Renfrewshire Council

To:	**Fairer Renfrewshire Sub-Committee**
On:	**16th August 2022**

Report by: **Chief Executive**

Heading: **Income, Poverty and Financial Insecurity: Overview of current position**

1. Summary

1.1. The Council and partners have a key focus on tackling inequality and improving wellbeing and have longstanding programmes of work and partnership arrangements in place such as the Tackling Poverty Programme and the change programme established in response to the findings of the Renfrewshire Drug and Alcohol Commission.

1.2. Evidence gathered through a partnership COVID community impact assessment in 2021, indicated that the inequalities that had existed prior to the pandemic had been exacerbated further, with the impact of the COVID often falling disproportionately on particular groups of people across communities. As an immediate response to this work, partners developed and agreed a Social Renewal Plan for Renfrewshire which was approved by Council in March 2021.

1.3. Although initially developed in recognition of the disproportionate impact that the pandemic has had on local residents, the plan has been increasingly driven by the local response to the cost-of-living crisis, with significant challenges being experienced in relation to poverty and financial insecurity in households across Renfrewshire.

1.4. As agreed by Council on 3 March 2022, all activities will now come together to form a new Fairer Renfrewshire Programme in Renfrewshire. Officers are working with partners to develop this programme, with a more detailed programme of work being developed to inform Leadership Board. Council agreed on 19 May 2022 to form the Fairer Renfrewshire sub-group to facilitate more scrutiny and oversight of issues relating to poverty and inequality in Renfrewshire.

1.5. This paper provides an overview of key context and evidence around current pressures on household finances, both in terms of household income and expenditure. The paper draws on research and evidence across the UK and Scotland, as well as Renfrewshire where possible. It

also provides figures from the latest Public Services Panel carried out in January 2022, which provides some insight into financial pressures on Renfrewshire households specifically.

1.6. Section 4 gives an overview of key drivers of household incomes, including employment trends and recent changes relating to social security benefits. Key messages include:

- Renfrewshire has shown positive recovery of employment rates following the Covid-19 pandemic, with unemployment rate now at an all-time low.
- It is important to recognise that many households in work may have low or unpredictable incomes due to insecure employment, or face income pressures due to major life events such as having children, separation or ill-health. Data indicates that there are higher rates of low-paid work and underemployment in Renfrewshire compared with Scottish rates. Work is the best route out of poverty but is certainly not a guaranteed one, as the majority of children in poverty now live in working families.
- More broadly, incomes are not able to keep pace with rising inflationary pressures – meaning household budgets are squeezed in real terms as the amount people can buy with the money they earn and/or receive through social security is limited.
- There have been a number of changes to social security benefits at a UK, Scottish and local level. Policy changes such as the Universal Credit uplift or Scottish Child Payment have a real impact on household finances, and the significance of these policy interventions is reflected within local child poverty figures. However, the impacts vary depending on household composition.

1.7. Section 5 outlines recent evidence around the rising cost of living, and the significant pressure this extra expenditure puts on household finances. Key messages include:

- Current estimates around the rising cost of domestic energy will mean managing household finances will become increasingly challenging, within the context of a wide range of inflationary pressure on essentials.
- The impacts of inflation are felt disproportionately in low income households, who spend a higher proportion of their income on essentials such as groceries and fuel.
- Where people do not have a financial ‘buffer’ such as savings, people need to consider if and how they might be able to increase their income, reduce spending, or seek financial support/borrow money. For many, this means facing difficult decisions about what to prioritise or give up, or mean that people need to borrow money or rely on credit.

1.8. Section 6 provides the latest update on child poverty figures for Renfrewshire, indicating that child poverty rates have fallen to 19.5% in 20/21 from 23.1% in 19/20.

2. Recommendations

2.1 It is recommended that members of the Fairer Renfrewshire Sub-Committee:

- Note the content of the report

3. Background

3.1. In March 2021, Council considered the initial findings from a community impact assessment that had been undertaken across Renfrewshire, in order to develop a deeper understanding of the impact of COVID-19 on local people and communities. This provided strong evidence that the pandemic has impacted some people and communities more profoundly than others.

3.2. The starting point of local people in terms of the inequalities or challenges that they faced before the pandemic has been important, with issues such as low income, insecure employment, caring responsibilities and disabilities all being exacerbated by the pandemic and its associated restrictions. The community impact assessment process also identified a requirement to continue to listen and learn to the experiences of local people, recognising that the impacts of the pandemic may emerge over time.

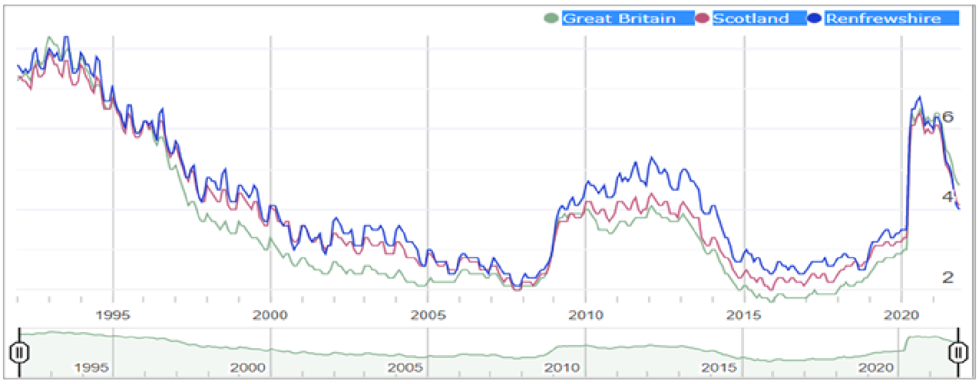
3.3. In the report in March 2021, an initial Social Renewal Plan was approved by Council. The plan set out the high-level actions that the Council and partners will take as we move forward from the pandemic with a clear focus on tackling inequality and improving wellbeing.

3.4. Officers worked to bring all of these strands of activity together, and following an initial assessment have identified a number of actions which should be progressed by partners as a priority during 2021-22. Income, poverty and financial insecurity was identified as a key priority for the plan as a result of financial pressures households were facing during the pandemic, and this requires sustained focus within the context outlined within this paper.

