. Now that we have a clearer view of the Government's spending commitments, we need to do more to understand local impacts, and make the case for change if there is clear evidence that further changes are needed to make efficient use of public money and improve outcomes.
17. We have a strong position on discretionary local support, including the Household Support Fund (HSF) and Discretionary Housing Payment (DHP), and have done a lot of work with the sector and DWP. We have made considerable progress on HSF. Significant concerns remain on Discretionary Housing Payment, which has moved from providing targeted, short-term support to addressing permanent shortfalls. We will also continue to press the new DWP Secretary of State to move back to full-year funding rather than the recently introduced six-month review.
18. The current pressures have raised concerns about personal and business debt, and councils' own recovery practices are coming under increased scrutiny. We are developing a debt maturity framework with councils and partners (funded through the DLUHC improvement grant) to support councils with fair and effective debt management and facilitate the sharing of local approaches. Partners we are working with include the Financial Conduct Authority, Money and Pensions Service, the newly formed Enforcement Conduct Board, the Enforcement Law Reform Group, HMT and Cabinet Office.
19. We have a long-standing and effective relationship with councils, DWP and DLUHC on the delivery of revenues and benefits services. This has been crucial to the administration of one-off financial support and to partnership working on the design and delivery of the benefits system. There has been considerable pressure placed on revenues and benefits teams, as well continued uncertainty about their long-term role in administering benefits and support. The Autumn Budget contained a further extension to the transfer of Pensioner Housing Benefit from councils to the DWP. We are therefore proposing to commission research, in partnership with the District Councils Network, on the long-term role of councils' revenues and benefits teams, including recruitment and retention, capacity and fair funding.
20. Our work on energy within the wider net zero, climate change and environment agenda is also highly relevant. Councils are leading local efforts to increase the energy efficiency of homes and the transition to renewables, for instance through the Energy

Company Obligation or Local Authority Deliver schemes, to push down energy costs permanently. Alongside this, councils are working with communities to help provide advice on how to reduce energy consumption, manage energy cost debt, and access some of the related benefits and support.

21. The Children and Young People's board continues to highlight the impacts on child poverty, increased pressures on children's services and the crucial importance of both school food (including Free School Meals) and support during school holidays. There are [well evidenced links](#) between poverty and engagement with children's social care services, and councils are preparing for an increase in children, young people and families needing support, and ensuring this is the right form of support (recognising, in particular, that 'poverty' is not the same thing as 'neglect').
22. The Community Wellbeing Board takes a cross-board approach to tackling health inequalities exacerbated by the rising cost of living and continues to call for a cross-government strategy.
23. Through a health protection lens, it is the Community Wellbeing Board's view that the rising cost of living will [have profound impacts on people's mental and physical health](#), especially if it is prolonged over the coming winter. In the immediate term we may see higher excess winter deaths: estimates suggest that some 10% of excess winter deaths are directly attributable to fuel poverty and 21.5% of excess winter deaths are attributable to the coldest 25% of homes.
24. Health inequality is an immediate and pressing priority, in particular work to recognise and tackle the health impacts of cold, damp homes and ensure access to healthy, sufficient food. The need to prioritise work on the quality and safety of housing in both the social and private sectors was brought into sharp relief by the recent tragic death of Awaab Ishak. We will continue to press the Government to progress with housing reform including the proposals for a [Fairer Private Rented Sector](#) and [work to address energy efficiency](#).
25. There is a [well-evidenced link between financial insecurity and mental health](#). In England, the 2008 economic recession was associated with increased male suicide in the general population and among people with existing mental health problems. Middle-aged men were found to be most at risk. Research during the Covid-19 pandemic found that 44% of adults with mental health problems in the UK who fell behind on bills either considered or attempted suicide.
26. Financial troubles [can cause chronic stress and reduce healthy choices](#) in other areas of life. This means the effect of increasing living costs is not limited to anxiety over what someone can afford, it can lead to decisions such as limiting socialisation or overworking. Suffering financial losses or living in poverty can worsen mental health – equally, poor mental health increases the risk of financial and economic disadvantage, for example through impacts on employment.
27. Poor housing impacts on mental health and wellbeing. People with mental health conditions are also more likely to live in rented and poor-quality housing than the general population, which can exacerbate existing issues.

