

Motion to: Council

30 January 2024

Subject: It costs more to be poor: tackling the poverty premium in Norwich

Proposer: Councillor Galvin

Seconder: Councillor Haynes

The cost-of-living crisis and 15 years of stagnant incomes mean that many Norwich residents are going into 2024 worse off. The benefits of decreasing inflation and tax cuts will not be felt by the 20-30 percent of people with the lowest incomes who will see their incomes fall rather than rise, and special payments by the government will end in April.

The impact of the crisis on Norwich residents is well documented. Around 55,500 people in Norwich live in areas that are among the 20% most deprived in England.

High unemployment and poverty have been part of life in some wards in our city for generations but the cost-of-living crisis has sharpened the effects. Children's health is compromised. Recently we have seen evidence of children in Norwich suffering from rickets, and evidence from a head teacher of having to carry malnourished children to the doctor, two year olds trying to eat sand because they are hungry, and increasing absence due to ill health from poverty.

Norfolk is one of the worst-affected areas for malnutrition, with the Norfolk and Waveney Integrated Care Board (ICB) recording a malnutrition rate of 6.7%, the highest of any ICB in the country, according to a report from Future Health research centre.

The 'poverty premium' - the name for the syndrome where people living in poverty end up paying more for goods and services - worsens with increasing poverty. It harms the physical and psychological health, welfare and quality of life of residents. This penalty for living in poverty exacerbates the difficulties of managing a low income. The premium exists in many dimensions, but areas where its impact is worst include: not paying by the cheapest billing method; geographical premiums for e.g. car insurance; paying to access money; and having to use higher-cost credit.

All these elements add to keeping people in poverty, both in and out of work, and are impacting increasingly. Figures from the anti-poverty campaign Fair by Design show that in Norwich south a third of households have experienced one or more poverty premiums and the average cost of these premiums to households in poverty is £466. In Norwich north 26% of households were paying a premium of some kind, the total cost of the poverty premium is £4,681,591 and average cost to households in

poverty is £ 454. This is money that could be in people's pockets, and in the local economy.

Debt is a particularly bad problem and increasing at an alarming rate. Figures from the latest Norfolk Community Law Service Impact Report (2022/23) show clients with £3 million of debt, up from £1.9 million in 2021/22, with a 52% increase in the value of debt written off/renegeotiated from 2021/22, and average debt of clients up 113% from previous year. Increase in average debt for clients went from £4,429 in 2019-20 to £15,550 in 2022-23.

Council notes:

- 1) In 2018 the UN's special rapporteur on extreme poverty described in detail the gross misery that the UK's Conservative government has inflicted on the population through the "punitive, mean spirited, and often callous" policies of austerity. Today this situation is worse, and a second UN rapporteur recently described the government's approach as a human rights law violation.
- 2) Today in the UK an inexcusable one million children live in destitution, four million children face food insecurity, and 4.2 million children live in poverty, and this council states, and deplores the fact that it is this Conservative government's cuts in public services, wages, and benefits that have put them there.
- 3) Local councils like Norwich can support tackling the poverty premium within service functions relating to housing, economic development, community and wider support functions. Norwich city council continues to work to improve sustainable warmth for its citizens and on ongoing financial inclusion initiatives.
- 4) Given its leadership role within local communities, Norwich city council is well placed to ensure that the right partnerships are in place to facilitate a coordinated approach.
- 5) Norwich city council has an insurance provider available for tenants (11) and a long history of establishing and working with credit unions and advice organisations to support its communities' access to credit and advice. Currently under 9 percent of tenants use the scheme for insurance and the trend has been downwards for the past five years. The credit unions are also seeing a fall in users. An increase in the use of both of these services will assist in protecting residents from paying the poverty premium.
- 6) Given the financial pressure on councils, investing in credit union capital can allow credit unions to expand their operations while retaining the investment as an asset on the council's budget sheet, which may present a more attractive funding proposition than a grant.

Council **RESOLVES** to:

- 7) Ask cabinet to make an immediate written commitment to monitor and address poverty premium impacts and levels in Norwich similar to the council's Fuel Poverty Commitment
- 8) Take action on this commitment, by asking cabinet to consider developing and working within a strategic framework to:
 - a) inform improving access to affordable financial services. This will require building a holistic local evidence base that includes estimations of the scale and cost of the issue. Effective ways of improving access to affordable financial services should further be informed by considering the success of national and international projects to address the issue (e.g. the No Interest Loan Scheme Pilot).
 - b) Draw on people's lived experiences to inform strategies to reduce the poverty premium in Norwich.
 - c) Invest in local credit unions, including its 'in house' Wherry Dragon credit union, via subordinated debt or deferred shares, and identify how affordable finance products could be best used to support cost-effective council service delivery, by engaging with local providers to discuss potential product development opportunities. For example, develop a business case with credit unions to provide financial support through investment to develop targeted products in line with the council's corporate plan objectives (examples include extending managed credit to those struggling via tailored, manageable loans, or targeted loans at reduced interest rates for home improvements that increase energy efficiency).
 - d) Through their engagement with, and support of, affordable lenders, encourage and facilitate their adoption of the Affordable Credit Code of Practice as necessary.
 - e) Examine using the criteria highlighted within the code to inform future commissioning / contracting processes for affordable finance provision, to ensure the quality and effectiveness of local services.
 - f) Ensure that access to affordable finance provision, including the council's insurance offer to tenants, is robustly integrated with wider support services, including those of the council and local voluntary and community sector partners. This should include the development of an effective outreach campaign to support access to and uptake of affordable finance provision, drawing on behavioural insights to increase the effectiveness of the campaign. This could e.g. include embedding reference to local affordable finance provision and the 'stop the loan sharks' team within relevant council tax communication processes.

- g) Develop, together with partners, a robust evaluation framework with clear metrics and success criteria to regularly assess the impact of this strategic work on access to affordable finance.
- 9) Include the likely impacts and value that will be delivered to strengthen the business case for affordable finance in any proposition for investment presented to the council or external stakeholders, for example decisions within the treasury management strategy.
- 10) Bring forward a report on the above matters by June 2024 or earlier if possible.