

A briefing paper on the cost of living crisis: public policy and community impact

Framing a Church of England Response

1. Churches of many denominations have stepped up in response to the impact the cost of living crisis is having on society. This paper presents a digest of the current situation and the response by the Church of England, often working collaboratively with other denominations and community organisations.
2. The Church of England's response to the cost of living crisis should be seen in terms of three separate arenas in which it is playing a role; The Church as political actor, the Church as partner with other NGOs and government, and the Church in the local community.
 - **The Church as political actor.** Civil society has realistically exceeded the point where its resources can meet the full extent of need emanating from the crisis so continued government intervention and support is essential. The Church of England can play a particular role in highlighting the challenges Church and other charities have in funding with givers' finances being increasingly squeezed. There is a need for a clear advocacy position (including via the Lords Spiritual) that consistently makes that point to government. This will need to be clear, while remaining intellectually engaged with the reality that no intervention or choice comes without long term moral and economic consequence.
 - **The Church as partner.** To date the government response to the cost of living crisis has been through broad policies that can rapidly be implemented, such as the cap on energy prices for households and businesses until March 2023. They have not sought partnership working to deliver any of these, though it may be as the situation develops collaboration may be sought to support more vulnerable people.

The Church is participating in the Warm Welcome coalition of faith based and community based organisations which is acting as another point of contact with government advocating and resourcing support with the crisis.

- **The Church in the local community.** There are numerous programmes and activities across our dioceses which are being coordinated at a local level. This might include (where appropriate) engagement with the Warm Welcome programme, or with particular local actors. In many cases this is not likely to be a new initiative but built on a pre-existing social action initiative. For example extending the hours when a lunch club is running or coordinating with other local venues, such as other churches or libraries, to make sure a warm space is available somewhere in the community over more hours.

Some key aspects of Churches' response

3. Before Christmas the Church of England commissioned some polling with Savanta (formerly ComRes) to assess the scale of help with the cost of living from churches and faith groups. Overall it found that:
 - 38% of UK adults sought help in 2022 because of the squeeze on living costs.
 - Family (24%) and friends (14%) were the most common source of help
 - It also found that 5% of UK adults - equivalent to 2.6 million people - had sought help from churches or other religious organisations.
 - The Trussell Trust reported it gave out 1.3 million food parcels in the six months between April and September 2022. Given that many (or most) people visiting a food bank would usually be doing so on behalf of a household, this means that several million people in the UK will have received food, clothes, toys etc through their local place of worship in the last year.
4. Separately the Warm Welcome campaign has approximately 3,700 warm spaces opened across the UK, of which almost half are in churches. A survey by the Warm Welcome Campaign found 13% of churches surveyed planned to open an additional warm space beyond their normal service on Christmas Day itself.
5. Like all organisations and individuals, Churches, ministers and lay employees of the Church of England face the challenge of the cost of living crisis. Financially, the national Church response has been focussed on helping towards the challenge of increased energy costs.
6. In October, it was announced that the Archbishops' Council and Church Commissioners had worked in partnership to launch a £15m grant scheme to help Parochial Church Councils (PCCs) struggling to pay energy costs. Funds were granted to Diocesan Boards of Finance for them to allocate to PCCs. Dioceses were able to use some of this allocation to supplement the £3m Ministry Hardship Funding announced earlier in the year. These grants supplemented existing discretionary funds held at diocesan level and other sources of financial support for clergy and lay ministers facing financial challenges.
7. It was acknowledged that even with this short term support and the government's support for non-domestic energy users (PCCs, like all charities, were treated in the same manner as businesses), PCCs would still see an increase in their energy costs unless they significantly reduced their energy usage. To help with this the announcement of the Energy Costs Grant was accompanied by information aimed at helping churches to become more energy efficient and reduce their carbon footprint¹. PCCs may also wish to consider purchasing energy through Parish Buying which is operated by the National Church. The [Parish Buying - Energy Basket](#) currently uses the bulk buying power of around 30% of PCCs to obtain competitive energy pricing. Further information on how to join the energy basket will be available shortly. Parish Buying also has a range of fixed rate options for parishes from different providers.

¹ See <https://www.churchofengland.org/resources/heating-your-church-winter>

Economic outlook

8. The Bank of England warned in November that the UK could be in recession until mid-2024 – which would be the longest recession for a century – but economists at KPMG have since forecast it could last until the end of next year.
9. A survey of economists by the FT in January 2023 found a consensus that the UK is facing the worst and longest recession in the G7. Goldman Sachs recently forecast a 1.2 per cent contraction in UK GDP this calendar year – almost as deep as Russia.
10. Although the labour market remains tight, this in part reflects the high number of people without a job and not actively seeking one. The Office of Budget Responsibility forecasts that UK unemployment will rise from the current level of 1.2 million (3.7%) to 1.6 million by the end of 2023.
11. It is important to plan for the long term. Economic cycles do turn around in time - but not rapidly enough to prevent considerable human suffering. That is why potentially costly public interventions are necessary now. Long term economic thinking will consider what measures may be needed when the cycle enters a period of relative prosperity in order to build social and community resilience and mitigate the suffering that might result from future down-turns. The lack of long term planning during previous periods of comparable prosperity partly explains present suffering.
12. The UK government faces a particular challenge given the extent of support provided and increased borrowing during the pandemic. The state of public finances is a constraint on the extent of support that can be provided given the aim to reduce borrowing.

