Renfrewshire Council

To:	**Fairer Renfrewshire Sub-Committee**
On:	**1st February 2023**

Report by: **Chief Executive**

Heading: **Cost-of-living Update**

1. Summary

1.1 At the Fairer Renfrewshire Sub-Committee meeting on 25 October 2022 an overview of key context and evidence around current pressures on household finances, both in terms of household income and expenditure was examined.

1.2 Since then, there have been a number of changes in economic factors, policy and supports, including Scottish Budget announcements on 15 December which will have an impact on Renfrewshire residents. This paper provides an overview of those changes. A number of reports on the impacts of the cost-of-living crisis have also been published, such as from Public Health Scotland and the Joseph Rowntree Foundation and key findings from these reports are also included.

1.3 Since the Fairer Renfrewshire Sub-Committee last met in October, key updates include:

- The rate of inflation is now 10.7% (November 22), after reaching a high of 11.1% in October.
- The inflation rate for food, however, jumped to 13.3% in December, up from 12.4% in November.
- UK-wide and Scottish specific benefits will be uprated by the September inflation rate (10.1%) in April 2023
- The Chancellor confirmed in November that, although the energy price cap will increase to an annual level of £4,279 for an average dual fuel household for the first 3 months of 2023, bill-payers will still be protected by the Government's Energy Price Guarantee until the end of March 2024. The Guarantee rises in April so households with a typical duel fuel direct debit will pay on average £3000, an increase of £500.

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 16 August 2022 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. This report included key drivers of household incomes, including employment trends and recent changes relating to social security benefits. Key messages at this time included:

- 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.

3.3. The report also outlined recent evidence around the rising cost of living, and the significant pressure this extra expenditure puts on household finances. Key messages included:

- 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.

3.4 The Scottish Budget for 2023/24 was published on 15 December. Key points from the budget include:

- Income tax rates for higher earners in Scotland will increase from April 2023, while the threshold for the top rate of tax will be reduced to £125,140, in line with the additional-rate tax band in place elsewhere in the UK. Tax rates for lower income bands will remain the same.
- Benefits under the control of the Scottish Parliament will be increased by the rate of September's CPI inflation, 10.1%
- In addition, the Scottish child payment will be frozen at the rate of £25 a week for every child under 16 living in households in receipt of certain benefits.
- To help households struggling to pay for energy, £20m funding will be reallocated to the Fuel Insecurity Fund instead. The fund, which was launched in 2020-21, aims to provide practical support to social landlords' tenants to help them to heat their homes and to manage, or reduce, their energy costs.
- Peak train fares across Scotland's railways will be scrapped for a six-month pilot.
- £22m investment for free school meals during holidays
- Increasing investment in No One left Behind and Fair Start Scotland
- A further £30 million investment to Keep the Promise and £50 million investment in a Whole Family Wellbeing Programme, to provide holistic, preventative family support.

Scottish Government Food Insecurity funding

3.5 On 12 January, the Scottish Government announced an additional £2.4 million in funding to help people struggling to afford food and other essentials. The funds will go to four organisations to distribute mainly on a 'cash-first' basis to people in immediate need in the face of the cost of living crisis, with a focus on crisis payments and shopping cards to allow people to choose for themselves what they need.

3.6 Although full details are still to emerge, the money is being allocated as follows:

- £1,000,000 to the Scottish Federation of Housing Associations for cash-first responses to food insecurity via their members
- £1,050,000 to Corra Foundation for their Household Hardship Fund, providing grants to organisations working to alleviate poverty with an emphasis on cash-first responses food insecurity – a number of Renfrewshire charities have received funding from this source previously
- £100,000 to Citizens Advice Scotland to expand their shopping card pilot, offering an alternative to a food bank referral
- £250,000 to FareShare for regional purchasing where needed to supplement the supply from surplus and donations

3.7 RCAB has confirmed that there will be a bidding process for Bureaux to access the shopping card pilot, and if they are eligible, they will bid for funding.

4. Impacts of cost-of-living crisis

Joseph Rowntree Foundation cost of living update December 2022

4.1 On 14 December the Joseph Rowntree Foundation (JRF) published research around Costs of Living for Winter 2022/23.

4.2 They found that it is households on the very lowest incomes who are struggling the most, with three quarters of those in the bottom 20% of incomes going without food or other basic essentials like clothing or toiletries. People on Universal Credit (UC), private renters and young adults are all highlighted as seeing rising and worrying levels of hardship.

