



Cost of Living Crisis Briefing

September 2022

Contents

Page 3	Background
Page 4	Context
Page 5	Cost of living increases - household energy, food & fuel
Page 6	Mitigation and monitoring impact
Page 7	Monitoring statistics and data
Page 8	Monitoring statistics and data
Page 9	The response so far
Page 10	The view from the community
Page 11	Ongoing work/next steps - the Winter Response Group
Page 12	Family Profiles
Page 13	Family Profiles
Page 14	Family Profiles
Page 16	Methodology and Sources

Background

The Cost of Living Crisis has been closely monitored by the ELT in terms of both presenting issues and service responses.

A Cost of Living Crisis presentation was made to Elected Members on Thursday 25th August and a further presentation will be made to Housing and Social Wellbeing Committee on 7th September.



Goldman Sachs forecast inflation rate at 22% if energy prices remain at current high levels.

The information in this report was accurate at the time of publication - 1st September 2022. This is a daily changing situation and therefore the report may quickly go out of date.

The cost of living has been increasing across the UK since early 2021.

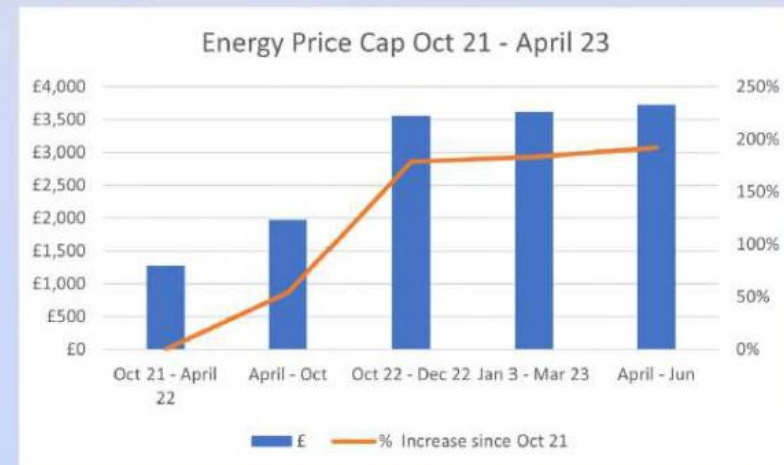
Consumer prices, as measured by the Consumer Prices Index (CPI) were 9.4% higher in June 2022 than a year before. Food inflation was 9.8% for the same period.

Inflation has been driven by significant increases in the cost of food, fuel and domestic energy.

The Bank of England's Monetary Policy Committee are predicting

- a 5 quarter recession starting in October 2022
- rising unemployment
- sharp fall in household incomes in 2022/23
- Inflation rate of 13%

The Bank of England's increased interest rates from 0.1% in 2021 to 1.75% in August 2022.



Context

In Perth and Kinross -

Income/ Savings and Resilience

- 18% of families have no savings (latest available figure for PKC - 2019)
- 13,000 people earn less than the living wage of £9.50 an hour
- 24,000 are in lower paid work – the pay gap in average earnings with Scotland as a whole widened to £47.10 a week.
- The Gender Pay Gap is significant - £140 a week for full time workers and £228.50- a week for all workers

Children's Scorecard, Perth & Kinross Council

Low income families have fewer savings, less resilience and will be more adversely affected by rising costs.

Food prices have risen disproportionately for those who buy basic foods

(Jack Munroe/ ONS).

The Cost of Living Crisis is estimated to increase essential family spending by £56.89 a week across households in Perth and Kinross.

Vulnerable People Include

- **Families without recourse to public funds** (asylum seekers who have had their claims rejected and are waiting to make a further application for refugee status)
- Lone parent families headed by a woman, families with a disabled family member, large families, BAME families, families with a mother under 25 and families with a child under 1 year of age.
- People on the cusp of qualifying for a passported/means tested benefit.
- People on Benefits and Pensioners with little additional income to the state pension
- Private renters who are on lower incomes, live in homes with poor energy efficiency ratings and who pay significantly higher rents than social tenants.
- People with less disposable income
- People on low incomes who need to run hospital equipment at home (dialysis machines, hydraulic beds etc)

