



HEATING OR EATING

*A second Interim Report about
the Cost of Living in Somerset*

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Headline Points

We believe that everyone in Britain should have the chance of a healthy, decent and secure life. Instead, too many people, including families, experience destitution – meaning that they can't afford basics such as shelter, heating and clothing.

Costs of fuel and food and other essentials are rising steeply – incomes are not.

For example: in the last year, energy bills have roughly doubled (up roughly 100%), despite the new energy price cap, while incomes have gone up by a tiny fraction of that (something like 3%). We recognise that other government interventions help, but we conclude that it is not enough.

Today's news indicates that people will have to pay more for mortgages.

There is no reason to think this is over. Although it is clear that the new government acknowledges the problem.

The Rate of Inflation is at 9.3%. Few incomes are rising that fast, but we note that pensions that are index-linked will rise next April (2023).

A household with an income of less than £17940 is below the Poverty Line according to the definitions used by the Office of National Statistics. £19751 adjusted for inflation.

We believe that to define poverty we must take account of necessary expenditures. The ONS definition is not fit for purpose. It almost completely obscures Rural Poverty.

Almost half of single parent families, lived in Poverty before this inflation began. Three quarters of those children growing up in Poverty are in working households. This is not good enough for a civilised country.

Despite the assertions of some parts of the media, it is only in EXTREMELY RARE circumstances that it is possible to claim more in Benefits than one would earn for a 16-hour week on the National Living Wage.

We recognise and applaud a number of government interventions to reduce Poverty – such as the Household Support Fund, Pensions, the Pension Credit system, Benefits, Winter Fuel Allowances, Free School Meals. But we exhort the relevant authorities to do more of the same.

It is already emerging that stress from this experience is affecting the mental health of those who are struggling and we expect to explore that in subsequent versions of this report.

A closing thought – what would be the consequences for creditors such as landlords and local authorities - if those who live in Poverty simply give up and conclude that life is hopeless – and default on their debts ?

RECOMMENDATIONS

NATIONAL

We recommend uprating pensions and Benefits twice a year. The current annual uprating mechanism operates against pensioners and claimants.

We recommend a review of definitions of Poverty to take into account necessary expenditures. Particularly we recommend reverting to the Retail Price index as the standard measure of Inflation in the UK because it factors Housing into the calculation and better reflects the people's predicaments.

We recommend a further increase in the National Living Wage.

We recommend further improvements to the Universal Credit taper rate.

We align with the Joseph Rowntree Foundation recommendation of a Minimum Income Standard for the UK¹ (See Appendix A).

LOCAL

We foresee implications of widespread debt default on low end rents and Council Tax: that landlords will cease to offer their property, and that landlords will have difficulty with care home fees. We recommend planning for these exigencies.

Events are moving rapidly: costs – such as food and fuel - are rising very steeply. Incomes are not.

A useful and straightforward explanation of prices and Price Caps can be found in “Domestic Energy Prices” – which is a research paper for the House of Commons Library.¹

The government has stepped in with interventions, but incomes, particularly Benefits, are not rising nearly as much as prices. Household incomes are not keeping up with the rises in costs. This is arguably the biggest fall in real-terms incomes since records began.

Debt was 123% of Household Income before the Pandemic.

A Sketch² of the Effects of This Cost of Living Crisis

An MP earns £84144/year, plus allowances¹. This amounts to at least £1618.15/week or £46.23/hour.

Average Household Income¹ is £31400/year. This amounts to £603.85/week or £17.25/hour.

The minimum wage can be calculated as £20064/year: or £9.50/hour.

The (New) State Pension is £185.15/week. This amounts to £9627.80/year.

A couple aged over 25 with 2 children would receive Universal Credit of £844.42/month: this amounts to £10133.04/year. Adding Housing Benefit, that amounts to £371.97/month or. £19342.24/year.

The Retail Price Index is used as the official measure of inflation. The alternative is the Consumer Price Index, which factors in the price of housing, where the Retail Price Index does not.

Costs are rising much faster than incomes.

Incomes for pensions and benefits and many forms of employment are set in April each year, based on information from the previous September. So they are very slow to keep up with price rises.

Many people’s incomes increased by about 3% in April 2022; but by September prices had risen by 10%, and energy bills had risen by 100% (taking into account the price caps).

