

Report of:	The Mayor Chief Executive
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Submitted to:	Executive
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Date:	6 December 2022
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Title:	Cost-of-living Crisis
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Report for:	Information
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Status:	Public
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Strategic priority:	All
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Key decision:	Not applicable
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Why:	Not applicable
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Urgent:	No
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Why:	Not Applicable
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Executive summary

The report provides Executive with an overview of the current cost-of-living crisis impacts in Middlesbrough and sets out the Council's ongoing response to support the town's residents, businesses and its employees.

The proposed response forms a cost-of-living strategy, pulling together a range of existing services and provision. It sets out how additional funding that has been provided will be utilised to protect the town's most vulnerable residents and support local business owners to protect the local economy.

It is therefore recommended that the Executive notes the following:

- The Council's response to the cost-of-living impacts and the Council's planned response
- The introduction of both a single council approach and a cost-of-living cross directorate/local partnering action plan designed to promote a town-wide approach to responding to the crisis

The implications of the recommendations have been considered by the appropriate officers of the Council and are set out in the main body of the report

Purpose

1. The purpose of the report is to provide an overview of activity to mitigate, as far as is reasonably possible within the Council's limited resources, the impact of the cost-of-living crisis on residents, businesses and council employees.

Background and relevant information

2. This report outlines an overview of the cost-of-living crisis and the impact that this is having on the town, not only those residents living on the lowest incomes but working residents, employees, businesses and business owners.
3. The report sets out the Council's response from a welfare perspective and provides an update on the work undertaken by the Council and its partners to tackle poverty and improve financial inclusion to date.
4. The report also highlights the wider economic forces that are exacerbating this crisis.
5. It is also recognised that responding to the cost-of-living crisis as a town will require effective partnership working. Groups such as the Financial Inclusion Group will be ideally placed to support the Council, as they have similar objectives in so far as ensuring a targeted and appropriate response is provided to those most at risk of poverty.

The size of the challenge

6. Although poverty and financial exclusion have been deep-rooted challenges for many years, key factors affecting the current financial climate and wider societal issues have further escalated the situation, leading to what is now being described as a 'cost-of-living crisis'.
7. As previously reported to Members within finance reports, 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. UK inflation was 11.1% in October 2022. Inflation is forecast to continue to rise over this year, with the poorest households hardest hit, as essential goods and services are likely to be most severely affected.
8. A survey by the Financial Conduct Authority, 'Financial lives latest 2022 survey' has identified that in May 2022 12.9 million (24%) UK adults had low financial resilience, compared to 10.7 million in 2020.
9. It also identified that adults living in the most deprived areas of the UK are nearly seven times more likely to be in financial difficulty than those living in the least deprived areas.
10. As Middlesbrough has the highest proportion of neighbourhoods (almost half at 49%) that are in the top 10% of most deprived nationally¹, it is particularly exposed to this crisis.

¹ 2019 Indices of Multiple Deprivation (IMD), published by the Ministry of Housing, Communities and Local Government

11. The same IMD 2019 data release ranked Middlesbrough as the most deprived local authority for income deprivation and third most for employment deprivation. Overall Middlesbrough is ranked as the 5th most deprived local authority.

The impact of the pandemic

12. As set out above, Middlesbrough's residents were less resilient and less able to manage an external shock or crisis in comparison to other areas than in previous years, with significantly lower propensity to save and higher likelihood of being in debt due to cost of living inflation on the rise.
13. The onset of the COVID-19 pandemic in 2020 increased pressures on low-income households and the most vulnerable in society, as well as pushing many additional households to experience financial uncertainty and hardship for the first time.
14. Numerous supportive measures were implemented at both national and local levels during the pandemic (e.g., benefit up rates and conditionality easements, furlough, self-employed income support scheme, ban on evictions and various short term-funding initiatives for local authorities), providing temporary relief to many households. However, these measures have or are now coming to an end.
15. This is at the same time as inflation has risen in 2022, causing a double impact on those within the scope of that support.
16. The overall situation is leading to rising numbers of people facing financial hardship and falling into debt, as well as claiming benefits, seeking advice, support and access to food aid, warm spaces and other crisis support services.
17. Despite a significant increase in Central Government Support, the Council's Crisis Support Solution has seen a significant increase. 214 cases were paid in 21/22 against 190 paid in the first half of 22/23 which suggests around a 100% increase in claims.

