



Glasgow City Council

**Economy, Housing, Transport and Regeneration
City Policy Committee**

Report by Director of Regional Economic Growth

Item 4

28th January 2025

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Cost of Living Crisis Update

Purpose of Report:

Following a request at the December 2023 committee meeting, this report provides an update on the Cost of Living Crisis and how it continues to impact the residents of Glasgow.

Recommendations:

The committee is asked to note the report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes ☐ No ☐ consulted: Yes ☐ No ☐

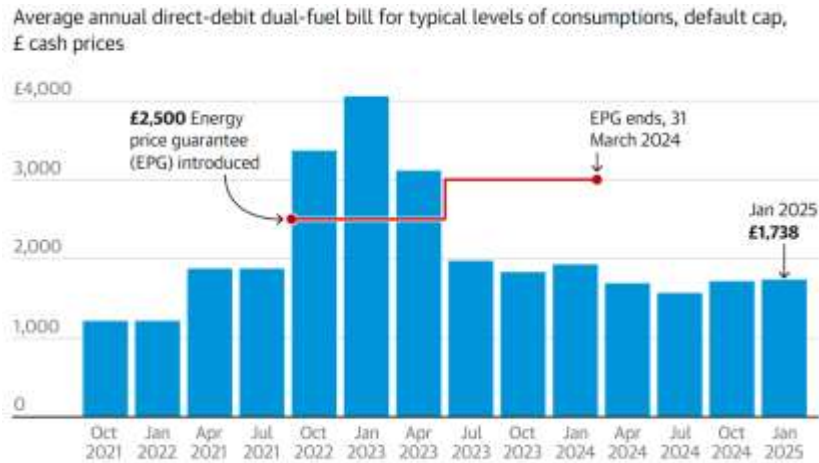
1. Introduction and Background

- 1.1. This report provides a summary of the Glasgow City Region Intelligence Hub's latest research into the Cost of Living Crisis and how it impacts the lives of Glasgow's residents.
- 1.2. The Cost-of-Living Crisis describes the UK's fall in real income following the macroeconomic shocks of the COVID-19 pandemic and the war in Ukraine. A fall in real income decreases the standard of living for residents in an economy as the cost of essential items, such as energy and food, increase at a greater rate than increases in wages. And whilst the problem may not feature as frequently in the media as it did in previous years, it remains a major issue.
- 1.3. The Hub has conducted research into the impacts of the Cost of Living Crisis since the issue became prevalent in 2022. This has culminated in the Hub producing numerous briefings for the Region in response to national policy developments, as well as a bespoke piece of research produced for the Scottish Cities Alliance.
- 1.4. This paper is intended to provide evidence of the current and on-going economic stresses facing residents and communities to help inform the development of appropriate local policy and service responses. It does not provide research into the policy or research themselves. It does, however, include a note from Glasgow's Local Child Poverty Action Report 2023/24 as presented to the Wellbeing, Empowerment, Community and Citizen Engagement and General Purposes City Policy Committee on 26th September 2024, which outlines the costs to service delivery in dealing with child poverty.

