

Illustrative analysis of the impact of the May 2022 Cost of Living Support package and February 2022 Energy Support package on households

Illustrative analysis of the impact of the Cost of Living Support packages on households

1. The May 2022 Cost of Living Support package announced a series of measures to help households with the rising cost of living. This package comes in addition to the package announced in February, which provided support to households in response to the recent energy price increase.
2. This document sets out the estimated impact of the May Cost of Living Support package as well as the February energy package, on household incomes in England.
3. Charts 1.A and 1.B set out the estimated impacts on household incomes in 2022-23 of the following measures announced in May 2022:
 - One-off welfare payment of £650 for households on means tested benefits
 - One-off top-up of £300 for pensioner households who receive the Winter Fuel Payment
 - One-off payment of £150 for disability benefits recipients
 - £200 additional Energy Bill Support Schemes payment to all households with a domestic electricity meter¹
4. In addition to the measures analysed in this document, the May announcement contained additional measures that are not included in this analysis as they cannot be robustly modelled, including the £500m extension to the Household Support Fund and the £144m discretionary funding for Local Authorities. The Energy Profits Levy is also not included as it does not directly impact households.
5. Chart 1.A shows the impacts across the household income distribution of the measures outlined in paragraph 3, as a proportion of net household income, while Chart 1.B is expressed in annual cash terms.

¹ The May 2022 announcement that the original £200 Energy Bill Support Scheme payment announced in February would now be made as a grant is not reflected here, but included in Charts 2.A and 2.B.

Chart 1.A: Impact of measures announced in May 2022 on English households in 2022-23, as a percentage of income, by income decile

