

<b>Cabinet</b>  11 July 2022	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Ann Sutcliffe, Corporate Director Place	<b>Classification:</b> Unrestricted
<b>Supporting residents through the cost of living crisis</b>	

<b>Lead Member</b>	<b>Councillor Saied Ahmed (Cabinet Member for Resources and the Cost of Living)</b>
<b>Originating Officer(s)</b>	Ellie Kershaw, Interim Director for Growth and Economic Development
<b>Wards affected</b>	All
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	30 May 2022
<b>Reason for Key Decision</b>	to be significant in terms of its effects on communities living or working in an area comprising two or more wards.
<b>Strategic Plan Priority / Outcome</b>	1. People are aspirational, independent and have equal access to opportunities;  2. A borough that our residents are proud of and love to live in;

### **Executive Summary**

The United Kingdom is suffering from a cost of living crisis, which is disproportionately impacting those on the lowest incomes.

The government has recently announced a range of measures to support households, but these will not fully cover the increased costs which households will face.

The report recommends actions that the council can take to support those in the greatest need, the associated costs and how these would be met

## **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Agree that the recommended measures should be implemented
2. Where necessary, agree additional funding to undertake the measures
3. To give delegated authority to the Corporate Director Place to enter into any contracts that are required in order to deliver the measures
4. That a contract should be entered into with the Post Office as the primary means of distributing funds to residents

## **1 REASONS FOR THE DECISIONS**

- 1.1 Due to a combination of factors, both internal and external to the United Kingdom, the cost of standard household items like energy and food have increased significantly and will continue to do so.
- 1.2 The government has announced a number of measures that will support households, but these will not cover the additional costs households will incur in full. Therefore, the Council needs to find ways to support its most vulnerable residents.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The council could choose not to provide any intervention other than those funded by the Household Support Fund. This is not recommended, as it will lead to many more vulnerable residents remaining in crisis, with an associated detrimental impact on their physical and mental health. It is also likely that not supporting residents at an early stage would lead to increased costs for the council when residents make contact needing emergency support.

## **3 DETAILS OF THE REPORT**

- 3.1 The cost of living crisis is driven by many areas involving both income and expenditure.
- 3.2 In April 2022 the energy price cap increased by 54%, which is £700 a year for an average household. In October it is likely to increase by a further £800. This will mean that in the space of a year, the cost of energy bills has more than doubled.

- 3.3 Food prices have increased by an average of 5.9%, the largest increase since 2011. However, many items have exceeded this increase, such as pasta (10.1%), milk, cheese and eggs (8.6%). Lamb (16.9%), beef (8.9% and oils and fats (18.1%). In other words, items which are household staples have seen the largest increases, meaning the largest proportional impact is on low income households. The British Retail Consortium reports that they expect this trend to continue across the year. With an increase in energy, processing costs could rise even further than expected, driving further retail increases.
- 3.4 This is happening while benefits are at a 35 year low in real terms, and while coming out of a pandemic which has disproportionately impacted those on low wages.
- 3.5 According to data from the Council’s tackling poverty dashboard, which uses benefits and council tax data for information, inflationary pressures are rapidly increasing the number of households in need across Tower Hamlets. Increases below are against the previous month.
- 4765 households are in cash shortfall (less income than expenditure on necessities), an increase of 20%
  - 15,021 households are in relative poverty, an increase of 15%
  - 6,130 households are in food poverty, an increase of 17%
  - 17,623 households are in fuel poverty, an increase of 18%
- 3.6 The government has announced measures to support households to mitigate these impacts. Where applicable, households will receive more than one of these payments:
- £150 energy rebate to all band A-D properties where the resident has a council tax liability
  - £400 to be credited to all household utility bills in October
  - £650 payment to be made to households in receipt of means tested benefits, to be paid in two equal instalments in July and in the Autumn
  - £300 additional payment to pensioners, to be paid alongside the annual Winter Fuel Payment
  - £150 payment for those in receipt of a range of disability benefits
- 3.7 The government has also confirmed that a further tranche of Household Support Funding will be given to Local Authorities for use between October 22- March 23, but final details are not yet available, though it is indicated that payments should particularly target those who were ineligible for the above measures.
- 3.8 The table below shows the impact that price increases and support measures will have on a range of different household types (costs are shown as averages), based on published information and standardised thresholds for core costs. This is purely the new increases and mitigations and does not take any existing deficits and support into account.

