



Cost of living support for families with children

April 2026

Summary

- In the face of sustained global instability, cost of living support can be vital for families who are already struggling.
- 4 million children are living in poverty in the UK and are more exposed to financial hardship as costs rise. It is vital government ensures emerging cost of living pressures do not undermine its 'moral mission' to tackle child poverty.
- Rising energy prices fall hardest on low-income families with children, who spend a greater share of their income on essentials.
- Earlier crises have eroded financial security for families. They have reduced savings and increased debt, leading to greater precarity, especially due to inadequately targeted support. Government can and should learn from the previous support packages.
- Previous support packages – during Covid and the height of the cost of living crisis that followed in 2022 to 2024 – were badly designed to help families with children. They did not reflect the reality that low-income families spend more of their income on essentials, so struggle when costs increase.
- These support packages also did not include support for children. The flat-rate payments did not vary by household size, meaning families with children, who face the highest costs, received no more than single adults.
- Any new support package must be proportionate to need, reflecting household size and protecting children in poverty. Delivering support to low-income households through both the standard allowance and child element of universal credit will target proportional support where it is needed most, and increasing child benefit will help low- and middle-income families with children.
- Removing the benefit cap is essential to reaching families facing the most acute hardship.

Introduction

In light of global events that are leading to increases to the cost of living, the Chancellor and Prime Minister have indicated that they are considering support for households. This briefing examines government interventions during the Covid pandemic and in response to the cost of living rises between 2022 and 2024, and how government can learn from what worked. CPAG strongly encourages government to use the social security system as an effective and tested method for delivering support to struggling families, and to prioritise support for children living in poverty to ensure that the global situation does not undermine its efforts to tackle child poverty.

Cost of living pressures will affect all households, but those living on a low income spend a higher proportion of their income on essential costs. This means families in poverty are particularly susceptible to rising prices such as energy cost increases.

4 million children are currently living in poverty, in families already struggling to meet the cost of everything they need. Families regularly tell us that there is nothing left that they can cut – with many already facing high levels of debt in order to survive. Alongside the immediate harmful consequences for children, forcing them to go without is likely to exacerbate disadvantages and have a long-term impact on their development, education and health.

Both the Covid pandemic and period of high inflation from 2022 to 2024 give us invaluable insights into how government support should be designed to support children in low-income households. The support provided during these periods had two main shortfalls. Firstly, it largely failed to take into account how the costs that rose quickest, including food, energy and housing costs, take up a greater share of a low-income family's budget than a higher-income family's budget. Low-income families therefore needed more targeted support to reflect this. Secondly, the response failed to consider household size with flat-rate payments, universal energy subsidies and council tax rebates not accounting for some families having children and therefore being larger.

Learning from Covid support

Support provided by the UK government during the Covid pandemic included:

- The Coronavirus job retention scheme (furlough), announced on 20 March 2020, which allowed employers to claim a grant from HMRC covering 80 per cent of furloughed workers' wages, up to £2,500 a month.
- The self-employment income support scheme (SEISS), which paid direct cash grants worth up to 80 per cent of profits, up to £2,500 a month, for three months.
- An uplift to the universal credit standard allowance (and working tax credits) worth £20 a week.

The temporary uplift to universal credit was delivered through an increase to the standard allowance. This means that households received support at a flat rate, regardless of family size. While the £20 increase did of course make an important difference to recipients, the UK Covid-19 Inquiry heard considerable evidence in Module 8 (children and young people) that low-income families with children faced the most significant increase in costs during the pandemic. The uplift failed to recognise this.

During the hearings of Module 9 of the Covid Inquiry (economic response), Thérèse Coffey explained that several months into the pandemic, when Secretary of State for Work and Pensions, she advised the Prime Minister of her support for a permanent increase to the standard allowance of £10 a week alongside an increase to the child element of £10 a week, on the basis that this would provide more support for families and children. In her evidence to the Inquiry, she offered her advice to future governments who find themselves dealing with a crisis situation: 'a future government may want to consider if their focus at that moment was a substantial change in people's falling incomes or other factors like cost of living spikes – which may impact more those with children. This consideration should guide any future response.'¹

Low-income workers were also able to benefit from the universal furlough scheme (or SEISS, for the self-employed) as income support and job protection. Protecting families from significant income shocks through social security support is one reason why government should further explore the expansion of contributory income support schemes, as well as consider permanent increases to the means-tested social security system.