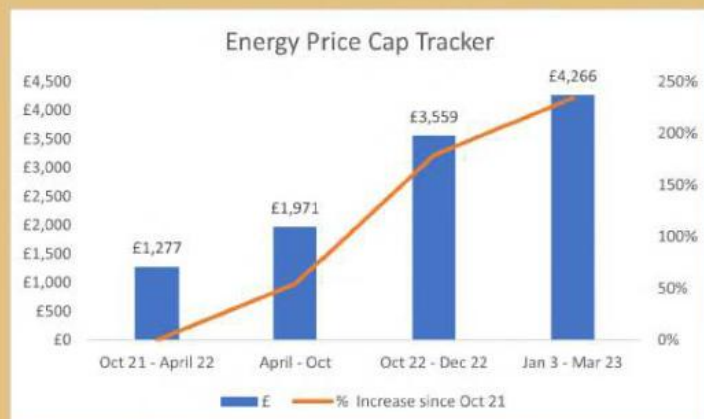


Single income households on low incomes are at greatest risk of being in deficit spending just to keep a roof over their head, warm in winter and to put food on the table.

Lone parents and pensioners without additional income to the state pension are particularly vulnerable.

The energy price cap is now £3459 per annum. Over 25 year olds on benefits receive £4004 per annum in income.

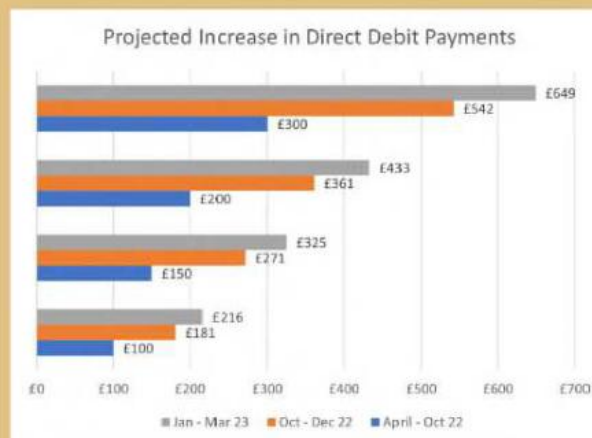
Cost of Living Increases - Household Energy, Food and Fuel



At £3549 per annum, the household energy price cap predicted equates to more than one third of the state pension.

The monthly household energy bill for the average household is set to increase from £106 to £311 (per month) by April 2023.

Single earner households on the median Perth and Kinross (£27,674) salary will spend 16% of their take-home pay on household energy costs.



(Martin Lewis estimates updated with August 9th Cornwall Insights prediction on price cap rises for October 22 and January 2023)



What is the Energy Price Cap?

Although it is called an energy price cap, in fact this operates as a price floor. It limits what you pay for each unit of gas and electricity and sets a maximum daily standing charge (what you pay to have your home connected to the grid). Households can and will pay more than £3729 (by April 2023) for gas and electricity if their household consumption exceeds the average, and will pay less if it does not.



Food Inflation

The cost of food in the UK increased by 9.8% in June of 2022 over the same month in the previous year.

Poverty campaigners have said that the way official inflation figures are calculated underestimate the impact of inflation on poorer households who spend more of their income on everyday essentials.



Fuel Inflation

The price of petrol saw its biggest daily jump in 17 years on 7th June 2022, with a petrol car now costing an average of £99.40 to fill up. In June 2020 it was £60.81 and £71.88 in June 2021.

The average price per litre for unleaded petrol is £1.79 and £1.90 for diesel. (August 5th).

Mitigation and Monitoring Impact

Impact on Households across the UK

According to the Office for National Statistics, 88% of adults reported an increase in their cost of living in May 2022.

The Office for Budget Responsibility expected household income after tax and adjusted for inflation to start falling in Q2 2022 and not to recover until Q3 in 2024.



Government Mitigation Actions

The Government's measures to support households include

- £400 off energy bills for all households (not automatic for those on pre-payment meters)
- £650 payments for households receiving means-tested benefits with additional payments of £300 for pensioners and £150 for people receiving disability payments
- A 5p cut in fuel duty
- An increase in the threshold at which NICs begin to be charged on earnings
- £150 to every household in receipt of Council Tax reduction and £150 for all other occupied households in Bands A to D.
- £10m in 22/23 to continue the Fuel Insecurity Fund
- Although not a Cost of Living Crisis measure, the SG increased the Scottish Child Payment to £20 in April; this will be extended to £25 a week and all under 16 by the end of 2022.

