

Outlook for 2024

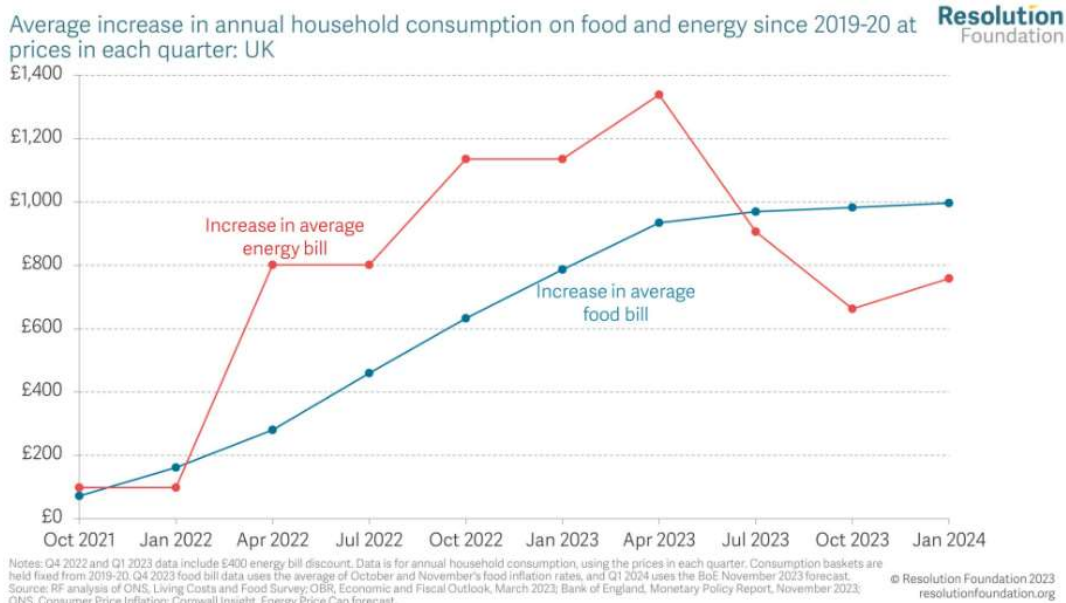
Rising energy and food bills over the last two years have driven inflation and the cost of living crisis, with everyone affected. While inflation has fallen faster than expected in recent months, the cost of living crisis is far from over. Food and fuel bills remain higher than they were pre-pandemic. Although fuel costs are expected to reduce further, with rising housing costs, and cost of living payments coming to an end, incomes for the poorest are expected to fall in the coming year.

Household income

- Over the last two years, the government has prioritised support for those on lowest incomes, to mitigate the worst effects of the cost of living crisis.
- Most social security benefits rose in line with inflation in April 2023 (10.1%) and are expected to rise again (6.7%) in April 2024.
- Extra targeted support provided via Cost of Living Payments for pensioners and families on means-tested or disability benefits will end in February 2024.
- Average pay has struggled to keep up with rising inflation (up 13.6%). However, the fall to 4.2% (December) means real wages rising for many.
- While higher interest rates made some households better off in 2023 (higher returns on savings outweighed higher mortgage bills), the reverse will be true in 2024, as mortgage bills rise by an average £1,800 a year.
- Many renters will face increasing housing costs. Only people who own their homes outright will see a growth in their living standards.
- Around a third of adults are finding it very or somewhat difficult to afford their rent or mortgage payments (ONS).
- With rising housing costs, and cost of living payments coming to an end in February 2024, incomes for the poorest are expected to fall in the coming year.

Food

- Around 6 in 10 adults are spending less on non-essentials because of cost of living increases (ONS).
- Around 4 in 10 adults reported having to spend more than usual when food shopping to get what they normally buy (ONS).
- Food costs have been steadily rising over the last two years.
- The average annual food bill is expected to remain £1,000 higher than it was pre-pandemic.