4.3 For low-income households in the bottom 40% of incomes:

a. 7.2 million households (62%) are going without essentials. This means that they have reported going hungry, or cutting down the size of meals or skipping meals in the last 30 days, or going without basics like showers or adequate clothing since June.

b. 4.7 million households (41%) are in arrears with at least one household bill and the average level of arrears remains above £1,600.

c. 4.3 million (37%) are going without essentials AND in arrears with at least one household bill, and

d. Over 3 million households (28%) have not been able to keep their home warm since June because they couldn't afford to.

4.1 Households in the bottom 20% of incomes across the UK are facing worrying levels of financial stress and deprivation, which have risen significantly. Three quarters have reported going without essentials, up from 67% in May 2022. A fifth have reported going hungry often in the last 30 days, up from 13% in May 2022. Over half (53%) are in arrears, up from 39% in October 2021 and 47% in May 2022. Around four in ten (39%) have no or very low levels of savings.

4.2 JRF highlighted three groups with a sharply rising risk of going without and getting behind with bills:

- Almost every low-income household on Universal Credit is going without the basics (90%) – either experiencing food insecurity, or going without basics like a warm home and essential journeys. This rises to 95% where deductions are being made, for example to repay debts to Government such as benefit advances.
- With high and rising housing costs, 85% of low-income private renters are going without essentials, and almost two thirds are in arrears with household bills – the highest of any tenure.
- 18- to 34-year-olds are facing a very different cost of living crisis to older adults. They have seen some of the largest rises in hardship over the last 12 months, and it shows no sign of slowing down. A lack of savings, living in the private rented sector, living in cities, and receiving lower levels of Government support all contribute the poorer financial outlook for the UK's young adults.

Public Health Scotland Report

4.3 On 6th December, Public Health Scotland published their report **'Population health impacts of the rising cost of living in Scotland - A rapid health impact assessment'.** This Health Impact Assessment (HIA) identified that falling real incomes could have adverse effects on individuals and households through:

- increased problem debt
- food insecurity
- fuel poverty and poorer housing conditions
- increased homelessness
- mental distress
- reduced social interaction
- reduced access to goods and services
- increased harmful gambling and substance use in some populations
- stress on family relationships and family violence
- adverse impacts on child development and education, and
- increased crime
- reduced capacity of public services to meet these needs.

4.4 Many of these will have adverse impacts on health and health inequalities in the short term, but they are also likely to reduce population resilience and increase health inequalities in the longer term. The impacts on children and young people could have lifelong effects on their life chances and health.

4.5 The report noted longer-term responses to inflation including austerity measures and economic recession would bring further impacts on health, with low-income populations most affected, including homeless people and other populations at high risk of poverty. Disabled people, older people, children and rural populations are more likely to be affected by increased prices and many of the adverse impacts.

4.6 The HIA recommends that actions to mitigate the impacts should aim to increase and protect incomes, especially for low-income households and should include measures to: improve energy efficiency and quality of housing, reduce barriers to public and active transport and prioritise wellbeing and inclusion in national and local economic policy and strategies, with mitigation measures being assessed for their impact on health and inequalities.

Households identified as most at risk of financial hardship

4.7 The HIA found that female-headed households, younger working-age adults and those where at least one adult has a long-term condition are more likely to be at medium or high risk of financial hardship. 80% to 90% of households where the highest-income adult is unemployed, permanently sick or disabled, unable to work because of short-term illness/injury, or looking after home or family are either at medium or high risk. 60% of student-headed households and half of part-time worker-headed households fall into these categories too. More than three quarters (76%) of lone-parent households and 55% of single working-age adults are in this category, falling to 31% of single pensioners and 19% of pensioner couples.

Mental Health

4.8 In the survey, 18% of adults reported that the rising cost of living had a very negative impact on their mental health. Women were more likely to report a negative impact on their mental health than men. By age group, the reported negative mental health impact was much stronger among adults aged under 65 years, and most pronounced among the under-35s, with 26% of 18 to 24-year-olds and 32% of 25 to 34-year-olds reporting the rising cost of living had had a very negative effect on their mental health.

