



Glasgow City Council

Economy, Housing, Transport and Regeneration City Policy Committee

Report by Director of Regional Economic Growth

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Cost of Living Crisis Update

Purpose of Report:

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 and that the Intelligence Hub had been tasked with Council officers to try and find new insights, at a local level, into those residents most vulnerable to continued Cost of Living Crisis.

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.
- 1.3 The Glasgow City Region Intelligence Hub (The Hub) was established in 2019 and provides insights into how the Glasgow City Region economy functions. The Hub's remit is to provide economic intelligence related services to the Region and its eight member authorities - including data analysis, policy research, economic modelling, strategy development and project evaluation for the City Region and the City Deal.
- 1.4 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.

2. Energy Costs

- 2.1 In late November Ofgem announced that the energy price cap would increase in January 2024 to £1,928 per year, up from £1,834¹. 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 Ofgem have attributed the increase in the price cap to an overall increase in the price of wholesale gas – which itself has increased due to world events such as the conflict in the Middle East. Whilst the price cap set for January 2024 is below that of the cap implemented after the invasion of Ukraine, the new cap is still above rates experienced pre-pandemic.
- 2.3 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.

¹ <https://www.ofgem.gov.uk/publications/increased-wholesale-energy-costs-lead-rise-price-cap>

- 2.4 Ofgem have also announced that they plan to increase energy bills to help energy suppliers recover record levels of bad debt from customers². Whilst the increase in energy bills is not too significant (£16 in the 24/25 financial year), the £3bn of bad debt owed to energy suppliers reflects the current struggles of UK citizens trying to keep up with their energy costs amongst increasing food, mortgage, and rental prices.
- 2.5 RF's research concludes that households earning the least are having to cut back on essentials to cope with the increased cost of energy³. Applying national percentages to the Glasgow City Region – the Hub estimates that:
- approximately 300,000 households are projected to cut spending on essentials,
 - almost 200,000 won't be able to warm their homes to the level they did before, and;
 - around 100,000 will be reliant on some form of credit to pay for their bills.

3. Disproportionate Impact – Poorest Households

- 3.1 The Office for National Statistics recently published new estimates for inflation and wages during June to August 2023 – showing that the growth in wages had overtaken the growth of inflation for the first time since October 2021⁴.
- 3.2 Whilst this is encouraging news, and points towards a growth in real income, this may not be the reality for all UK residents. Food inflation remains at 10.1% in the UK – disproportionately affecting the households with the lowest levels of disposable income after housing expenses⁵.
- 3.3 The increase in the price of essentials will result in a squeeze of the disposable income of those households earning the least in the UK. Figure 1 illustrates that even with the introduction of Ofgem's January 2024 energy price cap, the cost of other essentials has increased to a point that the average weekly expenditure of households is greater than the peak of the Cost of Living Crisis in Autumn 2022.

Figure 1 – Projected Household Income and Expenditure with January 2024 Energy Price Cap

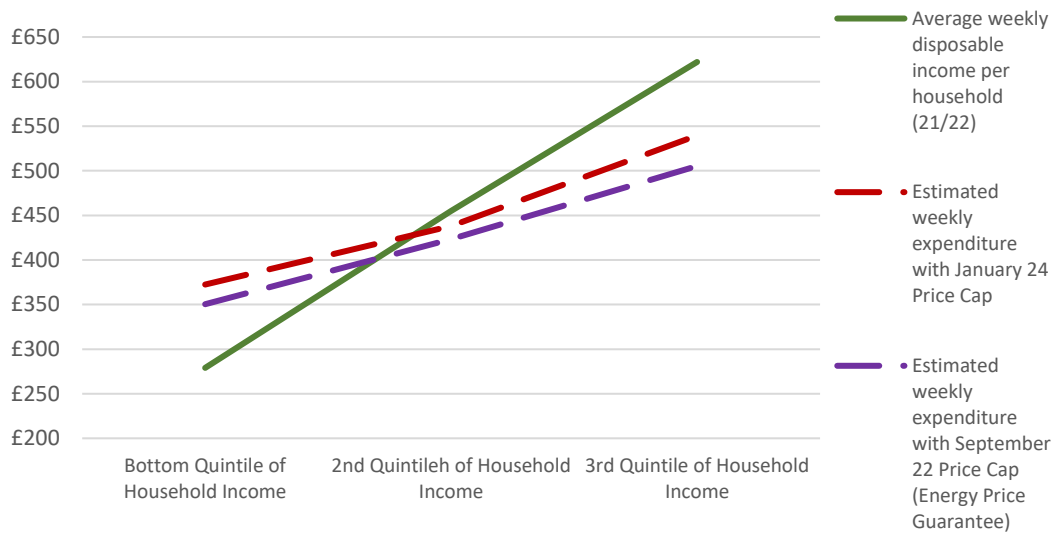
² <https://www.ofgem.gov.uk/publications/energy-regulator-sets-out-proposals-help-ensure-customers-risk-getting-debt-are-better-supported>