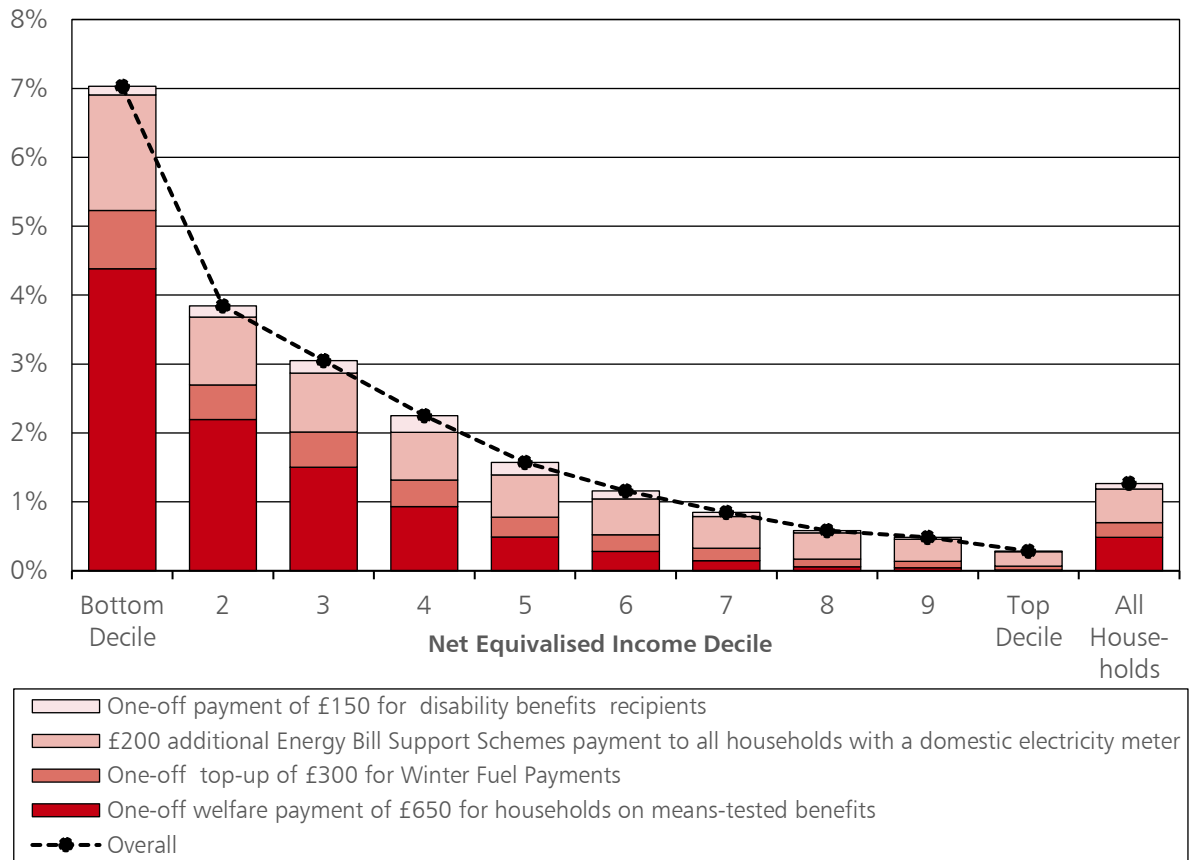
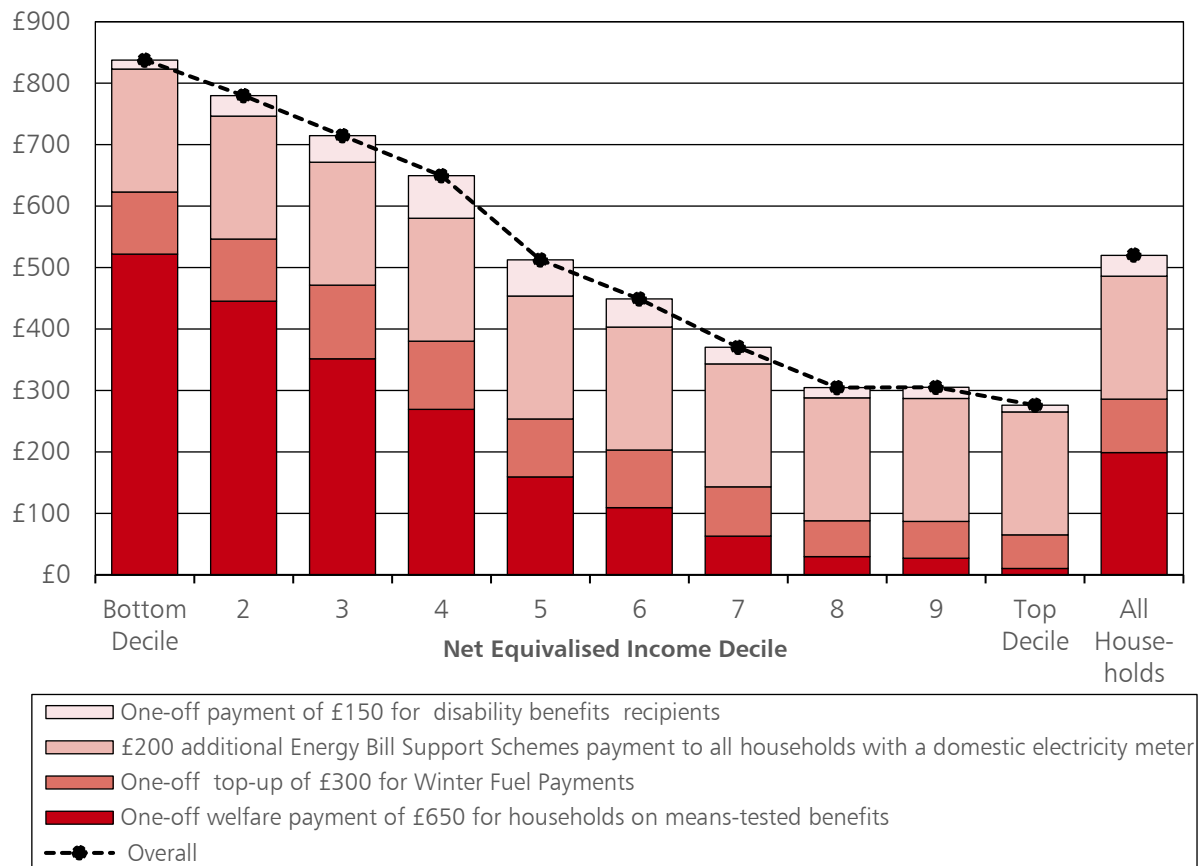


Chart 1.B: Impact of measures announced in May 2022 on English households in 2022-23, in cash terms (£ per year) by income decile



6. Charts 2.A and 2.B set out the combined impact of announcements in May and February. In addition to the measures listed in paragraph 3, these charts also include the impacts of the following measures announced in February 2022:

- £200 Energy Bills Support Scheme payment to all households with a domestic electricity meter
- £150 Council Tax rebate, England Bands A-D

7. Chart 2.A shows the combined impacts of announcements in May and February as a proportion of net household income, across the household income distribution, while Chart 2.B is expressed in annual cash terms.

