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**To:** Fairer Renfrewshire Sub-Committee

**On:** 22<sup>nd</sup> March 2023

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**Report by:** Chief Executive

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

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## **1. Summary**

- 1.1. This paper provides an overview of key context and evidence around current pressures on household finances, both in terms of household income and expenditure. These regular updates are provided to the Fairer Renfrewshire Sub-Committee to provide a snapshot of recent changes in economic factors and policy and supports, which have a significant effect on the pockets of Renfrewshire residents.
- 1.2. Since the Fairer Renfrewshire Sub-Committee last met in February, key updates include:
- The rate of inflation is now 10.1% (January 23), after reaching a high of 11.1% in October. The rate is expected to fall further, with an updated rate due to be published on the 22nd March 2023.
  - The inflation rate for food, however, has continued to rise and is now 16.7%. Research shows the prices of items in supermarkets' 'basic' ranges is higher, having gone up by an average of 21.6%.
  - The energy regulator Ofgem announced that its quarterly cap on household bills for average dual-fuel direct-debit customers will fall by around 23% from £4,279 for the January to March quarter to £3,280 from 1 April. The UK Government's Energy Price Guarantee, which limits the maximum costs of energy, will be kept at £2,500 from 1st April, to the end of June: a three month extension.

## **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. A regular update has since been provided to the Fairer Renfrewshire Sub-Committee to provide a snapshot of recent changes in economic factors, policy and supports, which have a significant effect on the pockets of Renfrewshire residents.

### **4. Impacts of cost-of-living crisis**

- 4.1. Figures released by the Office for National Statistics on 27 February 2023 show the impact of the cost of living crisis, including on eating, heating and on mental health.
- 4.2. The ONS's latest data found that from November 2022 to January 2023:
  - Around 1 in 11 (9%) adults reported they had often or sometimes run out of food and could not afford to buy more in the past month.
  - Around half of adults reported that they were buying less when food shopping (50% in the latest period, 49% in the previous period); 40% reported this in both the latest and the previous period, and 10% reported this for the first time in the latest period.
  - Around 1 in 8 (13%) reported they had cut down meal size or skipped meals in the past month because there was not enough money for food; 21% of these adults reported they had done so on more than 14 days in the month.
  - Around 2 in 10 adults (19% in the latest period, 23% in the previous period) reported that they were occasionally, hardly ever, or never, able to keep comfortably warm in the past two weeks; 12% had reported this in both the latest and the previous period (22 November to 18 December 2022), and 7% reported this for the first time in the latest period.
  - Around a third (34%) agreed (strongly agreed or agreed) that increases in the cost of living had negatively affected their mental health.
- 4.3. ScotPulse, a dedicated online research panel for Scotland run by STV, held a panel between the 6th - 8th February 2023, which received 2,409 responses and the following cost of living behaviours were noted:
  - Seven in ten (69%) people report that they have cut their energy use through methods such as switching off lights and not using the oven to cope with rising prices and inflation. This is even higher among Scots aged 55 and over, with three-quarters (74%) saying that they have done this to cope with rising prices and inflation. This new measure is the most reported behaviour among Scots in response to the cost of living crisis. Similarly, six in ten (60%) report not turning their heating on when they otherwise would have done to save money, though this has decreased from 68% in November 2022.
- 4.4. People also report cutting discretionary spending, including spending on non-essential purchases (68%) and on leisure activities (61%) in roughly similar proportions as November 2022 data. Reducing charity donations (43%) and taking money out of saving to cover higher

