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**Cabinet**

**2nd April 2013**

Report of Leader of City of York Council and Cabinet Member for Corporate Services.

## **Facing the Challenge of Poverty in York**

### **Summary**

1. The purpose of this report is to provide Cabinet with;
  - As assessment of the poverty challenge in York
  - Set the ambition for the city in reducing poverty
  - Detail the main work programmes currently addressing poverty
  - Identify the work that needs to be done to bring forward further proposals for tackling poverty in York
2. Over the last few years, the Council has done much to support the most marginalised in York. The work of the Fairness Commission has provided a city-wide insight into life for around 13,000 residents who live in the most deprived parts of the city. There is a better understanding about the issues of poverty, life expectancy, crime and social exclusion that affect some residents. Investment has been made in some of our communities in initiatives helping the most vulnerable, including some innovative projects in places like Acomb, Tang Hall, Heworth and Westfield. Some of these interventions have been life changing for many vulnerable people. The Council's work on financial inclusion will also continue to be critical over the next few years as the impact of reduced public spending begins to bite further.
3. Despite the effectiveness of the work already undertaken, as this paper illustrates, the Council is under pressure to meet the needs of those struggling with debts, the lack of affordable housing and rising energy and transport costs.

Poverty in York, although below national average, is on the increase and, critically for the Council, the number of those at risk of falling into poverty is increasing at a rate beyond the ability of the Council, in isolation, to manage. The Government's welfare reforms in the absence of growth in adequately paid jobs will create specific problems in 2013/14.

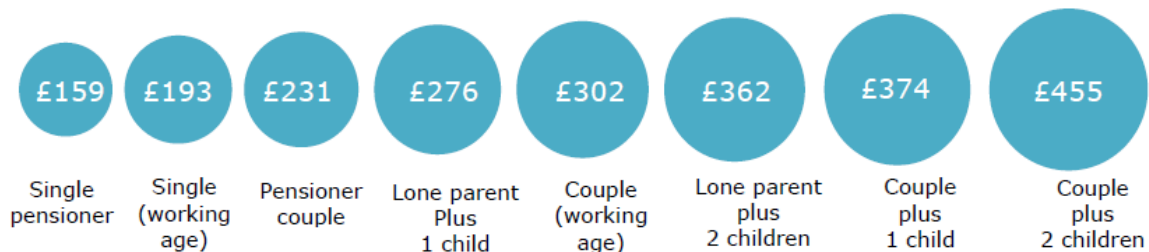
4. This paper explores the development of a new framework to capture the scale of poverty in the city and to generate a city wide response to alleviating it.

## Background

What do we mean by poverty?

5. When defining poverty today, we rarely mean malnutrition or the levels of squalor of previous centuries or even the hardships of the 1930s before the advent of the welfare state. 'Poor' people are those who are considerably worse off than the majority of the population – a level of deprivation heavily out of line with the general living standards enjoyed by the majority.
6. The most commonly used measure is 'relative income' poverty. Each household's income, adjusted for family size, is compared to median income. (The median is the "middle" income: half of people have more than the median and half have less.) Those with less than 60 per cent of median income are classified as poor. This 'poverty line' is the agreed international measure used throughout the European Union.
7. The table below, based on data from the Joseph Rowntree Foundation, estimates the minimum weekly income requirements for a range of family types to protect them from falling into poverty.

Minimum Income by Family Type



As can be seen, the minimum income standard for a single person is £193 per week. For a person over 21 earning the minimum wage of £6.19 per hour and working 24 hours a week (the number of hours at which most in-work benefit support stops) would generate just £149 per week.

8. Low income is just one indicator of poverty. A fuller picture looks at all resources, not simply income. This can include access to decent housing, community amenities and social networks, and assets, i.e. what people own. Somebody who lacks these resources can be said to be in poverty in a wider sense.
9. Child poverty is frequently highlighted as a major issue. Its calculation is based on the data in paragraphs 3 and 4 and can be summarised as 'Children living in households with income below 60% of the median'.
10. Fuel poverty. People who spend more than 10 per cent of their net income on heating and lighting and electricity are defined as living in fuel poverty.