There have been further recent announcements and we are awaiting clarity on what this means for households

Monitoring Statistics and Data

We are currently attempting to identify a range of monitoring statistics which can be measured over time and used to gauge the level of pressure/stress being experienced by families as a result of the cost of living crisis and these include

Money owed to Perth and Kinross Council

- School breakfast clubs and school meals
- Rent
- Council Tax

Requests for Financial/ Other Help

- Referrals to Welfare Rights Team
- Referrals to Perth CAB
- Referrals to Perth Foodbank
- Free School Meals applications
- School Clothing Grant applications
- Education Maintenance Allowance applications
- Scottish Welfare Fund Crisis Grant applications
- Tenancy Sustainment Fund applications
- Financial Inclusion Fund applications
- Home Heat Fund applications

We shall also gather case studies and Feedback from Third Sector Partners who are involved in direct delivery to families who are likely to be experiencing poverty

This information is currently being compiled and the information we have available to date is included in this briefing.

Monitoring Statistics and Data - Perth and Kinross

Money owed to Perth & Kinross Council



School Meals Debt

In Perth and Kinross There has been a 10% reduction in school meals debt in year since May 2021 for current pupil related debt.

As a result of concerns surrounding school meals debt, the Welfare Rights Team and ECS colleagues worked closely to proactively contact all households with child-related debts (school meals, breakfast clubs and after school clubs) to offer financial insecurity assistance.

119 households with school dinner debts were assisted. The Team found that almost all households qualified for free school meals. They also broadened out financial assistance beyond school meals debt to cover rent arrears, council tax arrears, broadband and fuel debt.



Rent Arrears

There was a 1.46% increase in terms of money owed to the Council in rent arrears between March 2021 and July 2022, and a marginal increase in the percentage of tenants in arrears during this period.

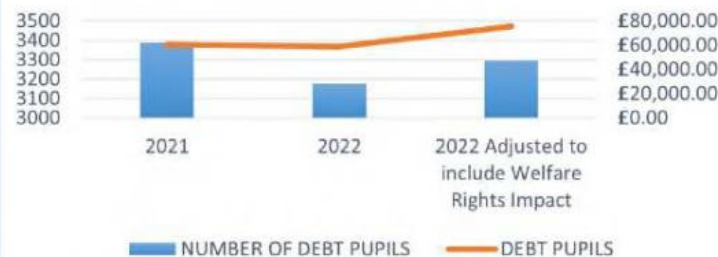
There was no significant decrease in the percentage of tenants with net current arrears between May 2021 (the height of the pandemic) and May 2022

Council Tax Debt

This shows a relatively static position overall, and an improved position in real terms considering the rise in Council Tax charges and number of dwellings.

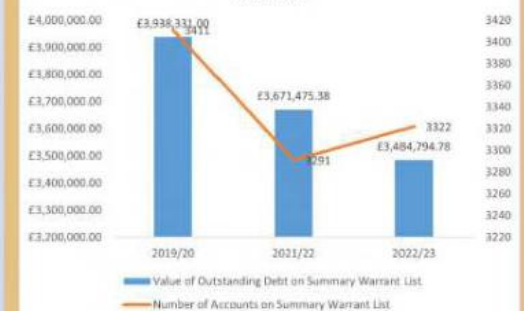
It is felt that this represents the effective collaboration between Local Taxes and Welfare Rights and Welfare Fund colleagues in supporting the financially vulnerable in our community.

Breakfast Club and School Meals Debt - Adjusted to include impact of Welfare Rights Offer



Graph represents level school meals debt could have reached without Welfare Rights intervention

Value and Number of Summary Warrant List by Mid June



Monitoring Statistics and Data - Perth and Kinross

Requests for Financial/Other Help



Money and Advice Services

Perth CAB have reported a 40% increase in contacts and benefits case loads rising by 22%; debt caseload increasing by 40% - but most worrying of all is the 262% increase in the utilities debt caseload.

PKC Welfare Rights Team report a 64% increase in contacts compared with May 2021 – all of which were benefits related.