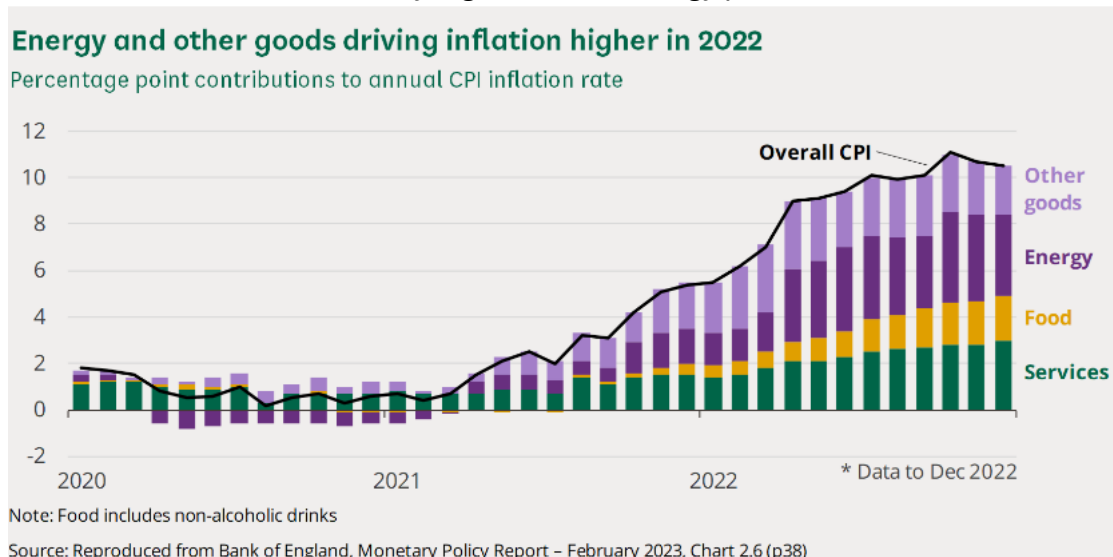
costs (42%) have both increased in prevalence among Scots since November by three and five percentage points respectively.

- 4.5. The proportion of people taking money out of their savings to cope with higher costs has increased from 37% to 42% since the last wave. There has also been an increase in the proportion of Scots changing or looking to change jobs for more money from 17% to 20% and an increase in the use of 'Buy now, Pay Later' schemes from 15% to 18%. Overall, it remains the case that most Scots are feeling the squeeze of rising prices and taking action to protect themselves.
- 4.6. A quarter (25%) of people, excluding those answering 'don't know' or 'not applicable', are not confident that they would be able to pay for an emergency expense of £100 without having to take out a loan or borrow money. This figure rises to 45% for an emergency expense of £500.
- 4.7. More than a third of Scots living in households with children are not confident that they could afford an emergency expense of £100 without having to take out a loan (36%) compared to those in households with no children (22%). This rises to six in ten (60%) among those in households with children if the amount is increased to £500 and to 40% in households with no children.

## 5. Income and Expenditure

### Inflation rate

- 5.1. The cost of living increased sharply across the UK during 2021 and 2022. The annual rate of inflation reached 11.1% in October 2022, a 41-year high, before easing in subsequent months to 10.1% in January 2023.
- 5.2. The price of food, goods, energy and fuel have been increasing the most, with low-income households are most affected by high food and energy prices.



- 5.3. The inflation rate is typically expressed as the percentage change in consumer prices compared with one year before. Both the Office for Budget Responsibility (OBR) and Bank of England expect the annual inflation rate to ease in 2023, as the steep rises in energy prices seen in 2022 fall out of the annual comparison. It was announced at the Spring Budget, that the OBR forecasts that inflation will fall to 2.9% by the end of 2023. This does not mean that costs will come down, just that they won't increase by as much.

- 5.4. According to the Office for National Statistics, 94% of adults in Great Britain reported an increase in their cost of living in January-February 2023. In addition, the OBR expects real post-tax household income to fall by 4.3% in 2022-23, the biggest fall since comparable records began in 1956.
- 5.5. Low-income households spend a larger proportion than average on energy and food, so are more affected by price increases. Renfrewshire Foodbank has seen an increase in vouchers issued from the previous year with 1362 issued in the quarter to 31 December 2022 compared with 1211 for the same quarter last year. 1045 of those were issued for the reason of low income and the majority, 841, went to single people. Local food pantries have also reported an increase in demand.