2. Energy Costs

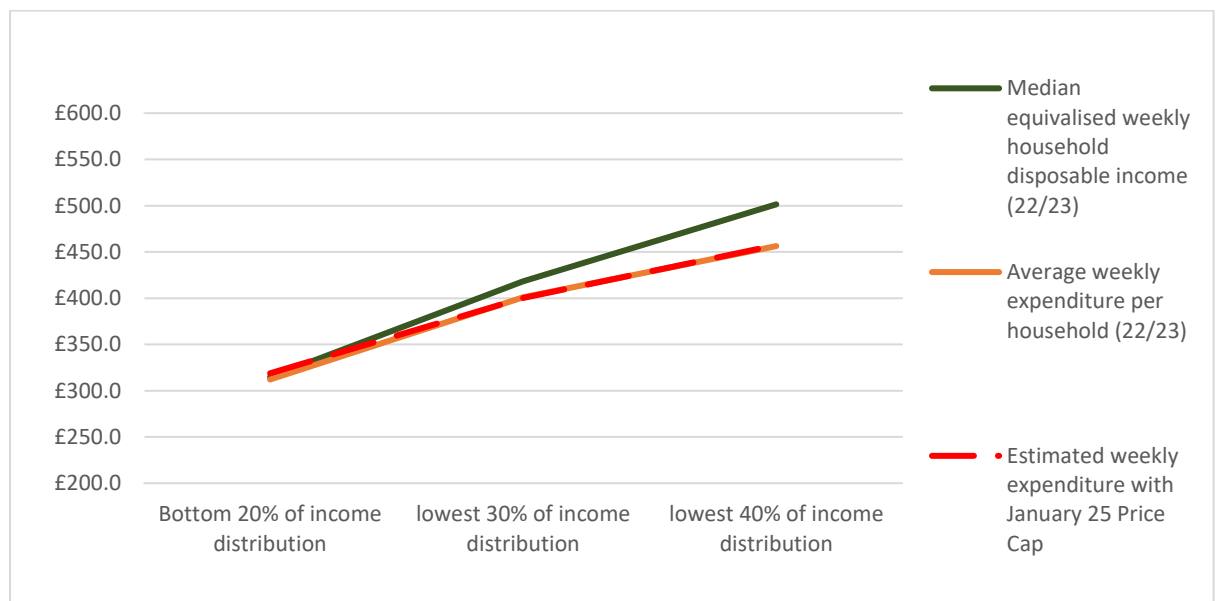
- 2.1. Between 1 January to 31 March 2025 the energy price cap is set at £1,738 per year for a typical household who use electricity and gas and pay by Direct Debit.¹ This is an increase of 1.2% compared to the cap set between 1 October to 31 December 2024 (£1,717), but much lower than 2023 levels. The energy price cap is a mechanism used by Ofgem to limit the amount energy suppliers can charge customers annually and is reviewed every three months.
- 2.2. According to the consultancy Cornwall insights, high energy prices are likely to be the "new normal" due to continuous geopolitical risks in the Middle East and the war in Ukraine.

¹ Typical consumption refers to 2,700 kwh for electricity and 11,500 kwh for gas



- 2.3. The rise in the energy costs continue to squeeze the disposable income of those households earning the least. Chart 1 illustrates that even with the introduction of Ofgem’s January 2025 energy price cap, the cost of living has increased to a point that the weekly disposable incomes is just enough to cover the average weekly expenditure of the poorest households. It is estimated that approximately 89,000 low income households in Glasgow will continue to struggle to make ends meet.

Chart 1: Projected Household Income and Expenditure with January 2025 Energy Price Cap



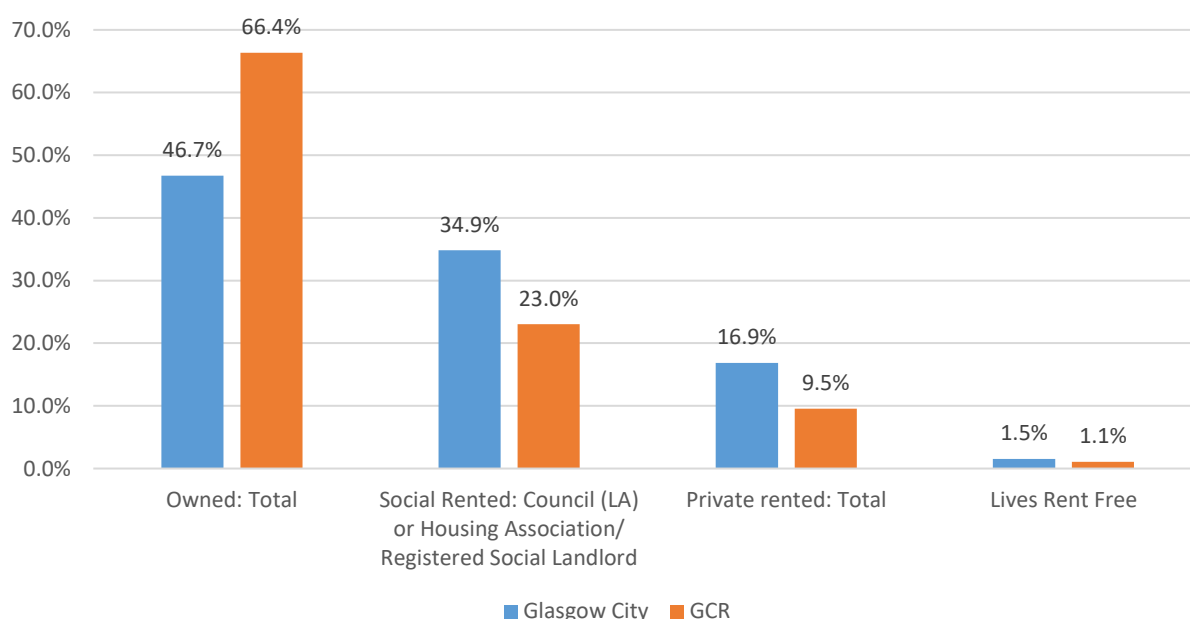
- 2.4. New forecasts from Cornwall Insight for later in the year, do however bring more positive news. Bills are predicted to reduce slightly by 1.4% in April falling to £1,713 per year for a typical dual fuel user, before dipping slightly

