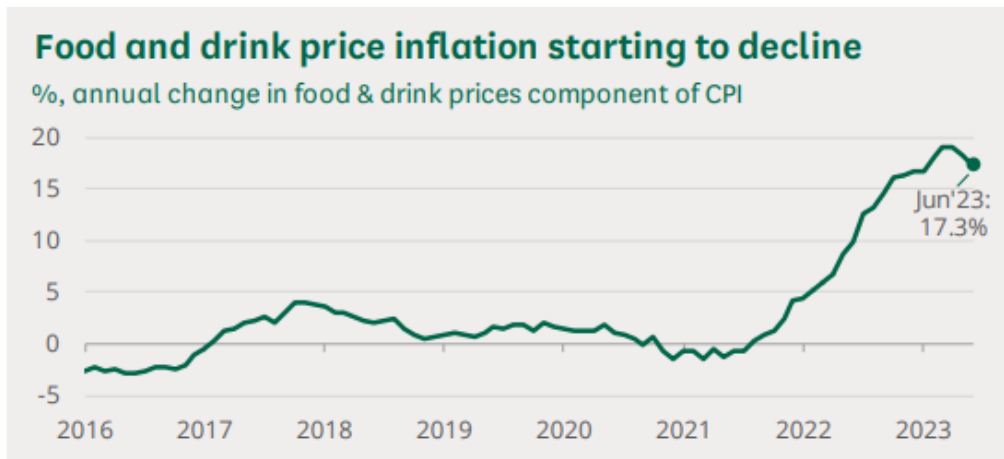


Statistical background and national support measures

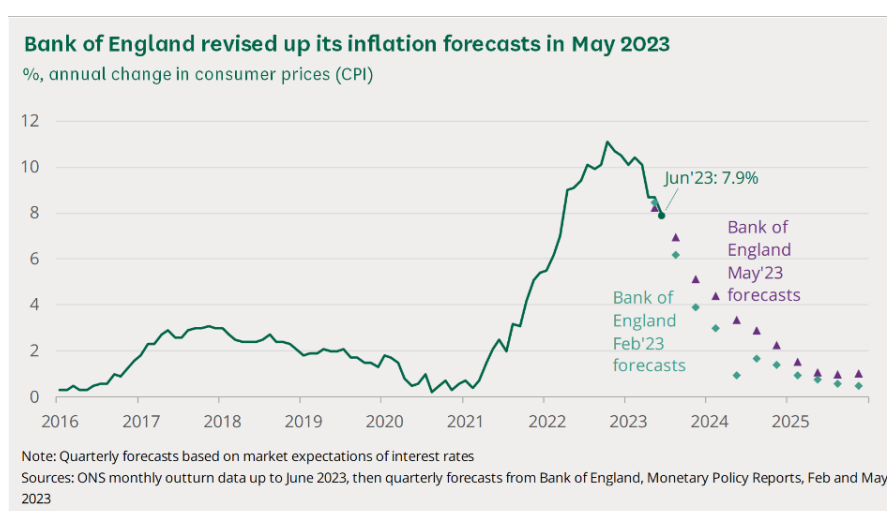
Statistical background

- 1 Figures indicate that the cost of living increased sharply across the United Kingdom during 2022. The annual rate of inflation, measured as a percentage annual change in the Consumer Price Index, peaked at 11.1% in October 2022 (Office for National Statistics).
- 2 Core inflation, which excludes the energy and food components of the Consumer Price Index, remains high, although it reduced slightly in June 2023, from 7.1% in May, to 6.9% in June, remaining at 6.9% in July (Office for National Statistics).
- 3 The May 2023 Bank of England forecast expects inflation to further reduce in 2023, to 5.1% in the final quarter. However, a slowing or falling inflation rate means that prices are rising more slowly than before, not that prices are falling. Food prices were 17.3% higher in June 2023 compared to the same time a year earlier, domestic gas prices were 36% higher, and domestic electricity prices were 17% higher (all Office for National Statistics).
- 4 In March 2023 the Office for Budget Responsibility forecast post-tax household income to fall by 4.3% during 2022/2023.
- 5 Bank of England interest rate rises, up to 5.25% in August 2023, have led to higher mortgage costs for many households, and higher private rentals as landlords seek to pass on higher costs to tenants.
- 6 The combined impact of raised food and energy prices, reduced household income, and higher mortgage costs, is still not fully understood, but there is local evidence of resulting hardship, including from Citizens Advice, which is reporting an increase in enquiries across all areas of Warwickshire.
- 7 The Department for Energy, Security and Net Zero, in its most recent Annual Fuel Poverty Statistics, estimates that nationally 13.4% of households are in fuel poverty (calculated using the “Low Income Low Energy Efficiency” metric). It further estimates that by the end of 2023 the figure will be around 14.4% of households. Historically, the percentage of Warwickshire households in fuel poverty has been around 1% higher than the national average, partly driven by the rurality of large parts of the County. Applying 15.4% to the County’s 250,000 households equates to 38,000 in fuel poverty, with many more at risk of entering fuel poverty.
- 8 The Bank of England Monetary Policy Report from May 2023 reports food prices being 17.3% higher in June 2023 compared to June 2022 (chart below refers).



