

Report to: Cabinet



Date of Meeting 5th October 2022

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Review date for release N/A

Cost of Living Crisis – EDDC Winter Pressures Plan.

Report summary:

This report considers the cost of living crisis in the context of our Poverty Strategy and alongside our commitments to support our vulnerable residents through what will be challenging financial times with the cost of many essential items exceeding household incomes. The report proposes the adoption of a series of short-term measures to be implemented this winter and to be incorporated into a Winter Pressures Plan to help combat the worst impacts on vulnerable households.

The developing cost of living crisis requires government interventions and changes to social and welfare policy, recognising that we have a limited ability to increase household budgets, but we do have influence in ensuring that a 'welfare safety net' is in place by the use of the various tools at our disposal and that are consistent with our Poverty Strategy.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

To adopt the Winter Pressures Plan set out in the report and implement the actions designed to mitigate some of the factors impacting on vulnerable households and avoid them going into poverty, and

Refer the Plan to the Poverty Working Panel to oversee the implementation of the Plan.

Reason for recommendation:

To mitigate the worst effects of the increasing cost of living crisis and ensuring that at risk households can access affordable food, housing, warmth and meet other basic needs.

Officer: John Golding Strategic Lead – Housing, Health & Environment.

Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning

- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact High Impact

Covered by the EIA undertaken on the Poverty Strategy.

Climate change Medium Impact

Risk: High Risk

Links to background information The Poverty Reduction Strategy can be found here: [Poverty Reduction Strategy](#)

Link to [Council Plan](#)

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

1. Background

- 1.1 The cost of living crisis will lead to more households struggling to afford basic essentials. This will impact most on groups in society who have limited resources and means to protect themselves, especially low income households who are going to find it hardest to protect themselves against these spiralling prices of increasing costs of some commodities and services. This is about life's essentials for these groups, not 'nice to have' or consumer goods that meet aspirational needs.
- 1.2 The Big Issue defines a cost of living crisis as "a situation in which the cost of everyday essentials like groceries and bills are rising faster than average household incomes. The think tank Institute for Government defines the UK's cost of living crisis as "the fall in real disposable incomes (that is, adjusted for inflation and after taxes and benefits) that the UK has experienced since late 2021".
- 1.3 The cost of living crisis is being stimulated by price inflation and wages/benefits not keeping pace with the cost of essentials such as food, fuel, heating, etc.
- 1.4 There is a widespread and particular concern about this coming winter and low income and vulnerable residents' ability to keep warm and well fed. This suggests that as a Council with a stated intention to reduce the negative impacts of poverty, we should work up a short term crisis or **Winter Pressures Plan** to support households through what is predicted to be a difficult period for many.
- 1.5 It must be recognised that much of the solution to this issue is in the power of central government who steer social policy and make decisions on welfare benefits, price caps and hardship funding. However, we can play a useful role in ensuring resilience in our voluntary and community groups, supporting at risk households and operating a safety net for the least resilient households.
- 1.6 Our Poverty Strategy was intended for delivery over a period of time, but the current and very real cost of living crisis calls for an urgent and related response to deal with the worst and immediate effects of rapid inflation and clear evidence of households struggling to maintain a reasonable standard of living.
- 1.7 I am proposing that we rapidly develop a 2022 Winter Pressures Plan that supports our residents vulnerable to cost of living trauma and provides a 'safety net' for households most in need.

1.8 An outline of this Plan is shown in **annex 1**. I am suggesting a simple purpose and a number of actions:

Purpose – Keep Warm, Keep Fed, and Keep a roof over your head.

- 1) Co-ordinate Government Support to ensure it reaches those people who need it.
- 2) Exercise discretion when providing welfare support and advice to support those people who could potentially go into crisis.
- 3) Utilise Council resources set aside for poverty relief towards hardship payments and advice on debt relief.
- 4) Maximise partnership working and coordinate efforts with our partners in the statutory, voluntary and community sectors towards poverty prevention.
- 5) Promote affordable warmth, insulation and energy saving schemes, to improve heat retention and better insulated homes.
- 6) Use our annual Communities Together event to focus on cost of living crisis actions.
- 7) Liaise with others including Devon County Council and local NHS organisations to help maintain and support residents in good physical and mental health, including engaging in community-led health & wellbeing initiatives, volunteering and socialising via local initiatives.
- 8) Liaise with others to support access to food and nutrition, including healthy eating exercises/initiatives, organising a community garden to grow produce, setting up of a Community Larders or providing extra support to local food banks to meet unmet need.
- 9) Prepare for a possible 'rent shock' or increased Council Tax arrears as households in the district may prioritise between heating and eating instead of paying their rent or council tax.
- 10) Increase capacity to provide housing advice that focuses on tenancy sustainment and preventing homelessness.
- 11) Utilise Housing Community Centres as community facilities that support residents and communities combat cost of living threats.
- 12) Working with TeamDevon, Town and Parish Councils and the voluntary sector to explore the warm places project and how that can be delivered in East Devon.
- 13) Assist tenants in furnishing and providing white goods in their new homes and avoid furniture poverty.
- 14) Implement the Corporate Debt Policy to help residents avoid going into debt.

