
To: Fairer Renfrewshire Sub-Committee

On: 15 November 2023

Report by: Chief Executive

Heading: Cost-of-living Update

1. Summary

- 1.1 At each of the Fairer Renfrewshire Sub-Committee meetings, an overview of the key context and evidence around current pressures on household finances, both in terms of household income and expenditure has been provided to members.
- 1.2 Since the last meeting of the Sub-Committee on 6 September 2023, there have been a number of changes in economic factors including further reported reductions in energy costs from 1 October 23. Inflation and interest rates have remained high and largely unchanged, and the longevity of these high rates and associated costs of living pressures mean households are still struggling according to some of the evidence and information which has been collected. Elected members are asked to note that:
- The rate of inflation has remained at 6.7% (Sep 23), still well above the 2% target set by the Bank of England
 - The inflation rate for food has reduced slightly; now 12.2%.
 - The Bank of England has recently kept the interest rate unchanged at 5.25% which is the highest rate in 15 years.
 - The Energy Price Cap, originally introduced by Ofgem in January 2019 to set limits on the underlying rates energy suppliers, is now set at £1,834 from the 1 October until 31 December. This means households who use gas and electricity and pay by direct debit will pay on average £1,834, with the reduction reflecting recent falls in wholesale energy prices.

- 1.3 In addition, the Joseph Rowntree Foundation published their 'Poverty in Scotland' Report in October. This report offers evidence on the reality of poverty in Scotland, with a focus on low wages and in-work poverty.
- 1.4 This paper provides an overview of information collated by officers at both a national local level where available.

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 At the Fairer Renfrewshire Sub-Committee meeting on 6 September 2023 an overview of key context and evidence around current pressures on household finances, both in terms of household income and expenditure was examined.
- 3.2 Although since then some pressures have eased slightly, such as the fall in costs for home energy, the management of household finances remains challenging due to continued increases in prices for household goods and the current high interest rates. The long-term nature of the crisis means issues around money and debt are enduring, and indications are that more families who have been managing previously, including those who are working, may be struggling. This paper gives an update on the current cost of living challenges and impacts for families.