4. Income

Employment

4.1. The COVID pandemic had a significant impact on the rate and number of residents out of work in Renfrewshire as can be seen on the chart below. At its peak in August 2021, Renfrewshire was above both the Scottish and UK levels with 6.8%, equating to 7,765 residents out of work. Strong local partnership working during the pandemic has greatly helped the recovery process and the figure has reduced significantly to 4,365, 3.8% (Feb 2022) and is now below the Scottish rate of 3.9%. Although by September 2021, the claimant count in Renfrewshire had decreased by 31% to 5,205, compared to the same time in 2020.



4.2. The most current figures show that employment in low paid sectors was at 37.2%, higher than the 29.6% rate for Scotland as a whole. The underemployment rate at 9.5% was also higher than the Scottish rate of 8.1% (where people are working fewer hours than they wish or are working in jobs that don't utilise their skills).

4.3. There was a rise in the number of economically inactive people from December 2019 - March 2020 and this continued until December 2021 when it has started to reduce. Economic inactivity describes people who are not in work and are not looking for work, for example studying, retired or unable to work due to ill-health. In Scotland, more than half of workless families in poverty are economically inactive, and over half of economically inactive families in poverty are permanently sick or disabled. Although it is difficult to extract definitive data about numbers of adults between 16 and 64 that are economically inactive due to ill-health locally, it is estimated that there are 10,200 people within that category, of whom approximately 3,000 would like to work.

4.4. When registering with the Invest in Renfrewshire service clients identify the different barriers that they feel hold them back when trying to enter employment. The main types of barriers to employment that have been raised are: living in a jobless household with dependent children and living in a single parent household, with from an employment deprived area being the next most identified barrier. The barriers identified show the importance of support around childcare and specific advice for unemployed parents.

4.5. In February 2022, the Scottish Government launched an £80m COVID economic recovery fund for Local Authorities to provide support to businesses and low-income households. The purpose of this funding is to support business recovery and cost of living impacts on low-income households. Renfrewshire has received £2.654m to support a number of initiatives and deliver interventions that best meet that local need. The proposals mean 100% of the funding available was allocated to directly support local people (unemployed / low income / low skilled/ transitioning to employment) or to support the growth, adaptation, resilience and recovery of local businesses stimulating local economic activity across Renfrewshire. This includes options for payments direct to individuals, by topping up previous funding allocations made for hardship payments to people experiencing financial insecurity.

4.6. The three new Renfrewshire programmes will target support to people and businesses to help overcome some of the issues preventing people getting back to work. They are:

- Transition Fund for Parents – for parents who are out of work and on Universal Credit. This will see grants of up to £1,000 paid over the first three months in the job, where they may be waiting on their first wage and while benefits change, to help with practical costs such as travel, childcare, clothing, or training.
- Skills and Training Grant Programme – a new fund to help people on Universal Credit, either unemployed or on low-pay, gain new skills and move into better-paid work. This will see support of up to £3,500 made available to help the costs of training, which will help them advance their careers.

- Parental Employment Support Employer Recruitment Initiative – a pilot scheme which will pay wage subsidies to help businesses create new part-time jobs which start and finish within school hours – for parents who want back into work but for whom working nine to five is not possible.

Social security

4.7. The levels of social security benefits available also have a significant impact on household income. The social security landscape is a complex one, with benefits administered at UK, Scottish and Renfrewshire levels.

4.8. The £20 a week Universal Credit increase (sometimes referred to as the "£20 uplift"), announced in March 2020 to "strengthen the safety net" during the pandemic, ended on 5 October 2021. This meant a fall in income of £20 per week for over 4 million families in the UK. Changes were made to reduce the Universal Credit taper rate from 63% to 55%, (the rate at which your earnings reduce your Universal Credit) and increase the work allowance by £500 a year offset the removal of the £20 a week uplift for some low-income working households. Many households who receive Universal Credit, however, are non-working (approximately 60%). The Resolution Foundation found that the combination of taper changes and the reversal of the £20 per week uplift will mean 73% of families on Universal Credit in 2022/23 will be worse off, with 27% better off.

4.9. Those receiving 'legacy benefits' during the pandemic didn't receive the £20 uplift. These benefits, which are still in payment in Renfrewshire and likely to be until 2024/25 when the Universal Credit managed migration is completed, include Income Related Employment and Support Allowance, Income Support and Housing Benefit as well as Child and Working Tax Credit. Most recent figures show that 9,010 people within Renfrewshire are in receipt of legacy benefits and 14,339 in receipt of Universal Credit.

4.10. Benefits increased in April 2022 by less than the current level – or expected level – of inflation, which will put further pressure on incomes. In April 2022, benefits and state pensions were uprated using inflation figures from September 2021 (3.1%), which was much lower than the Office of Budget Responsibility forecast for 2022/23 (8.0%) so recipients will see a real terms fall in their income.

4.11. Scottish Child Payment is a weekly payment of £20 that you can get for every child you look after under 6 years of age. This is paid to those in receipt of certain benefits, such as Universal Credit. The Scottish Child Payment, which was introduced at £10 per week per child under 6 in February 2021 and increased to £20 per week in April 2022. For children between 6 and 16 years old, the Scottish Child Payment is covered by the Scottish Child Bridging Payment of £130 per quarter, paid via local Councils. Scottish Child Payment will increase again to £25 per week, per child by the end of 2022.

4.12. In addition to social security benefits there is also a landscape of one-off or short-term payments which have been delivered throughout the pandemic and beyond to support households with additional cost of living pressures.

4.13. It was announced in late 2021 that £848,000 additional **Winter Support Funding** would be allocated to the Council from Scottish Government, to support people experiencing financial insecurity over the immediate winter period. In response to a local needs assessment undertaken and in line with the Scottish Government's guidance on the utilisation of this funding, the £848,000 was allocated as follows:

- £230,000 to provide individual grants of £100 for people facing financial insecurity/hardship.
- £325,000 to provide a £50 payment per child for winter clothing for children in receipt of School Clothing Grant.
- £160,000 to top up the Scottish Welfare Fund to maintain payments at the current rate
- £90,000 to top up Discretionary Housing Payments which will assist clients in maintaining their tenancy and prevent homelessness.
- £38,000 for an additional Improving the Cancer Journey Coordinator for one year to support individuals who have a long-term condition. This will allow clients to be seen quicker and provided with appropriate advice.