Energy price rise impacts

18. In April 2022, Ofgem increased the energy price cap by 54%, this affected all households not on a fixed tariff, with a predicted annual rise of £700 based on average usage whether the customer was paying by direct debit, default tariffs or prepayment.
19. The energy cap increased again in October 2022, however in May 2022, further plans were announced to allow the price cap to change every three months, meaning prices could rise even further in the interim.
20. Under normal circumstances, customers facing increases in energy costs would be able to compare prices and/or switch supplier to save money, however in the current market, this is no longer a viable option for many.
21. Government has implemented measures to reduce the impact universally, in particular the additional support provided by the Department for Work and Pensions (DWP) such as cost-of-living payments, disability and pension cost-of-living payments, and the Energy Rebate Payment. While this is helpful, the support only partially

mitigates the impact and while that impact can be absorbed in wealthier households, those in the poorest households are less able to do this.

Food

22. In April 2022, a study by the Food Foundation found 7.3 million adults live in households that said they had gone without food or could not physically get food in the past month, which includes 2.6 million children. This is compared with 4.7 million adults in January and equates to a 57% increase.
23. National statistics show food is the largest item of household expenditure for low-income households after housing, fuel, and power costs. Rises in food prices are more difficult for low-income households to cope with because they must spend a greater proportion of their income on food, leaving less money available to spend elsewhere. In October, ONS data showed that while overall inflation was 11.1%, food inflation rose by 16.2%.
24. The analysis of current provisions identified that demand has continued above pre-pandemic levels, and a significant level of need remains. This is in relation to both emergency provisions such as food parcels, as well as affordable food schemes such as local pantries and social supermarkets.
25. Information gathered over the last three months in Middlesbrough shows a steady increase in requests for food, either because the resident has run out of money, been sanctioned by the DWP or is simply in crisis with no other recourse to additional support. It also suggests an increase in pensioners accessing food support which is a definite shift from earlier findings.

Welfare

26. In February 2020 (pre-pandemic), 11,032 people were claiming Universal Credit in Middlesbrough. By March 2022 this had increased to 19,930. The latest available data shows that in October 2022, this increased to 20,774. It is difficult to attribute the increase to the current economic climate as the DWP are pressing ahead with the plans to migrate claimants onto Universal Credit following a pause to this during the height of the pandemic.
27. A more appropriate measure would be the number of working age residents in receipt of Council Tax Reduction. Following the changes made to the Council Tax Reduction Scheme in April 2022, the number of claimants has increased from 12,377 to 12,698 in November 2022 with further increases anticipated over the coming months.
28. Universal Credit continues to present challenges which have been raised both nationally and by local support organisations and partners, including:
 - Risks for vulnerable claimants and their capacity to access benefits and support
 - The wait period for payment, although claimants can now get an advance following an initial assessment
 - Deduction's policies (including debts and sanctions)
 - The quality of decision-making
 - Immigration-related challenges.

29. As set out previously, the changes and easements to Universal Credit implemented during the pandemic have now ended and despite positive welfare changes announced as part of recent budgets, the changes announced do not fully mitigate the impact of these ending. Recent announcements will mainly benefit a proportion of working Universal Credit households. The Resolution Foundation identified that 'three quarters of households on Universal Credit would still be worse off because of the removal of the £20 uplift alone despite the reduction in the taper rate and increase to work allowances'.
30. While it is true that a significant amount of additional support has been provided, demand on crisis and food support and other funding sources continues to increase. The ad hoc support provided to date was not designed to respond to the longer-term financial issues and as outlined above, it is possible some residents will be less inclined to budget and instead see the additional support as a short-term improvement to their financial position.
31. The issue of benefits levels not accurately reflecting the cost of living, has been continuously highlighted at both national and local levels.
32. In April 2022, benefit levels were updated by 3.1% below the ONS stated March inflation level of 9.2%.
33. The rate of inflation could result in benefits and state pension increasing by almost 10% in April 2023, however many organisations including Citizens Advice, are calling for this increase to be brought forward, in order to help alleviate the pressure on low-income households in 2022.