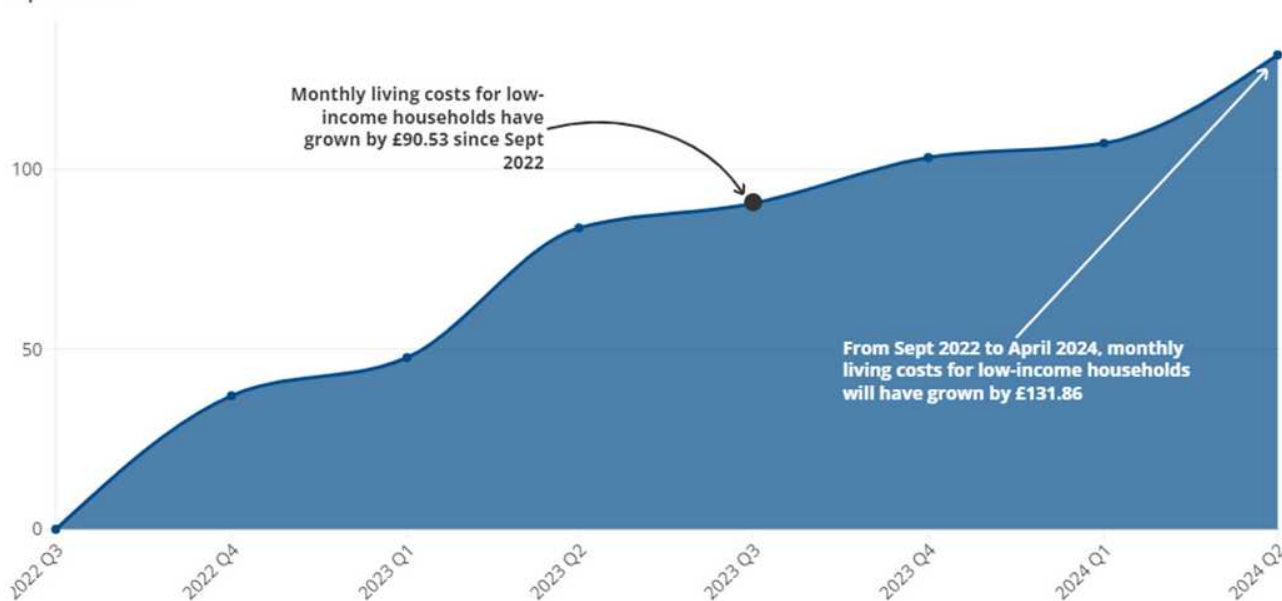
4. Impacts of cost-of-living crisis

Income vs Expenditure for low income households

- 4.1. ONS has looked at rising living costs, and commonly reported reasons among adults who said their cost of living had increased were:
- the price of food shopping (96%)
 - gas or electricity bills (57%)
 - the price of fuel (37%)
 - rent or mortgage costs (27%)
- 4.2. In their report of 6 October, Citizens Advice estimates that since September 2022, living costs for low-income households have risen by more than £90 per month and that by April 2024 that figure will have risen to £130.

■ Growth in living costs for low income households

£ per month



Analysis based on expenditure data from the ONS Family Spending series, with latest available data updated in line with ONS inflation outcomes (up to Q2 2022) and Bank of England inflation forecasts (up to Q2 2024, market median rates). Low income households are classed as those in the second income decile.



- 4.3. Their findings show that certain groups are significantly over-represented in the proportions experiencing food insecurity and using food banks, with two thirds of people referred to Trussell Trust foodbanks being disabled and families with children being over-represented in referrals. Working age adults, especially those who live alone and who aren't working are also more likely to be referred.