4.14. There have been a number of Scottish Government funded payments throughout the pandemic focussed on low-income households with children. These will be sustained throughout 2022 as four payments throughout the year (known as Scottish Child Bridging Payment), when they will be replaced by the full-roll out of the Scottish Child Payment by Social Security Scotland. These payments are £130 per child eligible for free school meals due to low-income, and will be made at Easter, Summer, October and Christmas in line with the start of the school holidays. These payments are for children 6 and over, as those under 6 receive Scottish Child Payment.

4.15. In addition, cash payments of £2.25 per day, per child, are made for free school meals for the periods of times children have been on school holidays. The payment is made at a flat rate regardless of age.

4.16. New measures to help address the rising cost of living announced by the Scottish Government included £280 million to provide £150 to every household in receipt of Council Tax Reduction in any Band and to provide £150 to all other occupied households in Bands A to D. In Renfrewshire, the households affected received £150 credit towards their Council tax bill.

4.17. Locally, the Council continues to administer both the Scottish Welfare Fund and Discretionary Housing Payments (DHP). While these supports are 'business-as-usual', since the beginning of the pandemic they have been topped up by both local and national funding to meet demand. In 2021/22 DHP was topped up by £190,000 and Scottish Welfare Fund by £160,000. These top-ups allowed the payments made to be maintained at the highest level, rather than servicing increased volumes of applications.

4.18. The UK government's Energy Bills Support Scheme will provide everyone with a domestic energy connection with an automatic £400 discount on energy bills in October 2022. This will show as deducted from their bill. In addition to the Energy Bills Support Scheme, UK government also announced a series of additional payments for pensioners, disabled people and low-income households to support with the rising cost of living.

- People with disabilities who receive non-means tested benefits will be entitled to a payment of £150 for support with costs of living. This payment of £150 will be paid in September 2022.
- Households (of any size) in receipt of means tested benefits, such as universal credit, pension credit, tax credits and legacy benefits such as Jobseekers Allowance will benefit from two payments totalling £650. These payments will be provided in July (£326) and Autumn 2022 (£324) for those on legacy benefits, but households receiving Tax credits will need to wait winter 2022 for the second payment. The payments will be paid automatically, however the claimant must have been in receipt of these benefits by March 25th, 2022, to qualify for the initial July payment.
- All pensioner households will receive an extra £300 to help them cover the rising cost of energy this winter as a top up to the Winter Fuel Payment that all those in receipt of a state pension get. This will be paid automatically over November and December

4.19. The Public Services Panel asked residents questions about changes to household income in the last 12 months. While the majority of respondents reported no change to their household income over the past 12 months, 23% reported it has decreased.

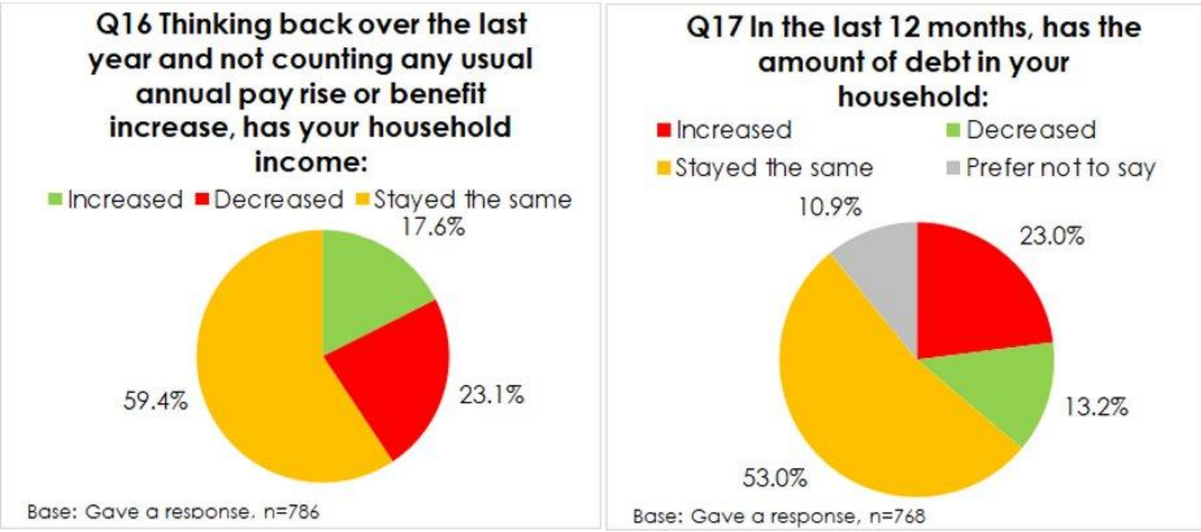


Figure 1: Responses to the Renfrewshire Public Services Panel 2022

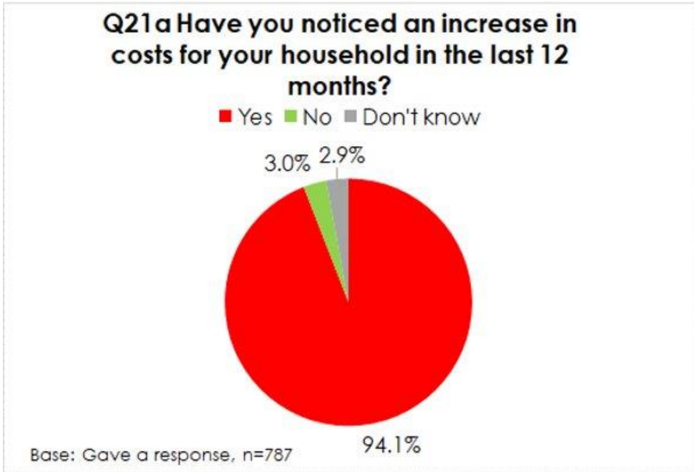
5. Expenditure

Cost of living pressures

5.1. According to research done for the House of Commons, the cost of living has been increasing across the UK since early 2021. Consumer prices were 9.1% higher in May 2022 than a year before and inflation, currently 9.4% (June 22) is expected to peak at 13% in December 2022. Increases in the costs of consumer goods, underpinned by strong demand from consumers and supply chain bottlenecks, have been one factor behind rising inflation. Another important driver of inflation is energy prices, with household energy tariffs increasing and petrol costs going up.

