
Implications of the Increase of the Cost of Living

Report being considered by: Health and Wellbeing Board

On: 29 September 2022

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Item for: Decision



1. Purpose of the Report

This purpose of this report is to update the Health and Wellbeing Board on the local response to challenges faced by the increases in the cost of living along with the local mitigations. The report also proposes a sub-group of this Board to co-ordinate the local response.

2. Recommendation(s)

That the Health and Wellbeing Board:

NOTE the causes, implications and existing work being undertaken with respect to the cost of living increases including impacts and mitigations

RESOLVE that a sub-group of Health and Wellbeing Board be set up to consider the implications further and co-ordinate the local partner response to the cost of living increases.

RESOLVE to receive further update reports on the local response to the cost of living increases.

3. Executive Summary

- 3.1 The UK is experiencing severe cost of living increases with both national and local impacts. Figures from the Department for Education show that some 11% of state pupils were eligible for free school meals in West Berkshire with higher levels in some wards and some educational settings.
- 3.2 Increases in the cost of living lead to a risk in health impacts and inequalities. Many of the strategies and priorities agreed in the Health and Wellbeing Strategy can be brought into the response to these health impacts. This report also explores some of these factors further.
- 3.3 The causes of the projected cost of living rises are multiple and include:
 - Inflation increasing – and forecast to increase further. The cost of living has been increasing across the UK since early 2021 and in January 2022, inflation reached its highest recorded level since 1992, affecting the affordability of goods and services for households. At the time of writing the Consumer Prices Index (CPI) stood at just under 10% (a change of 8.8% over the previous 12 months).

- Energy and fuel price increases as demand exceeds supply – leads to further increases in prices of goods and services.
- Supply chain challenges caused by Covid and exacerbated by the Ukraine conflict.
- Interest rate rises (as a response to inflation) – and more forecast. Rise from 0.25% to 1.75% in recent months with further rises anticipated. This will have a serious impact for those coming off relatively low interest fixed rate mortgages in the coming months.
- Wages and debt pressures, long period of wage stagnation (post 2007) and wages forecast to rise by less than inflation.
- War in Ukraine – further pressure on oil and gas, and food prices, as a consequence of sanctions/interruption of supplies. Russia and Ukraine are major exporters of grains, metals and fertilisers, as well as oil and gas.

4. Impacts

- 4.1 There are a range of potential sectoral impacts and a number of these are summarised below:

Food Inflation

- 4.2 Food prices have been rising steadily for a number of years. Annual food price inflation rose by 12.7% in July 2022 up from 9.8% in June 2022. The largest increases were in bread and cereals and milk, cheese and eggs with smaller rise for meat, vegetables, sugar and jams etc. Food production/distribution is energy/fuel dependent so further food price rises are likely as a consequence of energy/food price spikes.
- 4.3 As a result of the war in Ukraine, the UK National Farmers Union has warned that food prices will rise due to the conflict and the disruption to food output which may last for years. This is because Russia is a major exporter of fertilisers and has put restrictions on exports. Ukraine is also a major exporter of grain and other food staples. The restrictions on the Black Sea ports means supply is likely to be limited causing an on-going largely effect.
- 4.4 In addition, yields from domestic food crops are likely to be lower than usual due to the high temperatures and drought conditions that have affected much of England this year. This could further impact on supplies and could potentially affect prices.
- 4.5 This creates vulnerabilities for poorer communities and those less able to shop around. Meanwhile there is also the potential of downward supply pressure for local safety net providers such as food banks as the ability to donate becomes less affordable at the same time as demand is likely to increase.

Energy Costs

- 4.6 There have been major increases in wholesale gas and electricity prices. This has been caused by a variety of reasons, which include increases in demand as the pandemic restrictions were lifted and lower than normal production of natural gas.

These combined with the war in Ukraine and other factors have led to significant and unprecedented price rises for consumers and businesses.

