

Report To:	OVERVIEW AND SCRUTINY COMMITTEE
Date:	13 OCTOBER 2022
Heading:	SCRUTINY REVIEW: COST OF LIVING
Executive Lead Member:	NOT APPLICABLE
Ward/s:	ALL
Key Decision:	NO
Subject to Call-In:	NO

Purpose of Report

The purpose of this report is to introduce the Scrutiny Review: Cost of Living topic to the Overview and Scrutiny Committee. At this introductory meeting, Members are asked to consider the national context of the cost of living crisis, the actions Ashfield District Council has taken so far, to establish terms of reference, and identify the next steps needed to progress the review.

Recommendation(s)

Overview and Scrutiny Committee Members are recommended to:

- a. Note the information contained within this report.
- b. Discuss and set terms of reference for the Scrutiny Review: Cost of Living.
- c. Identify next steps needed to progress the Scrutiny Review: Cost of Living.

Reasons for Recommendation(s)

Cost of Living was added to the scrutiny work programme in June 2022 by Members of the Overview and Scrutiny Committee. Members have since agreed that Cost of Living is a high priority topic for review.

Alternative Options Considered

No alternative options have been considered at this introductory stage of the scrutiny review process.

Detailed Information

NATIONAL CONTEXT

What is the Cost of Living Crisis?

The 'Cost of Living' crisis refers to the fall in disposable incomes experienced since late 2021. The crisis has been continually compounded by rising costs of fuel, food, energy, and other essentials and has put many households at greater risk of immediate hardship and reduced opportunity and wellbeing.

Office for National Statistics

According to surveys carried out by the Office for National Statistics in the period between 14 and 25 September:¹

- Around 9 in 10 (91%) adults reported their cost of living had increased compared with a year ago, while a lower percentage (73%) reported an increase in their cost of living over the last month.
- In response to increased in the cost of living, around 1 in 5 (19%) working adults reported looking for a job that pays more money, including a promotion.
- Among working adults, 15% reported working more hours than usual in their main job because of an increase in their cost of living, and 4% reported working more than one job.
- Around 4 in 10 (42%) adults reported feeling very or fairly unsure about the future, while nearly a quarter (26%) stated feeling very or fairly sure.
- The most frequently reported worries (being very or somewhat worried) were about the rising cost of living (76%) and climate change (76%).
- Around 4 in 10 (44%) of adults who pay energy bills said they found it very or somewhat difficult to afford them in the latest period.
- Around 3 in 10 (28%) of those who are currently paying rent or mortgage payments reported finding it very or somewhat difficult to make these payments.

The main reasons reported by adults for the rise in their cost of living over the past month were an increase in:

- The price of food shopping (95%)
- Their gas or electricity bills (73%)
- The price of fuel (51%)

The most common actions reported by all adults because of the rising cost of living were:

- Spending less on non-essentials (66%)
- Using less fuel such as gas or electricity in their home (60%)

¹ Office for National Statistics, *Public Opinions and Social Trends, Great Britain: 14 to 25 September 2022*, 30 September 2022.

- Shopping around more (45%)

Energy Prices

The energy price cap, set by industry regulator Ofgem, is the maximum amount an energy supplier can charge for gas and electricity on a default tariff.

From 1 April 2022, the typical household spends around £1,971 on energy bills, an increase of 54% on the previous level of £1,277. This is based on average usage so it could be higher or lower for a household.

From 1 October 2022, the average energy bill will hit £2,500 a year for the average household, or £208 a month. This amount was originally set to be higher at £3,549. However, the Government have announced plans to intervene to prevent such high prices for energy. The Energy Price Guarantee was announced on 8 September, which will cap the unit of cost of energy. A household's bill will continue to be influenced by how much energy they use, but a typical household will "save at least £1,000 a year (based on prices from October)".

The new energy price limit set to be imposed by the Government from October will last for two years, temporarily replacing Ofgem's energy price cap.

Government Support Announced

- A £400 universal energy discount
- A council tax rebate
- One-off payments to low-income households, pensioners, and those receiving disability benefits
- An energy price guarantee of £2,500 a year, replacing Ofgem's energy price cap for two years
- An increase in to the amount someone can earn before National Insurance Contributions are charged
- A 5p cut to fuel duty

Around 28 million UK households will get £400 off their domestic energy bills. This will come in six instalments of around £66, deducted from energy bills between October 2022 and March 2023. Currently, this is **not** impacted by the Government's plans to limit energy prices for consumers for two years.

The council tax rebate of £150 has also been available to anyone living in a property that falls into bands A to D.

Inflation: Food, Fuel, and More

Inflation means that the cost of living is going up. The current rate of inflation is 10.1%, the highest it has been in 40 years. It is measured by comparing the price of an average basket of goods to its price a year ago.

Businesses are facing increased transport and energy costs which, combined with supply problems, are being passed on through to customer through higher prices for goods and services.

Food prices have increased significantly, with many essential items such as bread, pasta, meat, and vegetables rising the most.

There was an overall increase of 2.3% in food and non-alcoholic beverage prices between June and July 2022, taking the division's annual inflation rate to 12.7% in July 2022, up from 9.8% in June.

This follows three months of increased and is the highest monthly increase since May 2001. The annual rate of inflation was last higher in August 2008, when inflation for food and non-alcoholic beverages was 13.2%.

The cost of petrol has also risen rapidly due to Russia's invasion of Ukraine pushing up the price of crude oil around the world.

Local Government Association

The Local Government Association (LGA) have called for a "long-term solution to address cost of living pressures, reducing the need for emergency support".