### **National Picture on Poverty**

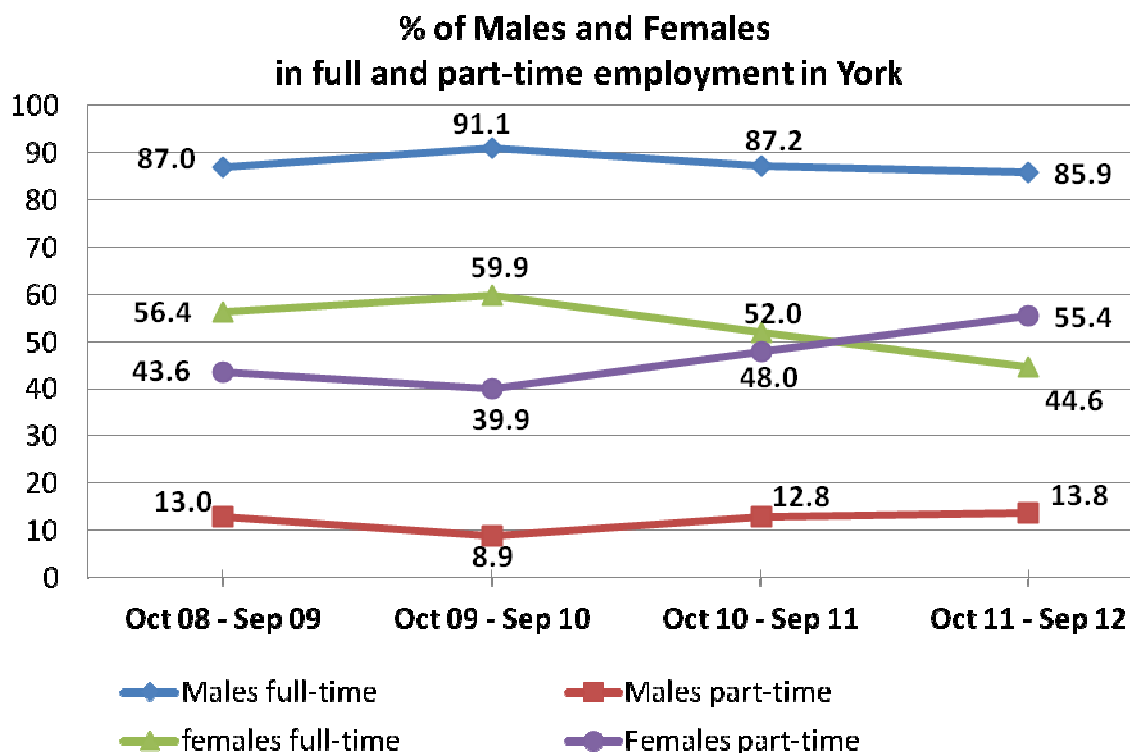
11. It cannot be denied that there is real and disturbing hardship in parts of the country and that it is growing. According to the Government's own statistics, and despite this being the seventh richest country in the world, last year there were 3.6 million children living in poverty in the UK after housing costs were met. And it is projected to get worse. The respected independent think-tank the Institute for Fiscal Studies estimates that an extra 400,000 children will be pushed into poverty by 2015, and then another 400,000 by 2020. The popular caricature is that poor children come from broken families on benefits – depicted by some as the undeserving poor. However this is not borne out by the facts. The majority of children in poverty have at least one parent in work. Their parents are often working long hours to give their children the best chance they can.
12. Since 2009, there has been a real surge in working households who are in poverty with research showing that as many as 6.1 million people are in this category. Wage levels are a factor and nationally, though predominantly outside of South Eastern England, there are 4.4 million jobs paying less than £7 per hour. There are 3.3 million working families currently receiving working tax credits. Part time work is on the increase but over 1.4 million part time workers want full time work.