Households Narrowly Ineligible for Means-tested Benefits

4.9 Households on low incomes who are ineligible for means tested benefits are amongst the groups identified by the Poverty and Inequality Commission and their Experts by Experience Panel as missing out, or receiving limited support under the UK government's Cost of Living Support Package and other local supports. Locally, anecdotal evidence from partners and a range of Council services have also identified this group as facing particular difficulty as they pay full housing costs, Council Tax and do not receive supports linked to these benefits such as Free School Meals or Clothing Grants.

4.10 According to the Scottish Government, there could be around 10,000 households in Scotland who are above the threshold to qualify for Universal Credit, so narrowly miss out on qualifying for the £650 Cost of Living payment for low-income households. This ‘cliff-edge’ for those just above the threshold for Universal Credit means they will have to tackle typical energy bills of £3,000 when the Energy Price Guarantee rises in April 2023, on their own, while families with similar but slightly lower earnings receive £900 additional financial help.

Impact on third sector

4.11 The Scottish Council for Voluntary Organisations (SCVO) has indicated that the impact of the cost -of-living crisis after the effects of Covid could mean many Scottish charities have to close. A survey of Scotland's voluntary sector found 93% of organisations that responded reported an increase in costs in 2022 and 43% said these rises were negatively impacting their ability to deliver services.

4.12 Of the 45,000 charitable organisations in Scotland SCVO’s "conservative estimate" was that 1,300 would be unable to open their doors in a year's time.

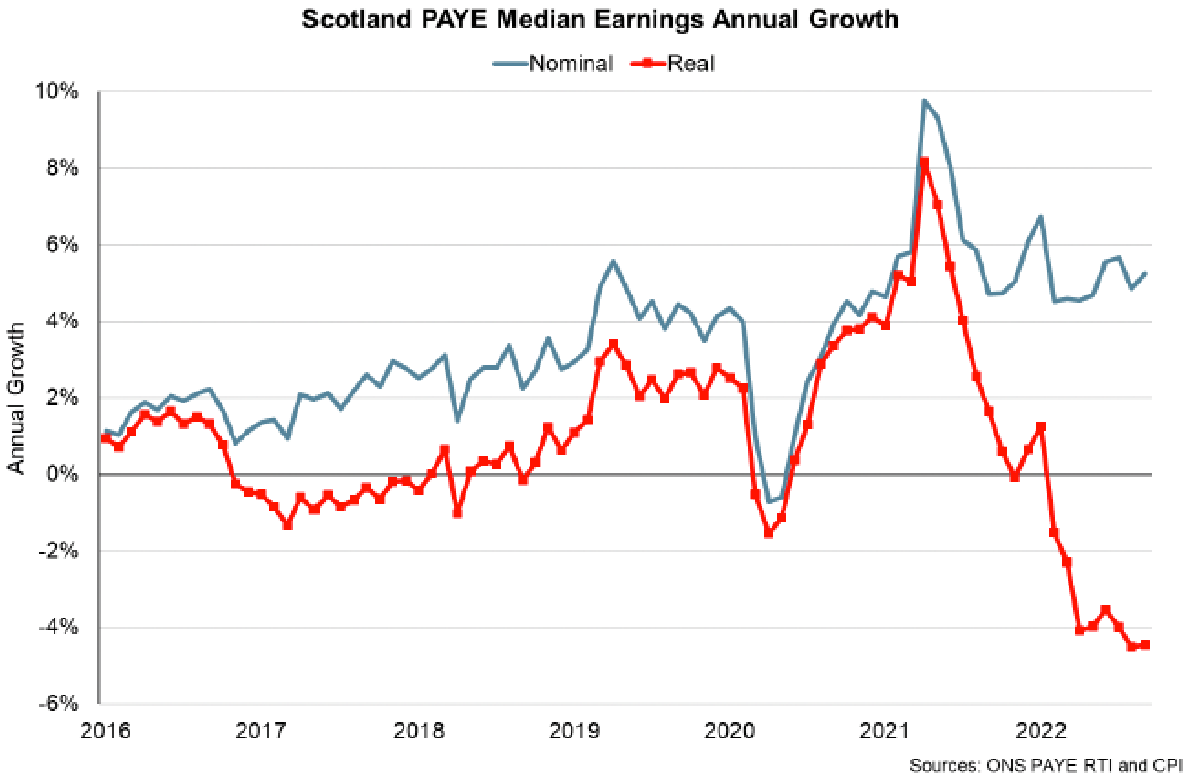
4.13 Locally we know that charities are facing increased costs for energy, but also, as many of them increase wages in line with inflation, much higher wage bills. One charity has reported that they are finding it difficult to retain staff where staff can get a higher paid job elsewhere, such as in the public sector.