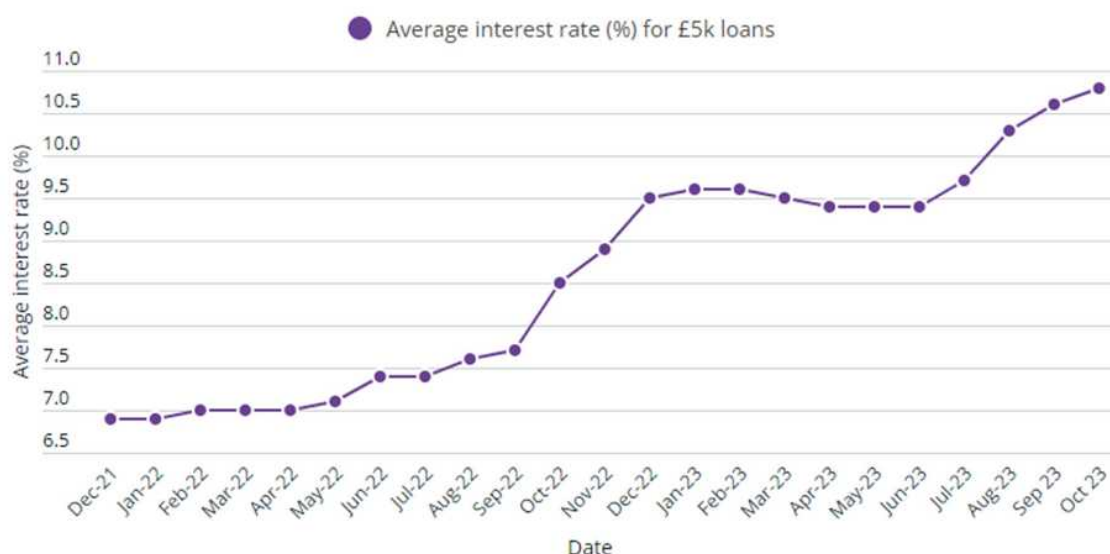
Renfrewshire Foodbank

- 4.4. In Renfrewshire, numbers using the Foodbank have increased this quarter compared with the same quarter last year. In the quarter to 30 September 1295 vouchers were issued compared to 1009 last year, a 28% increase. This quarter 1295 adults and 704 children received Foodbank assistance.
- 4.5. This most recent data also showed 583 vouchers issued due to 'Rising costs of essentials' compared to 488 last quarter. This was the reason with the highest number of vouchers issued. In terms of Foodbank vouchers by ward, although numbers are still small at 62, 'Houston, Crosslee and Linwood' saw an 148% increase in vouchers since the same quarter last year. The next highest percentage increase was for Paisley Southwest, which saw voucher numbers increase from 72 to 122, an almost 70% increase. Johnstone South and Elderslie saw a 35% increase, and as previously reported figures suggest that those people in areas with potentially less deprivation overall may be increasingly needing support to combat cost-of-living pressures.

- 4.6. The Foodbank has reported there has been an increase in people seeking support who are currently in employment. The increased voucher numbers in the less deprived areas may be linked to this.

Debt

- 4.7. In April, insolvency practitioner Carrington Dean found that on average Renfrewshire residents have £17,050 worth of personal debt, higher than the Scottish figure of £16,133. Including mortgages, the Money Charity found that the average total debt per household is £65,661. They also found that debt rates had increased for individuals over the year to the end of July 2023, with adults on average owing £702 more this year than last.
- 4.8. According to the August Commons Library briefing, people are using savings and debt to pay for essentials because of the rising cost of living. Debt advice charities like Stepchange and Citizens Advice are reporting an increase in debt advice clients. An ONS survey shows that of the 56% of adults who saw an increase in their cost of living in July-August 2023 compared to the month before, 19% reported using more credit than usual as a result.
- 4.9. Outstanding credit card debt across the UK to July 23 averaged £2376 per household and £1248 per adult. This is an increase of 8% on the previous year. According to Which? Credit card holders who fail to pay their statement in full could be paying the highest interest in more than 27 years, with average rates hitting 23.8% in September, up from 21.89% a year before. On a credit card with the average interest rate the average debt would take 26 years and 3 months to repay for someone making only the minimum repayments each month.
- 4.10. Which? has also found that the cost of borrowing has increased, with the average interest rate for a £5000 loan taken out over 3 years being 10.8% in October 2023 compared to 6.9% in December 2021. Loan repayments now would be £162.04 per month, compared with £153.68, meaning in total an extra £300 would be paid over the term of the loan.



Source: Which? analysis of Moneyfacts data

- 4.11. Advice agencies are noticing an increase in those who are working coming forward for support both around debt, and for advice more generally. Step Change has seen the percentage of clients in work coming forward increase to 44% in August from 42% in July. Renfrewshire Citizens Advice Bureau report a significant increase in the number of debt clients in full time work (35% increase). The Bureau has also seen an increase in the numbers of those with debt issues generally who are coming forward for support at 363 this quarter against 268 for the same quarter last year.
- 4.12. The Council's Advice Works service has seen a rise in the numbers of clients who are working full time. In their Quarter 1, to 30 June 2023, more clients who were working full time were seen, than those working part time at 97 compared to 74, with 11 self employed people also coming forward. They have also noted an increase in foodbank vouchers being given to those in work.
- 4.13. Renfrewshire Affordable Credit Alliance are currently carrying out a survey on savings, borrowing and debt, which we hope will provide useful information and help paint a picture of borrowing, including illegal borrowing across Renfrewshire. Results of this will be brought to a future Board.