Energy bills

13. The UK government's Energy Price Guarantee (EPG) scheme for domestic customers came into effect on 1 October 2022. This caps household energy costs to some extent. But a typical household will still pay an average £2,500 a year on their gas and electricity bill: around twice the equivalent figure for last winter (£1,277). Without the Government's intervention, the average household energy bill would have jumped 80% – from £1,971 to £3,549 a year.
14. However, the current guarantee will only last until April 2023 (not for two years as originally announced in September 2022) after which a less generous cap will come in, which was initially estimated to take the average household bill to around £3,000 a year. However, a combination of recent warm weather in Europe and high gas storage levels have led to falling wholesale prices which are expected to feed through eventually to households. The most recent estimate, released by Investec on 12 January, was that the typical annual bill might reduce to around £2,500 from October 2023.

15. The measure is in addition to the £400 Energy Bills Support Scheme applying to all domestic energy users between October 2022 and March 2023 and the most vulnerable UK households will also continue to receive £1,200 of support provided in instalments over the year.
16. Key institutions and local community assets (including churches, other places of worship, schools pubs, cafes, community centres, community shops and post offices) are also facing serious pressures due to energy bills.
17. There is a separate energy support scheme for non-domestic users. Between October 2022 and March 2023 this has capped the unit cost of energy on a basis that is broadly equivalent to the EPG scheme, but this still entails serious cost increases on the equivalents of previous years. However, from April 2023 this will be replaced by a new Energy Bills Discount Scheme providing a discount on wholesale prices triggered if these prices exceed threshold levels. At the time of writing the details of how this scheme, which is expected to run until March 2024, will operate are awaited.

Economic indicators and their impact

18. Meanwhile **inflation** has been surging. The Consumer Prices Index (CPI) rose by 10.7% in the 12 months to November 2022. This was down slightly from 11.1% in October (an all time high for the CPI index which was launched in 1989 – RPI reached its highest level since December 1980 in October 2022), mainly because of lower petrol and diesel prices.
19. **But Food inflation is at its highest level for more than 45 years.** According to the Office for National Statistics (ONS), food and non-alcoholic beverage prices rose by 16.5% in the 12 months to November 2022 (slightly up from 16.4% in October) and both the absolute level and the twelve month increase have risen for 16 consecutive months. The ONS's modelling estimates suggest that the rate would last have been higher in **September 1977**.
20. **However inflation is expected to fall in 2023**, possibly reaching 3.9% by the end of the year, according to a forecast from the CBI, barring further international issues such as an escalation of the war in Ukraine. But this would still be above the Bank of England's target level of 2% p.a.
21. **Wage growth is still failing to keep pace with rising prices.** According to the ONS pay grew by 6.1% between August and October 2022 but fell in real terms (adjusted for inflation) by 2.7% on the year.
22. There are **concerns for pensioners and those in receipt of Universal Credit** or other forms of benefits where these, despite being increased in line with inflation (e.g. the state pension increased by 10.1%), are not the main drivers of their cost of living increases such as food and energy. This leaves many vulnerable families facing even greater strains on their household finances, particularly as poorer families spend proportionally more of their income on energy and food. If pensions, Universal Credit and other forms of benefits are not increased in line with inflation, matters will be much worse.

23. The Legatum Institute, a conservative think tank, has said that **more than one million more people will be forced into poverty this winter**, pushing UK deprivation levels to their highest for two decades – even if the government freezes energy prices at current levels.

Conclusion

24. This Synod will be invited to consider the motion:

‘That this Synod, mindful of the impact of the deepening cost of living crisis on ordinary families, including many members of our congregations and communities, and recalling our Lord’s commitment to those who were hungry or lacked the essentials of life:

- a. continue to pray for those whose efforts help mitigate the human suffering of the crisis: including His Majesty’s Government, public servants and professionals in key sectors, the many volunteers in church and secular projects and everyone who puts their neighbour before themselves;
- b. commit ourselves, in our dioceses, parishes and other worshipping communities, to do all we can to support the most vulnerable, even as many of our own members are falling into hardship themselves;
- c. call upon His Majesty’s Government, notwithstanding the external factors deepening the crisis such as the war in Ukraine, to recognise that the resilience of the nation, its communities and its people, is limited, and call for policies that offer generous support to those who are falling into poverty and the organisations dedicated to supporting them;
- d. commend the steps taken by dioceses and charities to relieve some of the pressure on clergy, church staff, and their families, recognising the leadership they offer to their communities.’

William Nye, Secretary General

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