1.9 This needs to be a dynamic Plan such that it can be flexed in accordance with local intelligence and information appearing on our **Poverty/Resilience Dashboard**.

1.10 The **Institute for Government** has recently produced a briefing paper that analyses and explains elements of the cost of living crisis. I have reproduced much of this paper in **annex 2**.

2. Practical advice and support

- 2.1 Central to our approach are key points as set out below. The measures we are bringing together, are built on the partnerships we have formed and our track record of always being able to respond as a system with maturity and by putting people at the centre of everything we do. Our approach is as follows:

Cost of Living:

- 1) Continue co-ordinating Government Support to ensure it reaches those people who need it.
- 2) Continue to work in conjunction with Team Devon to influence how government discretionary funding is used to target support to those people most in need.
- 3) Build upon existing partnerships working and established systems to provide targeted support in localities where there is a particular trend and need, implementing a targeted approach.

Preventing Crisis:

- 4) Maintain Good Health – whether that be referrals for mental health support, discounts at our gyms and swimming pools, engaging in community-led “wellbeing” initiatives, volunteering and socialising via local initiatives.
- 5) Access to food and nutrition – whether that be participating in healthy eating exercises/initiatives, organising a community garden to grow produce, setting up of a Community Larder or providing extra support to local food banks to meet any unmet need.
- 6) Promoting financial resilience and early financial intervention/support to avoid indebtedness and the use of loan sharks.

- 2.2 We believe progressing and continuing with these measures now, provides us all with the best opportunity to help our communities come through this crisis. We will of course continue to monitor the changes to people’s lives carefully and continue to respond swiftly and decisively where we can. We will keep this plan under review and update it in response to emerging need, also ensuring that it is reviewed during the winter when we have further information on the pressures and effectiveness of our response.

- 2.3 Currently in our toolbox we have the following forms of assistance:

The **East Devon Action on Poverty** fund provides one-off grants of up to £5,000 to support community-led ideas and initiatives across the area of East Devon administered by East Devon District Council. Applications must work towards the aims within the council’s Poverty Strategy. Properly constituted not for profit organisations can apply. A minimum of 50% of the total funding for the project must come from elsewhere. The first closing date for applications is 30 September 2022, all applications received before then will be considered at a decision making meeting in November 2022.

Hardship and Household Support fund - The Department for Work and Pensions have indicated there will be a third round of Household Support Fund that will apply between October 2022 to March 2023. This funding will be allocated to upper tier authorities and will be administered through a Team Devon approach as per previous funds. We are working with Team Devon to agree how this funding will be used. Like the previous schemes it is anticipated that we will have some funding to administer an application based scheme for help with household essentials under a Devon wide framework.

- 2.4 EDDC’s **Financial Resilience Team** (FRO) will be managing the applications, alongside our other available discretionary funding, to help tackle poverty in our district and work towards

rebuilding the financial resilience of those who are struggling financially, in line with [East Devon's Poverty Reduction Strategy](#).