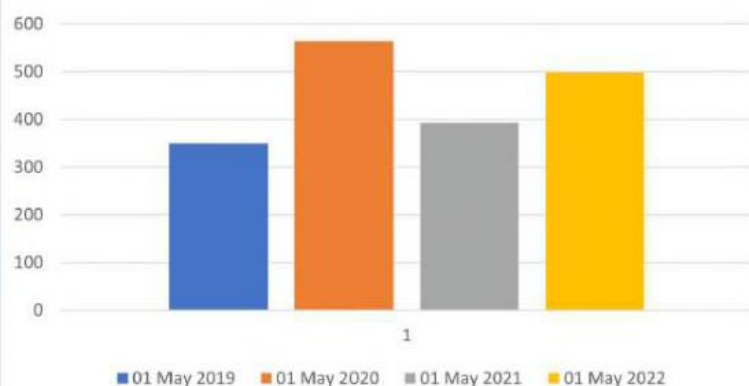
Scottish Welfare Fund Crisis Grant Applications

There has been a 42% increase in crisis fund grant applications compared with pre-pandemic figures.

Financial Insecurity Fund

There are currently around 300 applications being processed for the Financial Insecurity Fund. The nature of this fund is that it is only applied once a full financial health and welfare benefits checks have been undertaken and all other avenues of financial support exhausted. This will not measure the immediate impact of a crisis – but its aftermath. It is a preventative measure which will also seek to remove or reduce indebtedness.

Scottish Welfare Fund - Crisis Grants



Registrations for Free School Meals, School Clothing Grants and Educational Maintenance Allowances

There has been no significant increase in applications for Education Maintenance Allowance.

There has been a 15% increase in registrations for school clothing grants/free school meals since 2019/20. Following changes to Scottish Government policy there has also been a rise in the number of pupils registering for free school meals.

Conclusion

Monitoring statistics indicate early signs of financial stress are being experienced by families this is manifest in:-

- Significant increases in demand for welfare and money advice services
- Significant increase on pre-pandemic application rates for the Scottish Welfare Fund Crisis Grants

The consensus appears to be that the full impact of the Cost of Living Crisis will not be evident in PKC stats for public debt/financial support/service inputs until later in the year.

The Response - So Far



Poverty/Cost of Living Mitigation		£000s
Local Low Income Support Payment	All households in receipt of council tax reduction, 16/17 year olds in receipt of Through Care/After Care	£1,074
Financial Insecurity Fund	Non-PKC Tenants with priority debts including rent, fuel & council tax debt	£600
Earmarked Reserves	Financial Insecurity Fund/Scottish Welfare Fund	£400
Tenancy Sustainment Fund	PKC Tenants = increase of 104k	£254
Fuel Poverty	Fuel Poverty and energy efficiency advice	£160
Schools	Summer Activities	£242
	Holiday Food Insecurity Programmes	£154
	Clothing	£20
Food Fund	Community Food Initiatives	£327
Welfare Rights	Support and advice	£74
	Sub Total 2022/23	£3,305
Wider Mitigation		
School	Meals during Holiday period	£315
Expansion of free School Meals	Primary 4 and 5	£1,142
	Sub Total 2022/23	£1,457
	TOTAL 2022/23	£4,762

The view from the community

We have established feedback reporting from community organisations closest to those who are vulnerable. Organisations were asked to report on a) trends around requests for help b) presenting issues and to provide some case studies. This information will increase our understanding of the impact of the Cost of Living Crisis as it develops.

"We have seen a gradual rise in people seeking support, now up to 40 - 50 people each session compared with 25 - 30 last year. We are open 2 sessions a week and provide food, signposting services and a listening ear. Recently we have been listening to concerns about the cost of food and fuel. Some people have reported that they are not longer using their cooker to save money. Many are dreading the winter and are worried about the continuing rise in fuel bills. Our service started as a response to lockdown - but the agenda has changed and now it is all about the cost of living crisis. Many of the people who come to us for help are long term unemployed and those with chronic mental health problems. People struggle to access systems as a lot needs to be done online nowadays. Most of our people have either no computer access, no internet access or haven't the skills to use them. "

Suzie, Management Team, Support Hub, Mill Street

Mr P, Romanian, 34, works full time and his wife works part-time. They are both in low-income employment. They believe they are not entitled to UK benefits. They use the Community Fridge to stretch their budgets.

Miss G, 64 is unemployed and is an unpaid carer for a number of her grandchildren, a niece and nephew so their parents can work. She struggles on benefits and uses the Community Fridge4All to help feed the children and herself.