4.14 The Scottish Government said it was looking at a range of measures to help, however no detail is available as yet.

5. Income

Employment and Wages

5.1 For families and individuals in work, the effects of rising inflation on household budgets is further reflected in its impact on real earnings. As illustrated below, while nominal median PAYE earnings grew 5.3% over the year to September, they fell 4.4% in real terms once adjusted for inflation; the eighth consecutive month of decline.



5.2 For those relying on benefits for all or part of their income, they are subject to a higher real-terms percentage fall in their income than people in employment (on average), by not receiving an uprating of benefits that reflects current rates of inflation.

5.3 UK benefit rates have not kept pace with inflation in recent years. In 11 of last 15 years the value of unemployment related benefits (including UC and Job Seekers Allowance) has declined and now have around 14% less purchasing power than they did in 2008. This issue is particularly pronounced this year in a context of rising inflation due to the lag between the inflation period used (e.g. September) and when it is applied for benefit uprating (e.g. following April). In April 2022, UK benefits and state pensions were uprated using the annual rate of CPI to September 2021 (3.1%). However, this was significantly lower than the 7.0% recorded in March 2022, just before benefits were uprated, and inflation has risen since then to 10.1% in September. This is the rate that will be applied to UK benefits in April 2023.

5.4 The decision to uprate benefits by 10.1% next spring should see the average household on UC £65.49 better off a month. However, around half of all households on Universal Credit are subject to deductions, which Citizens Advice Scotland estimate at around £62 per month on average. An estimated 188,300 households in Scotland are subject to deductions and would likely see only a proportion of the 10.1% uprating as a result due to the deduction system for Universal Credit.

5.5 Deductions from UC awards are generally limited to the higher amount of either 25% of a household's standard allowance or the amount of UC awarded. The DWP have a hierarchal deduction scheme, so deductions can include one or a combination of repayments of; advance payments, overpayments, budgeting loans, and third party debt (such as utility arrears, rent arrears, council tax arrears, court fines and child maintenance). If the standard allowance is increased, the monthly amount considered for any deduction will also increase. In some scenarios, where the level of UC award is low (due to earnings and/or other income taken into account), a higher proportion of an uprated award could be effectively removed through the increase in deductions.

6. Expenditure

Inflation

6.1 UK inflation has risen sharply over the past year from 0.5% in February 2021 to its current rate of 10.7% in November 2022 – a slight decrease from the rate of 11.1% in October 22. Annual food inflation, however, jumped to 13.3% in December, up from 12.4% in November, according to the British Retail Consortium (BRC). This was the highest monthly rate since collection of this data began in 2005. The BRC said high prices for animal feed, fertiliser and energy fed into higher food prices on supermarket shelves, while warning that consumers would probably face further increases in 2023.

6.2 A Scottish Government Report on the Cost-of-Living Crisis, published in November 2022 notes that the rise in inflation has been predominantly driven by increases in the price of electricity, gas and other fuels, up 70.1% over the year to September, driven by the increase in wholesale gas prices, however rising food prices particularly drove the increase in the rate between August and September.

6.3 Business costs have significantly risen over the past year due to rising prices for energy and materials alongside rising labour costs. Input prices are around 20% higher than last year. Increasing costs of production (energy, raw materials and labour) are the most significant immediate challenge facing businesses in Scotland and threaten viability.

6.4 As well as the direct impacts from higher energy prices, businesses, particularly those in consumer facing sectors, will be affected by lower demand as a result of falling real household incomes. The squeeze on customer disposable incomes amid a high inflation environment has led to a recent downturn in business activity and new business.

6.5 More recently, according to YouGov, half of Britons (48%) were intending to spend less on gifts at Christmas this year, while a third are cutting back on social activities such as meals out (34%) and festive outings such as pantomimes and Christmas markets (33%). Amongst lower-income households, food is also a major area that is being reduced, with 4 in 10 (38%) saying they will cut back in this area of spending, compared to a third (32%) of the whole population.

6.6 This reduced demand, in addition to significantly higher costs over the past year due to rising prices for energy and materials alongside rising labour costs has presented significant challenges for businesses as they continue to recover from the pandemic.