5. Housing costs

- 5.1. According to the ONS, private rental prices have continued to grow across the whole of the UK. Overall rental prices have increased 5.7% in the year to September 2023. Their latest research indicated that just over 4 in 10 (43%) adults in Great Britain paying rent or a mortgage said they were finding the payments very or somewhat difficult to afford. This has increased from 30% during a similar period last year. 40% of rent and mortgage payers stated that their payments had increased in the last 6 months.
- 5.2. According to data from Pay.UK and Vocalink, average monthly mortgage payments made by Direct Debit have been rising steadily, from £718 in December 2021 to £880 in September 2023. The proportion of mortgage payments made by Direct Debit which failed because of insufficient funds last month was the highest since May 2023.
- 5.3. Even if the bank interest rate has peaked (which may not be the case), we know the impact of increased mortgage costs is yet to be felt. According to the Resolution Foundation the average interest rate paid by mortgagors is expected to rise from 2 per cent in Q1 2022 to a peak of 4.8 per cent in Q4 2027. They estimate that the average household remortgaging next year will see their annual payments rise by around £3,000.
- 5.4. Research led by the University of Stirling and University of Nottingham, found that when interest rates increased, those who were heavily indebted experienced an increased likelihood of mental health difficulty. While low interest rates encouraged borrowing, mortgage or otherwise, researchers found that for each 1% increase in interest rates, there was a 2.6% increase in the incidence of mental health issues experienced by those heavily in debt. UK-wide, researchers estimated each percentage point increase would result in 20,000 additional cases of mental health difficulty – at an overall cost to society of £156 million.

- 5.5. Since February 2022, the Bank of England's base rate has increased by 4.75%, so this indicates the possibility of at least 95,000* additional cases of mental health difficulty nationwide in relation to interest rate rises not just debt anxiety itself. In November 2023, the Bank Of England Governor said 'it was much too soon to be thinking about cutting rates', and has indicated that there is potential for mortgage interest rates to rise if inflation doesn't fall quickly enough.
- 5.6. A survey carried out on behalf of Mind, found that 29% of the adult population in England and Wales say the increase in mortgage rates has affected their wellbeing. It found that the rise particularly affected young people, with 48% of those aged 16 – 24 saying the mortgage situation had affected their mental health. There is no reason to doubt a similar result in Scotland.

6. Benefits

DWP: Universal Credit and Child Tax Credit claimants

- 6.1. The Department for Work and Pensions (DWP) published statistics in July 2023 related to the policy that provides support for a maximum of two children in Universal Credit and Child Tax Credit. The two-child limit was implemented in 2017, with benefit entitlement no longer being applicable for third or subsequent children.
- 6.2. The statistics provided a snapshot of the Universal Credit (UC) and Child Tax Credit (CTC) caseload in April 2023 across the UK. Nationwide the statistics show:

	Total	Universal Credit	Child Tax Credit
All households in receipt of UC or CTC with three or more children	771,660	481,370	290,290
Affected households (reporting a third or subsequent child on or after 6 April 2017)	421,660	305,420	116,250
Households not receiving a child element/amount for at least one child	409,050	295,620	113,430
Households in receipt of an exception	22,430	17,660	4,780

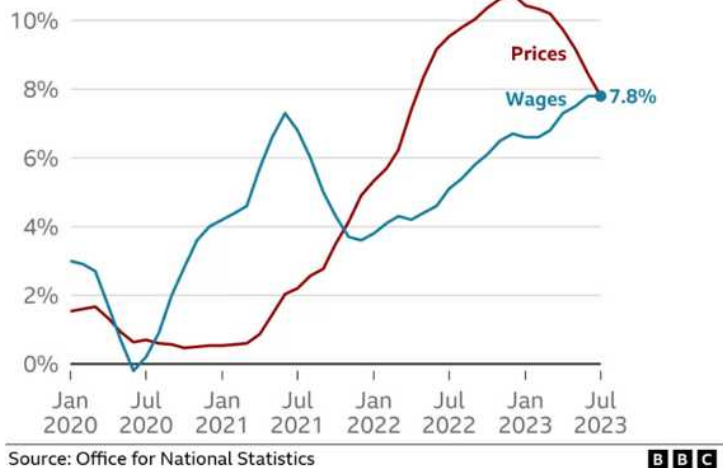
- 6.3. In Renfrewshire, the number of households with 3 or more children with either UC or CTC is 1,350. Previous reports on this subject indicate that to fully mitigate the impact of the limit in Scotland would cost approximately £78m per year based on 2023 figures. In Renfrewshire affected households in financial crisis can apply for a Crisis Grant from the Scottish Welfare Fund, and those with a shortfall in their housing costs can apply for a Discretionary Housing Payment (DHP).
- 6.4. It should be noted that some households affected by the two-child limit, may also be affected by the Benefit Cap, which caps total benefit amounts paid to £423.46 per week for couples and lone parents and £283.71 per week for single adults. The Benefit Cap is currently mitigated in full (where possible) by DHP awards.