5.2. Russia’s invasion of Ukraine also has implications for the world economy. For the UK, a key economic effect of the conflict is higher energy prices. Russia is one of the world’s largest producers and exporters of oil and gas and an important supplier of gas to many European countries, though not directly to the UK. Immediately following the invasion on 24 February 2022, oil prices went above $100 per barrel to their highest level since 2014. They subsequently increased to over $125, before falling back slightly and remaining high since. As a result, road fuel prices in the UK have increased and energy bills may also rise further (for businesses, as well as households). Russia and Ukraine are also large producers and exporters of agricultural products, such as wheat, and some metals. These products have become more expensive on international markets, leading to increases in food and materials prices in the UK.

5.3. The Public Services Panel asked Renfrewshire residents if they had noticed increased costs and the drivers of these. Responses indicated that 94% had seen an increase in costs in their household in the last 12 months. 94% had seen an increase in energy costs, and 91% an increase in the costs to food and essentials. It is important to note that this survey was carried out prior to the rises in the energy price cap in April 2022.



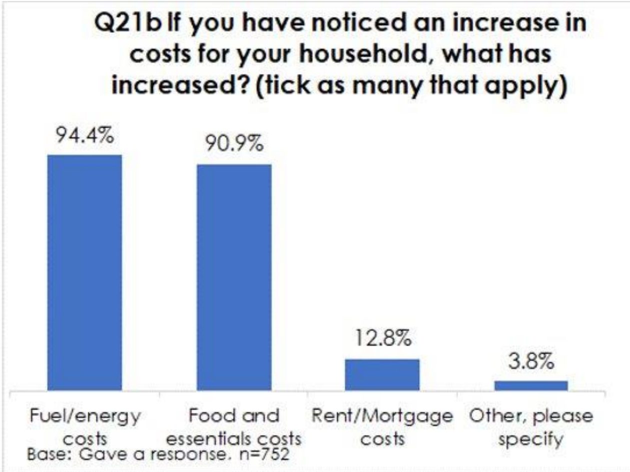


Figure 2 Responses to the Renfrewshire Public Services Panel 2022

5.4. According to the Office for National Statistics, 88% of adults in the Great Britain reported an increase in their cost of living in May 2022. In its March 2022 forecasts, the Office for Budget Responsibility expected household incomes after tax and adjusted for inflation to start falling in Q2 2022 and to not recover until Q3 2024.

5.5. The ASDA Income Tracker, which tracks household spending power, reported an annual contraction of 16.6% in Q2 2022 for the UK as a whole. The Tracker reports household spending was £43.95 a week lower in June 2022 than a year before. This represents a record fall, outweighing the previous record of £39.97, set in the previous month. At an average of £204 per week, average UK discretionary income is now at its lowest level since Q3 2018.

5.6. In August 2022, the Bank of England increased interest rates from 1.25% to 1.75%, in an attempt to slow the rate at which prices are rising. Since the global financial crisis of 2008, UK interest rates have been at historically low levels. Last year, they were as low as 0.1%.

Food

5.7. Food and non-alcoholic drink prices were 8.6% higher in the year to May 2022 on the official CPI measure of inflation (not including restaurants and bars). This is up from 6.7% in April and the highest rate of increase since April 2009.

5.8. Analysis by the Office for National Statistics noted supply chain challenges, rising costs and labour shortages have led to rising food and drink prices. In a mid-June report, the Institute of Grocery Distribution, a trade body, anticipates annual food price inflation to be around 11% in 2022, peaking at 15% this summer. Also in mid-June, Kantar, a research firm, forecast that the average annual grocery bill will rise by £380. This was up from a £271 rise it previously forecast in April.

5.9. In March, the UK National Farmers' Union warned that food prices will rise due to the conflict in Ukraine and the disruption to food output may last for years. In May, Bank of England Governor Andrew Bailey highlighted the risk of even higher food prices as result of the conflict in Ukraine, prefacing his remarks by saying he might "sound I guess rather apocalyptic". He noted the worries over the ability of Ukraine to export its crops.

5.10. The ONS has released what they describe as 'highly experimental' data on the prices of lowest-cost grocery items, to help estimate inflation levels faced by the lowest-income households. This data shows that the lowest-price items have increased in price by around the same amount as average food and non-alcoholic drinks. However, the ONS noted that there was large variation between the items, with, for example, the price of low-cost pasta increasing by around 50% and the price of low-cost potatoes falling by around 15% during the year to April 2022.

Fuel

5.11. In the year to May 2022, domestic gas prices increased by 95% and domestic electricity prices by 54%. On 1 April 2022 the new price cap came into force. The regulator Ofgem announced that the cap would increase from its current equivalent annual level of £1,277 per year to £1,971; a 54% increase. This is the default cap level for those with 'typical' levels of consumption on dual fuel tariffs paying by direct debit. The caps for other payment methods are somewhat higher. The regulator Ofgem has said that the increase in the price cap will affect around 22 million customers who are on variable tariffs covered by the different caps. Ofgem has said that the record wholesale gas prices and the knock-on impact on electricity prices are largely responsible for the size of the increase in the price cap. The wholesale energy cost element of the cap more than doubled from £528 in the winter 2021/22 cap to £1,077 from April 2022. The other main element to increase is network costs. These increased by almost 40% from £268 to £371. Much of this increase is to cover 'Supplier of Last Resort' costs faced by suppliers who have taken on customers from the many smaller suppliers that have gone out of business in recent months.

5.12. The cap sets maximum prices for a unit of energy and standing charges. It does not cap maximum annual bills. These capped unit prices for gas and electricity are multiplied by typical consumption levels and added to standing charges to arrive at the illustrative annual amount. An individual customer's annual bill will largely depend on how much energy they use. The cap applies where a customer has not signed up for a fixed-term contract with their supplier (they are on a ‘standard variable tariff’). Some customers coming to the end of their (cheaper) fixed-term deals are likely to face even larger price increases as suppliers are not currently offering fixed-term contracts and they would move onto the higher price cap level.

5.13. On 16 May Ofgem published a consultation on the price cap methodology which included a proposal update the price cap quarterly rather than every six months. If implemented this would mean that the new caps introduced in October 2022 would last three months and new cap levels would come in January 2023. Prices for non-domestic consumers are not capped and increases in these will feed through to higher prices for consumer goods and higher inflation.