- 2.5 There are four Financial Resilience Officers. The financial resilience team aims to help support East Devon residents by identifying and addressing the root causes of poverty and financial hardship by maximising income, minimising expenditure and working with partners including those in the voluntary sector to achieve this. As part of their work they will link in with other teams and external organisations to access various discretionary funds that sit within revenues and benefits. This ensures that we are taking a holistic view of the residents needs and taking the best route to address them.
- 2.6 Examples of this work includes completing income and expenditure form with the resident and highlighting areas where savings can be found or other income maximised (welfare benefits, earnings, maintenance, allowances, etc.). Referrals to partners are made when required, e.g. Exeter Community Energy for energy efficiency savings advice, help with energy debts, support with white goods and property improvements/repairs. Citizens Advice East Devon for help appealing/claiming other welfare benefits, debt advice and support. Residents may also be referred to other partners such as; Devon's PCN Mental Health Teams, Early help, Social Services, South West Water who work in partnership with the FRO team to address and solve underlying causes. Referrals are received from applicants direct and from partner agencies including those already mentioned, schools, foodbanks, charitable organisations, internal services, etc. All referrals and applications are tracked on our Social Resilience (Poverty) Dashboard to allow for the gathering of key data to inform our ongoing poverty work and relevant policies/strategies.
- 2.7 The report to Cabinet on 5th January 2022 set out the range of discretionary funds to support financial vulnerability.
- 2.8 Our Poverty Strategy has funds available and we are making available financial support for Rent Deposit and supplying furniture to new tenants. We have also supported food banks.
- 2.9 The **Chartered Institute of Housing** has produced a document on the cost of living crisis that focuses on the impact on social housing tenants. I have reproduced this as **annex 3**.
- 2.10 Obviously our own **Housing Service** has a crucial role in supporting our tenants. We are already seeing some tenants in the 'just about being able to afford' bracket now moving into the bracket where they cannot cope.
We are not seeing evidence yet through reduced income collection levels, but anticipate that we will imminently. A number of indicators are being closely monitored by our Rental Team, such as the number of direct debits being cancelled weekly. This is obviously one of the first indicators that income is about to reduce. We set up a few additional indicators to keep a watch on this during Covid so it is important we keep these live.
- 2.11 Rental Officers are doing more budgeting/income-outgoings advice than ever before, with much more pro-active support as opposed to just looking at taking rental payments/ensuring people can pay their rent. There are signs that we are evolving into a type of money advice service, with Rental Officers doing more signposting, ensuring that benefits are maximised. This is also present in other teams, Mobile Support Officers (MSOs) are doing more financial resilience work with tenants - recently an MSO had two PIP appeals successfully overturned for two sheltered housing residents - life changing for the residents concerned – who are now literally thousands of pounds a month better off. The rental team are looking at pro-active budgeting sessions out in the community, trying to encourage people to plan ahead, and we are looking at a joined up approach with others. This is all outlined in the Poverty Strategy, but it feels like we need to accelerate this now, which has been considered with the rents team recently on their away day.

Obviously an enhanced void standard, setting people up in a home as opposed to a 'shell' is integral and also being considered to ensure tenants have access to carpets, basic furniture, white goods etc.

- 2.12 We are exploring promoting as an alternative to Credit Unions-[Westcountry Savings and Loans](#) There is a social housing arm to this and interestingly most Members of Advantage South West are now signed up. Our Membership fee helped set the service up. We are keen to explore how we support people better who are living in properties that we know are not energy efficient and are in our upgrade programmes. We are considering creating a fund that can help them with increased bills they will have in the winter. As a responsible landlord our rationale will be about recognising that some of our stock is not energy efficient and that we are compensating and helping people with that situation prior to getting the works done, which of course is our intention, but the reality is that this will take years to complete the programme. We have the ability to identify these at risk people now and target help.
- 2.13 A focus on damp and mould from a pro-active perspective. I would like to see a damp and mould policy position developed, the Housing Ombudsman released recently a good practice guide- we could adopt this, but would obviously need to prepare for it accordingly. CIH are active in this area, some really useful content in here [0508-cost-of-living-crisis-voltwo-v5.pdf \(cih.org\)](#)

3. Cost of living and cost pressures support

- 3.1 The Local Government Association (LGA) recently launched a cost-of-living hub which includes a series of case studies, resources and data to help councils support their residents. The LGA will be launching a Cost Pressures Bulletin which will highlight the latest updates from Government and Parliament on cost of living and council finances, and new resources and case studies to help councils deliver support to their residents. It is worth highlighting that East Devon District Council is included as a case study for our innovative use of Discretionary Housing Payments in District Council Network's The Power of Prevention report.

Cost-of-living hub: <https://www.local.gov.uk/our-support/safer-and-more-sustainable-communities/cost-living-hub>

Sign up to Cost of Pressures Bulletin:

https://public.govdelivery.com/accounts/UKLGA/subscriber/new?topic_id=UKLGA_345

The Resolution Foundation have also recently published a useful analysis of the cost of living with a series of recommendations for Government:

[In at the deep end • Resolution Foundation](#)

- 3.2 We have bid for funding under the terms of the **Shared Prosperity Fund**. A summary of the bid is shown below:

E13 - Action on Poverty Fund

Poverty is holding back many East Devon residents, with lower wages and higher living costs compared to many other parts of the UK (see Challenge 1). The Action on Poverty Fund is an existing scheme (managed by the Council) that provides one-off grants of up to £5,000 to support community-led ideas and initiatives across the area of East Devon that work towards the aims within the council's Poverty Strategy. The scheme is open to properly constituted not for profit organisations with a minimum 50% match-funding requirement. The scheme is currently open, with a

closing date set for late September 2022, and monies spent by the end of the 2022/23 financial year.

