

Cost of living: The government's energy support package leaves low-income households behind

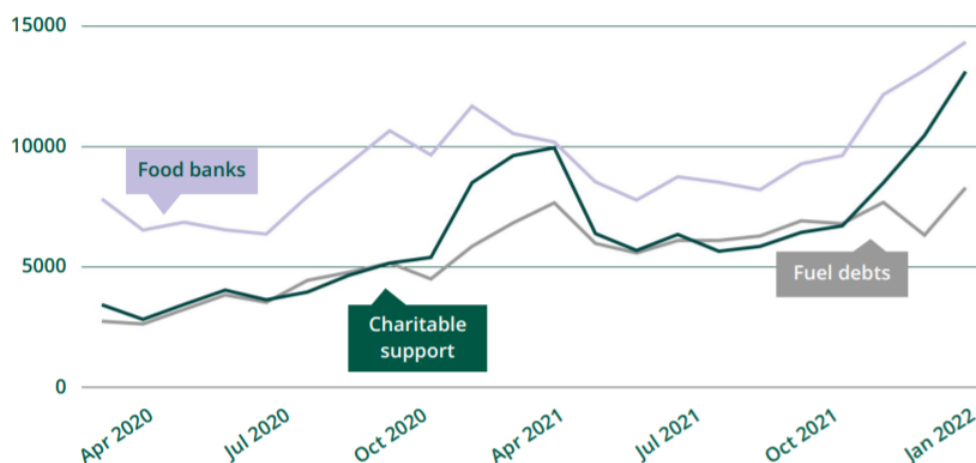
- On April 1st 2022 the energy price cap will increase by 54% to £1,983 bringing annual energy bills to a generational high and contributing to an almost unprecedented cost of living crisis in terms of speed and scale.
- Citizens Advice demand is breaking unwelcome records with more people than ever requiring a food bank referral and more people now seeking our help than since the pandemic began.
- The Government's package of support goes some way to protect households from bill shocks, but households on the lowest incomes will continue to face hardship, particularly in Winter 2022/3 when energy costs will rise again

What's the problem?

In January 2022 more than **270,000 people sought help from Citizens Advice**, more than at any point since the pandemic began. In the same month, a staggering 24,000 people helped by the charity required some type of crisis support such as food bank vouchers. This is a record for the charity, passing the previous peak only set in December 2021.

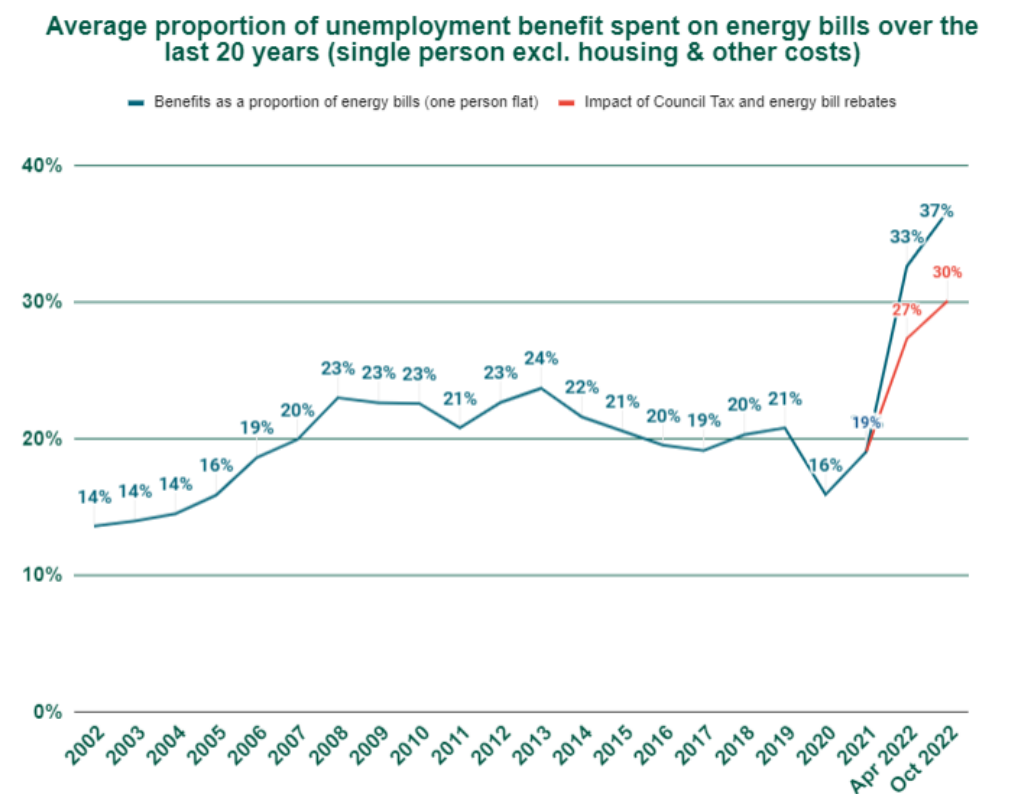
As inflation hits the highest point in 30 years, household budgets are already facing enormous pressure. The worst is yet to come, with Ofgem announcing a 54% increase in the energy price cap from April, just as other price rises and financial pressures hit households.

People seeking crisis support and help with fuel debts since April 2020



The Government last week announced two rebates to support households - one non-repayable £150 council tax rebate in April for 4 in 5 households, and one £200 universal rebate on energy bills in October, repaid over 5 years.

Our new analysis comparing energy prices against benefit levels shows that even with the Government’s announced support, April’s price cap rise will leave a single adult spending over a quarter (27%) of their Universal Credit standard allowance on energy bills and leaving little to cover remaining costs such as food, transport, internet and additional bills. This could rise to 30% in October.



The Council Tax rebate inadequately targets support as bands do not necessarily reflect people’s financial situation, and provides rebates to many higher-income households. The energy bill rebate risks postponing costs to future years when energy bills may remain high and presents many technical delivery challenges, particularly for people on prepayment meters where there’s no clear way to repay.

What should the government do?

1. **Support people on the lowest incomes through a grant in April**, targeted using the existing benefits system.
2. **Increase benefits by the Bank of England forecast inflation rate of 6% for April, rather than the planned September rate of 3.1%.** This is a cost neutral solution which would help ensure benefit levels reflect the current cost of living.
3. **Recognise the crisis will stretch through to next winter and invest in targeted non-repayable support for people on the lowest incomes.** Analysts predict the price cap could rise again by a predicted £400 in October, effectively wiping out the increase of October’s energy rebate. Government should put in place a further grant for those who need it most.

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