5.14. The Chief Executive of Ofgem said on 24 May that he expected the price cap to increase to around £2,800 in October 2022, an increase of around 40%. Cornwall Insight’s latest forecast for the price cap was published on 9 August 2022. They forecast that the three-month cap from October 2022 could be £3,582 (and increase of 81%), rising to £4,266 from January 2023 (a further 19%).

Heating oil prices

5.15. There is no price cap for heating oil and extremely large recent price rises have led to concern about the impact on households that rely on it for heating, including those in rural areas and within villages within Renfrewshire. Official data on average UK heating oil prices show prices increasing from just over 20 pence a litre in mid-May 2020 reaching almost 60 pence a litre in mid-October 2021. They increased sharply to 85 pence per litre in mid-March 2022 and to 91 pence per litre in mid-May. Following the Russian invasion of Ukraine prices peaked at 160 pence per litre and have fallen back somewhat and were around 109 pence per litre on 19 June. Anecdotal evidence shows examples of price increases for households such as £942 to fill a tank (after approximately 6 months use) in June, when it was £499 the same time the previous year and an increase to £1375 from £750.

Petrol

5.16. Prices of petrol increased steadily during most of 2021 and particularly rapidly in autumn 2021. After stabilising for a short period around the turn of the year prices have increased from mid-January onwards as tensions between Russian and Ukraine increased. Prices jumped again after Russia invaded Ukraine on 24 February. Petrol reached another weekly record price of 165.4 pence per litre on 21 March 2022. Diesel reached a weekly record price of 177.5 pence per litre on the same day. The 5 pence cut in duty announced in the Spring Statement came into force at 6pm on 23 March. Pump prices fell back slightly after the duty cut but increased in early May and more rapidly in late May and June to set multiple new record levels. On 21 June, petrol was an average of 186.9 pence per litre and diesel 194.9 pence per litre.

Housing costs

5.17. In recent months, mortgage providers have been raising the interest rates on the mortgages they offer. With the latest increase in interest rates introduced by the Bank of England in August 2022, mortgage rates will continue to rise. Interest rates on many loans, most notably for the large majority of mortgages, are fixed at the time they are taken out. Most mortgage interest rates are fixed for a period of, typically, two or five years. The Bank of England has said that 80% of the value of all mortgages are on a fixed-term basis. For those with fixed-term mortgages, they will likely face higher interest rates when they remortgage. However, this may not necessarily be higher than what they were paying during their original fixed term (that depends on what the rates were when they took out that mortgage previously). Compared with pre-December 2021, tracker mortgage customers could be paying about £167 more a month, and variable mortgage holders about £132 more.

5.18. Rental costs have also increased for many tenants in both private and social rented housing. The index of Private Housing Rental Prices (ONS) shows private rental prices rose by 3.5% in Scotland in the 12 months to June 2022. This may continue to rise as landlords on tracker mortgages pass on rising costs caused by increases to interest rates. This represents the largest annual growth rate since these figures were first produced in January 2016. Renfrewshire Council raised rents by 2% this year.

Disproportionate impacts of inflation

5.19. Low-income households spend a larger proportion than average on energy and food so will be more affected by price increases. In April, the Institute for Fiscal Studies estimated that the lowest income decile faced an inflation rate of 10.9%, 3 percentage points higher than inflation faced by the highest income decile. Most of this difference comes from the fact that more of low-income households' spending goes on energy.

5.20. Households in the lowest income group spent 7.1% of their overall spending on electricity and gas in 2019/20, compared to 2.5% for households in the highest income group. Because energy prices are rising particularly quickly, low-income households are facing higher inflation.

5.21. In 2019/20, among households in the bottom tenth of incomes, 13.8% of spending was on food and non-alcoholic drink, compared to 8.5% of households with incomes in the top tenth. This does not include spending in restaurants or in pubs and bars.

Increasing National Insurance Costs

5.22. As well as likely higher inflation, household budgets may be squeezed by increases to income tax and National Insurance Contributions (NICs), higher interest rates, and changes to Universal Credit. In April 2022, NIC rates increased by 1.25%-points and income tax thresholds were frozen.

5.23. The UK Government has frozen both the income tax-free allowance (known as the personal allowance) and the point at which people start paying the 40% higher rate of income tax (the higher rate threshold). Normally, both would rise by inflation, but they will be frozen from April 2022 until April 2026.

5.24. The personal allowance is frozen at the current level of £12,570 until April 2026. The allowance would normally rise by inflation, which means people could earn more without being taxed on it. The freeze also means that more people, with lower incomes, will pay income tax. In 2022/23, the freeze may bring around 0.6 million more people into income tax.

5.25. NICs for employees, employers and the self-employed rose by 1.25% points in April 2022. This temporary increase will be replaced by the 1.25% Health and Social Care Levy from April 2023, which will also be paid by those in employment over state pension age. At present, pensioners are not liable to pay NICs on any earnings they receive from employment. The income raised from the levy will fund increases to health and social care.

5.26. Combining the 1.25p increase with raising the threshold means anyone earning below about £34,000 will pay less NI in the 12 months from April 2023 than last year.

Figure 3 Impact of National Insurance changes, BBC/Gov.uk

Debt

5.27. Citizens Advice Scotland carried out research which found that: "over 600,000 people have encountered new debt problems during the pandemic, either getting into debt for the first time or seeing existing debts deepen." StepChange Debt Charity's annual 'Scotland in the Red' report shows that in 2021:

- Client average arrears on essential bills have increased by 29% (£659) to £2,961
- 75% of vulnerable clients were in arrears with electricity bills
- 52% of vulnerable clients were behind on their mortgage or rent - at risk of losing their home
- Council Tax remains the most prevalent household bill for clients to be struggling with, with 44% of vulnerable clients in arrears

5.28. They are also seeing an increasing number of clients with additional vulnerabilities and more complex need and with requirements beyond debt advice. The most commonly disclosed type of vulnerability to StepChange were mental health issues, such as depression and anxiety, physical disability and domestic violence.

5.29. For those in Renfrewshire coming forward for debt advice to Advice Works, the top debt issues are Credit Card debt, followed by catalogue, then Council Tax. Citizens Advice Scotland notes Council Tax debt as number one, followed by Credit Card then local authority rent arrears. The differences may be explained by clients not wanting to come to a Council service to help them deal with a Council debt.