- 4.7 In October 2021 the average household energy bill in the UK was £1,277. In the spring of 2022 Ofgem announced an increase in the Energy Price Cap (EPC) of 54% taking the average bill to £1,971. Ofgem have just confirmed that in October 2022 the EPC is will rise by 80% (taking the average bill to £3,549). The government have announced that average bills will be capped at £2,500 for two years with a universal £400 winter payment being paid in addition and further targeted interventions. Business support is set to be announced at the time of writing.
- 4.8 Local vulnerabilities identified: likely to impact poorer families, people on pre-pay meters (higher costs), people who can't cut back on heating – e.g. people with disabilities, young families, older people. Families in poorly insulated/constructed homes where reduction in the temperature in the winter period not only presents health risks from cold but also damp and mould.

Fuel Prices

- 4.9 In the first week of 2021 the average price of unleaded was 117 pence per litre (ppl). This rose to 148ppl by December and following the invasion of Ukraine to 187ppl by June 2022. Diesel price rises have largely tracked those for petrol with a growing price differential to around 7ppl. In recent weeks average prices have started to fall back but remain around 170ppl. These rises equates to an increase of around £25 on an average tank of fuel.
- 4.10 There are a growing number of electric and hybrid vehicles. The significant rises in the cost per unit of electricity has meant that the costs of running these vehicles has also increased by around 50% based on the April price cap increase and will rise accordingly with forthcoming rises.
- 4.11 Fuel inflation, like energy inflation, creates significant inflationary effects of goods and services.
- 4.12 West Berkshire is a largely rural area with good public transport links along the A4 corridor but there is much more reliance on cars in the more rural areas. Over the last few years there has been a significant change to the way some people work with a shift to working from home. Nevertheless many still have to travel to work and many are reliant on the use of cars to do so. For those people the effects of fuel price rises and fuel price volatility can be critical.
- 4.13 The impact may also be felt disproportionality by certain groups including the disabled, unemployed people, shift workers, those working in lower paid jobs and those living in rural areas. There have also been consequential effects on other costs locally including local taxi fares rising by around 15% in twelve months after years without price increases.

Housing and Household Costs

- 4.14 It goes without saying that all of these factors combine to significantly increase household bills. In some cases, the traditional methods for managing these costs, such as supplier switching, have evaporated completely.

- 4.15 There are further factors though that are also significant. Firstly rents have risen significantly. According to the Office of National Statistics rents are rising at their fastest rate for seven years. This trend is set to continue whilst other inflationary pressures are at large. Meanwhile demand is significantly outstripping supply further increasing the existing disparity between supply and demand.
- 4.16 More households are struggling to pay their rent as a result of these pressures and are turning to the local authority for housing assistance.
- 4.17 Typically most applications for housing assistance end in prevention of homelessness by working with the households and their landlords to resolve issue including affordability issues, this is now more difficult to achieve due to the pressure on household finances.
- 4.18 Where it has not been possible to prevent homelessness, the council will typically relieve a homelessness application by providing alternative accommodation in the private sector, higher rental costs and the bidding wars referred to has made this more and more difficult with homeless households staying longer in temporary accommodation, which is an additional expense to the council.
- 4.19 Elsewhere, the rising interest rates resulting from measures to tackle rising inflation will present significant increases in household costs as people move from fixed rate to variable rate mortgages with LIBOR (inter-bank lending) rates continuing to rise. The standard variable rate topped 5% in July 2022. This is significantly above many fixed rates currently enjoyed. Further increases are inevitable as BoE base rates rise further.
- 4.20 Rent and mortgage increases combined with other cost of living increases could also have a disproportionate effect on many younger private sector renters in low paid jobs or those with part-time jobs.

Health and Wellbeing

- 4.21 A survey conducted by the Royal College of Physicians found that 55% of British people associate the rising cost of living with their health deteriorating. Of these 84% cited increase heating costs; 78% cited rising food bills and 46% rising transport costs.
- 4.22 Sir Michael Marmot, Director of UCL Institute of Health Equality said, 'the surprise is that people in above average income groups are affected too' with 37% of higher income earners saying it had a fairly negative impact on their health which was a similar impact to those on lower incomes. However 22% on lower incomes described the impact as severe.
- 4.23 Subject to any national or local mitigations the increases in the cost of living are likely to have a severe impact for some, leading to stark choices between heating and eating.
- 4.24 Cold conditions have been shown to lead to a rise in respiratory conditions, and in older people this can also increase the risk of heart attacks, strokes and falls. Cold homes are already linked to around 10,000 deaths a year according to research by National Energy Action (NEA) and the environmental group E3G.