13. Food poverty is becoming more prevalent across our cities. In 2008/9, 26,000 people in the UK relied on emergency food aid from a foodbank. By 2015 that figure is set to reach three quarters of a million. Last year the largest foodbank organisation, The Trussell Trust, fed 130,000 people, including 20,000 children while leading charity FareShare feeds 36,500 people a day through their network of 700 charities.
14. On the surface one of the causes of increased food poverty is obvious. The price of food is increasing and last year food inflation in the UK was the highest in the EU outside Hungary. Over the past five years prices have gone up by 12% in real terms, with the cost of essentials like fruit, milk, cheese and eggs rising as much as 30%. Last year this added £233 per year to the shopping bill for a family of two adults and two children.
15. Fuel poverty is increasing and is a particular issue for older people, particularly those on their own. Age UK estimate that over three million older people in receipt of a state pension are in fuel poverty because of the rate at which fuel costs have risen in recent years.
16. The Government's Welfare Reform Programme which aims to save £18 billion from the annual welfare bill will begin to be implemented from April 2013. It will eventually overhaul the entire benefit system in the UK. Aspects of the programme are controversial and it is widely acknowledged that it will lead to increased poverty for some households. The bedroom tax will impact on 1,276 housing benefit claimants in York who will lose on average £726 per year. Over 6500 people will pay additional council tax as a result of the Government's decision to reduce council tax support for those unemployed. On average that will amount to £254. However it is the introduction of Universal Credit for new claimants that is causing concern. The system is designed to be 'digital by default', so applicants will need both internet access and a bank account to get their benefits.
17. There is consensus that poverty will increase nationally over the next few years although the reasons for this are widely debated. It is the product of a combination of low wages, austerity economics, spiralling food/fuel prices, a lack of affordable housing, unsustainable levels of personal debt and insufficient supply of jobs.

## **York assessment of poverty**

18. The picture in York is complex and in some ways presents a number of contradictions. The city economy is strong with lower levels of unemployment than regional or national averages so in some respects the overall position on poverty is far better than in many cities. However, where deprivation and poverty does exist, it tends to be at a more severe level than national or regional comparators.
19. York has 4,575 children living in poverty. Statistically, this represents 13% of the children in the city against a national average of 20%. When considered in the context of parliamentary boundaries, the percentage within York Central is 19% compared to 6% in York Outer. However, over half of the children in poverty are living in the Westfield, Clifton, Heworth, Hull Road and Guildhall wards. York also has a higher ratio of lone parents in child poverty than most other cities. There are related issues for children and young people in these wards. Westfield has the highest rate of under 18 pregnancies and a large proportion of those classified as Not in Employment, Education and Training (NEET) reside in these wards. Throughout these wards over 450 families are being supported by the YorOK Parenting Strategy Team.
20. At Annex 1 is a diagram that illustrates the households in the city most at risk of being in child poverty. Also there are details of the households most at risk of pensioner poverty. Seventy-nine per cent of those in receipt of pension credit have no partner and, given the geographical spread of these households, this presents a real risk of social exclusion.
21. The links between poverty and health are well understood and the York Health & Wellbeing Strategy is developing work programmes to support those at risk. The challenge is significant. Life expectancy between the most and least deprived areas of York is four years difference for a woman and ten years for a man. Health inequalities in the most deprived 10% of York's population also lead to 76 additional deaths per year.
22. York has statistically a lower level of unemployment than regional and national averages. In January 2013, 3,038 people were claiming Jobseekers Allowance (JSA) in York, which is 2.3% of the working age population – less than half of the national average of 4.9%. Yet the picture in York is of increasing long-term unemployment and young claimants. These groups are particularly vulnerable to poverty.

23. In terms of average income, York once again ranks higher than the rest of the region. However, the lowest paid 10% represent some of the lowest paid in the region, so a gap is opening up between the lowest paid in the city and other workers. This may be partially attributable to the size of the tourism and retail sectors with a higher percentage of part time workers and those being paid the minimum wage.
24. The table below illustrates the changing pattern in full and part-time work.