### **Food Inflation**

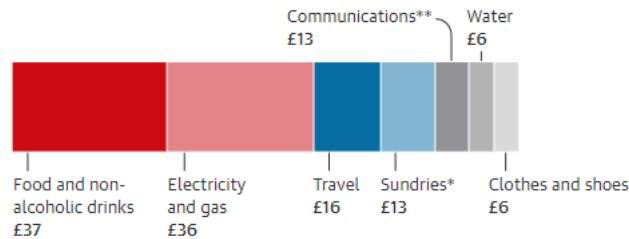
- 5.6. According to Which?, which has a supermarket food and drink inflation tracker which analyses inflation on over 25,000 food and drink products, the cheapest ranges of food in supermarkets are rising fastest in price. Those who rely on supermarkets basic ranges have seen prices increase by 21.6% in January 2023 compared to January 2022, while overall inflation was 15.9%. In comparison, premium ranges went up by 13.4%.
- 5.7. Which?'s findings show that while basic ranges will still generally offer lower prices, people relying on the cheapest food at the supermarket are being hit disproportionately by inflation compared to those who buy premium or branded foods.

### **Income**

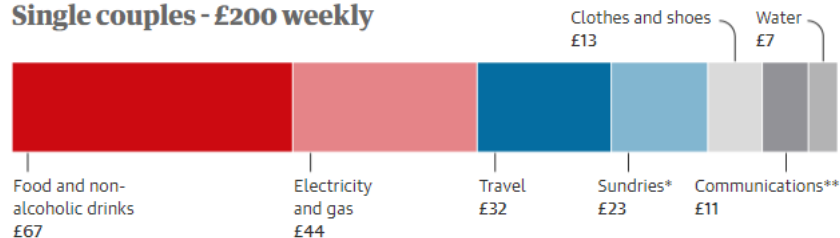
- 5.8. Research by the Joseph Rowntree Foundation (JRF) and the Trussell Trust has shown that basic benefits given to low-income households are at least £140 a month below the real cost of food, energy and everyday basics. The two charities have calculated the weekly cost of a basic existence to be £120 for a single adult and £200 for a couple, based on a basket of goods and services including food, energy, travel, mobile phone and internet use, as well as smaller items such as toothpaste and washing-up liquid.
- 5.9. By comparison, even after April's 10.1% benefits uprating, the universal credit standard allowance – the portion of the monthly benefit payment meant to cover basic living costs – will be £85 a week for a single adult aged over 25 (£35 less than the charities' estimates) and £134 a week for a couple (a £66 gap).

## Essential weekly living costs for UK adults

### Single adults - £120 weekly



### Single couples - £200 weekly



Guardian graphic. Source: JRF, Essentials Guarantee report. Note: Costs estimated for 2023-24. Essential core living costs excluding rent, mortgage interest and council tax which are covered by separate benefit elements. \*Including toiletries, haircuts, cleaning materials and bank charges. \*\*Including phones, internet and postage

- 5.10. As reported to the sub-committee in February, in reality, more than half of households on universal credit receive less than the basic £85 rate because of monthly caps and benefit deductions. A single adult facing deductions would typically see their basic rate allowance drop from £85 to £64 a week.

## Energy

- 5.11. The energy regulator Ofgem announced on 27 February that its quarterly Energy Price Cap on household bills for average dual-fuel direct-debit customers will fall by around 23% for the three months from 1 April, from £4,279 for the January to March quarter. This price cap on the amount suppliers in Great Britain can charge for energy will fall by around £1,000 to £3,280. Analysis firm Cornwall Insight forecasts that the Cap will fall further to £2,100 a year for a typical household from July. This is because wholesale energy prices have fallen from their summer 2022 peaks but there is a substantial lag before this feeds through to consumers.
- 5.12. What consumers, pay, however, is whatever is the lower amount – Ofgem's Energy Price Cap rate or the UK Government's Energy Price Guarantee (EPG).
- 5.13. In the Budget on 15 March, it was announced that the EPG would be held at £2,500 until the end of June, by which time it was expected that energy costs would have reduced and the Energy Price Cap would kick in.
- 5.14. No matter at which rate energy costs are capped, the £400 winter discount which was paid to all households will end. Citizens Advice point out that the withdrawal of the Energy Bill Support Scheme will still mean the average monthly bill rises by £67 from April.
- 5.15. Lower wholesale prices may lead to suppliers offering cheaper fixed tariffs, however it's likely that suppliers will be cautious in their pricing and any return of competition to the market is likely to be slow. Even if prices fall as forecast, they will still be almost 70% higher than in winter 2021/22, with the average household cost estimated at around £2,100 from July 2023.
- 5.16. It was announced in the budget on 15 March that the UK Government is taking steps to remove the premium paid by over 4 million households using pre-payment meters (PPM),