- 4.25 As food bills rise, it is likely that families will be buying cheaper, processed food of poor nutritional value, and / or start skipping meals. A diet with lower nutritional quality increases the risk of health issues such as Type 2 diabetes, heart disease and stroke. The Royal College of Paediatrics and Child Health has advised that growing numbers of children will be at risk of malnutrition, obesity and respiratory illnesses this winter.
- 4.26 If people cannot afford to travel, then this may impact health in other ways, such as missing GP and hospital appointments and being unable to access pharmacies to pick up medication. This could lead to late / missed diagnosis and loss of treatment. Being unable to travel as much will also lead to a greater risk of isolation.
- 4.27 There are likely to be impacts on mental health, whether it is from increased loneliness due to being unable to travel as much, or financial stress. Dr Adrian James, head of the Royal College of Psychiatrists, warned that the mental health of the nation faces a “threat of pandemic proportions” due to the rising costs of living. He added that those already living with mental illness were “more likely to suffer the consequences of the looming economic downturn”.

5. Mitigations

- 5.1 The Council currently provide a wide range of support to those in hardship and on low incomes, working in conjunction with a range of public, private and voluntary sector partners.

Resident Support

- 5.2 In housing terms the Government’s own evaluation shows that housing benefit will not cover rent on the most modest property in most parts of England. On average this deficit is close to £400. Locally, as with much of the South East, this combines with a significant supply shortage to create a significant challenge and overall affordability issue. The Local Government Association has suggested that the main way to address housing insecurity is to tackle the unaffordability issues, which, it asserts, is the main reason why people lose their tenancies and become homeless. Without significant intervention this affordability deficit is set to worsen in the current economic climate.
- 5.3 There are a number of local mitigations and these include the contribution to discretionary housing payments, provision of advice to both tenants and landlords on housing options and the Household Support Fund which residents can apply for on-line.
- 5.4 The relationship between the home environment and health is multi-faceted. Housing conditions can influence our physical and mental health. A good home environment reduces the risks to health and well-being and in turn reduces the need for short or long term health and social care interventions.
- 5.5 Beyond housing provision and support, the Council’s Environmental Health Service enforces private sector housing standards. This includes a range of enforcement strands including the licensing of Houses of Multiple Occupation (HMOs), investigation of allegations of poor standards and disrepair with the application of the Housing Health and Safety Rating System to drive up standards. The team also manages the standards of compliance on regulated caravan and park home sites including site licences and suitability assessments of owners. The trading standards

service are able to advise on the contractual fairness or otherwise of tenancy agreements.

- 5.6 A number other initiatives are being delivered jointly between housing and public protection services. These include an invigorated Landlord Forum, a district wide Housing Condition Survey and the forthcoming introduction of a Landlord Accreditation Scheme.
- 5.7 The PPP private sector housing team are also drawing together all details of *Better Housing Better Health* initiatives across the Buckinghamshire Oxfordshire and Berkshire West Integrated Care System (BOB ICS). We want to push promotion on housing improvement for health across BOB. Doing this communications/promotion before autumn/winter is important. Signposting residents to energy grants and where to get support for poor housing conditions such as damp and mould and cold homes. This will bring together closer joint working with the Environment Delivery Team.
- 5.8 The Trading Standards Services are responsible for enforcing a whole range of provisions relating to letting agents and landlords including deposit schemes, tenant fees and energy performance certification. A recent compliance sweep will be followed up by a number of local advice / enforcement interventions.
- 5.9 Other risks identified within the remit of the public protection service include illegal money lending, smuggling and a general increase in fraud targeted on the vulnerable leading to a requirement to increase the number of safeguarding and victim interventions made by the service. The service has successfully bid for grants to increase resource to raise awareness and increase reporting of illegal money lending as well as support for victims of scams and frauds.
- 5.10 The Council also offers a range of supports in relation to Council Tax. The demand for these is likely to increase.
- 5.11 In terms of work with the voluntary sector, there is a working relationship between the Council and the Citizens Advice Bureau (CAB) particularly in areas of housing and public protection. The Building Communities Team is holding discussions with Age UK Berkshire about a range of mitigations for older people including the provision and installation of energy saving measures in homes, benefit checks to ensure access to all support is maximised and emergency repairs by providing access to technicians and issuing grants. Discussions with other areas of the voluntary sector are ongoing. This wider provision is to be considered by the Health and Wellbeing Board at its next meeting.
- 5.12 In terms of health and wellbeing, there is a risk of increasing health inequalities and a rise in the numbers presenting with mental health conditions such as anxiety and depression. There are a range of supports in place, primarily accessed through the primary care route which is itself under pressure. There is also the risk of increased numbers of safeguarding events arising from a range of factors from cold homes and neglect to breakdowns in household cohesion as household strain factors increase.

