

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	5 October 2022
Subject:	Impact of Inflation
Report of:	Head of Community Services
Head of Service/Director:	Chief Executive
Lead Member:	All Lead Members
Number of Appendices:	One

Executive Summary:

The purpose of the report is to highlight to the Members of the Executive Committee the impact of the current level of inflation and some of the known difficulties that our communities are currently and will continue to face. The report sets out the current situation that exists and the fact that, despite various central government interventions, the impact of inflation is likely to negatively impact individuals within our borough. The report also outlines the various interventions that have been made by the government and the local interventions that the Council, supported by partners, has within its remit to support the community. In addition, the report provides Members with a compendium of the work that Council Officers are undertaking, with partners, in support of the community. The Committee may wish to ask Officers to do more in terms of exploring further options for additional support to the community.

Recommendation:

The Executive Committee Members are asked to CONSIDER the report and provide Officers with guidance on whether the Committee deem it necessary for the Council to go further in providing support to the community.

Financial Implications:

There are no new financial implications arising from this report.

Legal Implications:

The Council's main response to the issue of rising inflation will be delivered under its main functions.

Environmental and Sustainability Implications:

Rising costs due to inflation could see an increase in fly-tipping due to the financial choices that people will need to make e.g. not paying for bulky waste collections or garden waste etc.

Resource Implications (including impact on equalities):

None arising directly from this report.

Safeguarding Implications:

Without a doubt the impact of inflation will have an impact on the community particularly in relation to the welfare and the protection from harm of children and vulnerable adults.

Impact on the Customer:

Contained in the body of the report.

1.0 INTRODUCTION

- 1.1** The impact of the current high rate of inflation is likely to be more significant for some groups of people in the borough than others. Those groups likely to be most affected will be those on benefits, those on low incomes but not low enough to be eligible for benefits (the “just managing”), the elderly and/or infirm and those living in rural areas using heating oil (or LPG) where car usage is not an “option” but a “necessity”. Recent research shows that those living in rural areas have considerably higher living costs than those in urban areas, although, no one is immune to increases in the cost of living.
- 1.2** The rising costs of fuel, food and other essentials have combined with existing disadvantage and vulnerability within our communities to put many households at greater risk of both immediate hardship and reduced opportunity and wellbeing. Notwithstanding that fuel prices have dropped slightly they remain very high.
- 1.3** Fuel costs are a particular concern and since 2020 fuel costs have risen considerably and are set to rise again. Ofgem, the energy regulator, has announced that they will be raising the energy price cap by 80 per cent from 1 October, taking typical bills from £1,971 per year to £3,549 per year. Whilst some government support has been announced, meaning a typical household should pay no more than £2,500 for energy, this year these costs will still be considerably higher than previous years as we head into the winter period. This will of course have a knock-on effect on inflation, as well as an impact on many more of our residents’ household budgets.
- 1.4** Those on benefits have already seen a reduction in their income post pandemic since the autumn of 2021 with temporary support and protections reduced including the reduction in Universal Credit by £20 a week.
- 1.5** Besides our residents, our businesses are also impacted. Many are still recovering from the pandemic. Fuel costs for businesses are now capped at 50% of the wholesale gas and electricity cost, but businesses are still seeing significant cost increases from rising energy bills and, anecdotally, customers are being more careful and spending less on their products and services. Businesses having to cut back or close, in turn further increases pressures on all of the above.
- 1.6** The same impacts are also being felt by the Council and partner organisations that our communities rely upon for a wide range of services and support. These include Voluntary and Community Sector organisations who may run their own buildings, and also rely on volunteers.
- 1.7** At this point in time, it is impossible to predict the length of time that inflation will continue at this high level or how far it will rise.
- 1.8** Some Councils locally and nationally have declared the rising cost of inflation as a cost of living crisis.

2.0 OUR COMMUNITIES

- 2.1** In terms of potentially vulnerable households and individuals in Tewkesbury Borough, the following statistics are available:

- Tewkesbury Borough's population is around 95,000 - with around 15,600 residents over the age of 70.
- There are 2,116 residents on housing benefit.
- 2,966 working age claimants in receipt of Council tax reduction.
- 1,789 pensionable aged claimants in receipt of Council tax reduction.
- The Council has 1,786 residents on its housing register.
- Last year, the Council supported 78 households with disabled facilities grants.
- CAB (Citizens Advice Bureau) supported 1,758 customers with a range of advice and support.

2.2 In terms of car reliance or reliance on public transport, Tewkesbury Borough has 10 rural Parishes where it would take over 45 minutes to reach a supermarket by public transport and nine where it would take up to 45 minutes to reach a supermarket. There are a number of Parishes (five) with limited public transport where the journey time by car to the nearest supermarket is up to 25 minutes.