7. Employment and Wages

- 7.1. The ONS has reported that pay rises are now meeting price growth, however with inflation forecast to remain above 2% in 2024, prices will keep rising, especially for food where inflation rates remain well above where they have been in recent years.

Pay growth matches inflation

Annual wage and price growth, three months to July 2023



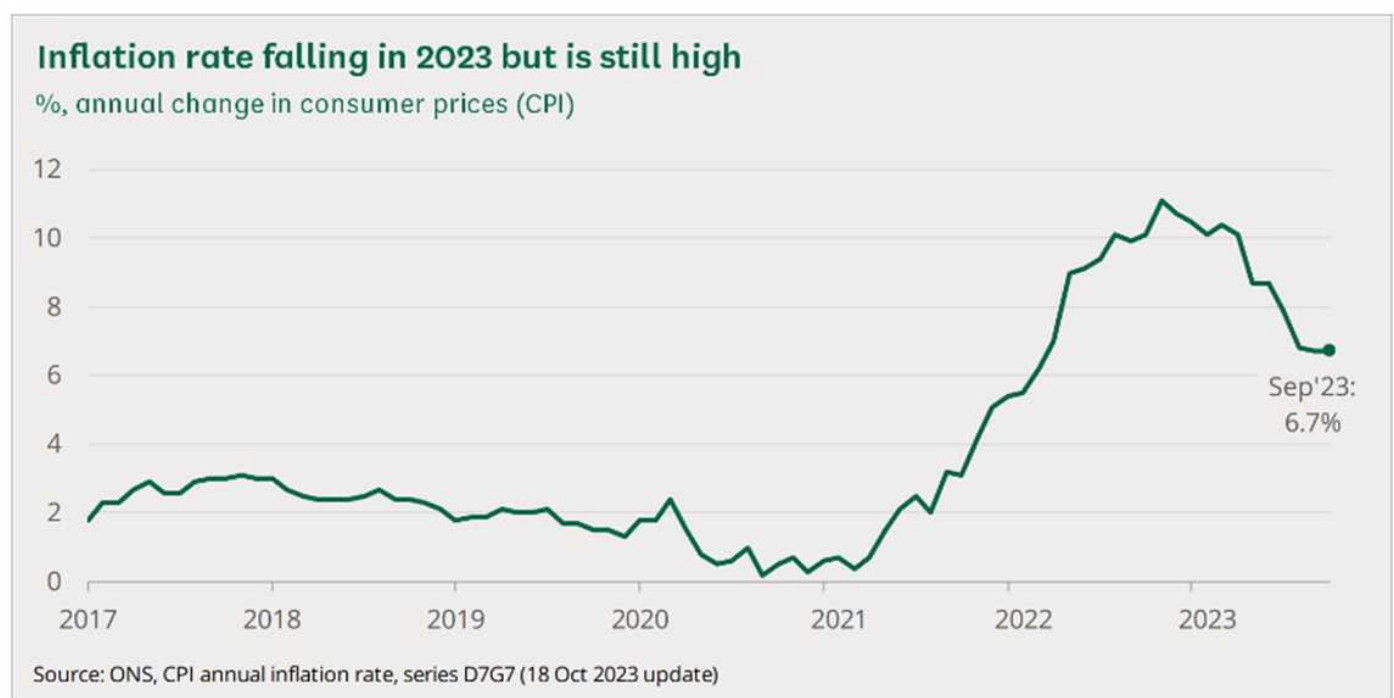
- 7.2. On 24 October an increase in the Real Living Wage to £12 per hour was announced. Employers adhering to the Real Living Wage (as opposed to the national living wage, which is lower) have 6 months (until 1 May 2024) to implement the increase. The previous rate was £10.90, and a full time worker receiving the new rate will receive £3000 more per year than someone receiving the national living wage. By the end of 23/24 Renfrewshire had 85 living wage employers, of which Renfrewshire Council is one.
- 7.3. The Claimant Count for those claiming unemployment-related benefits remained similar in July 23 compared with the previous year at 3.3%. This equates to 3760 people aged between 16 and 64. Those currently receiving Tax Credits have been part of a managed migration to Universal Credit which commenced in August 2023. In May 2023, 14,087 households in Renfrewshire were in receipt of Universal Credit. This will rise until the legacy Tax Credit caseload closes in 2024. This has caused an upturn in individuals in receipt of Tax credits accessing advice in Renfrewshire.