Business Support

- 5.13 There are impacts on business of both the increase in energy costs and also the wider cost of living challenges arising from inflation and squeezed household incomes. At

the time of writing the government is set to announce support for businesses in relation to energy costs.

- 5.14 At the local, level the provision of advice and support comes from many services including revenues and benefits, housing, economic development and public protection. A review of the economic development plan to look at possible short term interventions and support may be considered desirable.

Communications

- 5.15 Signposting to support services will be critical and there is a separate piece of work needed to ensure that all of the information needed to support both residents businesses through this period is available in accessible formats and through one front door as far as possible. To this end the concept of a 'Cost of Living Hub' is being developed between the Council and its partners.
- 5.16 It will be important to ensure that hardcopy information is shared with this community and support provided to apply for benefits, grants and services. This could include production of a flyer for distribution through Adult Social Care, Social Prescribers, VCS partners, and Domiciliary Care providers. Older people will benefit from access to information and advice using a landline, to have direct conversations with support agencies and the Council.

6. Options Considered

- 6.1 The following options have been considered:
- (1) 'Do minimum' - under this scenario, the Council would not implement anything beyond central government initiatives and existing local activities. This is not recommended, since it would not deliver the best outcomes for local residents.
 - (2) 'Additional local support' – this would see the Council providing additional local support over and above any national initiatives and existing local activities. This is recommended as a means of tailoring the response to local needs and improving outcomes for our residents.

7. Preferred Option

- 7.1 Under the preferred option of providing 'additional local support', Health and Wellbeing Board is asked to:

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RESOLVE that a sub-group of Health and Wellbeing Board be set up to consider the implications further and co-ordinate the local partner response to the cost of living increases.

RESOLVE to receive further update reports on the local response to the cost of living increases.

There may be an opportunity to use the annual Health and Wellbeing Board Conference to seek feedback from partner organisations and residents on local

impacts and the effectiveness of the implemented measures. The Conference is due to be discussed as part of a separate agenda item at this meeting.

8. Appendices

None

Background Papers:

- [Consumer price inflation, UK: July 2022](#)
- [NFU: Ukraine crisis: the risks and mitigations for UK food security](#)
- [Cornwall Insight: Price cap forecasts for January](#)
- [ONS: Index of Private Housing Rental Prices, UK: July 2022](#)
- [Bank of England: Official Bank Rate History](#)
- [Royal College of Physicians Press Release: Over half of Brits say their health has worsened due to rising cost of living](#)
- [ONS: Worries about the rising costs of living, Great Britain: April to May 2022](#)
- [E3G: Cold homes and excess winter deaths: a preventable public health epidemic](#)
- [Royal College of Paediatrics and Child Health: RCPCH calls for increased financial support for families as cost-of-living rises](#)
- [Royal College of Psychiatrists: Cost-of-living crisis threat of 'pandemic proportions' to mental health, warns UK's leading psychiatrist](#)

Health and Wellbeing Priorities Supported:

The proposals will support the following Health and Wellbeing Strategy priorities:

- ☒ Reduce the differences in health between different groups of people
- ☒ Support individuals at high risk of bad health outcomes to live healthy lives
- ☒ Help families and young children in early years
- ☒ Promote good mental health and wellbeing for all children and young people
- ☒ Promote good mental health and wellbeing for all adults

The proposals contained in this report will support the above Health and Wellbeing Strategy priorities by helping to mitigate the impacts of the cost of living increases.