3.0 GOVERNMENT SUPPPORT

3.1 To date, the government has introduced a number of methods of relief most notably the energy price cap takes effect from 1 October 2022, this will save average households approximately £1,000 a year. Other sources of government relief are:

- £400 off energy bills for households in Great Britain from this October.
- Households on means tested benefits, including Universal Credit, Pension Credit and Tax Credits, will receive a payment of £650 this year.
- Individuals on disability benefits will receive a one-off £150 payment in September to help with extra costs.
- In the winter months pensioners can get between £100 and £300 to help pay heating bills.
- £25 extra a week if you're getting certain benefits is available during the winter when the temperature is zero or below for more than seven days.
- Three million low-income households are eligible for a £150 rebate on their winter electricity bills.
- 0% interest on energy saving materials such as thermal insulation or solar panels.

3.2 In recent days the government has announced support to businesses, charities and the public sector for gas and electricity via The Energy Bill Relief Scheme. Under the scheme wholesale prices are expected to be fixed for all non-domestic energy customers at £211 per MWh for electricity and £75 per MWh for gas for six months.

3.3 At this stage we await information on what further interventions the government will introduce to avoid the worst potential consequences of inflation. Even with direct government intervention the combination of recovery from the pandemic and the geo-political situation means that living costs are likely to remain high and may create a disproportionate impact on those who can least afford them.

4.0 IMPACT ON THE COUNCIL AND STAFF

4.1 Financial Impact

The financial impact of the rise in inflation upon the Council's finances is likely to be significant both in the current year and future years. Inflationary pressures will impact all aspects of the Council's business from expenditure on providing services to reductions in income and on to the viability of future capital and revenue schemes which support our ambitions and priorities.

4.2 One of the main drivers of inflation has been the rising cost of energy. The Council has been fortunate in this regard as it has been protected from the steep rise in unit costs through the contract arrangements it has with its supplier West Mercia Energy (WME). The company trades on the wholesale market and has therefore been able to secure energy in advance of need and provide a fixed unit cost for the financial year at values well below the current market levels. The fixed unit cost for 23/24 is in the process of being finalised and, whilst the cost to the Council will remain some 70% below expected market rates, there will nonetheless be a steep increase in costs. It is expected that gas could increase by circa 120%, costing the Council an additional £29,000, whilst the price of electricity could increase by circa 40%, costing the Council an additional £51,000. Fortunately, the Council has invested in a solar canopy this year which will reduce the demand for purchased electricity and more than offset this increased cost in electricity.

4.3 Given the variable nature and timing of the different impacts from inflation upon the Council's finances, it is not yet possible to provide a definitive financial impact. Further detail will be provided as we produce the quarterly financial monitoring reports and draft the base budgets for 2023/24. To give some feeling of the potential scale of the impact on the current budget, a 1% sustained increase in total input cost, excluding housing benefits, would equate to £215k, whilst a 1% fall in income levels, excluding housing benefit, Council tax and business rates, would equate to £120,000.

4.4 As can be seen from the very high-level figures in the previous paragraph, a sustained impact from high levels of inflation, will have a significantly damaging effect on the Council's finances. In short, it will cost more to provide the same level of services and, without additional government support, which is considered highly unlikely, it will mean the Council will need to recognise an increased gap between the resources available and the cost of services and will need to take the steps necessary to close that gap.

4.5 Impact on Staff

4.6 Whilst the Council is proud that all Officers are paid an hourly rate which at least matches the Real Living Wage, it is inevitable that Officers will also be impacted by inflation on a personal level. For some Officers the impact may be significant. The HR & OD team will work with Management Team to explore the support which can be put in place for Officers and will encourage staff to make their manager aware of any individual issues.

5.0 THE COUNCIL'S RESPONSE

5.1 Our response needs to be focused on the steps we can take as a borough to alleviate the effects of inflation, and in particular the impact that it is having on routine day-to-day income and expenditure decisions for households – the choice, for some, between heating and eating.

5.2 At a borough level, our ability to affect the root causes of inflation will be limited. We have no levers to address the cost of gas or electricity, nor the rising food and basic commodities prices in our shops. That can only be done by national government within the globalised trade system. Our ability to alter the tax burden that people experience or the amount of benefits they can access is minimal. With some minor exceptions, government are the only ones able to act on these issues.

5.3 This does not mean that we are helpless or without action that we can take. As a borough we can have a significant impact across a number of areas, including:

- Co-ordinating a focused response with the borough's strategic partners for example our Housing partners, Department of Work & Pensions, Citizens Advice and other Voluntary sector partners, maximising support and impact on people and communities.
- Providing warm spaces for people to shelter, keep warm and socialise.
- Supporting people to make the best possible choices about how they use the income they have.
- Providing additional direct and indirect financial support, including through the various hardship schemes.
- Supporting people if they are struggling to cope, and, as a minimum, ensuring that our actions don't exacerbate problems further (for example, approaches to Council Tax or rent arrears).
- Providing visible and high-profile leadership for the borough.

5.4 Individual and Community Support

The Revenues and Benefits team already have significant support in place for those struggling financially including:

- through external funding we have a dedicated Discretionary Housing Payment's Officer to support the most vulnerable residents and process applications promptly.
- continue to monitor the performance of new claims and change of circumstances processing to ensure we process effectively and quickly as possible.
- successful appointment to the Housing Subsidy Officer role - one element is assuring the accuracy of processing.
- balance of £98,000 left in the Council Tax Hardship Fund that can be used to support those struggling with payment of Council tax.
- promotion of Council Tax discretionary hardship relief.
- Enforcement agents have a dedicated welfare team in place and work closely with the Revenue's team on vulnerable cases. In terms of general recovery, temporarily reduce payment arrangements and to allow payment arrangements over a longer period of time.
- Revenues Team work very closely with our Benefits Team and signpost customers to apply for the various benefits/CTR/DHP schemes.