bringing their charges into line with comparable direct debit customers. According to the Treasury, prepay households will save an average of £45 per year on their bills from July 2023. as a result of this reform.

### **Winter heating payment**

- 5.17. Winter Heating Payment is a yearly payment of £50 that's paid automatically by Social Security Scotland to eligible people on low-income benefits who have extra heating and energy needs. It replaces the Cold Weather Payment from the Department for Work and Pensions (DWP) and has the same eligibility requirements.
- 5.18. Payments for winter 2022 were based on circumstances within a qualifying week (7 November to 13 November 2022) and are expected to be made from February 2023. Recipients receive a letter from Social Security Scotland before they make the payment, which is paid into bank accounts automatically.
- 5.19. People must get a means tested benefit in order to be eligible for Winter Heating Payment, such as Universal Credit, Income based Jobseekers Allowance and Pension Credit, and particular premiums as part of those benefits during the qualifying week such as a disability premium or have a child under 5.

### **Off grid support**

- 5.20. Most households receive a £400 discount on their energy bills automatically. In some cases, the discount isn't automatically received, for example for those who:
  - pay for energy through a landlord, housing manager or site owner
  - live in a park home, houseboat or off the electricity grid
- 5.21. To support these households, the Government has opened an online portal for applications for the £400 Energy Bill Support Scheme Alternative Funding. The portal will be open until the end of May and applications may take up to six weeks to process, with the payment arriving in one lump sum. These households include those in sheltered housing, about which concerns were raised at Leadership Board in February.
- 5.22. Once an application has been made, the information will be passed to the local council for verification as necessary and payment. 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).
- 5.23. The Council has received funds from the Department for Business, Energy & Industrial Strategy (BEIS) to support payments through both those schemes, with any unused funding to be returned. Arrangements are also in place to provide the additional functions associated with these payments.

### **Scottish Welfare Fund**

- 5.24. In Renfrewshire Crisis Grants from the Scottish Welfare Fund have been affected by the cost-of-living crisis. Comparison of the 12 months to 31 December 2022 with the same period the year before show an average additional 94 applications being made per month, with the average monthly figure being 842 applications. This may well have been higher, however Cost of Living payments from the UK Government were received by benefit recipients in July and November, leading to a marked reduction in applications those particular months. In some cases too, clients have been directed to Renfrewshire Council's Financial Insecurity

Winter Payment set up as a response to the cost of living crisis last February, as an alternative, when appropriate.

- 5.25. Not every application receives an award, and awards made have only increased on average 9 per month, indicating that many of those coming forward for support are not eligible. Amounts being paid for fuel and food are reviewed and increased as necessary. Any award is discretionary based on the claimant's circumstances and for how long they are without income. The Assessors use a guide calculator to work out a level of award depending on how many days the applicant has until they receive their next income. This used to average about £3/£4 per day for energy costs however in April last year this was increased to a maximum of £6.50 per day, and further increased to maximum of £9 per day in November. Amounts for food costs for sole applicants and couples used to come out at roughly at £23 and £36 per week respectively. This was updated to £30 and £50 per week in line with increased food costs in November 2022. Families receive higher amounts in line with the number of dependents in the household.