"Muirton Community Foodshare has seen usage increase by 183% in the last year. Although we are used by all sections of the community, we have noticed an increase in visits from people from minority ethnic groups - Sri Lanka, Albania, Romania and India."

Gordon, Secretary, Letham for All

Mrs E, 76, widow, uses the Community Fridge4All project on a weekly basis. She has said she is doing this so she can put away money to save for higher utility bills this winter.

Mrs F, 33, is an employed teaching assistant. her husband also works fulltime. They are struggling to manage their budget because of the rise in the cost of utilities. They access the Community Fridge twice a week.

Ongoing Work/Next Steps - Winter Response Group



A Cost of Living Winter Response Group has been established to ensure a coordinated and collaborative response to support communities over the winter period.

A range of actions are progressing including:

- Contact with all community groups, 3rd sector organisations and partners to establish/ map their plans in terms of the provision of support, cosy spaces etc and to identify what assistance they will need.
- A mapping of cosy spaces already identified and identification of areas where there are gaps
- Communications plan and targeted campaign work
- Awareness raising for staff and other key stakeholders
- Coordination of food and fuel activity
- Identification of resource requirements
- Incident response arrangements for severe weather etc
- Activity and support will be coordinated at a ward / locality level and will involve all relevant parties, including Elected Members, community groups and officers
- SSEN are setting up a resilience fund of £200k and we are working together to identify organisations and community groups to enable access to funding based on a hierarchy of need with a focus on rurality.
- As well as the short term activity over the winter period we are developing longer term plans which will include the development of an Anti-Poverty Task Force.
- We will continue to encourage people to access funding, welfare benefit checks, and other available funding.

Cost of Living: Family Profiles

Benefits Calculations and Average Household Spend are based on current available information (1.9.22) . All spend statistics derive from ONS but they come with a health warning - there is no such thing as an average family and each individual will take different decisions around family budgeting and expenditure. They are for illustrative purposes only.

In our view the transport costs are below those that would in reality apply in Perth and Kinross, they derive from ONS statistics and do not reflect the actual cost of transport in a rural area.

The family budget modelling was based on the 9.4% inflation rate, (9.8% for food) reported at the beginning of August and the energy cap rise in October (£3549).

Pensioner couple, mortgage free

Income

Basic State Pension	£283.70
Pension Credit	£14.20
Total Income	£297.90
Council Tax Reduction (does not count as income)	£22.43

Essential Spending

House Maintenance and Repairs	£8.00
Water and Sewage	£8.88
Heat and Light	£68.42
Telephone and Comms	£21.05
Transport	£18.21
Insurance	£21.19
Childcare	£0.00
Poverty Premium	£10.97
Food	£93.00
Total	£249.72

Budget
(left for other essentials, e.g. toiletries, repair and replacement household goods)

£48.18



Cost of Living: Family Profiles

Lone Parent, with 2 children aged 4 and 7, not in employment, with PKC 2 bed house

Income

Universal Credit	£283.29
Scottish Child Payment	£20
Child Benefit	£36.25
Total Income	339.54
Council Tax Reduction (does not count as income)	£17.27

Essential Spending

Rent	£82.64
Water and Sewage	£8.22
Heat and Light	£68.42
Telephone and Comms	£21.05
Transport	£18.21
Insurance	£21.19
Childcare	£0.00
Poverty Premium	£10.97
Food	£110
Total	340.70

Budget

(left for other essentials, e.g. toiletries, repair and replacement household goods)

-£1.16



Lone Parent, aged 23, 1 child under age of 1, not in employment, PKC tenants

Income

Universal Credit	£200.30
Scottish Child Payment	£20
Child Benefit	£21.80
Total	£242.10
Council Tax Reduction (does not count as income)	17.27

Essential Spending

Rent	£82.64
Water and Sewage	£8.22
Heat and Light	£68.42
Telephone and Comms	£21.05
Transport	£18.21
Insurance	£21.19
Childcare	£0.00
Poverty Premium	£10.97
Food	£75
Total	£305.70

Budget

(left for other essentials, e.g. toiletries, repair and replacement household goods)

-£63.60



Cost of Living: Family Profiles

Median Couple with 2 children, mortgage and car loan (based on average wage for male full time employee and female part time)

