

Southwark Cost of Living Crisis Profile

Spring 2023 Update

Southwark Public Health Division

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The cost of living crisis is on-going, with inflation still high, and food prices continuing to rise

KEY HEADLINES

- The cost of living crisis is on-going; much of the overall inflation rate is driven by rising food and fuel prices.
- Fuel inflation remains high, however the rate of increase is levelling off. In March 2023, fuel prices were 26% higher than in March 2022.
- Food inflation is high and rising. In March 2023, prices were 19% higher than March in 2022.
- Those on lower incomes spend a greater proportion of income on food, housing and utility bills. They often have less room in their budgets to cut back on non-essentials and may have already been limiting consumption of essentials before prices rose.
- Those on lower incomes are also less likely to have savings to fall back on.
- National support measures in place for 2023/24 include cost of living support payments to be made to those in receipt of low-income benefits or tax credits.
- Those on low incomes but above the threshold for cost of living payments, along with those without recourse to public funds are likely to be impacted the most.
- The three groups across London most likely to be struggling financially are those earning less than £20,000, those living with a disability and those living in socially rented properties.
- Food and fuel poverty are key areas of concern in Southwark.
- Work is taking place to plan the delivery of the Southwark Council Cost of Living Fund in 2023/24.

Inflation currently sits at 10.1%, but is higher for many essential goods including food and fuel

INFLATION OF FOOD AND FUEL PRICES

Consumer Price Indices

- Consumer price indices (CPI) measure inflation of a range of goods and services based on average prices nationally.
- Inflation measures the change in prices of a range of goods and services, however not all goods are affected equally – some may have a higher inflation rate than others.
- The Bank of England target for inflation is 2%, however it has been significantly higher over the past 2 years, and currently sits at 10.1% overall¹.
- The Bank of England has predicted that overall inflation will fall over the remainder of 2023, hitting the 2% target by late 2024.
- It is worth noting that a fall in inflation rates does not mean that prices will fall, but that prices will increase more slowly than they have been over recent months.

The rate of increase for fuel inflation is slowing, but inflation for food is rising

INFLATION OF FOOD AND FUEL PRICES

The graphs below show CPI for essential costs (food, rents and household bills) which are a large portion of people's budgets.

- In the year between March 2022 and March 2023:
 - The cost of food and non-alcoholic beverages rose by an average of 19%.¹
 - The cost of housing, water, electricity, gas and other fuels rose by an average of 26%.¹
- While the pace of price increases for utilities has levelled in recent months, food inflation continues to increase.