The Council's response

34. The cost-of-living response is designed around residents, businesses and employees.
35. Central Government have provided local authorities with funding through various means, more recently through the Household Support Fund. Several initiatives aligned to the Councils' themes (see below) are in place, providing food, warmth and money. Support is assigned to households with children, adults, or residents of pensionable age.
36. Central Government funding is very prescriptive and allocated in accordance with government guidance. The latest round of funding will end in March 2023. Although there is no confirmation that the household support fund will continue beyond March 2023 it is anticipated that further funding will be announced over the coming months.
37. Once funding arrangements end, it is likely that any support will be in line with the Council's Welfare Strategy.
38. The Council has developed a planned approach to ensure people have the support they need across the following themes:
- Food
 - Warmth
 - Money
 - Health

- Transport.

39. A proposed action plan will also ensure that residents and business owners are made aware of Council support and resources that are available. As set out above, this crisis is impacting not only on the most vulnerable in the town, but also on those who have previously managed to pay their bills, including people in full time work.

40. It is also very likely that households who fall on the peripheral of the benefit system will be the hardest hit and as such it is crucial that Council resources are specifically allocated to support this group when sources of funding are distributed.

41. A number of the Council's residents are also Council employees. Promotional campaigns advising of support available will therefore need to be targeted at residents and staff as 70% of lower graded roles are occupied by employees who are a resident of the town.

Food

42. The Council will signpost to existing food support networks provided by the Council and across the Voluntary and Community Sector (VCS) and will also provide financial support for those in crisis who qualify to ensure they can access food. Multiple food initiatives are in place across the town.

Warmth

43. There are a range of schemes in place across the Council and with partners in the wider Public Sector and the VCS that those in need will be supported to access subject to qualifying criteria, including:

- Support to make homes safe and easier to heat
- Access to grants and loans
- Access to blankets and equipment to keep their homes warm
- Warm welcome packs to those in immediate need with access to basic clothing needs
- Access to warm spaces, 11 of which will be giving information on wider support available.

44. There are 11 Council ran/led warm space venues and six other external community venues providing warm spaces. In addition, several schools and care homes have expressed an interest in providing a warm space with numbers increasing daily. Potential funding support has been set aside to encourage other community venues to come forward to ensure a good spread of venues across the town. Promotion of warm spaces, walking distance, location etc will be through the Council's website and communicated through the wider engagement strategy.

45. Warm spaces will at the minimum offer a location to stay warm, with the offer differing between venues but also including hot drinks, food, activities, and or advice. The warm space offering extends to surrounding authorities/partners and is not town specific.

Money

46. In July 2022 Executive approved a Welfare Strategy which sets out the range of support the Council has on offer to support those with financial challenges.
47. The officer working group set up to develop the detail of the Council's response to the cost-of-living crisis has identified opportunities to further expand this strategy to pull in specialist interventions offered by social care colleagues into one pathway to assess support needs. This will include:
- Discretionary housing support
 - Hardship support
 - Debt management
 - Signposting to financial advice and financial support available from other agencies and VSC organisations
 - Assessment against the full range of means tested benefits and funds administered by the Council
 - Support to use digital platforms
 - Practical support sources for those unable to leave their homes.
48. Following Executive approval in November 2022, a range of advice and support will also be offered to local businesses which will include:
- A clear and consistent businesses journey through the local authority
 - An understanding across service areas of the business support available
 - Identification of a business in distress and the support available through the Council's Business Support Solution
 - A single point of contact within the Council to support business access the advice and support
 - Connections with all business networks designed to be far reaching across a wide range and diverse section of the business community
 - Agreed referral mechanisms between service areas
 - Faster approach to identifying gaps across the service areas for the businesses.
49. In addition, a comprehensive solution has also been designed for Council employees. For those employees that live in the town, they will have access to the same support as all residents do.
50. For all employees the Council also provide the following:
- Support through the Employee Assistance Programme which provides both financial and money management advice
 - Staff Benefits – providing staff with the opportunity to buy expensive household items through an interest free repayment plan via a net pay deduction
 - Crisis payment – staff can access an amount of accrued wages in the event of a financial emergency (subject to conditions).