### **Discretionary Housing Payments to mitigate the Benefit Cap**

- 5.26. Originally introduced in 2013, the Benefit Cap restricts the amount of benefits a family can claim, even if the combination of benefits they receive would entitle them to a higher amount. The Benefit Cap is currently £20,000 per annum (£1,667 per month) for a couple or single parent household and £13,400 per annum (£1,117 per month) for single people.
- 5.27. The Scottish Government has announced £8.6 million in additional funding to Scottish local authorities in order to mitigate the impact of the Benefit Cap using Discretionary Housing Payment (DHP) support. Of this funding, £2.6 million is to allow full mitigation for the 'backdated' period 1 January 2023 to 31 March 2023 and Renfrewshire will receive an initial additional £40,239 for this period. The remaining £6 million will be distributed to local authorities as part of the 2023/24 annual funding allocations.
- 5.28. The most up to date DWP Benefit Cap statistics were published in December 2022, based on the those impacted by the Benefit Cap in August 2022. In Renfrewshire, a total of 108 households are impacted by the Benefit Cap: 20 who receive Housing Benefit (HB) and 88 within Universal Credit (UC) awards. Scottish Government analysts suggest that eligible households could be £2,500 better off on average per year as a result of DHP mitigating the Benefit Cap.

### **Petrol**

- 5.29. Fuel prices have continued to fall, with average fuel prices on 23 February 2023 below. At the Spring Budget, it was announced that the fuel duty would be frozen for the next 12 months, so the scheduled rise which would have led to a 12p per litre rise across petrol and diesel prices will not now take place.

## Latest UK average petrol and diesel prices

In pence per litre

| Unleaded             | Super unleaded       | Diesel          | LPG             |
|----------------------|----------------------|-----------------|-----------------|
| <b>148.00</b>        | <b>163.75</b>        | <b>167.99</b>   | <b>82.38</b>    |
| pence per litre      | pence per litre      | pence per litre | pence per litre |
| → No change forecast | → No change forecast | ↘ Should fall   |                 |
| 23/02/2023           |                      |                 | RAC Fuel Watch  |