Fuel

Energy support for households

6.7 Although support with energy bills will continue until at least March 2024, this will be scaled back. Currently, a typical dual-fuel household pays £2,500 a year under the Energy Price Guarantee introduced in October 2022, however from April 2023 this increases to £3,000 a year until 31 March 2024.

6.8 The UK Government has also announced that they will not be extending the £400 payment paid to all homes in winter 2022/23. Instead, support will be provided only for those in particular circumstances:

- A one-off payment of £900 to households in receipt of means tested benefits, such as Universal Credit and Child Tax Credits. This will be paid in three instalments in spring 2023, autumn 2023 and spring 2024.

- A one-off payment of £300 for pensioner households in winter 2023/24.

- An additional £150 for those on disability benefits, such as Attendance Allowance and Scottish Disability Benefits paid in summer 2023. This can be paid on top of either of the other payments where appropriate.

6.9 This means that those who have low incomes, but are not in any of the categories above will receive no extra support to pay fuel bills on top of the Energy Price Guarantee.

6.10 Evidence shows that a large share of households do not utilise the support provided by the UK government. The Post Office, the UK's biggest voucher processor, said that only 60% of those eligible had redeemed the £400 energy support vouchers, which are valid for 90 days.

Off grid support

6.11 All households connected to mains electric will receive the £400 energy bill discount announced in May (which was paid monthly and finishes in March 2023), and almost all households in Scotland have a connection to the electricity grid. This support ends in March 2023.

6.12 For households who use off-grid fuel, Department for Business, Energy and Industrial Strategy (BEIS) announced further detail on energy price guarantee for households on 21st September 2022 targeted at some rural households/people using off-gas grid fuel. An additional payment of £100 will be provided to households across the UK who are not able to receive support for their heating costs through the Energy Price Guarantee to compensate for the rising costs of alternative fuels such as heating oil and to compensate off-grid consumers. Where these £100 payments cannot be automatically delivered to households the UK government is working to ensure payment through other means, such as suppliers and designated bodies, such as local authorities or other statutory bodies.

6.13 BEIS have written to Local Authorities to notify them of the Government’s intention for the BEIS to work in partnership with Local Authorities across Great Britain to deliver Alternative Funding for help with consumers’ energy bills. Where households across the UK will miss out on EBSS as they do not themselves directly contract with a domestic electricity supplier, they will instead qualify for assistance via an Alternative Funding scheme, and will be able to apply directly for the £400 Energy Bill Support other households have received. In addition, the Government has announced the Alternative Fuel Payment (AFP), of £200 for households that use fuels other than gas to heat their homes (doubling the £100 payable in Winter 2023). The UK Government has indicated that Local Authorities will be asked to support payment to the small number of households that will not receive payment automatically, and have stated further information on this will be provided as soon as possible.

Automatic transfer to prepayment meters

6.14 In some cases where individuals are struggling to pay energy bills and have built up a debt on their account, their supplier will automatically move them onto a prepayment meter so they can collect repayments over time. A prepayment meter allows energy companies to recoup debts, however prepayment meters are around £70 a year more expensive than direct debit (on typical dual-fuel use).

6.15 The automatic switch can happen where a householder has a newer type of smart meter as these can be remotely switched to prepayment meter. Official figures show there has been a rise in suppliers remotely switching people, with 60,000 of these switches in the three months to end October 2022. (this figure also includes customers voluntarily choosing to go on prepayment to help them manage debt).

6.16 With standard credit meters, energy is paid for after it's been used while with prepayment meters it's paid for in advance in advance, but for clients who are struggling to find money to top up, or who may be physically unable to get to a shop for a top up or reach the meter having a prepayment meter means they risk being cut off from heat or power. Ofgem has reported that, in some extreme cases, the forced switch to prepay has left some people without power for days, in a few cases, weeks. This is sometimes referred to as 'self-disconnection'.

6.17 Where bill-payers have fallen behind paying energy bills, the supplier can force them onto prepay without their permission, and there's no automatic right to refuse. Suppliers, however, can only put individuals on prepay where it is "safe, practical and easy for you to use and get to [the meter]" and must take the following into consideration:

6.18 Whether a bill-payer is able to understand and operate the prepay meter, including topping up (for example, whether you have a physical or mental disability preventing you from being able to use a prepay meter);

- How far they live from a shop that lets them top up with cash (if they want or need to use cash to top up);
- Whether they need a continuous supply for health reasons, such as having medical equipment that needs a constant electricity supply;
- The physical location of the meter (for example, whether it's placed high on a wall)

6.19 These same rules apply whether the supplier is physically installing a new prepay meter in a home or switching an existing smart meter into prepay mode.