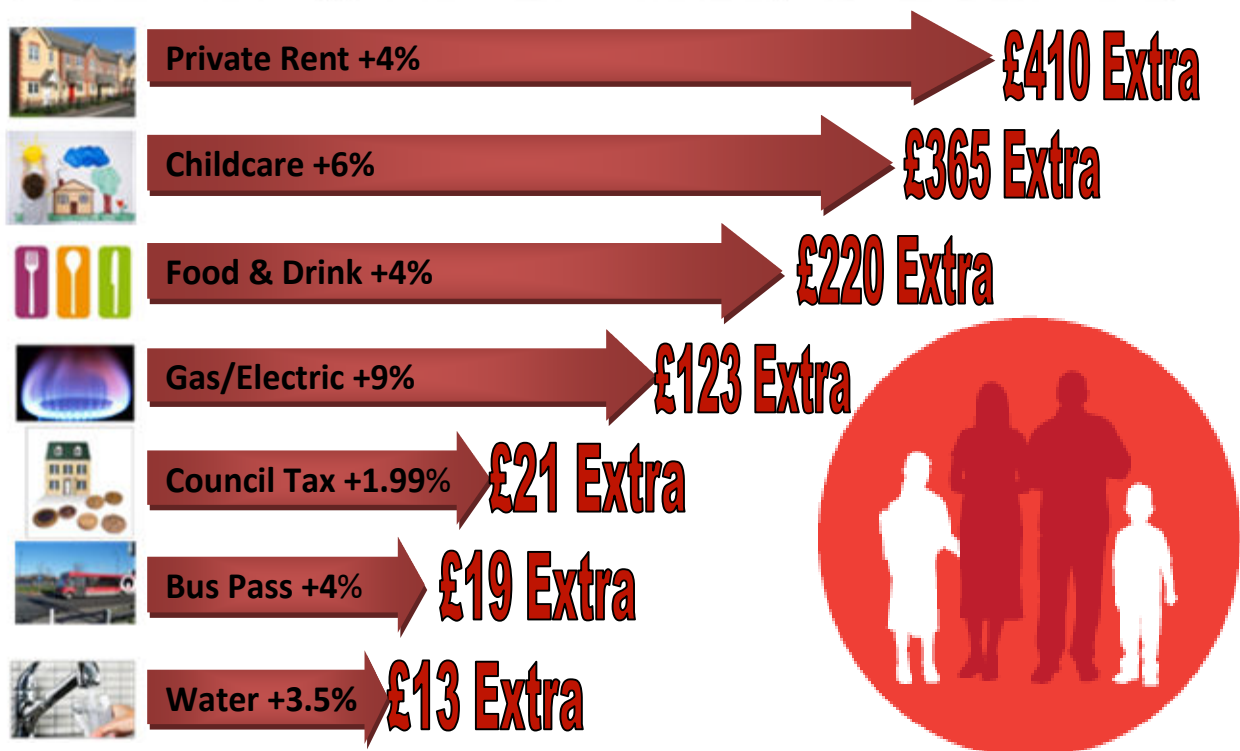


25. What is immediately striking is the speed with which women in York are moving from full to part-time work. The reasons for this are not yet fully understood yet. It may be as a result of job losses in the public sector which have always employed larger numbers of women than men. The change may also be related to the high costs of childcare or an increase in women caring for relatives. The reason for concern is that poorly paid part time work presents a greater risk that a household will be in poverty.
26. Housing is a significant issue in York and a key factor that pushes some residents into poverty. There are a growing number of households in the city as a result of York having the third fastest growing population in England. Rising housing demand is resulting in high house prices and long waiting lists for affordable housing.

Currently there are over 3000 households on the waiting list. The average house price (£182k) to incomes (£22,500 pa) ratio in the city is 8:1 and with constrained access to borrowing, many are shut out of owner-occupation. Although the private rented sector is expanding, it is being geared towards young professionals and students and increased average rents are making it impossible for those who are vulnerable or on low incomes to secure good accommodation. The city has a low level of social rented homes – around 15% (12,500 properties). Additionally new housing supply is at its lowest level for many years due to the economic slowdown. Estimates show that the city needs 790 additional affordable homes a year to meet its needs. All of this means that housing costs account for a significant part of household budgets and there is extremely limited availability for those on low earnings.

27. The table below illustrates the estimated increases in the cost of living for a typical family in York during 2013/14.

Potential cost of living pressures in 2013 for a family of 2 adults and 2 children



*Note: The figures above are the annual cost increase for each element listed, derived from the following figures: Private rent - average monthly bill £856 \* 4%, Childcare - 3 days PW at £39 per day \* 6%, Food and Drink – Average monthly bill £106 \* 4%, Fuel – average annual bill £1.365 \* 9%. Council Tax - based on Band B*

28. In the context of average wage increases in the city, it is apparent that there will be further pressure on household budgets during 2013 that will push some into poverty and place others at risk.