8. The analysis shows that households with the lowest incomes benefit from support worth on average £1,170.

- All households will benefit, with the maximum benefit being over £1,650

Chart 2.A: Impact of measures announced in February and May 2022 on English households in 2022-23, as a percentage of income, by income decile

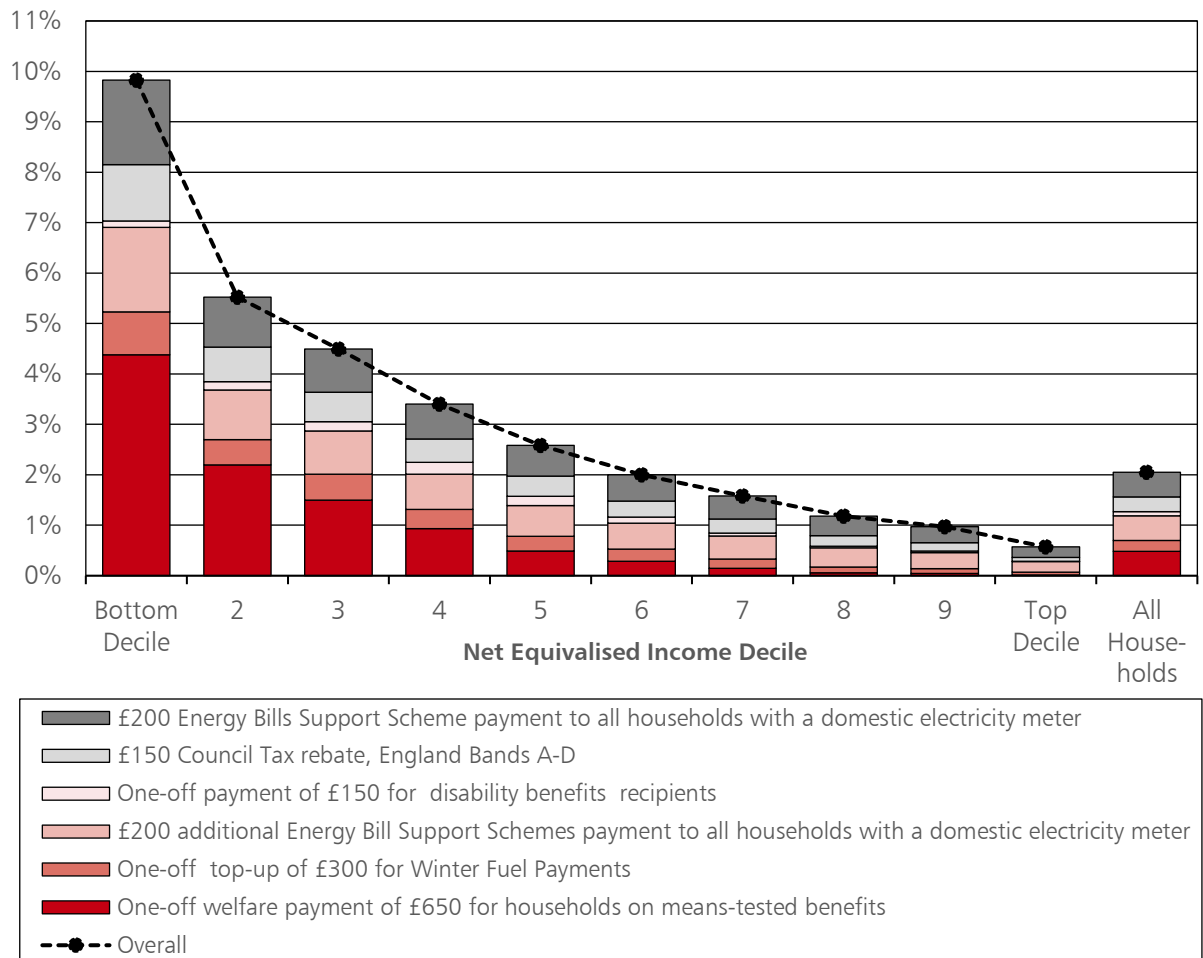
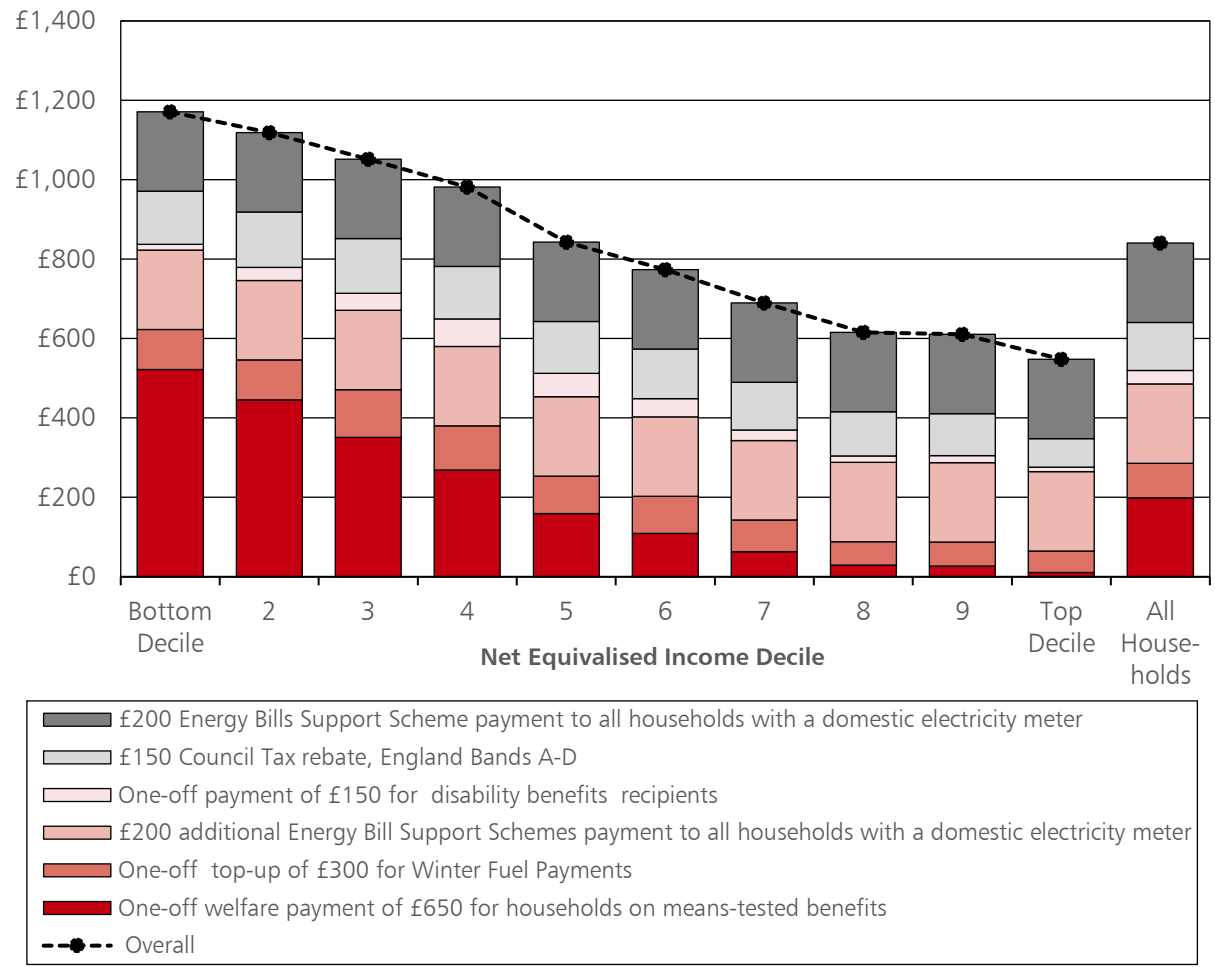