Figure 1: Annual CPI rates 2008-2023. Source: ONS

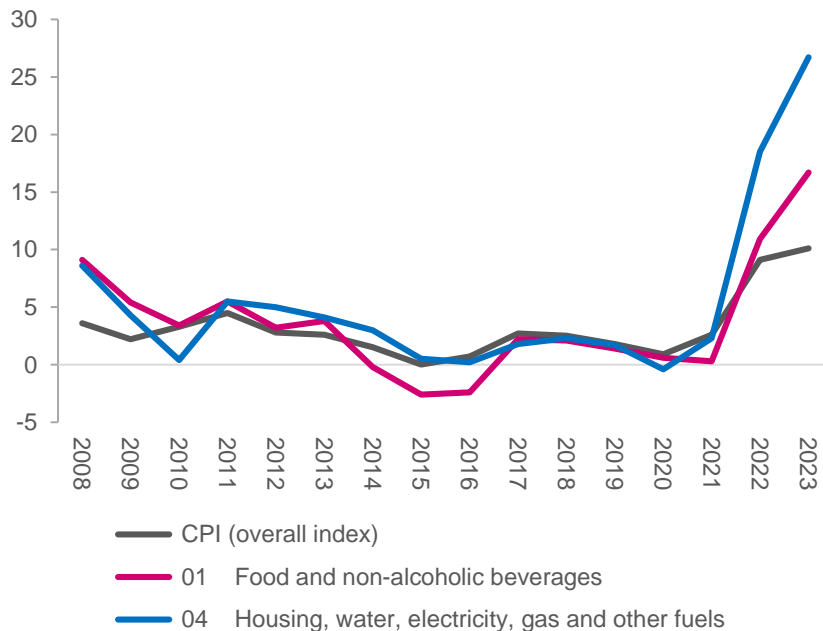
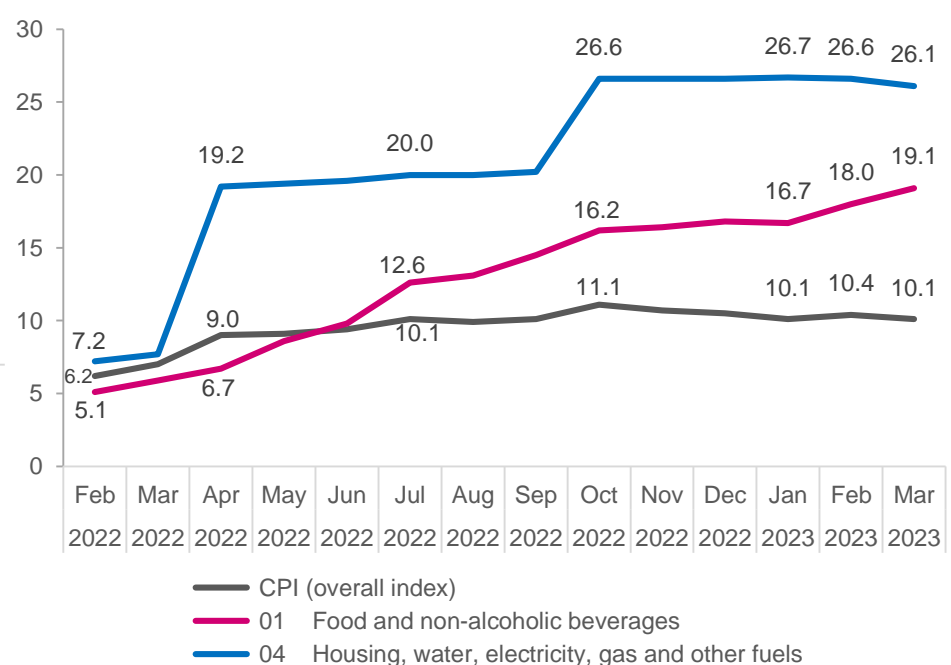


Figure 2: Monthly annual CPI rates, 2022-2023. Source: ONS



References:

1- [ONS: Consumer price indices March 2023](#)

Those on lower incomes spend more of their budgets on food, so are disproportionately affected by price rises

CHANGES IN FOOD PRICES

The prices of food and non-alcoholic beverages have risen by an average of 25% over the past 2 years.

- Before the crisis, London households in the lowest income quintile spent on average £57 per week on food. If these households were to buy the same basket of goods in 2023 it would cost them £72.
- The price rises affect everyone, but have a greater impact on lower income households who spend a higher proportion of their incomes such as food: on average 17% of weekly expenditure of low income households is spent on food compared to only 8% of weekly spending of the highest income households.¹
- Not all food prices have risen by the same amount, with inflation being higher for many essentials, making higher costs unavoidable for many.

Figure 3: Estimated change in weekly spending on food by London households as a result of inflation. Source: Trust for London

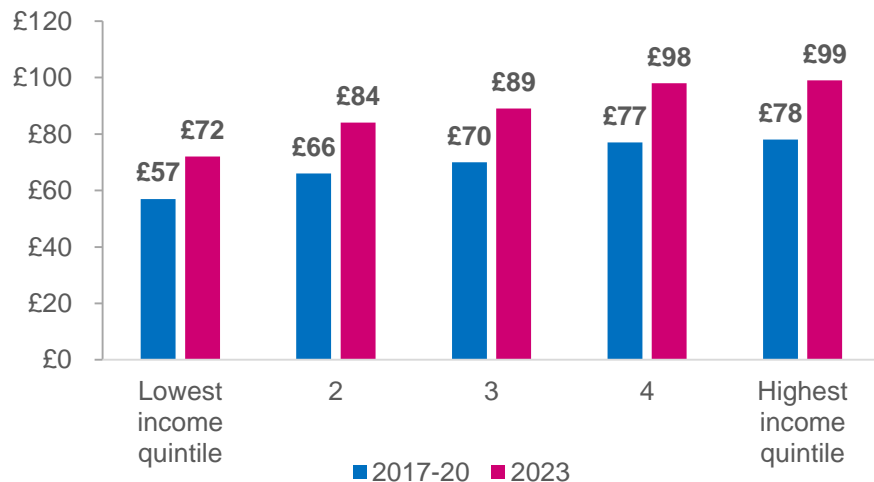


Figure 4: Cost of common grocery items March 2022 vs 2023. Source: ONS

Product	Average price March 2022	Average price March 2023	Annual growth
A dozen eggs	£2.42	£3.19	↑ 32%
White sliced bread	£1.07	£1.38	↑ 29%
Butter	£1.81	£2.36	↑ 30%
Baked beans	£0.76	£1.05	↑ 39%
Semi-skimmed milk (2 pints)	£0.96	£1.33	↑ 39%