Income

Salaries (£31,220 for male earner and £8468.40 for part-time partner)	£665
Scottish Child Payment	£0
Child Benefit	£36.25
Total Income	£720.78
Council Tax Reduction (does not count as income)	£0

Essential Spending

Mortgage (based on £169,385 average mortgage on home owned for 5 years in Perth and Kinross)	£228.28
Council tax	£23.09
Heat and Light	£68.42
Telephone and Comms	£21.05
Transport	£18.21
Insurance	£21.19
Childcare	£0.00
Poverty Premium	£10.97
Food	£163.00
Car Loan	36.17
Total	£664.94

Budget

(left for other essentials, e.g. toiletries, repair and replacement household goods)

£55.84



Large Family - 3 children, one parent in work earning Living Wage and one parent not working, car loan

Income

Salary	£376
Universal Credit	3301.12
Scottish Child Payment	£20
Child Benefit	£50.70
Total	£748.02
Council Tax Reduction (does not count as income)	£23.02

Essential Spending

Rent	£228
Water and Sewage	£8.88
Heat and Light	£68.42
Telephone and Comms	£21.05
Transport	£18.21
Insurance	£21.19
Childcare	£0.00
Poverty Premium	£10.97
Food	£198
Car Loan	£36.17
Total	£611.17

Budget

(left for other essentials, e.g. toiletries, repair and replacement household goods)

£136.85



Cost of Living: Family Profiles

Single Pensioner, mortgage free

Income

Full State Pension	£185.15
Total Income	£185.15
Council Tax reduction (does not count as income)	£17.27

Essential Spending

House Maintenance and Repairs	£8.00
Council Tax	£8.88
Heat and Light	£68.42
Telephone and Comms	£21.05
Transport	£18.21
Insurance	£21.19
Childcare	£0.00
Poverty Premium	£10.97
Food	£40.00
Total	£196.72

Budget
(left for other essentials, e.g.
toiletries, repair and replacement
household goods)

-£11.57



Methodology & Sources

Rising cost of living in the UK, House of Commons Library Research Briefing 22nd June 2022
Energy bills to soar to £3400 this winter, Financial Times 8.7.22

Bank of England Monetary Policy Cee Report July 2022 (released August 4th 2022)

Millions of households in UK could see bills rise by 64% in October, experts warn - Mirror Online; Martin Lewis 'feels sick' over predicted 64% rise in energy bills amid new supply price cap predictions (msn.com); Martin Lewis 'feels sick' as he reveals 'horrendous' energy bill price hike this year | The National

What is fuel poverty? - Turn2us Definition of Fuel Poverty – someone who needs to spend more than 10% of their household income to heat their home to a satisfactory standard; Average household income, UK - Office for National Statistics (ons.gov.uk)

RPI: Percentage change over 12 months - Petrol and Oil incl Fuel Oil - Office for National Statistics (ons.gov.uk)

Benefits Calculations - Martin Lewis Benefits Calculator for In and Out of Work Benefits (Scotland);

Average Household Spend UK 2021 - www.nimblefins.co.uk/average-uk-household-budget
<https://cpag.org.uk/child-poverty/measuring-poverty>, and ONS statistics

Scottish Housing Regulator Social Housing Rent Statistics and Scottish Government Private Sector Rent Statistics, Perth and Kinross Council, Local Housing Allowance.

Scottish House Condition Survey 2017

Welfare Rights data was provided by Perth & Kinross Welfare Rights Team and Perth CAB Annual Report 2020; Client Financial Gain was calculated on the best available figures provided by Perth & Kinross Council Welfare Rights Team (ward figures were allocated by actual and uprated by appropriate percentiles for those clients who did not disclose their location). Figures given are for illustrative purposes only.

[https://www.bankofengland.co.uk/monetary-policy/inflation?](https://www.bankofengland.co.uk/monetary-policy/inflation?msclkid=5250b6e3cf8611ec95d8af5963887b84)

[msclkid=5250b6e3cf8611ec95d8af5963887b84](https://www.bankofengland.co.uk/monetary-policy/inflation?msclkid=5250b6e3cf8611ec95d8af5963887b84)

Winter energy demand: A closer look at seasonal variation (monarchpartnership.co.uk) – Seasonal gas electricity usage

Today's VA Mortgage Rates – Forbes Advisor