28. Fuel poverty is associated with poor maternal mental health, as well as other factors, such as lack of transport to socialise and attend appointments.
29. The LGA is therefore looking to more effectively join up work across financial inclusion, public health, Adults' and Children's services and housing to strengthen our understanding and offer to the sector
30. Housing affordability remains a key priority for many households, with rising mortgage costs placing pressure even on more well-off households. Councils are reporting that the freeze to the local housing allowance (LHA) rate for private rented sector housing costs is causing growing costs and challenges for homelessness and temporary accommodation. There are also concerns that other welfare reforms, including the removal of the spare room subsidy, the household benefit cap, the two-child limit for tax credits and the shared accommodation rate (SAR) for under-35s are having unintended and detrimental impacts in the current socioeconomic context, leading to poor outcomes for households and additional cost pressures for councils and housing providers.
31. The Culture Tourism and Sport board has highlighted the immediate risks of rising costs to councils' provision of leisure and cultural services, including swimming pools and library services. These assets are vital to the health and wellbeing of our communities. Leisure centres can account for up to 40% of a council's carbon emissions and are energy intensive, which means they are financially at risk during this period. However, we know that their public health benefits are immense, reducing the healthy life expectancy gap by 3.7 years¹, and saving the NHS £5.2 billion and Social Care £1.7 billion each year².
32. Libraries are neutral spaces in almost every community where [people can receive support and signposting, access to warm spaces, wifi and computers, and tea and coffee](#). They are working with partners to ensure support is available to everyone who walks through the doors. They are enhancing access to their 'books on prescription' service to promote mental health and wellbeing, activities to prevent loneliness, as well as skills training and adult learning.
33. Cost of living pressures impact on community safety in a range of ways – from risks to cohesion if communities feel that their needs are being neglected (and extremists exploiting this), to increased risks of domestic fires from people using non-orthodox ways to their heat homes in an attempt to reduce energy costs.
34. Financial pressures can lead to or exacerbate domestic conflict, drive people to participate in the black and grey economies, increase problem debt and illegal money-lending, and may also increase both [the risk and impact of economic abuse](#).

Medium to long-term priorities

35. Members, councils and partners want us to present robust, positive, longer-term proposals for the services and support that will increase financial wellbeing; lift people out of poverty and insecurity, and prevent recurrent crises.
36. We are working across the LGA and District Councils Network on the future of revenues and benefits services, which have administered much of the vital crisis support that has been provided during both the pandemic and the cost-of-living crisis against a backdrop of ongoing change and uncertainty within welfare reform and benefits administration.

This will be closely integrated with work on housing and homelessness, including affordability and supply; work on employment and skills support; debt recovery, management and support, and financial inclusion and wellbeing.

37. Our Equality Diversity and Inclusion (EDI) work for councils has an increasingly strong emphasis on the need to address socioeconomic inequality, and this commitment has been highlighted in the LGA's Business Plan. We are working with the sector to develop a range of cross-cutting case studies on councils' strategic approach to addressing the cost of living. In many cases these have been informed by local poverty / inequality commissions and are framed as equality or poverty strategies.
38. The rising cost of living is creating a new set of health challenges. When there is not enough money, some people look to addictive behaviours (drugs, alcohol and gambling) as a source of stress management, as well as a cheaper way to battle long-term trauma. Substance abuse rates rose sharply during the 2008 financial crisis, as economic uncertainty, job insecurity and general anxiety about the future took a hold. The Community Wellbeing Board will continue to monitor these wider health impacts.
39. We know that while our leisure centres continue to receive high levels of footfall from the general population, long term activity levels among certain parts of our communities remain low, and have started declining for young people. The Culture, Tourism and Sport Board is working to set out and embed a long-term vision for the design and delivery of physical activity services that provides a sustainable, core facility-based offer while also developing outreach activities with partners to engage those who will benefit most from being most active, but who do not find the current offer effective. By increasing activity levels, we will boost health and life expectancy rates in our communities, reduce pressure on local health services, and improve economic productivity through reduced absence for ill health.
40. The City Regions and People and Places Boards have highlighted the vital importance of developing strong, inclusive local economies as well as real and pressing issues around rural / social isolation, public transport, community infrastructure, food sustainability and land use.
41. Our positive narrative on devolution and levelling up makes the link between improved financial inclusion, capability and wellbeing and successful, inclusive local economies.
42. Increasing income and progression through an effective skills and employment offer is a key component in strengthening economies and reducing socioeconomic inequality. Work Local is the LGA's positive vision for an integrated and devolved employment and skills service.
43. We continue to press for more effective integration of policy across the DWP and Department for Education (DfE). Universal Credit (UC) claimants must be able to retain benefits and access the UC childcare element, which we also highlight should be paid in advance, to learn skills to move into, or progress in work
44. We are pressing for a reversal of DfE's proposals to remove adult and community learning (ACL) courses that support financial resilience, including household budgeting and healthy eating. ACL could also do more to engage residents in energy efficiency and carbon literacy, and energy saving advice to households