6.20 Charities such as Citizens Advice, National Energy Action and StepChange are calling for more safeguards for consumers, and British Gas announced on 19 January 23 that it will stop switching people onto prepayment meters via their smart meters when they struggle to pay their bills as well as adding extra vulnerability checks. In addition, they announced an £10m of extra support for customers in need, which could include non-repayable credit of up to £250 for those struggling the most to top-up their meter.

6.21 Suppliers must follow the correct process to put individuals on prepay, including:

- Having a valid reason for the switch. This can include recovering a debt

- Communicating clearly. The supplier advise of plans to switch to prepay, give its reasons for the decision and outline any other options.
- Providing at least seven working days' notice.
- Taking into account client vulnerability.

6.22 In Renfrewshire, our Energy Management Unit (EMU) has seen a rise in numbers of people being switched to prepay especially if they have smart meters. EMU has found that although clients are usually lettered first to make them aware that they are about to become prepay customers, this has not always been the case.

6.23 They also find that although clients are calling their power company in the first instance for help to arrange a payment plan, they can be offered little help. One recent example they provided was a 74-year-old who was in debt with British Gas, who, when she called them, was told she would either need to pay £144.00 every 2 weeks on a payment plan or accept a prepayment meter for her gas. The EMU managed to negotiate a repayment plane of £58.00 every 2 weeks as well as apply for help towards the debt owed and save the client from being transferred to prepayment.

6.24 Analysis from the Scottish Household Conditions Survey indicated that Renfrewshire has approximately 10,000 fuel poor households with prepayment meters, and 47.4% of fuel poor households have prepayment meters currently. This is higher than the Scottish average (31.9%), as well as a number of neighbouring authorities. As households with prepayment meters are impacted the most by the rise in energy prices, and have the risk of self-disconnection, work is underway to explore this data in more detail to understand the local context.

Petrol

6.25 Fuel prices have fallen recently, with average petrol prices in January 23 below £1.50 for the first time since Russia invaded Ukraine last February. This is a reduction from the record high of 191.53 a litre in early July 2022. For those using diesel, these prices are still higher than they were last year at 172.21 a litre on average currently. Diesel cost 153.05 per litre when the Russian invasion began.

6.26 The AA have found that it now costs about £23 less to fill a typical car (with a 55 litre tank) with petrol than it did in July 2022, however warned that that petrol prices were still above what they should be and that the end of a temporary fuel duty cut this March could lead to fresh rises. The AA have also found that petrol stations in cities and towns are charging up to 10p more for fuel than those in rural parts of the UK. This can be due to independent retailers deciding to offer cheaper fuel to encourage business and can happen where chains decide not to compete with each other.

Debt

6.27 Figures from the Bank of England show that in November 2022, credit card debt rose to its highest level since 2004. Individuals borrowed an additional £1.5bn in all forms of consumer credit, of which £1.2bn was on credit cards. This figure coincides with the beginning of the Christmas shopping period and rising energy bills and shows a jump from October's figure of £700m in unsecured borrowing.

6.28 The rise has prompted concerns among anti-poverty charities that some people were turning to expensive forms of credit to make ends meet. StepChange, debt charity, said the steep increase in living costs during the past year was behind most of the debt among its new clients, with more than one in five (21%) saying it was their primary reason for contacting the charity.

6.29 In November 2022 Citizens Advice Scotland published a report on Complex Debt, ‘An Analysis of Living Standards in Complex Debt Cases’. This found that the cost of living - through rising costs and static or reduced incomes – has increased the number of people with a negative disposable income whereas those with a disposable income are being significantly squeezed and while the overall debt levels have not changed, people are taking longer to pay off their debts.

6.30 The report found that the number of clients with negative disposable income (NDI) grew from 42% in 2019/20 to 48% in 2021/22, resulting in 1 in 2 clients having no spare income to pay debt. In fact, many clients do not have enough to even cover essential bills. Of the 52% of clients they saw who have disposable income, this was substantially reduced by a third from the 2020/21 median of £228 per month to £148 per month in 2021/22. This severely affected their complex debt clients’ ability to pay debt. In addition, they found that the numbers of people capable of paying off their debts in under 5 years reduced by 40% with a substantial 65% increase in the numbers taking between 5-to-30-years to clear off their debts.