5.5 Working with partners

The Integrated Locality Partnership (ILP), which is made up of senior leaders includes Council Officers, as well as representatives from the NHS Gloucestershire, GPs, Police and the Voluntary and Community Sector, to deliver place based work programmes aimed at reducing health inequalities and improving the lives of our communities are due to have a workshop where the impacts of the current economic issues will be discussed and their approach to the effects of inflation formulated.

5.6 In addition to the ILP the Council's Financial Inclusion Partnership, which was initially set up to deal with welfare reform, has been reinvigorated and refocussed on working together to support communities through this time of financial hardship.

5.7 The Department for Works & Pensions has asked the Council for support in a community day that they wish to host with a number of partners aimed at providing support and advice to communities which could be rolled out further across the borough by various partners.

5.8 Gloucestershire County Council is likely to re-start its community resilience cell which operated well during the pandemic with the aim of providing coordinated support to the community of Gloucestershire. Tewkesbury Borough Council will support this cell as it did during the pandemic.

6.0 OTHER SUPPORT PROGRAMMES IN PLACE

6.1 The Council is already providing support for communities and businesses across the Borough that will impact on the inflationary pressures, much of this is done in partnership. Some measures are purely to provide short term respite, whereas others are developing over the longer term. The current support is summarised below:

6.2 Co-ordination at a local level

- Household Support Grant – via funds from Gloucestershire County Council, Tewkesbury Borough Council is offering supermarket vouchers for families, individuals, couples and pensioners who are on Council tax support, totalling 4,700 households across the Borough. In addition, the Council has used this fund to enable Children's Centres, Foodbanks and the Citizen's Advice Bureau to provide food and fuel vouchers for vulnerable residents.
- Small Community Grants – as part of the Covid recovery the Council provides small grants to the Voluntary and Community Sector to provide services and activities in the community, often aimed at those who are vulnerable.
- Holiday Activity Fund – led by Young Gloucestershire, activities and meals are provided for families in need during school holidays.

6.3 Raising Awareness

- Providing tools and assistance through social media, website and other publications.
- Sharing resources and promoting the good work of partners.
- Enabling residents to know where support is available to them.

6.4 Welfare Advice

- Through the Housing team providing support for residents in need of housing.
- Through the Revenues and Benefits team ensuring residents have access to advice on discounts, benefits and Council tax support.

6.5 Partnership Working

- As outlined within this report, working together with our partners will be key in supporting the Borough's residents - these include the Financial Inclusion Partnership, Integrated Locality Partnership and County Community Resilience Cell.
- At a local level this includes working with community venues such as village halls, community centres and church halls, to enable spaces to be opened up to the community, to provide warm spaces, food and activity.

- A mapping exercise of the help available, i.e. of these warm spaces and access to food in the Borough is currently underway.
- Working and supporting mutual aid groups providing support at a local level – similar to those groups in operation during the COVID-19 pandemic.
- The newly launched Feed Gloucestershire charity will be a key partner.
- The Council also has existing Service Level Agreements and financially supports the Citizens Advice Bureau and Gloucestershire Rural Community Council, whose role is to support individuals and communities.
- The Council's recently submitted UK Shared Prosperity Fund Investment Plan also outlines support for communities and community infrastructure, as well as initiatives aimed at increased energy efficiency within the community.

6.6 Access to Food and Nutrition

- Providing financial support/grants to organisations, such as the foodbank, across the Borough.
- Assisting community groups setting up community pantries and larders, helping residents access fresh food at a lower price.
- Encouraging 'grow your own'.

6.7 Encouraging Healthy Lifestyles

- Linking into existing campaigns to enable residents to more active e.g. We Can Move campaign or social prescribing.
- Providing green spaces.
- Providing and promoting use of leisure facilities.
- Directing residents towards mental health support.

6.8 Business Support

- Supporting business through the Growth Hub service.
- Providing advice on funding and grants available.

7.0 NEXT STEPS

7.1 Members of the Committee may wish to explore further what can be done to provide additional support to struggling communities particularly with regard to those suggestions in Paragraph 5.3 of this report.

7.2 Officers will continue to work closely with partners across the borough to a develop a range of ideas and proposals to support local people in crisis, as well as reinforcing what support is currently available.

7.3 The Council will work at the highest levels nationally to influence policies towards tackling poverty and make the argument that poverty impacts negatively on the whole community.

8.0 CONSULTATION

8.1 This report has been discussed with various Heads of Service and Managers who have had an input to the report as the issue is cross cutting.

9.0 ASSOCIATED RISKS

9.1 None.

10.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

10.1 This report cuts across all Council priorities i.e. finances and resources, economic growth, housing and communities, customer first, garden communities and sustainable environment.

Background Papers: None.

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Appendices: 1 - Potential financial impact for the Council.