45. Work Local sets out recommendations for devolving support for unemployed people, wrapping-in skills and other local services they rely on and do more to engage growing numbers of economically inactive people which will help fill higher than ever employer vacancies.
46. Creating a 'high skills economy' has driven Further Education (FE) reforms and investment (Level 3 skills and above) but too many people cannot progress without a Level 2. To help the least qualified be part of this, we are highlighting investment in Level 2 and below and localising it.
47. European Social Fund (ESF) co-funds vital council and devolved employability schemes and services but ends in 2023. The Shared Prosperity Fund (UKSPF) skills priority which replaces it is for one year only (2024/2025) so council-led provision is at risk of redundancies and reduced services.
48. Investment to create jobs must go hand in hand with a local skills, careers advice and employment support offer to enable learners, unemployed people, career changers, businesses and other employers to progress. Work Local is our framework for achieving this across England, and a cost benefit analysis suggests a 15 per cent increase in the number of people improving their skills or finding work by using existing investment more effectively.
49. We have strengthened our work on food poverty and food sustainability, which became a key priority during the pandemic. We have delivered work with councils and partners on Local Food Partnerships and have integrated work on public health, school food and food affordability with work on climate change and the environment with a growing emphasis on planning, land-use, reversing environmental degradation, and ensuring access to healthy, nutritious food with a reduced environmental footprint.
50. Building on our work on Reshaping Financial Support we continue to make the case for a wider role for councils in increasing financial capability, resilience and inclusion in their places. This includes engagement with Credit Unions and Community Development Finance Institutions to improve access to appropriate financial services and affordable credit, and strengthening financial literacy through education and advice. We also continue to work with a range of partners including the Financial Conduct Authority to ensure financial products and services, including debt advice and enforcement, meet the needs of low-income households and are working to address the 'poverty premium' paid by low-income households for essential goods and services.
51. Effective, affordable public transport enables people to access employment, connects communities and strengthens economies – particularly in more rural areas. Bus Strategy
52. Initiatives like the temporary [£2 fare cap](#) are a welcome recognition of the vital importance of local bus services to socioeconomic wellbeing, but we need a long-term funding plan to ensure that public transport is reliable, accessible and affordable in the long term, as set out in the National Bus Strategy.
53. The LGA [Commission on Culture](#) and Local Government has published [case studies highlighting how culture services promote social mobility, tackle health inequalities, create inclusive economy, and deliver a sense of pride in place](#). It will make

recommendations on how councils and Government can enhance this positive offering in December.

54. We have also highlighted the importance of maintaining a thriving voluntary and community sector and supporting communities. Councils play a vital role, with their partners, in maintaining civic and community infrastructure so that people can come together to support one another and create social and cultural capital that leads to opportunity. Within what is often a very employment-based narrative it is also vital that we recognise and value older people and people who are unable to work, many of whom contribute a great deal through other local engagement and collaboration and by sharing their knowledge, support and skills.

Implications for Wales

55. Welfare and financial inclusion are devolved to Welsh Government level. We engage with WLGA colleagues on related policy as needed

Financial Implications

56. Work is being delivered within existing budgets

Equalities implications

57. Tackling socioeconomic inequality and disadvantage is a key objective for both councils and the LGA as they address the impacts of the rising cost of living. Many councils are developing cross-cutting anti-poverty (or similar) strategies and we are supporting engagement across the sector through the hub, webinars and case studies.

58. Socioeconomic inequality frequently intersects with other characteristics to create specific challenges or multiple disadvantage. We are therefore also considering the impact of current cost of living pressures on particular groups and communities and, for example, working with councils on the collection and use of data to identify and support their most vulnerable residents.

59. Short-term support is important, but to reduce inequality in the long term we continue to make the case for sustained investment in services that improve our communities' financial wellbeing and resilience, support achievement and attainment and facilitate engagement and collaboration

Next steps

60. To continue to join-up work on cost of living across the LGA and its partners. Further developing our policy work to focus on a positive, cross-cutting long-term vision for the role of councils in strengthening financial wellbeing and resilience in their places.

61. We would welcome a steer from members on our current and future priorities, and leadership for an effective cross-cutting approach.