Health

51. There is usually a 19% rise in death rates every year during winter months, many of which are avoidable. This amounts to an average of 27,000 excess winter deaths or

about 1,560 more people per week dying between December and March compared to the rest of the year.

52. The reason more people die in the winter is complicated although very much interlinked to inadequate heating, poorly insulated housing, health inequalities and circulating infectious diseases (particularly flu and norovirus). Excess deaths occur among older people, especially women and those with underlying health problems all of which are likely to be further impacted with the cost-of-living increase.
53. NICE¹ recognises a wide range of individuals are vulnerable to cold. This is either because of a medical condition, a disability that stops people moving around to keep warm or makes them prone to chest infections, or personal circumstances such as being unable to afford to keep warm enough.
54. The Council will focus on raising awareness of available support to keep people warm and work to identify who in the town is most at risk is under way. Through the Council's engagement strategy, information will be circulated via partners and Council staff who are in contact with these vulnerable individuals and groups.
55. The Council and its partners have adopted a MECC (Making Every Contact Count) approach as part of the normal interactions with residents. It is essential that residents are appropriately signposted to health and wellbeing solutions as left unattended, resident needs will likely be exacerbated by the cost-of-living crisis. MECC Awareness Training is available to Council staff, VCS and wider partners. (www.meccgateway.co.uk/nenc).

Mental health support

56. Children and adults living in households in the lowest 20% income bracket in the UK are two to three times more likely to develop mental health problems than those in the highest (Marmot 2010).
57. Poverty increases the risk of mental health problems and can be both a causal factor and a consequence of mental ill-health.
58. Worrying about money can impact on your mental health and living with a mental health condition can make managing money more difficult. The Money and Pension Service has highlighted that people with mental health problems are more likely to say that the cost-of-living crisis has had a negative effect on their mental health.
59. Residents in Middlesbrough have access to a range of services to support their mental health and wellbeing. These services are provided by statutory, voluntary and community organisations that provide a range of specialist and non-specialist advice, support and intervention and are accessible through the MECC Gateway.

Transport

60. Additional Support is also available to help meet the cost of travel for Middlesbrough residents and whilst some of the support is open to all, other support is subject to certain conditions – see below:
 - Bus Fares – potentially open to all residents

- The Government has announced a bus fare cap for single adult fares at £2 per journey from January 23 to March 23. However, it should be noted that this is dependent on operator participation, which is yet to be confirmed
- The Tees Valley didn't receive Bus Service Improvement Plan funding, which means the region is limited on funding support that can be provided to operators, which is often used to subsidise fare offer schemes across travelling areas
- Patient Transport Service (PTS) – subject to conditions
 - A non-emergency service for people who may need special support getting to and from their healthcare appointments
- Railcard – open to all residents
 - Support for all rail journeys
 - Some flash sale promotions e.g., Northern ran its 'Flash Sale' promotion in September/October, when 1,000,000 tickets for journeys on some of its services across the North of England over that period were available for just £1. These sort of promotions are likely to be repeated
 - The Government has pledged to keep annual rail fare increases below the rate of inflation and delay implementation until March 2023 (normally January)
- Universal Credit - subject to conditions
 - Jobcentre Plus travel card
- Bus Passes – subject to conditions
 - State Pension Age or Disabled Persons
- Students can also access free travel to some colleges - subject to conditions.
 - Redcar and Cleveland College
 - Middlesbrough College