- 9 The Bank of England Monetary Policy Report from May 2023 reports domestic gas prices being 36% higher and domestic electricity prices being 17% higher in June 2023 compared to June 2022.
- 10 County Council School Census data shows a 1.7% increase in pupils eligible and claiming a free school meal in May 2023 (20.9%) compared to May 2022 (19.2%).
- 11 The Institute of Fiscal Studies reports that, with recent interest rate increases, the percentage of households nationally spending more than a fifth of their income on mortgage payments is set to increase to 60%, compared to 36% of households in March 2022.
- 12 Latest Citizens Advice Warwickshire figures indicate a 15% increase in residents helped in the financial year 2022/23 compared to 2021/22. The top 5 advice issues across the County in 2022/23 were: 1.) benefits and tax credits; 2.) debt, 3.) utilities and communications; 4.) financial services and capability; and 5.) Universal Credit.
- 13 The consumer group Which? reported through its consumer insight tracker that in mid-July 2023 the number of people missing payments on essential household bills such as energy, phone and water was as high as it had been over winter 2023/24. Around 2.4 million households missed at least one bill payment in the month to mid-July and 770,000 failed to make a mortgage or rent payment.
- 14 67% of businesses report some form of concern for their viability because of cost-of-living pressures, although the nature of these pressures has changed over the last 12 months. Initially, pressures came largely from the increased costs of materials and energy, and the manufacturing and hospitality sectors were especially impacted because of their intensive use of energy. According to the July 2023 Business Insights and Conditions Survey, less than 10% of businesses now report energy prices as their *main* concern, although energy prices remain a *significant* concern for many businesses, especially after withdrawal of the Energy Bill Relief Scheme in March 2023.

- 15 The biggest pressure currently facing businesses is the increased cost of borrowing, which long-term is likely to impact growth. Small and medium-sized enterprise commercial loans track slightly above mortgage interest rates and in the last 12 months have increased from an average of 2.9% to an average of 7.1%. Variable repayments will be significantly impacted by continuing interest rate increases. Some of the Council's partners report a slowdown in appetite for loan programmes, and conversely an uptick in appetite for grant funding, the availability of which has significantly reduced since the end of most European funding streams.
- 16 Businesses continue to struggle with the impacts of a tight labour market, finding the recruitment and retention of staff an issue. While job vacancies have dropped slightly, recruitment is still cited as an issue, contributing to annual wage inflation of 7.2%.
- 17 Although inflation has reduced in recent months and the Bank of England forecast expects inflation to reduce further towards the end of 2023 (chart below refers), food and energy prices are expected to remain high. This will mean continuing demand for services and long-lasting implications for service delivery.



National support measures

- 1 The Energy Price Guarantee that capped typical energy bills at £2,500 and was maintained until the end of June 2023. From July 2023 until the end of March 2024, households will pay the lower of an Ofgem Price Cap or an Energy Price Guarantee set at £3,000.
2. Households on means tested benefits are receiving an additional £900 Cost-of-Living Payment.
3. Pensioner households are receiving an additional £300 Cost-of-Living Payment.

4. People on non-means-tested disability benefits are receiving an additional £150 Disability Cost-of-Living Payment.
5. There is a 5p cut in fuel duty (extended from 2022/23).
6. There is a permanent increase to the amount someone can earn before National Insurance Contributions (NICs) are charged.
7. In June 2023, the Chancellor of the Exchequer, principal mortgage lenders (covering 75% of the market), and the Financial Conduct Authority agreed a range of support measures for people struggling with mortgage payments, including:
 - A delay to homes being repossessed within 12 months of a first missed mortgage payment.
 - Customers approaching the end of a fixed-rate mortgage deal being offered the opportunity to “lock in” a deal up to six months’ ahead.
 - Customers being given the opportunity to switch to an interest-only mortgage for six months or extend their mortgage term to reduce their monthly payments and switch back to their original term within the first six months, both options without a new affordability check or affecting a customer’s credit score.
 - Support for customers who are up to date with payments to switch to a new mortgage deal at the end of their existing fixed rate deal without a new affordability check.