References:

1 – [Trust for London: Cost of Living Tracker](#)

2 – [ONS: Shopping Prices Comparison Tool](#)

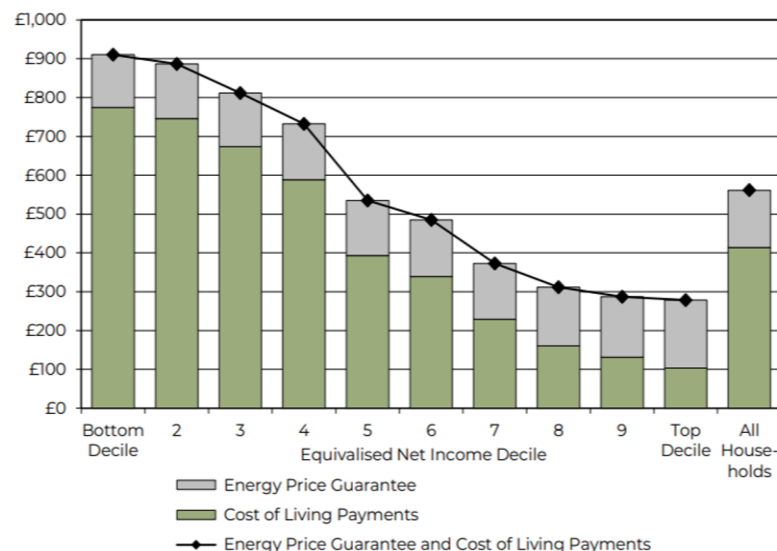
The energy price guarantee has been extended at its current level until June 2023

CHANGES IN FUEL PRICES

A key factor of the cost of living crisis has been the increase in energy prices. Between March 2022 and 2023, electricity prices in the UK rose by 66.7% and gas prices rose by 129.4%¹

- The government recently announced that the energy price guarantee would remain in place until June 2023, after which average bills would rise from an average of £2,500 to £3,000 per year.
- Like food, energy bills are an essential household cost and rises will impact those on lower incomes the most. Households with the lowest incomes may spend more than twice as much of their household budget on electricity and gas than the richest.²
- In March 2023, the Treasury released predictions to households savings from the energy price guarantee and cost of living payments in 2023/24.³

Figure 5: Cash gain to households on different incomes from the energy price guarantee and cost of living payments Source: HM Treasury



References:

- 1 – [ONS: Cost of Living Insights](#)
- 2 – [Learning and Work Institute: The cost of living crisis and its impact on low income Londoners](#)
- 3 – [HM Treasury: Impact on households: distributional analysis to accompany Spring Budget 2023](#)

People on low incomes who do not qualify for extra support are likely to be among those most affected by the crisis

SOUTHWARK'S PROFILE

People on low-incomes

- Across London, 20% of people reported as financially struggling in March 2023. This increases to 38% among individuals earning less than £20,000.¹
- There is an unequal impact of inflation for those on lower incomes: in October 2022 CPI was estimated to be 12.5% for the people on lowest income decile and 9.6% for the highest income decile.²
- There has been an inflationary uplift to benefit payments, however households with no recourse to public funds and people who do not meet the thresholds for means-tested benefits may not have received an increase to their income to match inflation, so may still be more affected by rising prices.
- Within Southwark, **Faraday, Old Kent Road and Peckham** wards have the highest percentage of residents in lowest three income decile groups, and highest percentages of residents receiving Universal Credit.