¹ Paragraph 195, Witness Statement of Thérèse Coffey (INQ000588238)

Learning from 2022–2024 cost of living support

Cost of living support provided by the UK government between 2022 and 2024 included:

- A £400 discount on energy bills over winter 2022/23 for every household with a domestic energy supply.
- An additional £150 through the warm homes discount for 3 million low-income households.
- The 5p cut to fuel duties, which is still in place.
- Energy price subsidies for businesses.
- Cost of living payments totalling up to £650 in 2022/23 for all households on means-tested benefits.
- A further £300 winter fuel payment for pensioners, and an extra £150 for people who receive disability benefits in 2022/23.
- A renewal of these payments in 2023/24, with the means-tested benefit payments totalling £900 instead of £650.
- A £150 council tax discount for households in council tax bands A to D in England in 2022/23.
- Cost of living payments were not subject to the benefit cap, and the benefit cap threshold was updated in April 2024 by 10.1 per cent, in line with inflation, for the first and only time.

In 2022-23, £20 billion was spent on universal energy price subsidies, and a further £13 billion on universal energy bill rebates. The 5p cut in fuel duties cost a further £2 billion.² Collectively, these three measures accounted for 74 per cent of the roughly £48 billion support package for households that year. The remainder (about £12 billion) was spent on more targeted support: cost of living payments to households receiving state benefits and council tax rebates to those in lower council tax bands.

The cost of living payments for households on means-tested benefits, while welcome, were badly designed for low-income households with children, because the flat rate did not adjust for family size. When the cost of things like food and energy increase, households that contain more people will inevitably see their overall costs increase more – and this is the case for families with children.

Price rises caused acute hardship for many families with children and has put low-income families at greater risk of exposure to further price rises and shocks. The failure to target support towards households most in need has meant that the level of energy debt and arrears has risen substantially over the past four years. In Q1 2022 (the eve of the last period of high inflation), total debt and arrears were £1.8 billion; in Q4 2025 they stood at £4.5 billion.³

CPAG highlighted the fact that the social security system is intended to be proportionate to need and increasing support via the social security system would have been a better way to provide support. Subsequent analysis from the IFS agrees,⁴ concluding: 'This research confirms that it would have been preferable simply to increase benefit levels, for example, by uprating them to ensure that they actually maintained their real value. The sticking-plaster solution has proved expensive and ineffective by comparison, offering much bigger proportionate increases to some, notably those without children and those in work.'

Key takeaways for cost of living support in 2026

In many ways the external cost of living pressures in 2026 are similar to those in 2020 to 2024. Government can learn from what worked and what did not work last time to develop an effective response that better protects families with children.

² IFS, *What does the war in the Middle East mean for energy prices, and how could the government respond?*, 2026

³ Ofgem, *Debt and arrears indicators*, 2026

⁴ IFS, *Lump-sum cost of living payments poorly designed to alleviate deprivation*, 2023

The first lesson is that families on a lower income spend a disproportionately large part of their income on the basics that their household needs to get by, such as food and electricity, because their disposable income is less. When these costs go up, this has a disproportionate impact on their overall standard of living, and means they will struggle significantly and need targeted support to manage.

The second lesson is that to support families with children, any payments must reflect family size rather than be flat rate.

The third lesson is that the best way to target support to those who need it most is using our existing social security system, which by its design already targets families in the most need. Using existing mechanisms that already reach a significant number of families is the simplest and most effective approach to delivering support.

Options for delivery

Improving the adequacy of social security to meet rising costs

The level of support offered by our social security system to low-income families is low by historic and international standards.⁵ The UK government spends over £50 billion less a year on social security than it would if cuts and changes introduced since 2010 hadn't happened. This has pushed families into financial insecurity and caused many to be unable to afford the essentials even prior to new rises in the cost of living. For low-income families with children, a permanent increase to the universal credit standard allowance alongside an increase to the child element would target lasting support that accounts for family size where it is needed most. This would increase financial resilience and ensure that families continue to be able to meet their needs in the long term.

If the government is worried that focusing entirely on means-tested support means too few households would benefit, one option would be to increase child benefit. Households receiving child benefit, who do not receive means-tested benefits, are generally in-work households who are not well-off (the high-income child benefit charge prevents higher earners from receiving it). Child benefit has also lost 20 per cent of its value since 2010 due to decisions not to uprate it over several years. An increase would be reasonable and provide great support to struggling families on a low and middle income.