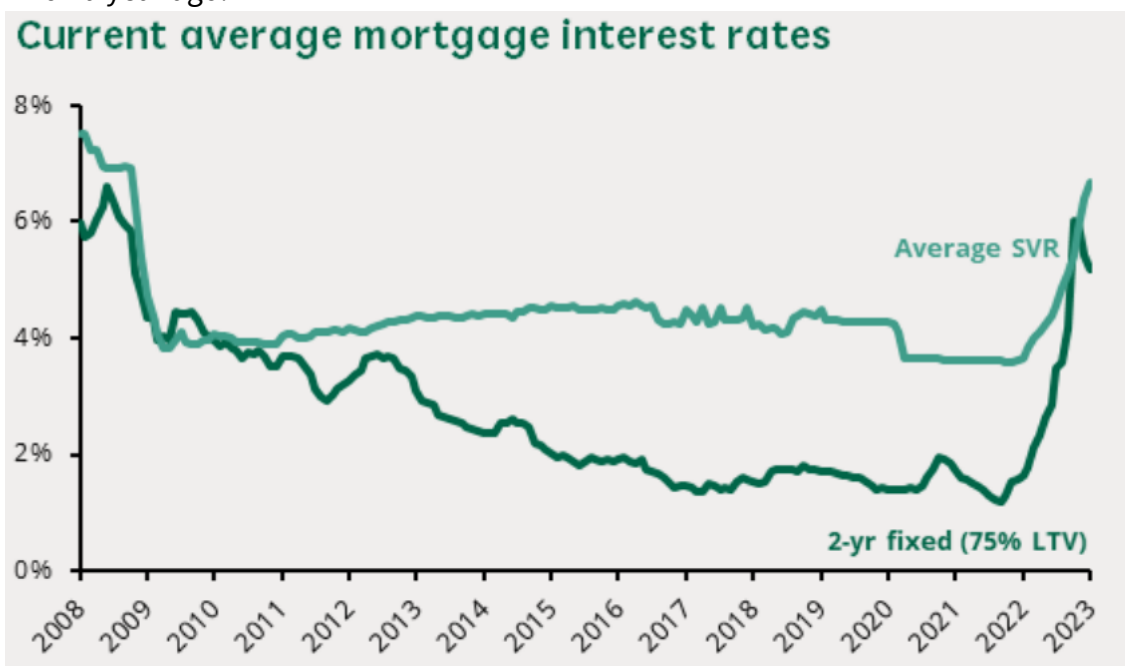
## Debt

- 5.30. Citizens Advice Scotland (CAS) has warned that council tax debt is likely to soar in 2023 amid the cost-of-living crisis. Between September 2021 and September 2022, 3,717 CAS clients owed a cumulative £12.7 million to local authorities for unpaid council tax bills.
- 5.31. The average debt for a CAS client is £3,420 – almost three times the average council tax bill in 2022/23 of £1,238 and the charity is warning that the cost-of-living crisis could lead to people prioritising food, housing and energy and falling even further behind on council tax bills.
- 5.32. Previous research from CAS found a substantial increase in complex debt clients, with many having multiple arrears and one in two clients having no money to pay down their debts after covering the essential bills.

## 6. Housing

### Mortgages

- 6.1. According to the House of Commons Library, the average Standard Variable Rate mortgage (SVR) was 6.66% in January 2023, up 2.99 percentage points on a year ago, while the average 2-year fixed mortgage rate was 5.17% in January 2023, up 3.53 percentage points on a year ago.





- 6.2. More than 1.4 million households in the UK are facing the prospect of interest rate rises when they renew their fixed rate mortgages in 2023, according to the ONS. The majority of fixed rate mortgages in the UK (57%) coming up for renewal in 2023 were fixed at interest rates below 2%. When borrowers remortgage in the near future it is likely to be at a higher rate of interest. This can be seen in the Office of Budgetary Responsibility (OBR) expectations of the future path of the Bank Rate, which is expected to peak at 4.8% by the end of 2023. In its fiscal forecast, published in November 2022, the OBR predicted that the Bank Rate would rise from 1.6% in Q3 2022 to 4.8% in Q3 2023 and 4.5% in Q3 2024. The ONS' research shows that there has been a slight increase in the percentage of people surveyed who, when asked how easy or difficult it was to afford their rent or mortgage payments, said they found it somewhat difficult or very difficult, from 27% in the period 14 to 25 September 2022 to 31% in the period from 7 to 18 December 2022. Additionally, around 4 in 10 (45%) adults with mortgages reported being very or somewhat worried about the changes in mortgage interest rates during the period 7 to 18 December 2022.

## Rents

- 6.3. Average rents across the UK were up 10.8% annually in December 2022. These increases mean a single tenant on average now faces paying 35% of their income on rent, said MoneyWeek, “the highest level of rental unaffordability in over a decade”.
- 6.4. In Scotland, the Scottish Government’s proposals for the Cost of Living (Tenant Protection) (Scotland) Act 2022 beyond 31 March will mean that from 1 April 2023:
- if landlords choose to increase private rents, they will be capped at 3%;
  - the safeguard for private landlords will be amended, allowing them to apply for increases of up to 6% to help cover certain increases in costs in defined and limited circumstances;
  - enforcement of evictions will continue to be prevented for all tenants except in a number of specified circumstances;
  - increased damages for unlawful evictions of up to 36 months’ worth of rent will continue to be applicable;
  - the rent cap for social sector accommodation will be expired, following a voluntary agreement being reached on an agreed approach to rent setting for 2023/24 that ensures that rents remain affordable but still support continued investment in the sector;
  - the rent cap for student accommodation will be suspended, recognising its limited impact on annual rents set based on an academic year.
- 6.5. These temporary measures are intended to be extended to 30 September 2023, provided they remain necessary, with the option to extend for another six-month period if required. As announced in December 2022, the social sector rent freeze is being replaced with agreements from landlords to keep any rent increase for 2023-24 well below inflation.
- 6.6. The measures introduced by the Act have not been well received amongst many in the private lettings sector. The Scottish Landlords Association (SAL), Scottish Land and Estates (SLE) and Propertymark have announced that they have petitioned the Court of Session to carry out a judicial review of the Act. They believe that the provisions of the Act are disproportionate and unfair to landlords and letting bodies.