### **The Council's response**

29. In part, the fact that poverty is less prevalent statistically in York is due to the extensive work undertaken by the Council and its partners to combat it. The current Council plan prioritises work to support the expansion of the city economy by creating the right environment for job growth. The new economic strategy aligns the development of skills for young people alongside the emerging needs of business. The Council is investing heavily in infrastructure projects through its Economic Infrastructure Fund with a view to not just encouraging existing businesses to grow but also to increasing inward investment to the city. The new Local Plan will also provide an opportunity to increase house building to ease some pressure on supply.
30. Alongside this, the Council is also prioritising work to protect vulnerable people. Over 7,000 adults currently receive social care services in York. The council's overall objective is to safeguard these residents, promote their independence and enable them to make choices over their daily lives. While the majority of these residents are not in poverty there is a significant number who are. Equally, the Council is concerned for young people too, especially as children from the most deprived communities start school already behind their peers in terms of development. The Council's children's poverty strategy, a benchmark for other authorities, is prioritising and directing limited resources to the families and children that most need it. The strength of the council's work in this area is in part due to the development of a city wide partnership with the voluntary sector, health services, schools and the private sector.
31. In 2011/12 the Council commissioned a Fairness Commission with the specific purpose of helping it identify what more could be done to address inequality in the city. The commission set out a compelling vision of a more caring, cohesive and fairer society where child poverty is a thing of the past and where those in work earn enough to make ends meet. The council has adopted all the fairness principles set out by the Commission and this year will implement one of its most significant recommendations; payment of a Living Wage.



From 1 April 2013, the Council will pay a minimum of £7.45 per hour, the national living wage. This will provide additional pay to many employees in Grades 1 and 2.

32. In addition, the Council has also developed a Financial Inclusion Strategy and has set in train work to support residents with better coordinated advice and information on welfare reform. It is also increasing capacity to provide support to those in debt who are statistically likely to be at risk of poverty. The financial inclusion work is also strengthening the links between the council and health services by identifying those suffering from stress as a result of debt or financial problems. It is the case that some residents cannot be supported into work until their financial circumstances are stabilised. The council has run a number of pilot projects during 2012 to develop models for how these services can be successfully delivered in the city.
33. Annex 2 identifies the key council work programmes that are aimed at alleviating poverty in the city.

### **What does the Council want to achieve?**

34. The Council has stated a clear ambition to create a fairer, more inclusive city where every individual and community is supported to reach their potential and where poverty is not an acceptable norm. This vision reconnects with the vision civic leaders had towards the end of the 18th and early 19th centuries when the debates in the city were about those getting left behind – the sick and poor. The energy, industry and commitment that companies such as Rowntree and Terry's showed to fostering the wider social good has shaped York profoundly and their legacy still resonates through the city.
35. The current campaign by The Press to highlight to the wider city the poverty some residents face is welcome and the response to it illustrates that residents do want to see a much fairer city. Also the work being done to remove the stigma associated with poverty is particularly welcome and needs to be built upon.
36. A key strategic objective is to create an 'affordable city'. Whilst this paper will reflect later on the need to develop a programme to reduce the cost of living, there is a much wider objective of establishing a far more affordable city. This will incorporate the themes of sustainability, the development of local supply chains, reciprocity and mutualism. Many residents are incurring costs because they lack a local support

network for example around childcare and care support for the elderly. So there is a challenge for the City about how local support networks can be built within communities alongside the more traditional activities such as local food growing, car sharing, cheaper bus travel etc.

## Way Forward

37. It is critical that further work to address poverty across the city is coordinated across partners and businesses and includes residents in the shaping of the programme. The Council has already shown city-wide leadership to adopt the living wage but in order to address the scale of challenge now being faced; the resources of a larger number of groups need to be brought together.
38. It is proposed that over the next two months a framework is populated which identifies the totality of work being done across the city to address poverty. This will help to reveal where further work needs to be undertaken and whether existing work programmes need to be coordinated in a different way. During the development of the Financial Inclusion Strategy, it became apparent that there was some duplication of effort and so work programmes will be reviewed at a city level to consider whether resources are being used as effectively as possible.
39. It is proposed that this proposed framework be structured around three distinct themes;
  - Strategic poverty prevention. These are the strategies and work programmes that aim to support people into work or ensure that people are able to maximise their life chances. Generally these will be initiatives targeted towards the majority of residents in the city.
  - Work programmes for those most at risk of poverty. These are the work programmes and activities related to those groups most at risk of falling into poverty such as those pensioners in receipt of pension credit. The work will be preventative in nature and in particular will aim to stabilise the financial circumstances of residents.
  - Work targeting those currently in poverty. These are the immediate activities being taken to alleviate the consequences of poverty for residents in the city.
40. Looking at the larger work programmes that the Council is currently undertaking or supporting, the framework would include work as such as:

### **Strategic Poverty Prevention**

- Through our Child Poverty Strategy, we have sought to “narrow the gap” for the most disadvantaged.
- Our Older People Housing Strategy has focussed on providing affordable accommodation that supports independent living
- Our Homelessness Strategy is helping to improve people’s circumstances and support them back into permanent accommodation

### **Work programmes for those most at risk of poverty**

- Through introduction of the Living Wage for council employees, we are supporting that the lowest paid of our staff, reducing the chances of them slipping into poverty
- Coordinating an Energy Switch Scheme to achieve cost savings for consumers through identifying the best deals and brokering group switching deals
- Providing advice on available benefits and support with money management, to help people make the best of what is available to them

### **Work targeting those currently in poverty**

- Supporting Food Banks to connect those in need with an obtainable supply of food
- CAB Debt Advice supporting those in severe financial difficulty to address their debt problems
- *Housing Support- Mortgage rescue*
- *Sheltered Accommodation Team*
- *Arc Light Hostel*

41. Although it is recommended that the Council works across the city to determine what more needs to be done, it is apparent that priority

needs to be given to those already in poverty and options will be brought forward to do this.

42. Two significant gaps exist and the Council will take steps to champion these. Firstly, it is essential to change the way people in poverty or facing poverty in York are perceived. There is a stigma attached to residents in some parts of the city or those having to use services such as foodbanks which is unhelpful and unfair. Work needs to be done to create a better understanding of the causes of poverty in the city and to ensure that a less judgemental approach is taken. The Joseph Rowntree Foundation, our Voluntary Sector and The Press offer an opportunity to do more of this.
43. Secondly, as the graph earlier illustrates, households face increased costs of living. Steps need to be taken to determine how costs for energy, transport and food can be reduced for those in poverty or at risk. The council has signed up to a community energy switching project to help residents reduce their energy bills which may offer lessons on how this approach could be used to secure community savings on other living costs.
44. The populated framework and proposals for addressing these two key areas will form part of a paper to Cabinet in June.

### **Implications**

- **Financial** – This specific report does not make any financial recommendations however there will be a follow up report that makes recommendations for new work. How this new work is resourced and its impact on Council budgets will be fully discussed in the normal way as proposals are developed.
- **Human Resources (HR)** - None
- **Equalities** – The recommendations in this paper contributes significantly to taking forward the Council's commitment to fairness and equality. The work is focussed on some of the most vulnerable in the city. As the work progresses the impact of any proposed changes will need to be assessed to ensure that our equalities obligations are fully considered in decision making.

- **Legal** – This report does not have legal implications but the follow up paper will address procurement and partnership working and legal advice/clearance will be sought in the normal way.
- **Crime and Disorder** – This work will contribute towards improving social cohesion.
- **Information Technology (IT)** – None
- **Property** - None
- **Other** - None

### **Risk Management**

45. None at present however this will be addressed in the follow up paper.

### **Recommendations**

46. Cabinet is asked to:

- Note the statistical data provided on the extent of poverty in the city
- Agree to the population of the city-wide framework and to the development of measures/activities to reduce poverty, to be brought back to Cabinet in June as proposals for further work.
- Agree the emphasis in priority to those in poverty.

**Reason:** To address the issues of fairness and equality in the city.

## Contact Details

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	<b>Report Approved</b>	✓	<b>Date</b> 20 March 2013
<b>Specialist Implications Officer(s)</b>			
None			
<b>Wards Affected:</b> List wards or tick box to indicate all		<b>All</b>	✓

**For further information please contact the author of the report**

## Background Papers:

None.

## Annexes

Annex A – Experian Customer Profile - Households with potential to be in poverty

Annex B - Existing Council Strategies linked to Poverty