

Local Authorities and the Cost of Living Emergency

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Summary

Local authorities in the United Kingdom have suffered a decade of successive challenges, including austerity policies following the Global Financial Crisis, the COVID-19 pandemic, and now an unprecedented rise in the cost of living. This project focuses on the impact of the cost of living crisis on local authorities in order to understand local variations in support, with a secondary focus on what we can learn about the capacity of local authorities to respond to ongoing crises after a long period of budgetary constraint.

We draw on evidence from a survey of over 700 local councillors (December 2022 – January 2023) and a structured documentary review of 45 local authorities' cost of living policies (November 2022 – January 2023).

Findings to date demonstrate areas of policy innovation as some local authorities create new services or adapt existing ones to support people with the rising costs. However, current outlooks are bleak as only one in five councillors believed key public services have enough resources to cope; four in five fear children in low income families are at risk of destitution; and nearly three-quarters said their local authority would not be well equipped to respond to another shock in the future.

Background

In the wake of the COVID-19 pandemic and a backdrop of recession and austerity after the Global Financial Crisis, the rising cost of living is the latest in a series of challenges for local authorities in the UK.

Local authorities played a key role in coordinating COVID-19 responses: providing guidance for local people and organisations, adapting services to maintain support for the most vulnerable, and administering support funding on behalf of the Westminster government.

As the cost of living has risen, local authorities are once again at the frontline of responses: providing information and advice to residents and businesses and administering support funds allocated by Westminster.

This study focuses on local authority responses to these latest challenging conditions. We aim to understand reasons for local variations in support and find out how equipped local authorities are to respond to ongoing crisis after a long period of budgetary constraint.

Survey of Local Councillors

We commissioned a survey of over 700 local councillors between December 2022 – January 2023, asking about the impact of the rising cost of living in their local area, the efficacy of responses so far, and the capacity of local government to respond to further challenges.

Impacts

Councillors shared concerns about significant impacts on local poverty levels.

Four out of five local councillors agreed children in low-income families are at risk of destitution.

Over 70% shared these concerns for people in receipt of unemployment or disability benefits, and two out of three councillors agreed pensioners are at risk.

Local councils and public services are coming under severe pressure and councillors questioned their capacity to deal with the crisis effectively. 70% fear that health and social care services lack sufficient resources to cope with current pressures.

Local economies are also thought to be under threat. Around three-quarters of councillors agreed small local retailers or local pubs, cafes and restaurants were at risk of closure.

Half of respondents were worried about the survival of leisure and sports facilities and hotels and B&Bs, with 40% also concerned about small businesses such as hairdressers and salons.

Responses

Councils have responded to the crisis with examples of policy innovation including new services, distribution of cost of living funds, 'warm banks' and dedicated cost of living advice web pages.

Survey of Local Councillors (cont'd)

Asked about the effectiveness of organisational responses to the rising cost of living, over three-quarters of councillors said charities and community organisations were doing a good job in their local area. But supermarkets were judged to have made a bigger difference than Rishi Sunak's government. Just 1 in 5 councillors thought the UK Government's Autumn Statement would equip their local authority to respond to the ongoing challenges it faces.

Capacity

We found widespread concerns about local councils and public services' capacity to cope with successive crises.

Three-quarters of local councillors said their local authority would not be well equipped to respond to another financial shock in the future

Only 1 in 5 councillors thought health and social care services had sufficient resources to cope with current pressures. And most said that schools, emergency services, and housing providers are also struggling.

Local Authority Policy review

A systematic review of 45 local authority websites offers detailed insights into the range of policy responses adopted in the face of rising costs.

A range of responses

Several local authorities have declared a cost of living emergency. A number have established cost of living task forces or commissions to grapple with the challenges of navigating a crisis that has increased demand for their services at a time when their own budgets are under sustained pressure.

Many local authorities have joined with community organisations such as Citizens Advice and local foodbanks to distribute cost of living support. Others had extended or repurposed local partnerships borne out of the COVID-19 crisis to tackle these new challenges.

While most had created dedicated information and advice sections on their websites for residents, a small minority had not even provided basic information pages. Although councillors expressed widespread concern about the impact of the cost of living crisis on local businesses, only around 1 in 5 of the local authority sites sampled signposted business support.

Discretionary spending and variation

A core element of the Westminster government's response to the rising cost of living is the provision of support funds, administered by local authorities. Whilst some of this funding is distributed according to mandatory criteria, a significant portion of the spending is left to local authority discretion.

The Council Tax Energy Rebate

In England, the Council Tax Energy Rebate is a two-part Cost of Living support scheme funded by the Westminster government and administered by local authorities. The mandatory payment scheme requires that all households in council tax bands A-D receive £150. A further £144 million has been distributed across English County Councils and Unitary Authorities to provide additional support for vulnerable households.

Most local authorities relied on existing council tax categories to allocate their discretionary Council Tax Energy Rebates.

Households in tax bands E or above were the most common recipients, with some authorities covering all band E+ houses whilst others targeted households receiving council tax support or those with dependent children.

Households in bands A-D who were not in receipt of the main scheme, e.g. due to full council tax exemption, were also frequently supported, and a portion of local authorities made additional 'top-up' payments to those who had received the mandatory £150 payment but were in receipt of council tax support. Very few councils targeted households according to their demographic status i.e. pensioners or students in HMOs. A small minority advertised open applications from any households in hardship.

The Household Support Fund

The Household Support Fund is a resource provided by the Westminster government to help support 'vulnerable households with essentials'. To date, it has had three waves: HSF1 Oct 21 - Mar 22, HSF2 Apr 22 - Sep 22, and HSF3 Oct 23 - Mar 23. Additional funding was recently announced, extending the scheme to 2024: HSF4 Apr 23 - Mar 24.

One of local authorities' most common uses of this discretionary fund was supporting local charities, community groups or similar partner organisations. In some cases, they helped organisations (e.g. foodbanks) carry out their usual work, some set up new initiatives such as warm banks, whilst others used partner organisations in a secondary distributory role (e.g. local Citizens Advice handing out vouchers). Provision of food and other essentials (via vouchers, foodbanks or similar charities) was a common priority.

Local authorities who administered Household Support Funds directly targeted low-income households (via eligibility for free school meals or council tax support) and those who might be struggling (evidence by council tax debt or use of energy pre-payment meters).

Further information

The project is funded by the Research England Policy Support Fund and is part of the University's Cost of Living Research Group. The project was reviewed by the SPSW Ethics Committee, University of York (approval SPSW/S/22/15).

If you have any questions about this research, please contact a member of the LOCALE team:

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