- 6.7. A survey carried out over November and December 2022 amongst members of SAL found that 65% of landlords surveyed were dependent on the rental income they receive for their own day to day living, and that rent arrears as a whole had increased with average arrears now being £2,662 per landlord. The survey also found that 54% of tenants were paying rent at a rate below market value and that 87% of landlords were planning to sell up, stating the new legislation as either a factor or their sole reason for doing so.

## **7. Scottish Government Food Support**

- 7.1. As recently reported to the Fairer Renfrewshire Sub Committee, on 12 January the Scottish Government announced an additional £2.4 million in funding to help people struggling to afford food and other essentials.
- 7.2. Funding was allocated 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, with 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
  - £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.
- 7.3. The Scottish Federation of Housing Associations distributed their funding via bids made by Housing Associations. This was done within a short timescale, and only one Renfrewshire Housing Association made a bid, which was not successful. Renfrewshire Housing Associations have received other funding recently, for example from the Social Housing Fuel Support, and there may have been some overlap which led to bids not being made. Ferguslie Park, Paisley, Linstone, Bridgewater and Williamsburgh Housing Associations received awards from this fund of between £20,000 and £50,000, with a total of more than £150,000 coming into Renfrewshire via this funding stream. This was for energy support, including fuel vouchers and financial support for those with credit meters.
- 7.4. £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 and officers have promoted this funding including amongst our pantries, to the Foodbank and also to Winter Connections projects as working with people on the ground, to try and increase the number of recipients in Renfrewshire.
- 7.5. Scottish Government are treating the funding to Citizens Advice Scotland as a limited extension to their current pilot with a small number of CAB across Scotland as they establish the best way forward. Renfrewshire CAB did not bid into this current round of funding due to capacity issues, but have indicated interest should this round be undersubscribed, or for the next round of funding.
- 7.6. The funding that went to FareShare will be used to purchase ambient and tinned food to be distributed across FareShare members. This food will supplement the current surplus provision. FareShare expect that members will start to see this additional food in early to

mid-March. Previously the funding provided by the Scottish Government for ‘Brexite Food’ was used in the same way, and members received more food and an improved standard of food at that time.

- 7.7. The pantries and larders in Paisley, Johnstone, Erskine and Lochwinnoch will all benefit from this additional food.

## 8. Universal credit

- 8.1. During the Spring Budget, the Chancellor announced some changes to Universal Credit which will come into effect during 2023/24. These include increased Work Coach support and work search requirements for a greater number of Universal Credit claimants with a view to helping them move into work and onto high earnings. Claimants in work and on lower earnings and non-working or low-earning partners on Universal Credit will receive intensive Work Coach support. The government will also strengthen job support for claimants who are lead carers of young children who currently have no or limited requirements to search for and prepare for work.
- 8.2. Alongside this, the government is strengthening the way sanctions are applied, by automating parts of the process to improve efficiency and reduce error and ensuring that Work Coaches have the tools and training to implement sanctions as effectively as possible, including for failing to take up a job.
- 8.3. The current Universal Credit childcare element means that parents on Universal Credit in work can claim back 85% of their childcare costs and at present, although this is paid in monthly arrears this presents an issue for many low-income families who struggle to find the funds to pay for their childcare up front. This support for childcare costs will change to being paid in-advance and the maximum amount people can claim for childcare is also rising to £951 for one child, having been frozen at £646 a month per child for several years. The increase will be £1,630 for two children or more up from £1,108.04.

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## 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

**Author:** Diane Dunn, Social Renewal Lead Officer, [diane.dunn@renfrewshire.gov.uk](mailto:diane.dunn@renfrewshire.gov.uk)