5.30. The most vulnerable have limited resilience to absorb further impacts and significant pressure is going to mount on budgets throughout 2022, with a rise in debt expected as a result.

5.31. In submissions to the Scottish Government Social Justice and Social Security Committee, agencies reported that they were already dealing with higher numbers of clients with "deficit budgets" (where their income did not cover their essential expenditure) and this problem was only likely to get worse. This has been highlighted as an issue in Renfrewshire for some time.

5.32. Increases in interest rates may all influence the interest charged on borrowing using credit cards and loans, as lenders may increase fees to reflect changes to interest rates.

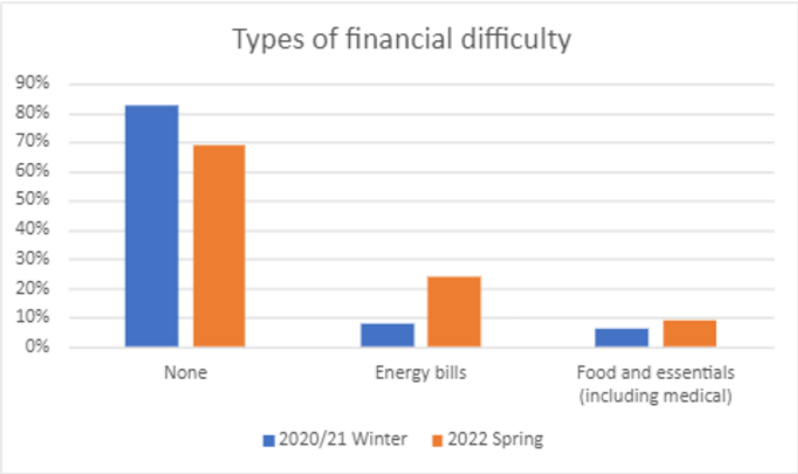
Deductions from Social Security benefits

5.33. A further issue around debt and benefits, is where deductions can be taken from benefits, especially Universal Credit, to pay back monies owed or arrears of things like rent, fuel bills and child maintenance. Deductions can amount to 40% of new-style Jobseekers' Allowance and Employment Support Allowance and 30% of Universal Credit. This was at a much higher rate than previous benefits and can leave people without enough to live on. Advice Works notes there is virtually no negotiation with DWP on levels and where they might get one item reduced, e.g. council tax, another deduction will be increased up to the maximum deduction limit so the client isn't any better off. The level of deductions that can be taken can leave them with around £45 per week to live on.

5.34. Research by Joseph Rowntree Foundation found that nearly all households on means tested benefits who are subject to benefit deductions (where DWP takes money directly from people's benefits to repay debts owed to government or others like utility suppliers) have gone without at least one essential (93%) in 2022, or gone without enough food in the last 30 days, compared to 63% where benefits are not being deducted. Also, households with deductions are at least twice as likely to be in arrears compared to households without.

Financial difficulty

5.35. The Public Services Panel asked Renfrewshire residents whether they were experiencing financial difficulty, and the extent to which households feel able to pay bills and debt repayments as they arise. People reporting financial difficulties increased since last year, with energy costs being the key area of difficulty. 18% said they can pay bills and repayments as they arise, but it leaves them struggling financially.



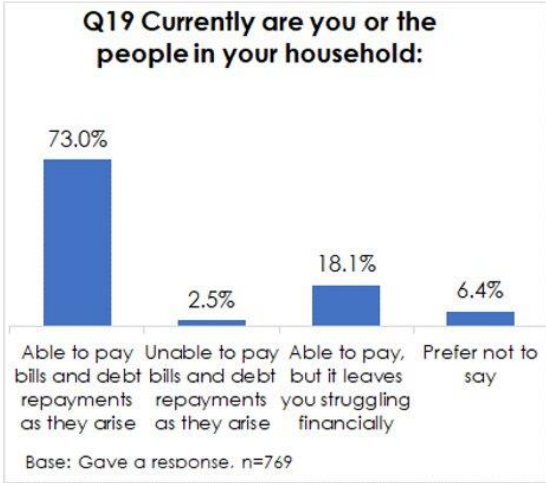


Figure 4 Responses to Renfrewshire Public Services Panel 2022

5.36. Over a third of respondents (35.7%) said they weren't previously worried about money but are now (19.1% were worried before and are still worried). Responses also indicated a decrease in the numbers that were managing well or quite well financially compared with a year ago, with 11% having financial difficulties.

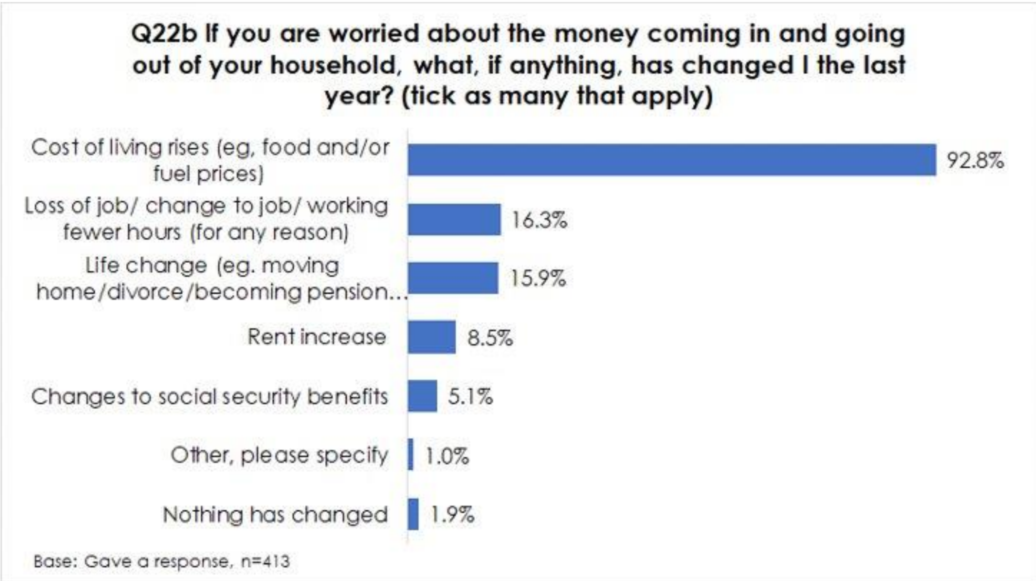


Figure 5 Responses to Renfrewshire Public Services Panel 2022

5.37. Research for Joseph Rowntree Foundation in May 2022 found that almost 7 million low-income households across the UK went without essentials like enough food, a warm home, toiletries or showering. JRF asked low-income households (those in the bottom 40% of household incomes) about the essential things that they have been forced to go without because they can't afford them. Six in ten of all low-income families (60%) – amounting to almost 7 million households – have gone without one of the essentials they asked about since the start of 2022, or experienced food insecurity in the previous 30 days (Figure 1). This rises to 72% among working-age families.