The LGA are calling for:

- A fair, accessible, and sufficient mainstream benefits system providing financial stability for low income households, protecting those who are unable to work, reducing health inequalities and linking effectively with key local partners to improve employment outcomes and socio-economic wellbeing
- Councils and local partners to have adequate, sustainable resources to provide targeted and effective crisis support alongside services which increase opportunity and lift people out of poverty for good, with a strengthened role for councils in improving financial inclusion and resilience
- Councils to be given the freedom and flexibility to lead local approaches which build strong local economies in the longer term, including increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives

The LGA have also launched a 'Cost of Living Hub' designed to share best practice and help councils to support their residents with the rise in the cost of living. The Cost of Living Hub includes case studies and resources for:

- Food insecurity and poverty
- Fuel and energy
- Health and wellbeing
- Money and debt
- Working with partners
- Skills and employment
- Policy and strategy

Overview and Scrutiny Committee Members may wish to use the resources provided by the LGA to support the Scrutiny Review: Cost of Living.

The Cost of Living Hub can be accessed online [here](#).

ASHFIELD DISTRICT COUNCIL

Council Motion

At the 7 July 2022 meeting of Council, Members voted to declare a 'Cost of Living Emergency' through the following motion:

Ashfield District Council notes that:

- *Prices are continuing to rise at their fastest rate for 40 years with food costs, particularly for bread, cereal, and meat, climbing. UK inflation, the rate at which prices rise, edged up to 9.1% in the 12 months to May, from 9% in April according to the Office for National Statistics.*
- *On 1 April 2022, Ofgem increased the energy price cap by 54 percent. In light of the increased energy price cap, the average standard tariff energy bill will increase by £693 per year. The average pre-pay meter energy bill will increase by £708 per year.*
- *On 6 April 2022, the Government increased National Insurance by 1.25 percentage points, which is projected to cost the average Ashfield family an additional £108 per year.*
- *The Government has suspended the pensions 'triple lock' for 2022/23, meaning that Ashfield's 24,919 pensioners will see a rise of 3.1% this year (instead of the 8.3% under the triple lock formula). This year, this will cost an Ashfield resident on the full new state pension an average of £487, and for an Ashfield resident on the full basic state pension an average of £373.*
- *The number of pupils known to be eligible for and claiming free school meals in the Ashfield District is 17,987 – which is 28.2% of all pupils. This is the highest figure since records began. Thousands of Ashfield families face destitution and hunger as their earning are just over the threshold for free school meals.*
- *According to the Trussell Trust, food banks in the food charity network provided more than 2.1 million emergency food parcels between 1 April 2021 and 31 March 2022. Of these, 832,000 were for children. This represents an 81% increase compared to the same period five years ago.*

In declaring the 'Cost of Living Emergency', Council resolved to ask Ashfield's two District MPs to urgently lobby the Government to:

- *Reduce the standard rate of VAT from 20 percent to 17.5 percent, saving the average Ashfield household a further £600 this year.*
- *Re-introduce the pensions triple lock to support Ashfield's pensioners.*
- *Re-introduce the £20 Universal Credit uplift immediately.*

Employee Survey

The Council have recently undertaken a survey of all employees relating to the cost of living crisis. Overview and Scrutiny Committee Members may wish to view the feedback from this survey once it is available to gain a better understanding of how the crisis is impacting Council employees.

TERMS OF REFERENCE

See below a blank terms of reference template that is set at the onset of every scrutiny review. Overview and Scrutiny Committee Members are asked to consider each section within the template and set terms of reference for the Scrutiny Review: Cost of Living.

Review Topic	Cost of Living
Review Group	Overview and Scrutiny Committee
Officer Support	Scrutiny Research Officer, Service Manager – Scrutiny and Democratic Services, Democratic Services Officer
Rationale	
Purpose/Objectives	
Indicators of Success	
Methodology/Approach	
Witnesses/Experts	
Sources of Evidence	
Site Visits	
Evidence Sources for Views of Stakeholders	
Resources Requirements	

Barriers/Risks	
-----------------------	--

NEXT STEPS

Following the setting of terms of reference for the review, Members are asked to identify what steps need to be taken to progress the review going forward. This could include identifying any key witnesses to be invited to a future meeting, relevant information and evidence needed, and setting up additional meetings such as a task and finish/working group.

Implications

Corporate Plan:

The cost of living crisis has many implications for all key priorities set out by the Council within the Corporate Plan 2019 – 2023. Overview and Scrutiny Committee Members will use the priorities within the Corporate Plan to understand how the Council should respond to the crisis going forward.

Legal:

There are no direct legal implications resulting from the recommendations within this report.

Finance:

There are no direct financial implications resulting from the recommendations within this report. Overview and Scrutiny Committee Members are aware that the national cost of living crisis will have wide ranging financial impacts to residents, community groups, businesses, and the Council itself.

Budget Area	Implication
General Fund – Revenue Budget	None at this stage.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
The national cost of living crisis proposes wide-ranging risks for the Council and residents across Ashfield.	The Council has declared a ‘Cost of Living Emergency’ and the Overview and Scrutiny Committee will work to understand how the Council can respond to the crisis throughout the Scrutiny Review: Cost of Living.

Human Resources:

There are no direct HR implications resulting from the recommendations within this report.

Environmental/Sustainability

There are no environmental or sustainability implications resulting from the recommendations within this report.

Equalities:

There are no equalities implications resulting from the recommendations within this report.

Other Implications:

There are no other implications resulting from the recommendations within this report.

Reason(s) for Urgency

None.

Reason(s) for Exemption

None.

Background Papers

None.

Report Author and Contact Officer

Shane Wright
Scrutiny Research Officer
shane.wright@ashfield.gov.uk
01623 457318

Sponsoring Director

Ruth Dennis
Director of Legal and Governance
ruth.dennis@ashfield.gov.uk
01623 457009