again in July.² This provides some additional financial relief for low-income households, assuming other factors remain unchanged.

3. Fuel Poverty

- 3.1. Evidence from the Resolution Foundation (RF) has previously shown that individuals with relatively low levels of earnings are disproportionately affected by increases in the price of essential goods - such as energy. Less energy-efficient heating systems and poorer housing conditions contribute to these individuals spending a higher proportion of their income on energy than those earning the median-wage or above.
- 3.2. As shown below, people in Glasgow City are more likely to live in Socially Rented properties, as well as Privately Rented.

Chart 2: Scottish Census Households by Tenure

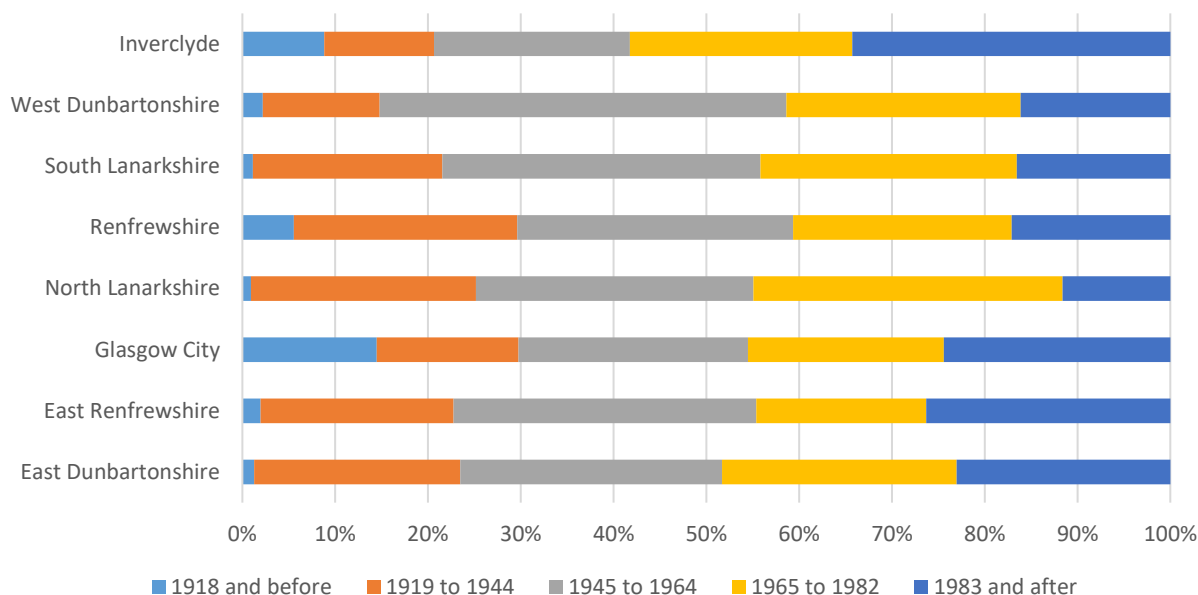


Source: Scottish Census 2022

- 3.3. Looking at the age of these socially rented properties, although Glasgow has the 3rd highest share of its stock being built after 1983, it has the highest being built pre-1918, around 15%. Older housing is often less energy-efficient, with poorer insulation and outdated heating systems, leading to higher energy consumption and costs.