People who are deaf or disabled

- Across London, 29% of people who have a disability report struggling financially compared to an average of 20% of people.¹

Social-renters

- In March 2023, 39% of Londoners who are social renters reported as financially struggling, compared to an average of 20% of people.¹
- In Southwark, 40% of households are rented socially, either from the council or from housing associations, equivalent to 52,000 households.³

References:

1 – [GLA: Cost of living poll results](#)

2 - [Learning and Work Institute: The cost of living crisis and it's impact on low income Londoners](#)

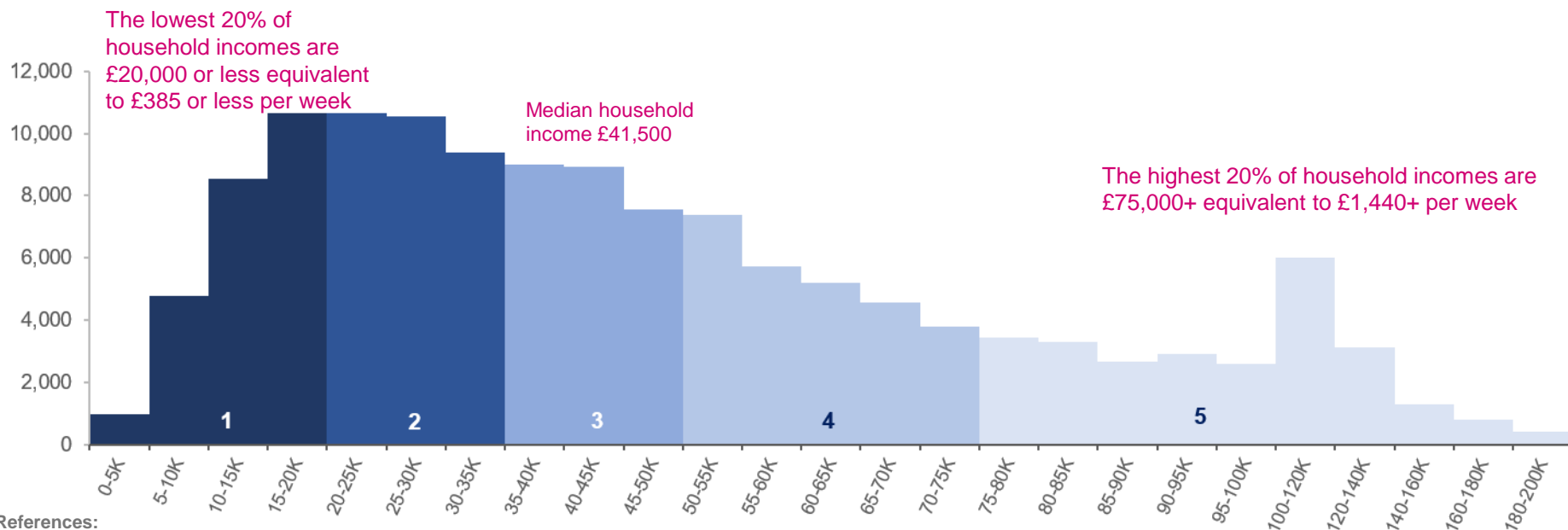
3 - [Southwark Council: Census 2021 Profile: Housing](#)

In Southwark, 25,000 households (20%) had a gross income of £20,000 or below in 2022

SOUTHWARK'S PROFILE

Income quintiles in Southwark

- The graph below shows the distribution of gross income (income from all sources including, earnings, benefits and investments, before tax) of all households in the borough (134,000 households total) in 2022.
- It is split into quintiles, with each quintile representing 20% of households.
- Those on lower incomes are likely to spend a high proportion of their incomes on essentials such as rents, bills and food and are more likely to have negative budgets.
- In June 2022, 42% of debt clients of Citizen's Advice Southwark had a negative budget: where a debt adviser had assessed the client could not meet their living costs.²



References:

1 – CACI Paycheck data: Southwark

2 – Citizen's Advice Southwark: Citizens Advice Southwark Cost of Living Crisis Response Report

Rising costs are leading to increases in food insecurity and fuel poverty across London and in the borough

SOUTHWARK'S PROFILE

Food security

- As a result of the cost of living crisis, more people on low incomes are likely to become food insecure as households cut back on their food intake and/or miss meals.
- In 2019, 24% of Southwark residents aged 16+ were food insecure, equivalent to 75,000 people.¹
- At the same time, 26% of 0-16 year olds were estimated to be food insecure, equivalent to 16,000 children.
- In March 2023, 60% of Londoners who reported being financially struggling also said they were buying less food and essentials to manage living costs.²
- In January 2023, 13% of Londoners said they had regularly or occasionally gone without food or relied on outside support (e.g. from a food bank).²
- Those on low incomes or receiving benefits are more likely to be food insecure, in 2020/21 more than a quarter of households (27%) in the UK receiving Universal credit were food insecure.³