Figure 1: More than half of all low-income households went without essentials

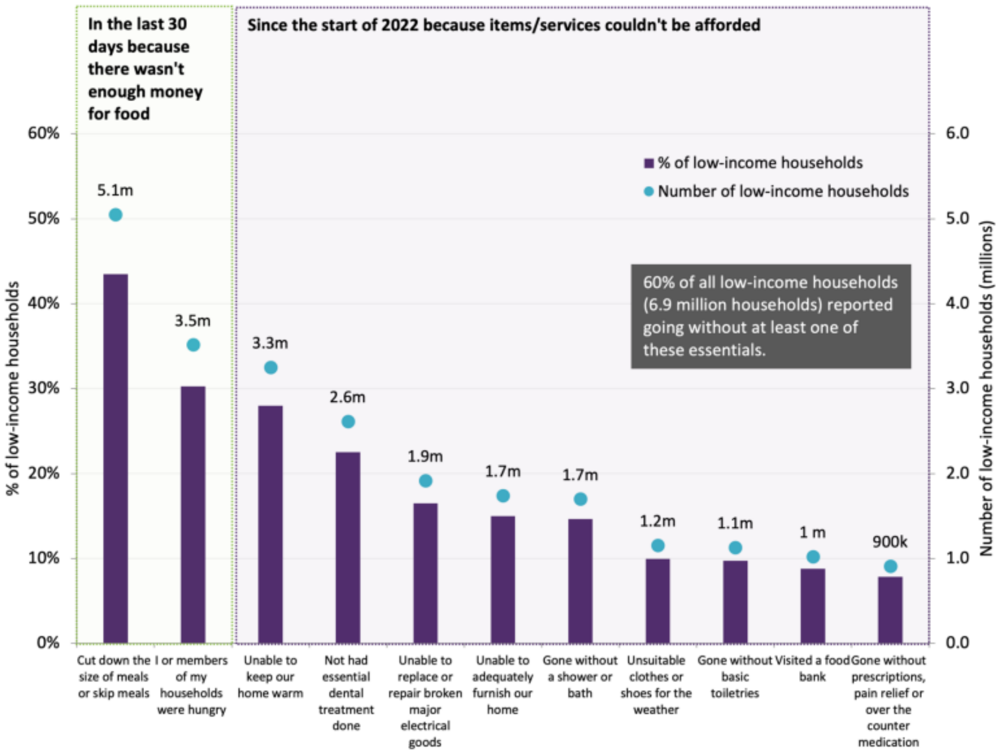


Figure 6 "Not heating,eating or meeting bills: managing a cost of living crisis on a low income" JRF, 2022

6. Child Poverty rates

6.1. Recent data on local child poverty rates, published in July by the End Child Poverty Coalition indicates that child poverty fell overall in the UK during 2020/21. In Renfrewshire, the poverty rate after housing costs fell from 23.1% in 2019/20 (6,997 children) to 19.5% in 2020/21 (5,797 children). Previously, child poverty rates in Renfrewshire had been steadily rising since 2014.

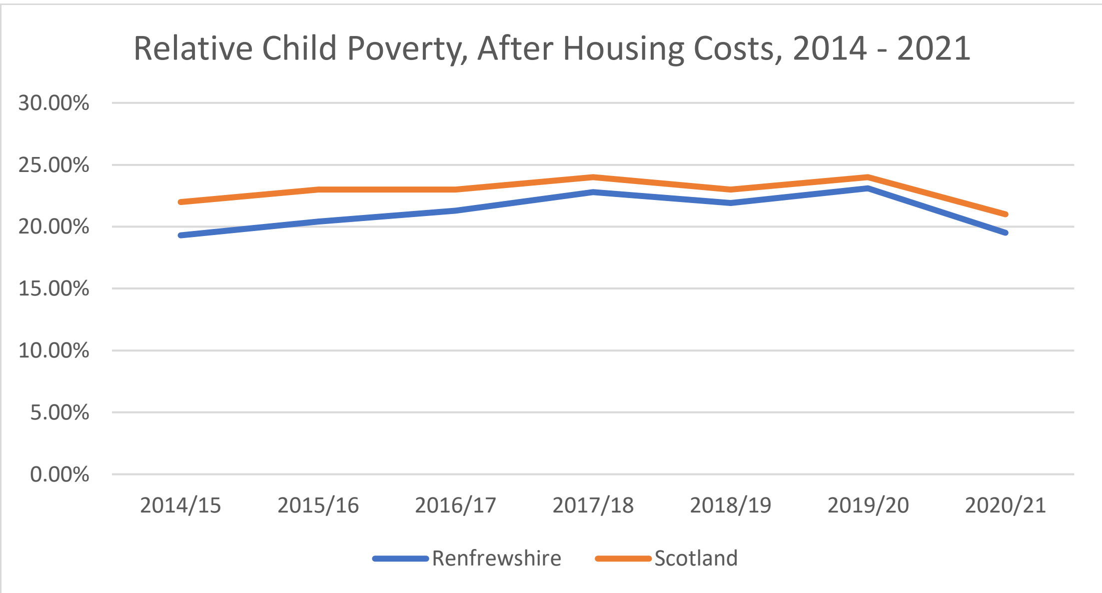


Figure 7 Relative child poverty after housing costs, Renfrewshire / Scotland, End Child Poverty Coalition/Loughborough University

6.2. The data identifies child poverty rates ranged in 2020/21 from one-in-eight children in East Dunbartonshire at its lowest, to one-in-three in Glasgow at its highest. Approximately one-in-five children living in Renfrewshire are living in poverty, after housing costs, which sits just below the overall average for Scotland (21%).