Our intention is to use our UKSPF allocation to extend the scheme into 2023/24 and 2024/25. The criteria of the scheme will change in some areas to better fit the objectives of the UKSPF. Eligible projects to be supported will include: projects that tackle hidden poverty and those struggling with a higher cost of living; projects to provide sustainable support to residents in fuel or water poverty by helping them to reduce their energy and water costs; projects that provide recognised and qualified advice on budgeting, money and debt issues; and projects that seek to understand and address the causes of food poverty.

We are aiming to provide grants to at least 28 not for profit organisations to deliver eligible projects. These projects, in totality, should support at least 100 households in East Devon, with support regarding energy efficiency provided to at least 25 households, yielding at least a 10% reduction in household carbon. Other outcomes include a 10% reduction in food poverty and a 10% increase in take-up of healthy eating initiatives, and a 10% reduction in financial hardship and those in severe debt. By extending the Action on Poverty Fund into two further financial years, we aim to help dissolve the pockets of poverty that exist within our local communities. By enabling us to action the recommendations in our Poverty Reduction Strategy, we can help support as many local residents as possible climb themselves out of hardship in a healthy, sustainable and carbon-neutral manner.

- 3.3 We also bid under the fund to strengthen our community and voluntary groups through the creation of a Community and Voluntary Service.

4. Summary

- 4.1 The cost of living crisis is occurring now for many households and is predicted to worsen. We know from our poverty prevention work that whilst East Devon is a largely affluent area, a significant number of our residents are affected by poverty. We cannot resolve poverty, but we can mitigate the impact on some households through the implementation of our Poverty Strategy and a more focused and urgent Winter Pressures Plan.
- 4.2 This report has been produced in advance of the Government's eagerly awaited cost of living plans. I will review the proposed local interventions in the light of the changes to social and welfare policy being proposed at a national level to support households maintain a decent standard of living.

Financial implications:

To be completed by Finance.

Legal implications:

The report does not raise any legal implications requiring comment.

Annex 2 - Cost of living explanation

What is the cost of living crisis?

The 'cost of living crisis' refers to the fall in 'real' disposable incomes (that is, adjusted for inflation and after taxes and benefits) that the UK has experienced since late 2021. It is being caused predominantly by high inflation outstripping wage and benefit increases and has been further exacerbated by recent tax increases.

In early February, the government announced some measures to respond to high energy prices, a particular flashpoint of the crisis. At the spring statement, the chancellor announced some more general policies to support squeezed household budgets. A much larger package of household support for energy bills was announced by the chancellor in late May. After accounting for these policies lower income households will be more-or-less fully protected from the increase in inflation. But for many other households inflation is still expected to increase more quickly than post-tax and benefit incomes this year.

How high is inflation?

Inflation is calculated as the average change in the price of typical goods and services purchased by UK households over 12 months. This is tracked using the Consumer Price Index (CPI), calculated by the Office for National Statistics using a sample of 180,000 prices of 700 common consumer goods and services. The latest data has the current CPI at 9.4% in the 12 months to June 2022. The Bank of England aims to keep the CPI rate of inflation at 2% plus or minus 1% (i.e. between 1% and 3%) and adjusts interest rates to achieve this.

However, CPI excludes the cost of housing. An alternative measure of inflation produced by the ONS, the Consumer Prices Index with Housing (CPIH), is in some ways a better measure of inflation as it includes owner occupiers' housing costs. Current CPIH is currently a little lower than CPI, at 8.2%.

How is inflation expected to change in the coming months?

The latest Bank of England forecast has inflation peaking at 10.2% in the fourth quarter of 2022. This is largely driven by the £693, or 54%, increase from 1 April of the energy price cap and a forecasted further increase of 40% in October. Inflation is expected to remain high for the next two years: the Bank expects that inflation will not reach its 2% target until the third quarter of 2024.

Which prices are increasing fastest?

A rapid increase in energy costs, particularly the wholesale price of gas, has been a key driver of the recent increases in inflation. Housing and household services (which include electricity and gas) and transport (which includes motor fuels) contributed to over half of annual CPIH inflation in June. The weekly average price of gas peaked at 15.3p per kilowatt hour in early March, a tenfold increase on the price a year previously, although the price has decreased to 6.9p per kilowatt hour in the latest data. Average petrol prices were the highest on record in June 2022, at 184.0p per litre compared with 129.7p per litre 12 months earlier.

Why are prices increasing rapidly?

Cost pressures have been apparent in the economy since mid-2021, when many advanced countries reopened their economies from coronavirus lockdowns.