Fuel poverty

- 13% of households across England were estimated to be fuel poor in 2022.⁴
- In March 2023, 42% of Londoners reported using less water, energy or fuel in order to manage living costs.²
- In 2020, fuel poverty was highest in **Camberwell Green, Nunhead and Queens Road wards**, at 15% of households, with some communities at 16-20%.
- **In Faraday, Old Kent Road and Peckham** 13-14% of households were fuel poor.
- Citizen's Advice Southwark have seen an increase in people seeking help for fuel debts (from 17% in 2021/22 to 19% in 2022/23).⁵

References:

1 - [Southwark Council Joint Strategic Needs Assessment: Household Food insecurity \(2021\)](#)

2 - [GLA – Cost of living poll results](#)

3 - [Joseph Rowntree Foundation: UK Poverty 2023](#)

4 - [Department for Energy Security & Net Zero: Annual Fuel Poverty Statistics Report 2023](#)

5 - Citizen's Advice Southwark: Citizens Advice Southwark Cost of Living Crisis Response Report

Other impacts of the cost of living crisis include housing instability and poor mental wellbeing

SOUTHWARK'S PROFILE

Mental wellbeing

- Financial stress can lead to poor mental health and wellbeing.
- In January 2023, 50% of Londoners said the cost of living crisis was having a negative impact on their mental health.¹
- Debt problems can lead to poor mental and physical health, and stress around finances can make managing debt more difficult.

Housing

- Housing affordability is often an issue for people experiencing mental ill health.
- Those renting privately are susceptible to sudden and sharp increases in rent by landlords. Private rental prices in London increased by 4.8% in the 12 months to March 2023, the largest yearly increase since December 2012.²
- In 2022, Southwark's median private rent for a 2 bedroom property was £1,800 per month.³
- 8% of Londoners with a mortgage or who rent said they have fallen behind on payments in January 2023.¹
- The Bank of England has raised the interest rate to 4.5%, which may raise the repayment costs for those with variable rate mortgages.⁴
- Citizen's Advice Southwark have found that rent arrears make up to 27% of all debt issues of those seeking advice.⁵

References:

1 - [GLA: Cost of living poll results](#)

2 - [ONS: Index of Private Housing Rental Prices, UK: March 2023](#)

3 - [Mayor of London: London rents map](#)

4 - [Bank of England: Why have interest rates in the UK gone up?](#)

5 - Citizen's Advice Southwark: Citizens Advice Southwark Cost of Living Crisis Response Report

Measures put in place to mitigate the impact of the rising cost of living are targeted at low-income households

WHAT IS IN PLACE TO MITIGATE THE RISING COST OF LIVING?

National measures

- Measures in place nationally for 2023/24 include:
 - Up to three Cost of Living payments of £301, £300 and £299 to households in receipt of low-income benefits or tax credits. Payments will be made in spring 2023, autumn 2023 and spring 2024.
 - A £150 Disability Cost of Living payment to people receiving disability benefits. Payments will be made in summer 2023 for most people.
 - A £150 or £300 Pensioner Cost of Living payment, paid as a top up to the Winter Fuel Payment for pensioners from November 2023.

Local measures

- Holiday Free School Meals for all eligible children attending Southwark schools will continue to be funded in 2023-24, with costs met from the Household Support Fund.
- The council already offers free healthy school meals to all primary school pupils in Southwark. The Mayor of London's proposal to fund universal free school meals for all primary school pupils in London during the academic year 2023-24 will enable the council to reallocate funds to tackle hunger in secondary schools. The council is currently considering offering a free school meal for all pupils from families who are in receipt of Universal Credit (UC) and are not currently eligible for benefits related Free School Meals (FSMs).
- Work is taking place to plan the delivery of the Southwark Council Cost of Living Fund in 2023/24. Further details will be included in a report to Southwark Cabinet in July.

References:

Find out more at:

www.southwark.gov.uk/benefits-and-support/cost-of-living-support

Southwark Public Health Division

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