6.31 Aligning with JRF findings around households receiving Universal Credit, when examining the mix of benefit income sources CAS found a relationship between Universal Credit and NDI. Overall clients who do not receive Universal Credit have less NDI across both years. The numbers of clients with Universal Credit experiencing NDI in 2021/22 has grown by 33% for the previous year whereas, those without Universal Credit decreased by 14% in 2021/22. For people with salaries and Universal Credit the numbers increased by 28% while for people with salaries and other benefits it decreased by 18%. Some of this growth in NDI between 2021/21 and 2021/22 may relate to the withdrawal of the £20 uplift.

6.32 In their December update, JRF reported that a quarter of low-income households (2.9 million households) have a high-cost credit loan – with a loan shark, payday lender, doorstep lender, or pawn shop, and around half are in arrears with their loans. 4.2 million households are trying to earn more money, all while cutting back on their spending.

7. Housing

Mortgages

7.1 The Bank of England base rate is currently 3.5%, the rate has been increased seven times in 2022, including in December 2022, and is forecast to rise to 4.5% in 2023, with some experts predicting it could reach 6%. This interest rate is what other banks and building societies use to set their interest rates and this rise has led to an increase in mortgage rates and payments for those not on, or at the end of a fixed rate mortgage period. One of the effects of this has been a drop in mortgage approvals for the last three consecutive months.

7.2 On a 25 year, £200,000 mortgage, each extra 0.5% interest rate rise adds an extra £56 a month to a mortgage for those not on a fixed term deal. Over a year, this would add up to £672.

7.3 According to Citizens Advice, more than a quarter of current mortgage holders wouldn't be able to afford their monthly repayments if they increased by £100 a month and nearly half (45%) would be unable to make their payments if they rose by £250 a month.

7.4 In September 22, 49% of mortgage holders Citizens Advice gave debt advice to said they had more money coming out of their finances every month than going in.

Rents

7.5 Around 10,000 households use the private rented sector in Renfrewshire. Although in tenancy rents cannot be increased currently due to the Cost of Living (Tenant Protection) (Scotland) Act 2022, according to research by the Big Issue, renters are facing record prices with rents growing at the fastest annual rate for more than a decade. They report that asking rents have jumped more than three per cent in the last three months outside of London. Experts predict rents will continue to rise while renters may also face knock-on effects from rising mortgage rates.

7.6 Landlords could pass on their increased mortgage payments through higher rents for new tenants while there is likely to be increased competition for rented homes as would-be first-time buyers cannot afford to get on the housing ladder.

7.7 Rightmove has already noted a surge in competition for smaller rent homes. There has been a 71 per cent rise in competition for studio flats, the property site found, with four times as many tenants looking for a studio flat as there are available on the market.

Tenant Grant Fund

7.8 The Scottish Government has widened the eligibility criteria for the Tenant Grant Fund, to support people struggling financially as a result of the cost-of-living crisis. The Tenant Grant Fund was introduced in September 2021 to mitigate the short to medium term financial challenges being experienced by tenants (both social and private) adversely impacted by restrictions and regulations introduced to control the spread of Covid-19.

7.9 The main focus of the Tenant Grant Fund is to support those most at risk of homelessness, in circumstances where tenancies can be saved through intervention, and cover a proportion or all of a tenant's rent arrears. The Fund offers flexibility, enabling local authorities to exercise a large degree of discretion in administering it, as part of a broader holistic homelessness prevention approach. It was envisaged that the Tenant Grant Fund would be used alongside other existing tools and financial support such as Discretionary Housing Payments, income maximisation and debt advice.

7.10 In 2021 the Scottish Government allocated £10 million to the Tenant Grant Fund, with £9.5 million apportioned for grants and £500,000 for administration. Renfrewshire Council received £214,000 towards grant awards, with £11,000 allocated for administration costs. There has been no announcement of additional funding to support the widening of the eligibility criteria. Renfrewshire Council has circa £10,000 left to spend from the Tenant Grant Fund, and it is expected that those monies will be fully allocated by the end of this financial year.

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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