Some of the poorest children in the UK are in families with no recourse to public funds (NRPF) but would not benefit from a social security increase. They are likely to suffer particularly badly from price rises and the government should extend support to these children as part of its action to protect families. Ultimately no child in the UK should be subject to NRPF.

Using the existing social security system to target one-off payments

A permanent uplift to improve the adequacy of our social security system is by far the best option to improve the long-term financial resilience of families. But if the government is looking to implement more temporary measures, it can still reflect the principles of the existing system to design support. The universal credit structure recognises the additional costs that families face through provision of a child element on top of the standard allowance. From 2022 to 2024, households on means-tested benefits received cost of living payments, but these were at a flat rate that did not account for family size. Any future payments should use the information the DWP holds to calculate payments based on the number of people in a household.

⁵ M Mosley and others, *UK Living Standards Review 2025*, NIESR, 2025

Using discretionary local crisis support

It has been reported that government is considering providing increased support for households through the crisis and resilience fund (CRF). The CRF is the largest form of discretionary crisis support in England, administered by local authorities with UK government providing equivalent funding to devolved administrations to run their own schemes.⁶ The CRF provides invaluable support to households, many of whom need help to deal with immediate financial crises. It has the benefit of potentially reaching households who may not be receiving means-tested benefits but are still struggling. However, the vast majority of recipients of similar support through previous schemes have been claiming universal credit, and many local authorities base their eligibility criteria for the scheme on receipt of certain benefits. The CRF could in theory reach families with no recourse to public funds, but the rules around this are complex and many still struggle to access support.

While it could be useful to bolster CRF funding as part of a larger package of support, we would caution against using it for widespread cost of living support. This is because only a fraction of low-income households would receive support as local authorities have to make difficult discretionary choices about who receives any income through the fund.

Ending or mitigating the benefit cap

The government must also intervene to provide support to benefit capped households, who are often experiencing the deepest hardship. Despite not providing particularly targeted support to low-income households with children overall, the last government did recognise that the perverse way in which the benefit cap breaks the link between need and entitlement was going to have particularly dire consequences for capped families during a time of rampant inflation. Cost of living payments were therefore not subject to the benefit cap, and the benefit cap threshold was uprated in April 2024 by 10.1 per cent, in line with inflation. It has since remained frozen, continuing to fall behind rising costs as it has largely done since its introduction in 2013 and subsequent cut in 2016. If the benefit cap had increased in line with inflation since 2016, it would be 26 per cent higher than it is now.

CPAG would urge the government to remove the benefit cap completely. The cap pushes families who are already in deep poverty into deeper poverty. It also removes the link between entitlement and need, which should be a key principle behind any social security system as well as any supplementary cost of living support. As a bare minimum, the government needs to make sure that capped households can benefit fully from any cost of living support. This should be done by uprating the benefit cap threshold and making any ad-hoc cost of living payments exempt from the benefit cap.

Conclusion

The relationship between the cost of living and child poverty is clear: when the cost of essentials rises faster than family incomes, children bear the consequences. They can't concentrate in school. They live in cold homes. Their parents skip meals so they can eat. The cost of living crisis that began in 2022 made this worse for millions of families, and the support response, though large, failed to target those who needed it most.

The evidence from 2022 to 2024 is clear. The interventions made by government were welcome but left low-income families with children – the households most exposed to rising costs – with inadequate protection. Uprating benefits would have been a fairer and more cost-effective approach. A failure to provide effective support means energy debt has more than doubled since 2022, leaving families more exposed. This shows bad policy choices can have long-lasting implications.

⁶ Increased spending on the CRF in England would mean devolved governments get increased funding through the Barnett formula, which they could spend as they see fit.

As the government faces renewed pressure to support household finances, CPAG urges it to act on these lessons. Support must be proportionate to need and reflective of household size. The benefit cap must not be allowed to swallow any new payments before they reach the families who need them most.

The government has committed to reducing child poverty, and has taken some welcome first steps. That commitment will be tested not only by the ambition to take further steps to reduce the number of children living in poverty within this parliament but by the decisions it makes when costs rise and resources are constrained. This is one of those moments. Getting it right matters, not in the abstract, but for the millions of children whose families cannot absorb rising bills on inadequate incomes.

About CPAG

Child Poverty Action Group (CPAG) works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and solve poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need. We also carry out high profile legal work to establish and protect families' rights. Child Poverty Action Group is a registered charity in England and Wales (294841) and Scotland (SC039339). cpag.org.uk