Communication and Engagement Strategy

61. Previous work to promote the financial support available to Middlesbrough's residents has demonstrated that even when financial support is on offer, there is lower than expected take up in the most deprived areas. Effective communications will therefore be key to ensuring that those in need of support are made aware of what is available to them and encouraged to access it.
62. The Communication and Engagement Strategy has two separate aims. The Council will directly target the wards and communities we believe are most exposed to the economic situation. At the same time, the Council will also target mass audiences, accepting that not everyone receiving the message will need the support. Instead, the intention is for awareness of the offer to increase via maximum exposure.
63. The Communication and Engagement Strategy design principles are to ensure: -
- The support on offer is in one place on the Council's website
 - Targeted community communications are undertaken using existing networks to reach those most in need
 - Warm space venues are used as an opportunity to understand and assess wider needs of individuals using them

- Council workers based in the community have a guide to enable them to easily signpost residents and businesses they meet accessible via (www.meccgateway.co.uk/nenc).
- Maximum coverage
- Solutions for underrepresented groups.

64. In addition to the above, one single pathway has been designed to ensure that regardless of whether a need is identified by a Council Tax officer or a social worker, its assessed in a way that takes into account the support that exists across the Council and local partners.

65. Furthermore, it is essential that the Council adopt a centralised approach to the cost-of-living crisis. Resident and Business Support will provide that single view through cross directorate/local partnering arrangements ensuring support is provided fairly and consistently across the town. A copy of the Communication and Engagement Strategy for the cost-of-living crisis is appended to this report at Appendix One.

What decision(s) are being recommended?

66. It is therefore recommended that the Executive note the following:

- The Council's response to the cost-of-living impacts and the Council's planned response
- The introduction of both a single council approach and a cost-of-living cross directorate/local partnering action plan designed to promote a town-wide approach to responding to the crisis

Rationale for the recommended decision(s)

67. While the capacity and limited resources of the Council mean it will not be able to fully mitigate the town from the impact of this crisis, it must act decisively if it is to protect as far as possible and ensure the town is as well placed as it can be within its constraints to weather these impacts and bounce back.

Other potential decision(s) and why these have not been recommended

68. The Council could choose to continue to meet statutory obligations in relation to this work but not join up that work to ensure that access to support is maximised and support routes simplified for the public, businesses and staff. This option is not recommended as it would miss an opportunity to reduce the impact of the cost-of-living crisis on the town.

Impact(s) of the recommended decision(s)

Legal

69. This report outlines how the Council will continue to meet its range of legal duties in relation to the services delivered within this report.

Strategic priorities and risks

70. The report is relevant to all five strategic risks as the impacts from this cost-of-living crisis will be far reaching if no action is taken.

Human Rights, Equality and Data Protection

71. There are no concerns that the proposed action within the report could have disproportionate adverse impact on a group or individuals because they hold one or more protected characteristic. Existing policies and procedures referenced within the strategy have been separately impact assessed where relevant.

Financial

72. Central Government has provided Local Authorities with funding, firstly to support vulnerable household through Covid, then later extending this funding to support the households with the cost-of-living increase. The intention of Central Government is for Local Authorities to design and deliver local schemes based on local knowledge, allocating funds to those households considered vulnerable in line with government guidance. The latest round of funding will end in March 2023 although it is anticipated that further extensions to the scheme will be announced over the coming months.

73. Should Central Government decide to cease with funding arrangements, support will be subject to Council budgeted schemes and in line with the Welfare Strategy and other identified funding opportunities delivered in line with funding expectations/local schemes.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Commence Implementation of the Communication and Engagement Strategy	Janette Savage, Head of Resident and Business Support	30 December 2022

Appendices

1	Communication and Engagement Strategy
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Background papers

Body	Report title	Date
Executive	Welfare Strategy	12 July 2022
Deputy Mayor and Executive Member for Children's Services	Equality and Inclusion report 2019 and 2020	27 July 2021

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