³ <https://www.resolutionfoundation.org/publications/living-standards-outlook-summer-2023/>

⁴

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/october2023>

⁵ <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food>



Source: Intelligence Hub Calculations based on ONS Family Expenditure and Disposable Income publications

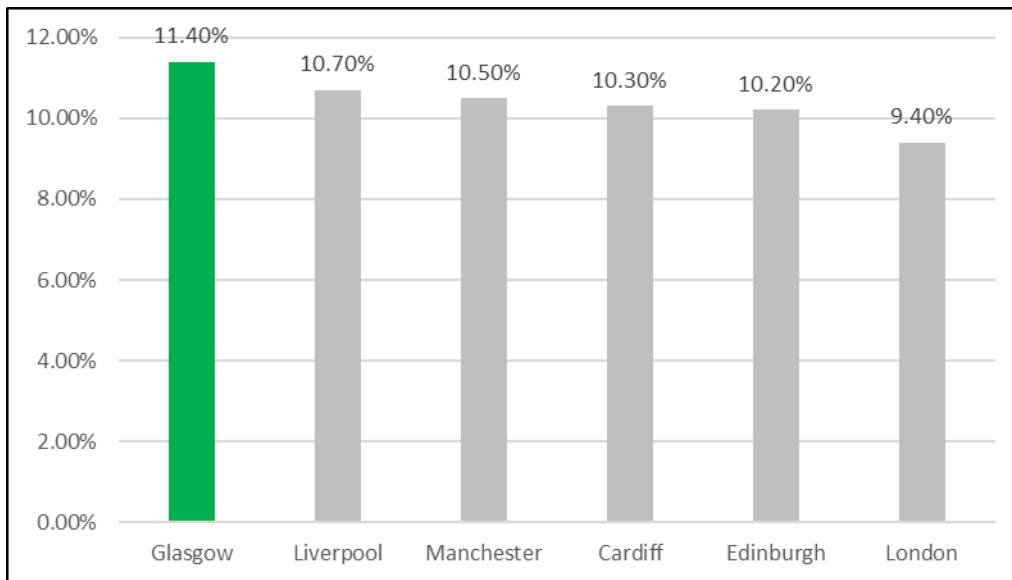
3.4 Figure 1 also shows that those households in the bottom quintile of earnings are spending, on average, more than they have available through their disposable income. This could potentially affect up to 60,000 households in Glasgow – causing them to take on debt or cut back on purchasing essentials. The ONS’ December Cost of Living Insights survey found that nearly half of all respondents were buying less food than usual.

4. Disproportionate Impact – Glasgow

4.1 It can be argued that Glasgow residents are more vulnerable to the adverse impacts of the Cost of Living Crisis than elsewhere in the UK. Research by the Centre for Cities in April found that the level of inflation experienced in Glasgow (11.4%) was the second largest recorded, only behind Burnley (+11.8%)⁶. Figure 2 illustrates that Glasgow experienced an inflation rate greater than comparator cities throughout the UK.

Figure 2 – March 2023 Inflation Rates

⁶ <https://www.centreforcities.org/data/cost-of-living-tracker/>



Source: Centre for Cities

4.2 Glasgow's high proportion of residents employed within the public sector could also potentially impact the number of individuals gaining an increase in real income in the short-term.

4.3 Whilst the public sector has enjoyed a substantial increase in wages between June-August 2023 (+6.8%), this still falls behind the wage increases experienced by private sector employees (+8.0%). Glasgow has a relatively high number of residents employed in the public sector (22.4%) compared to the Great British average (17.7%)⁷.