8. Inflation

- 8.1. UK inflation as measured by the Consumer Prices Index (CPI) is currently standing at 6.7%, which represents no change from the August figure. According to the ONS, however, it's not a consistent picture across the board, for example, motor fuel is the largest contribution to upward increases in price, while furniture and household goods and food and non-alcoholic beverage inflation rates are showing a downward trend.
- 8.2. Food prices rose by 12.2% in the year to September, down from 14.9% in the year to July. The largest downward contributions in the easing of the annual rate for food and non-alcoholic

beverages between August and September 2023 came from the milk, cheese and eggs as well as soft drinks and juices. Despite easing inflation, the ONS reported that half (50%) of adults across Great Britain say they have spent more than usual to get what they normally buy when food shopping within the past two weeks.

- 8.3. The Bank of England has warned that food inflation is unlikely to fall below 10% by the end of the year as farmers, distributors and food manufacturers costs are continuing to rise at a fast pace. The cool wet summer has also affected UK crops such as wheat and potatoes, which may affect prices.
- 8.4. The increase in price of motor fuels was one of the main contributing factors in the inflation rate remaining static. The average price of petrol rose by 5.1 pence per litre between August and September 2023 to stand at 153.6 pence per litre, with the average price of diesel rising by 6.3 pence per litre to stand at 157.4 pence per litre. Oil prices have increased mainly due to the decision by some oil producing countries who are members of OPEC+ to cut production of crude oil and so increase the price per barrel. This increase in price is then reflected in the retail prices paid at fuel forecourts. The Israel-Gaza crisis may also have consequential impacts on oil prices due to the geo-political volatility in the Middle East.
- 8.5. It is widely predicted that the inflation rate will again fall next month, with it expected that the energy price cap reduction from 1 October 2023 will contribute to see at least a 1 percentage point reduction in the overall inflation rate.



9. Fuel – Energy Support for Households

- 9.1. Support with energy bills will continue until at least March 2024, albeit at a reduced or scaled back level. The price cap applies to most households, and sets the maximum amount that suppliers can charge for a unit of energy. From 1 October 23, a typical dual-fuel household will

pay £1834 per annum. This is a reduction in price per unit for both gas and electricity, however standing charges for electricity have remained static, while those for gas have increased by 3 pence per day.

	Previous energy price per unit 1 July to 30 September 2023	Current energy price per unit 1 October to 31 December 2023
Electricity	30 pence per kWh 53 pence daily standing charge	27 pence per kWh 53 pence daily standing charge
Gas	8 pence per kWh 29 pence daily standing charge	7 pence per kWh 30 pence daily standing charge