6.3. The table below provides a comparison of child poverty rates by Glasgow City Region local authority from 2014/15 to 2020/21 and includes an overall Scottish comparison.

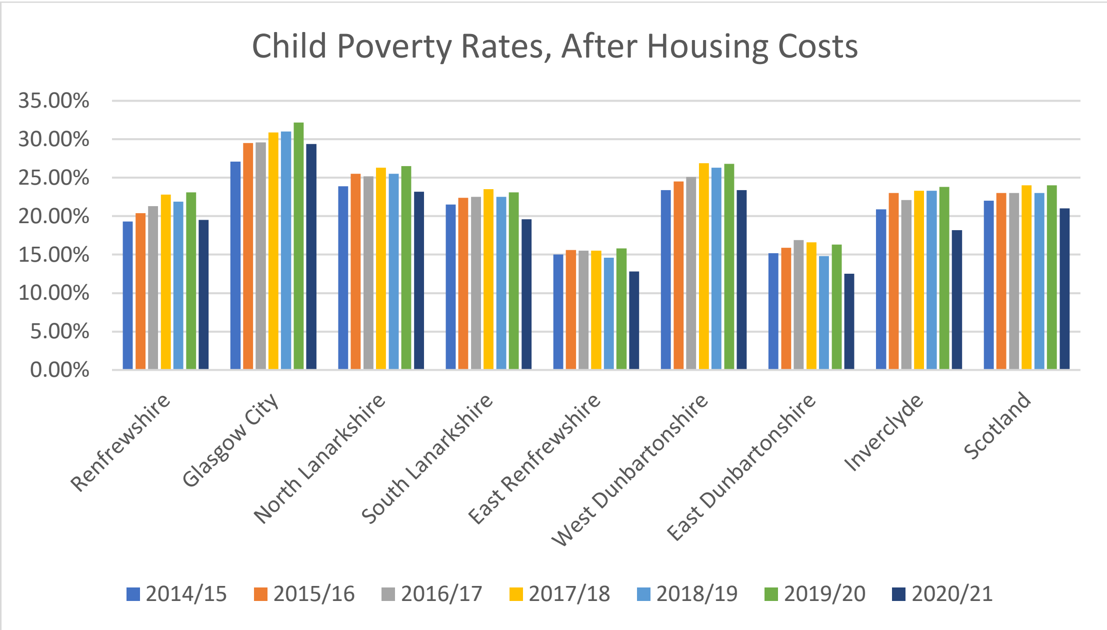


Figure 8 Figure 7 Relative child poverty after housing costs, Glasgow City Region, End Child Poverty Coalition/Loughborough University

6.4. This dataset typically releases annual child poverty estimates at ward level, although these have not yet been released. The lowest geographical area available for analysis as of July 2022 is parliamentary constituency. The child poverty rates after housing costs in:

- Paisley and Renfrewshire North is 18.5%, down from 21.8% last year
- Paisley and Renfrewshire South is 21.2%, down from 24.1% last year

6.5. The research suggests that the decrease in child poverty rates was due to the £20 per week uplift in Universal Credit that was in payment from March 2020 until October 2021. Although the removal of the £20 payment, equivalent to £1,040 per year, will have reduced income for all those receiving Universal Credit, it is anticipated that the increases to Scottish Child Payment will likely mitigate this impact.

6.6. It should be noted that these are child poverty figures, and therefore reflect households with children. Single people and couples without children will have been impacted by the removal of the Universal Credit uplift and will not be eligible to receive the Scottish Child Payment.

6.7. The Scottish Government has identified six priority family types that have a higher risk of living in poverty. Reporting shows that almost 90% of all children in poverty in Scotland live within these priority family types and, although we do not have Renfrewshire specific data, for Scotland overall the percentages of children in these groups in poverty are as follows:

Priority Family Type	Percentage of children in poverty
Lone Parents	38%
Families that include a disabled adult or child	29%
Large families with 3 or more children	32%
Minority Ethnic families	38%
Youngest child is under 1 year old	34%
Young Mother aged under 25 years old	55%

7. Next Steps

7.1. As agreed by Council on 3 March 2022, all activities will now come together to form a new Fairer Renfrewshire Programme in Renfrewshire. Officers are working with partners to develop this programme, with a more detailed programme of work to follow to inform Fairer Renfrewshire Sub-Committee and Leadership Board.

7.2. A key focus of this work will continue to be on the immediate pressure on household finances, as detailed within this paper. This will be critical to make sure supports are in place for Renfrewshire residents over the coming winter period. Key activities include the review of the Financial Insecurity Winter Payment introduced in 2022.

7.3. Evaluation of the projects within the Council's Tackling Poverty Programme will also be carried out in 2022, to inform the shape of the Fairer Renfrewshire programme. It is anticipated that a focus on child poverty will be a key priority within the programme, with a deep dive exercise planned for community planning partners during 2022. This will be aligned to the key priorities set out within the National Child Poverty Delivery Plan.

7.4. Alongside reviewing data and evidence, officers are progressing work through the Get Heard programme to establish a panel of people with lived experience of low-income, which will provide critical insights to shape the development of policy and practice in Renfrewshire. A report will be brought to the next Fairer Renfrewshire Sub-Committee in October 2022 detailing progress on this important piece of work.

Implications of the Report

1. **Financial** – There are no financial implications associated with this report, which provides an overview of the position and is for noting.

2. **HR & Organisational Development** – none

3. **Community/Council Planning –** This report provides a detailed summary of the current evidence relating to household income and expenditure. Wider poverty related issues are a key element of

both the Council and Community Plan and the information included within this report is part of the wider Strategic Needs Assessment for these plans.

4. **Legal** - none

5. **Property/Assets** - none

6. **Information Technology** - none

7. **Equality and Human Rights –** The report provides an overview of the position around household income and expenditure, and is for noting. As such there are no impacts arising from the recommendation of this paper. It is however important to note that impacts on households explored within this paper are likely to be disproportionately felt by equality groups.

8. **Health and Safety -** none

9. **Procurement** – none

10. **Risk** – none

11. **Privacy Impact** – none

12. **COSLA Policy Position** – none

13. **Climate Risk** – none

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