Chart 3: Age of Social Housing Stock (Both Owned By LAs and Social Landlords)

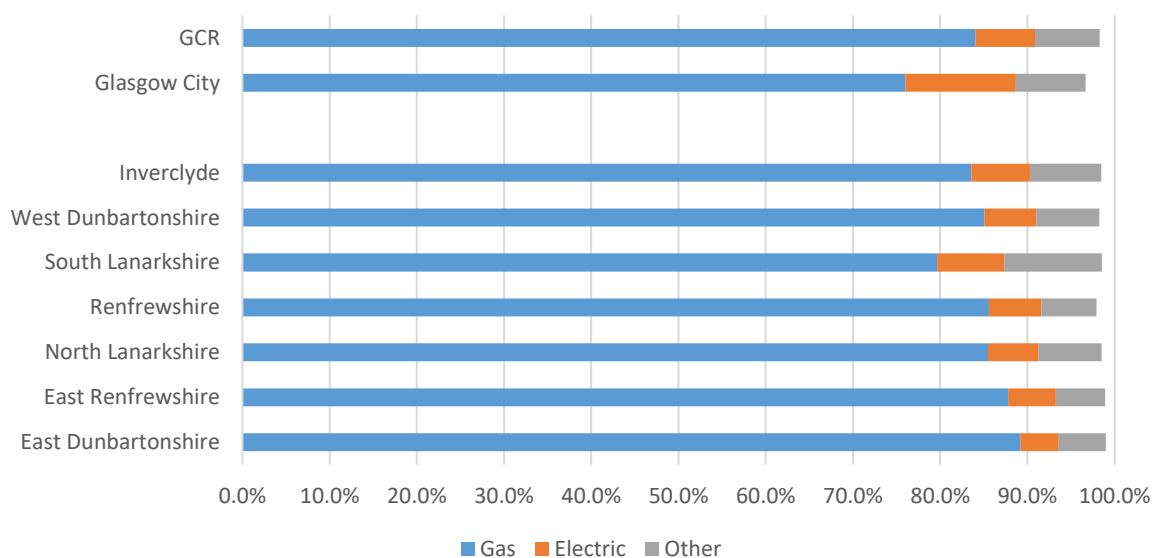
² <https://www.cornwall-insight.com/press-and-media/press-release/january-brings-energy-price-cap-hike-but-april-forecasts-lower-bills/>



Source: Scottish Housing Regulator and Scottish Government

3.4. Also looking across all properties, households in GCC are far more likely to be fuelled by electricity and storage heaters. Electric heating, particularly through storage heaters, is often more expensive than gas heating.³ Households relying on electric heating may face higher energy bills, increasing the risk of fuel poverty.

Chart 4: Scottish Census Central Heating Fuel



Source: Scottish Census 2022

³ [Energy price cap | Ofgem](#)

- 3.5. These factors mean that households in GCC might be more impacted by higher energy consumption and costs than other Member Authorities within GCR. High costs disproportionately affect low-income households who are also often reliant on social housing, which GCC has a proportion of as well.
- 3.6. This demonstrates the role of retrofit in tackling fuel poverty and the climate crisis. Social landlords, including local authorities (LAs) and housing associations, are uniquely positioned to make a significant impact on reducing fuel poverty by driving retrofit initiatives at scale driving down costs of both landlords and residents, and improving the quality of life of the most vulnerable of people.

4. Rental Inflation

- 4.1. UK rents have increased by 3.9% in the 12 months to October 2024, down from 9.1% a year ago and averaging at £1,270 per month. This is the lowest growth rate for over 3 years (August 2021) and the first time that earnings are rising faster than rents since September 2021.⁴
- 4.2. Annual rental growth in Glasgow has also slowed down, more than the UK rate (2.9%). The average rent in Glasgow now is £989. This is lower than major cities like Edinburgh and Manchester.

5. Cost to Council Service Delivery

- 5.1. As noted, the pressures felt by households by the continued rise in the Cost-of-Living remains. This is likely to drag people into poverty and will therefore increase pressure and costs on Council service delivery.
- 5.2. For example, as noted in Glasgow's Local Child Poverty Action Report 2023/24, "it has been possible to calculate the additional cost of child poverty to public services and the Glasgow economy. In 2022/23 alone, this lies between £823m and £1.09 billion. This expenditure is reactive in nature, responding to the challenge and seeking to mitigate the impact. Preventative action can shift the focus of interventions and ultimately reduce the costs".

6. Recommendations

- 6.1. The committee is asked to note the report.
- 6.2. Further research conducted by the Hub can be found on their publications page, or through their monthly briefings:

[Glasgow City Region Intelligence Hub](#)

⁴ Zoopla, Rental Market Report, December 2024 <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>