Gas prices have increased because of a number of factors. Increased demand for gas from Asia, depleted gas storage supplies in Europe, unexpected outages in Liquefied Natural Gas (LNG) production and the war between Ukraine and Russia (a major supplier of European gas) have all contributed to the large price increases since mid-2021. Gas is an important source of energy in the UK: nearly 80% of households in England are heated by mains gas and a third of electricity is generated in gas power stations.

Disruption to global supply chains has also increased prices. Pandemic shutdowns of factories in Asia have caused a shortage of semiconductors, an important component in common consumer goods. Global shipping costs have also increased, as shipping firms reduced capacity by 11% during the pandemic in anticipation of reduced demand. The average cost of shipping a large container increased fourfold in the 12 months to September 2021. This has increased the price of commodities such as timber and other imported products.

The Russian invasion of Ukraine has significantly exacerbated these economic stresses. Many international companies have permanently ceased operations in Russia either to comply with economic sanctions or due to reputational risk. The dangerous security situation in Ukraine has also prompted many companies to temporarily close factories. European industrial production has declined due to a shortage of essential parts from Ukraine, such as wiring harnesses that are used in cars. Along with the semiconductor shortage, this has substantially pushed up the price of second hand cars as consumers switch demand towards used vehicles.

Although the UK imports only around 13% of its total fuel (oil, gas, LNG, electricity) from Russia, it is still vulnerable to any disruption to the supply of energy to the EU, which is more reliant on Russia for its energy. Due to the integration of energy markets, UK and EU gas and electricity prices move together. The recent announcement by the European Commission to phase out EU imports of Russian oil will likely push up prices in other markets the UK uses, such as Norway and Qatar.

Ukraine is also a major exporter of agricultural commodities such as grain and sunflower oil. Disruption to the supplies of these commodities could lead to significant increases in global food prices.

Are incomes increasing as quickly as prices?

On the whole, no. Inflation is outstripping increases in nominal wages so incomes will fall in real terms. Wage growth in the last year has not been sufficient to keep pace with inflation, with underlying pay growth of only 4% in February 2022. The Bank of England forecasts wage growth of 4.75% in 2022 while inflation is over 8%.

Households that receive a large part of their income from the government, through working age benefits or the state pension, see their incomes updated each year. Benefits and state pensions increased by inflation in April 2022. But the increase in April was only 3.1% because that was the CPI inflation rate measured by the ONS last September, the usual reference month for deciding the annual April increase in benefits and the state pension.

The government's recent measures will shield households from these real income falls to some extent. Recipients of benefits will now be fully protected from higher inflation.

Research from the Institute for Fiscal Studies shows that some households, such as those on the national living wage and claiming universal credit, will be better off this year in real terms than last year, following the special measures.

How have tax changes contributed to the cost of living crisis?

The tax increases announced in 2021 were larger (as a share of national income) than those announced in any year since 1993. In the March spring statement, the chancellor unwound only around one sixth of the proposed tax increases. A one-year increase of 1.25 percentage points in National Insurance contributions (NICs), ahead of the new health and social care levy coming into force in 2023, was partially mitigated by raising the income threshold of when people start paying NICs.

The income tax personal allowance and higher rate threshold will be frozen for four years from April, instead of increasing in line with inflation as planned. This amounts to a tax rise as many more people will be dragged into higher rates of tax as their incomes increase faster than the thresholds. However, the chancellor announced that the basic rate of income tax will be reduced to from 20% to 19% in April 2024.

Are poorer households worse affected by the cost of living crisis than richer ones?

Poorer households are currently experiencing higher inflation – on average – than better-off households. The Institute for Fiscal Studies estimated – based on the share of budgets spent on different broad product groups – the annual inflation rate for the poorest 10% of households to be 10.9% in April. By contrast, the richest 10% of households had the lowest rate of inflation, at 7.9%. This is because energy costs – the major driver of recent inflation – makes up a greater proportion of household budgets for low-income households.

Anti-food poverty campaigner Jack Monroe has argued that the situation for poorer households is even worse than this because the price of the lowest-cost food items on which these households rely have increased further or the cheapest products have been unavailable in stores. Experimental statistics from the ONS suggest that the rate of inflation for the cheapest, everyday products online is similar to food inflation as a whole, although it is possible that these goods are less available in stores.

Even if inflation rates were similar, the impact of inflation on poorer households might be greater anyway. A richer household might be able to absorb higher energy costs, for example by reducing how much it saves, but that option will not be available for many low-income households.

Once the government's new measures come in, starting in July, support will be greater for poorer households than the rest so they should be better protected from the crisis this year than most other households.