

News in Review

1 June 2022

"I am not trying to claim we have solved the entire problem for everyone... no government could"



The main fiscal news last week came on Thursday, when the Chancellor made an announcement to the House of Commons on a Cost of Living Support package, aimed at helping households struggling with soaring prices.

The £15bn support measures mean that almost all of the eight million most vulnerable households will receive at least £1,200 in one-off support, with all domestic electricity customers receiving at least £400.

The key measure unveiled include:

- **Energy Bills Support Scheme (doubled to £400)** - Energy suppliers will deliver this one-off support to households in England, Scotland and Wales, with equivalent support provided in Northern Ireland. The support will be provided to households with a domestic electricity meter over six months from October, while direct debit and credit customers will have the money credited to their account, and customers with pre-payment meters will have the money applied to their meter or paid via a voucher
- **One-off Cost of Living Payment (£650) for those on means-tested benefits** - Over eight million households will receive the payment this year, made in two instalments (the first from July, the second in the autumn)
- **One-off Pensioner Cost of Living Payment (£300)** - An additional one-off payment for over eight million pensioner households across the UK who receive the Winter Fuel Payment, payable on top of other one-off support that a pensioner household is entitled to

- **Disability Cost of Living Payment (£150)** - Around six million people who receive specific disability benefits will be entitled to a one-off payment in September
- **Increase and extension of Household Support Fund by £500m** - Local support for those needing additional help with payments towards the rising cost of food, energy and water bills, this fund will be extended from this October to March 2023. The Fund is administered by local councils in England, the Barnett formula provides a share of this funding to the devolved administrations in Scotland, Wales, and Northern Ireland.

In addition, as highly anticipated, a windfall tax on gas and oil giants was announced. The new Energy Profits Levy is expected to raise £5bn in revenue over the next year. The new 25% surcharge on the extraordinary profits from the oil and gas sector takes the tax rate on North Sea profits from 40% to 65%. Mr Sunak said the tax will be temporary and will be phased out when energy prices return to "historically more normal levels."

The Chancellor commented, *"I am not trying to claim we have solved the entire problem for everyone... no government could, but I hope that when people hear the significant steps we are taking... they will feel some of the burden eased, some of the pressures lifted."*

Reactions to the measures

Chair of the Treasury Select Committee Mel Stride welcomed the announcement, likening it to the measures introduced during the pandemic, describing it as *"a very significant intervention."*

Commenting on the measures, Paul Johnson Director of the Institute for Fiscal Studies said, *"Rishi Sunak has announced a genuinely big package of support for households. On average the poorest households will now be approximately compensated for the rising cost of living this year. Put these benefit increases alongside the tax rises just implemented, and Mr Sunak is engaging in some serious redistribution from rich to poor - albeit against a backdrop of rising inequality."*

In other news... bunting at the ready!

With the Queen's Platinum Jubilee celebrations about to kick off marked by a four-day weekend, early indications show the country-wide celebrations will bring a much-needed boost to the economy.

Over five million Britons are planning a UK break over the long weekend, bringing an estimated £1.2bn boost to the economy. According to a VisitEngland survey at least 19 million people are planning to take part in celebrations including eating out, street parties and watching events on outdoor screens. Chief Executive of VisitEngland Patricia Yates said, *"The long weekend is set to bring a much-needed boost to the industry and destinations as the summer season gets underway. From afternoon teas and street parties to beacon lighting ceremonies, pageants and parades, people are set to celebrate with friends and neighbours in royal style."*

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.