- 9.2. The cap is applied to customers on a default energy tariff including those who pay by Direct Debit, standard credit, prepayment meter, or who have an Economy 7 meter. It should be noted that the cap does not limit the total bill, which depends on energy consumption, only the amount charged per unit.
- 9.3. As previously reported to the Committee, the UK Government has also announced that the £400 payment paid to all homes in winter 2022/23 will not be repeated. Instead, support will be provided in three instalments only for those receiving certain means tested benefits.
- 9.4. The second, Autumn instalment of £300 will be paid between 31 October and 19 November, with a further £299 to follow in Spring. In addition a 'Pensioner Cost of Living Payment' of either £150 or £300 will be paid later in the year, along with Winter Fuel payments. The total amount received is based on age and circumstances during a qualifying week in September. The maximum Winter Fuel payment (including the Cost of Living Payment) is £600, and the minimum £250 and those eligible will receive a letter advising how much they are due in October or November.

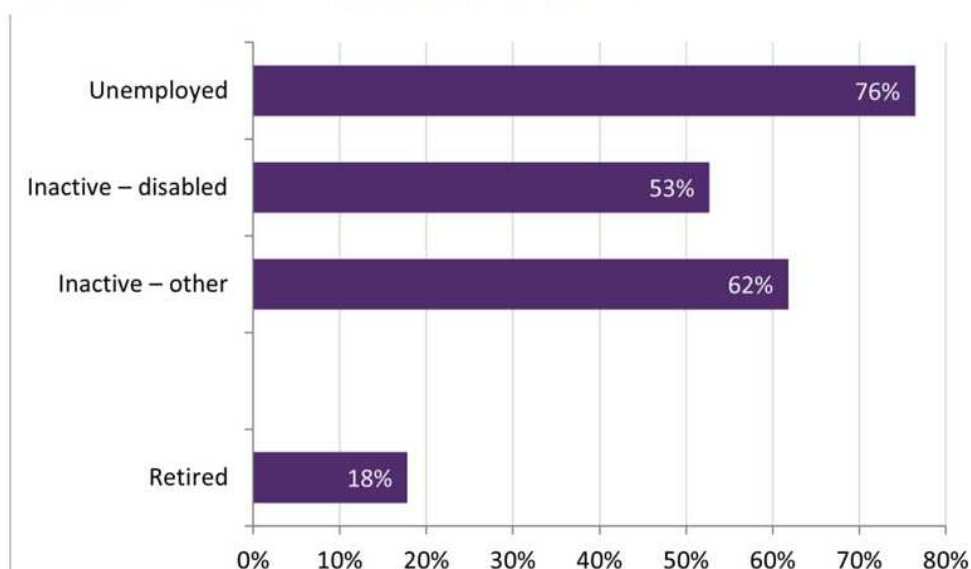
10. Joseph Rowntree Foundation Poverty in Scotland Report 2023

- 10.1. In October, JRF published their Poverty in Scotland report. This report highlights the issue of increasing levels of in-work poverty. It found that over one million people still live in poverty in Scotland, with nearly half of those (490,000) living in very deep poverty and around a quarter being children. Their report also suggests that with inflation rates still high, this winter will be difficult especially for those living in poverty with a continuing struggle to afford essentials for their households.
- 10.2. The report includes analysis of which families are more likely to experience in-work poverty:
- One in four people in working single-parent families are in poverty
 - Larger families, with 3 or more children also face an in-work poverty rate of around one in four

- One in ten people experiencing in work poverty live in couple families with children where both parents work full-time
- Households where someone is disabled or a carer also face an increased risk of in-work poverty.
- Woman are more likely to be on low pay and work part time than men, with career progression also negatively impacted.

- 10.3. The report offers solutions to reducing in work poverty, including employers paying Real living Wage, targeting training and progression to employees on low pay and offering flexible roles.
- 10.4. As discussed throughout this report the issue of in-work poverty is one that seems to be on the rise in Renfrewshire, with the Foodbank and our advice services, including those providing advice around energy, reporting an increase in those who are working, whether full or part time, coming forward for support.
- 10.5. For those who are not working a level of three out of four people in families who are unemployed are living in poverty.

Figure 14: Poverty rate for people in families not in work



Source: JRF analysis of Households Before Average Income

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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