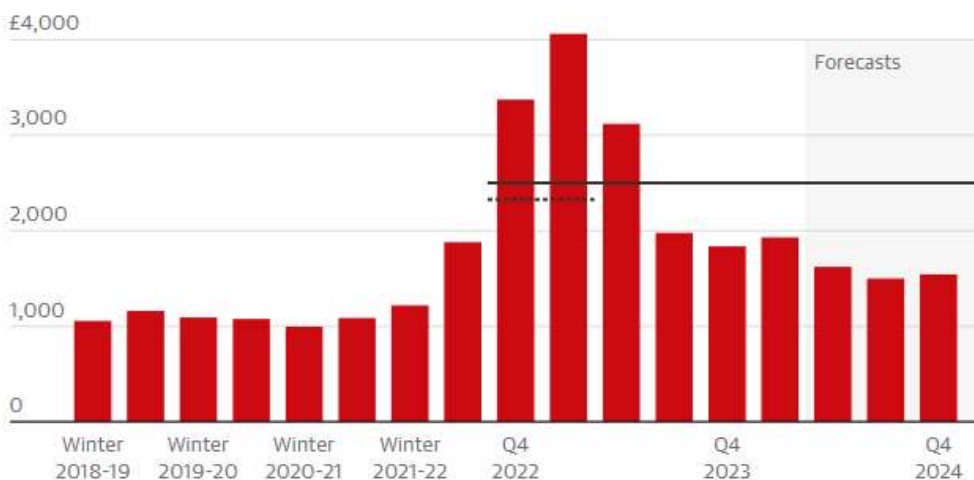


Fuel

- Oil prices continue to affect the price of domestic energy, fuel, and the price and supply of food.
- Households that rely on cars are more vulnerable to fuel price fluctuations.
- Around 4 in 10 adults are using less fuel in their homes because of cost of living increases (ONS).
- Energy inefficient dwellings (i.e. EPC band D+) tend to be more expensive to run and so are forcing a tighter squeeze on household finances.
- While the average energy bill is £760 a year higher than pre-pandemic, energy bills for typical households are expected to fall further (16%) in April when the energy price cap will reduce from £1,928 to £1,620.

Default energy price cap, a typical household's energy bill

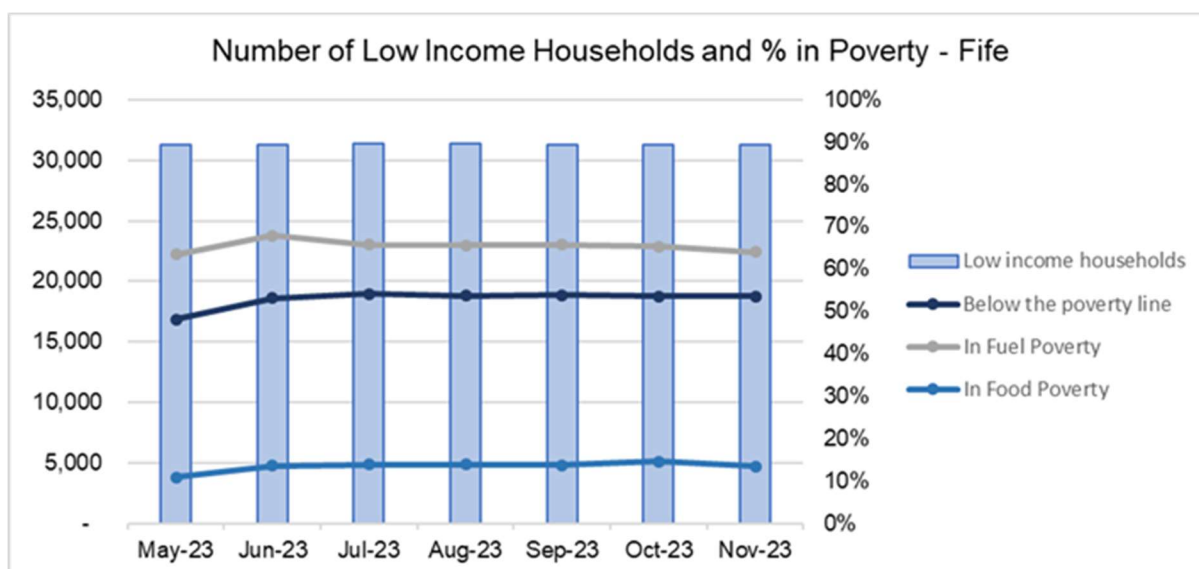
— Government energy price guarantee ** Government energy bill support scheme*



Source: Ofgem, Cornwall Insight. Note: CMA methodology, summer 2017 - summer 2019. DTC methodology, 2019-20 winter. * £400 rebate spread over six months from October 2022

Low Income Households

- As at November 2023, there are 31,230 low income households in Fife (identified through LIFT system as being in receipt of DWP benefits, Council tax support, Housing Benefit, in arrears on rent or council tax).
- 53.6% (16,742) are in relative poverty (living below the poverty line of less than 60% of median UK household income).
- 64.0% (20,000) are in fuel poverty (household income after fuel expenditure would bring their income below the relative poverty line).
- 13.5% (4,205) are in food poverty (household total minimum acceptable food poverty - food expenditure (based on Minimum Income Standard) is higher than the income after priority costs).
- 22% (6,875) of low income households are in debt to the council, the majority of which (6,479) relate to council tax arrears.



About this briefing

This briefing provides an update on factors affecting the cost of living at national and local level.

Sources

LIFT Low Income Family Tracker

ONS [Cost of living latest insights - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/cost-of-living/latest-insights)

Resolution Foundation [From merry Christmas to a messy new year • Resolution Foundation](https://www.resolutionfoundation.org/insights/publications/From-merry-Christmas-to-a-messy-new-year)

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