5. Conclusion

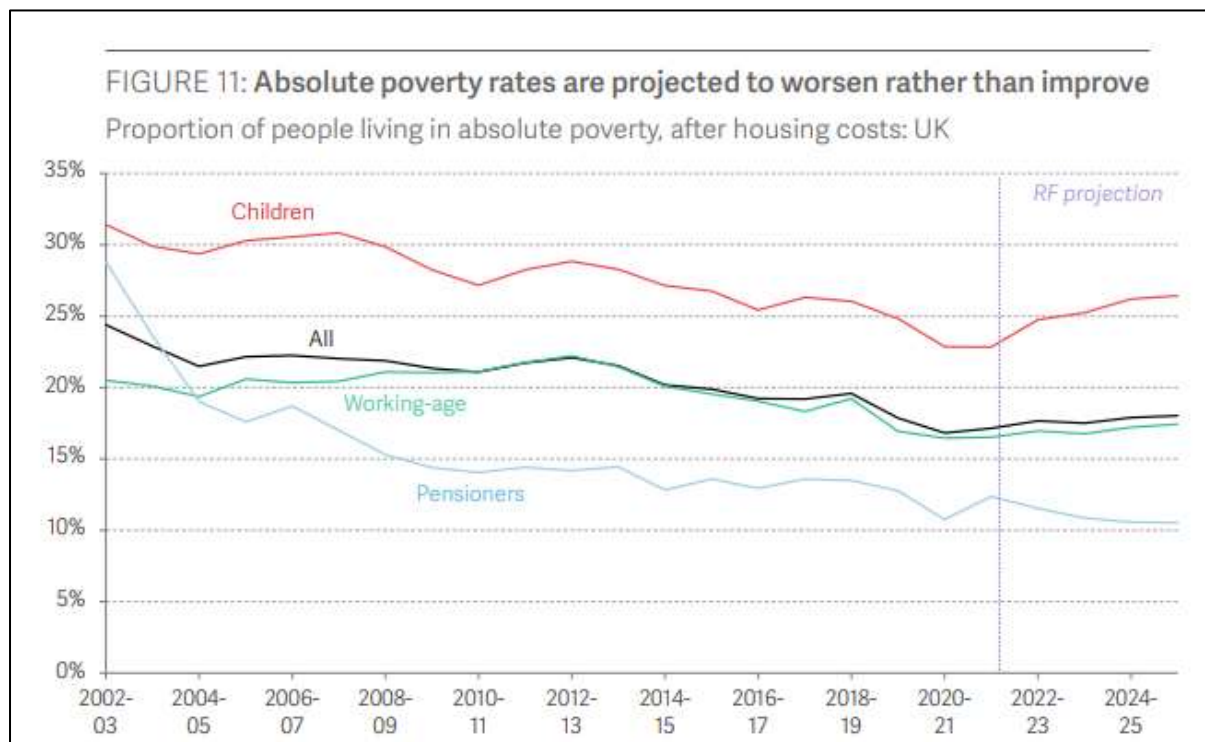
5.1 Despite short-term real income growth, the increase in households' food and energy costs are causing a stagnation of disposable incomes, as suggested by the Resolution Foundation. By January 2025, it is estimated that households will be around £1,900 poorer than in December 2019⁸.

5.2 The RF projects zero real growth for the median non-pensioner household income over the next 3 years. For the UK households with the lowest income, this stagnation is projected to force an extra 300,000 people into absolute poverty next year - an overall rise of 3%. Concerningly, this analysis shows that the proportion of children living in absolute poverty is projected to rise the highest.

⁷ NOMIS, Business Register and Employment Survey

⁸ <https://www.resolutionfoundation.org/publications/pressure-on-pay-prices-and-properties/>

Figure 3 – Resolution Foundation Summer 2023 Projections



Source: Resolution Foundation

6. Cost of Living Support

6.1 The data on the scale of the challenge, as noted above, is only available at a City or Regional level. So doesn't help target resources. It is proposed the Hub with colleagues in Glasgow City Council explores how the Council could use its own datasets (such as those in receipt of Council Tax Reduction and or in receipt of Clothing Grants and Free School Meals) to help identify those in greatest need of targeted support.

6.2 Glasgow City Council has previously provided fuel support. It is also proposed that the application of this fund is reviewed to look for insights as to where support may be needed in the future (geographic, demographic characteristics etc).

6.3 Several existing programmes are currently available for money advice, grants and benefits as outlined on the Council website.

<https://glasgow.gov.uk/index.aspx?articleid=30029>

7. Policy and Resource Implications

Resource Implications:

Financial: none

Legal: none

Personnel: none

Procurement: none

Council Strategic Plan: Specify which Grand Challenge (s) and Mission (s) the proposal supports.

- Reduce poverty and inequality in our communities

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.

yes

What are the potential equality impacts as a result of this report?

(no significant impact)

Please highlight if the policy/proposal will help address socio-economic disadvantage.

It will inform potential projects or policies to support deprived communities

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

What are the potential climate impacts as a N/A

*result of this
proposal?*

*Will the proposal contribute to
Glasgow's net zero
carbon target?* N/A

**Privacy and Data
Protection Impacts:**

Are there any potential data protection impacts as a result of this report: No

8. Recommendations

8.1 The committee is asked to note the report and that the Intelligence Hub had been tasked with Council officers to try and find new insights, at a local level, into those residents most vulnerable to continued Cost of Living Crisis.