Chart 2.B: Impact of measures announced in February and May 2022 on English households in 2022-23, in cash terms (£ per year) by income decile



Methodology

9. Charts 1.A and 1.B compare the estimated impact of the measures outlined in paragraph 3 against a counterfactual where none of the measures were announced. Charts 2.A and 2.B compare the estimated impact of the measures outlined in paragraphs 3 and 6 against a counterfactual where none of the measures were announced.
10. Due to data limitations, we model the impact of the payments to disability recipients as a payment to individuals who receive Personal Independence Payments, Attendance Allowance, or Disability Living Allowance. This is a smaller set of disability benefits than the set of benefits that qualify individuals for this payment.
11. The impacts are estimated using HM Treasury's distributional analysis model (the Intra-Governmental Tax and Benefit Microsimulation model (IGOTM)), using data derived from the Office for National Statistics' Living Costs and Food Survey. This model uses economic assumptions from the OBR's Spring Statement 2022 forecast. For a more detailed overview of this model, and the underlying data and definitions used, see Chapter 3 of 'Impact on households: distributional analysis to accompany Spring Statement 2022' (HM Treasury, March 2022).
12. The analysis presented here includes impacts for households in England only. The package being analysed here contains policy elements that differ between England, Wales, Scotland and Northern Ireland – in particular the implementation of the Council Tax rebate announced in February. In order to give a full account of the package's impact on households, we have restricted the analysis to England only.