Household	Energy increase p/a	Food p/a at 15% increase	Total increase	Mitigation	Shortfall

Single	£900	£400	£1300	£150 energy rebate £400 utility credit £650 cost of living payment <b>Total £1200</b>	£100
Small family	£900	£940	£1840	£150 energy rebate £400 utility credit £650 cost of living payment <b>Total £1200</b>	£640
Large family	£1350	£1250	£2600	£150 energy rebate £400 utility credit £650 cost of living payment <b>Total £1200</b>	£1400
Pensioner (single)	£1200	£400	£1600	£150 energy rebate £400 utility credit £650 cost of living payment £300 winter fuel payment <b>Total £1500</b>	£100
Where there are eligible disabled persons in the household, an additional £150 grant per person will apply					

3.9 The table below recommends actions to be taken by the council in order to provide additional support to households. Some can be funded through existing budgets, including the Household Support Fund. Others will require the Council to find additional funding. It should be noted that these measures do not include use of the October-March tranche of Household Support Funding as, while an award has been confirmed, we do not know how much this will be and what restrictions there may be on spending.

What	Who for	Cost	Funding stream	New funding needed
One-off payment to all households on free school meals distributed via schools	Households with school aged children	£100 per child= £1.55m	New funding	<b>£1,550,000</b>
One-off payment to	Households	£100 per child	New funding	<b>£200,000</b>

households that schools have deemed at risk of poverty but are ineligible for FSM (The size and membership of this group will vary as parents' employment and housing circumstances change. However we are confident that schools can signpost this support correctly as they assisted us to identify families with this level of need during the pandemic)	with school aged children	= £200k		
A payment to households with younger children. The poverty dashboard can identify those eligible for healthy start vouchers which is a good proxy for poverty. Currently there are 2,275 households eligible	Households with below school age children	£100 per household = £227.5k	Household Support Fund	£0
One off payment to pensioners on pension credit of whom there are currently 7135 in Tower Hamlets	Pensioners	£100 = £713.5k	Household Support Fund	£0
<b>Total</b>		<b>£2,691,000</b>		<b>£1,750,000</b>

3.10 Ordinarily this report would have been taken through GDSC. However, due to the urgency around the support that households need to navigate this crisis, as well as the government requirement for the Household Support Fund to be fully spent by 30 September 2022, recommendations are instead being brought to Cabinet.

3.11 There are four methods that can be used for distribution of funding to residents. The first is a direct transfer from the Council. This is not possible as it is not like the council tax energy rebate, which had a broad approach. These payments will be distributed to specific cohorts of residents and the council has no way of cross referencing this data with payment details. The second is use of a prepaid card. This would cost around £3 per card purchased, which would amount to somewhere between £150-200,000. In addition, substantial admin time would be needed as each card would need to be manually placed into an envelope with a letter for the resident. Initial conversations with the Council's bank also suggest that they would not be able to facilitate this option. The third is using the post office. This would allow the Council to upload residents details to a secure portal with the Post Office then sending a letter provided by the Council) to these residents with a code that can be exchanged for cash at any post office. This would cost approximately £1.50 per transaction. The fourth option is to continue using supermarket vouchers. The disadvantage of this system is that it dictates where residents must shop and disadvantages local businesses.

3.12 It is recommended that the Council uses a hybrid option, with the Post Office being the default, but supermarket vouchers being used where discussion with partners tells us that some cohorts of residents would be better served by this route. The Council can also offer an alternative cash route for people who

are unable to access a post office through its existing Residents Support Scheme.

#### **4 EQUALITIES IMPLICATIONS**

- 4.1 Single parents, disabled people, young working aged people and pensioners are more likely to be impacted by poverty and the ongoing issues caused by the pandemic. Distribution of funding to these groups would help to raise their income to levels enjoyed by other groups
- 4.2 A hybrid option for distributing funds would ensure that the Council is able to take the needs of a diverse range of residents into account.

#### **5 OTHER STATUTORY IMPLICATIONS**

- 5.1 Provision of support for food and heating supports the council's statutory safeguarding role

#### **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 There are a number of factors that are contributing to the cost of living crisis that residents are currently experiencing. Significant increases in the cost of fuel and food combined with the lowest level of benefits in real terms seen for a generation has disproportionately impacted on the vulnerable and lower wage families as the Country comes out of the pandemic.
- 6.2 Para.3.9 provides details of the support the Council could provide to assist residents at a cost of £2.7m. Existing budgets and one-off Government funding can be used to meet some of these costs but to deliver the full support package would require additional unbudgeted funding of £1.75m with non-ringfenced reserves needing to be re-purposed to meet this additional expenditure.

#### **7 COMMENTS OF LEGAL SERVICES**

- 7.1 The Council has the legal power to undertake the actions detailed in this report
  - 7.2 This decision would ordinarily be made in Grants Determination (Cabinet) Sub Committee. However, due to timetabling and urgency of the decision the Executive may make this decision at full Cabinet as the delegator of the decision-making power to the sub-committee.
  - 7.3 The Council will monitor any grants in accordance with the procedure rules associated with such grants to ensure that any funds are used for the purposes it is granted. This will contribute to the demonstration of compliance with the Council's Best Value duty
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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

None

### **Appendices**

None

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

None

### **Officer contact details for documents:**

N/A