¹ <https://commonslibrary.parliament.uk/research-briefings/cbp-9491/>

² *This sketch is much simplified picture of people’s incomes and costs. It selects representative examples of situations so as to show the nature of the problem. It cannot aspire to be a detailed and complete picture.*

The less fortunate will feel this more. This is because they spend a larger proportion of their income on gas and electricity.

When the cycle began, many people were already living in Poverty.

As people struggle with their energy bills their supplier may well offer them a prepayment meter to help them manage³. Prepayment meters are generally a more expensive way of obtaining energy.

When this process fails, and a household ceases to pay their bills, the suppliers refer to them as “self disconnecting.”

The Trussell Trust⁴ (Charity of the Year 2018) operates 1300 Food Banks (by comparison with 56 in 2010.) We have Trussell Trust Food Banks in Sedgemoor and Taunton (and independent food banks throughout the rest of the county).

The Poverty we note also affects children. 17.9% (under a fifth) of children were living in Poverty in 2015¹.

Between March and June 2020, they fed 1079 adults and 696 children. An increase of more than half (54%).

³ See <https://www.citizensadvice.org.uk/consumer/energy/energy-supply/your-energy-meter/decide-if-a-prepayment-meter-is-right-for-you/#:~:text=Prepaying%20for%20your%20energy%20lets,setting%20from%20credit%20to%20prepayment.>

⁴ <https://bridgwater.foodbank.org.uk/get-help/faq/>

EXPENDITURES

Expenditure

There is no reliable information on current expenditures.

The following table is designed to give some indication of how the increases in costs relate to typical incomes:

	Typical Single Pensioner	Typical UC Family with 2 Children	Typical Family with National Living Wage Income (35 hours/week)	Average Household Income
Typical Income (4 weeks) Excluding Housing	£740.60	£1060.30	£1247.40	£2156
Income increase since August 2022	£22.20	£30.81	£82.60	£259.40
Interventions (one payment)	£700	£1050	£400	£400
Average Household Expenditure (monthly – incl housing and utility bills)	£2548 <i>Data is not available to show average expenditure in lower income households. This data is for 2021. It includes housing and utility bills.</i>			
Utility Bills per month (assuming £2500 pa average)	£208.33			
Utility Bills Increase since August 2022	£96.73			

In early 2021, an average household spend was £2548 per month, which was slightly lower than the previous year, including housing costs⁵.

Average spending on Housing fuel and power was the largest area of spending, at 18% - £84.60 per week. We expect that to have grown massively, especially when compared against incomes.

The lowest income groups spent a greater proportion of their income on Housing (and fuel and power), and groceries. So they had less “disposable income” - meaning money that they could choose what to do with.

We consider that so far this is unhelpful to us because:

- It is more than a year behind the times
- It includes one component for Housing which includes gas and electricity bills: those bills cannot be considered separately.
- It does not consider the facts of various income levels
- Incomes of those on Universal Credit, National Living Wage, and Pensions are less than half the average household spend. Average Household Incomes are below the average spend.

We expect to monitor this.

Prices

In January, inflation was considered to be running at the rate of 3.1% per year. It had been running at around 2% for more than a decade. But this has risen – perhaps doubled – prices are now rising faster than we have seen since 1992. The Consumer Price Index rose by 9% to May 2022 and by 9.9% to August 2022.

Fuel Prices⁶ - See Update Section Page 37 below.

On 1st January 2020, unleaded petrol sold for 124.9 pence per litre and diesel for 129.4 (average UK price).

On 1st January 2022, unleaded petrol sold for 145.5 pence per litre and diesel for 148.75.

On 31st March, unleaded petrol was selling for 163.28p and diesel for 177.29p.

On 13th May, the price had fallen to 156.7p for unleaded and 171.7 for diesel at a Bridgwater supermarket. This can be seen as reflecting a tax adjustment.

⁵ <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/thecostoflivingcurrentandupcomingwork/june2022>

⁶ <https://www.rac.co.uk/drive/advice/fuel-watch/>

On 12th June, unleaded petrol was priced at 185.04p per litre and diesel at 190.02p.

So unleaded petrol rose by 37.47% since January 2020, and diesel by 25.46%. Between a quarter and a third – which is much more than increases in incomes.

At the date of this update, fuel prices have fallen to 173.46p for petrol and 184.21p for diesel.

The future is uncertain and further rises are quite possible.

Energy Prices

Prices of gas and electricity are also rising extremely steeply.⁷

Energy has been price capped but the cap changed from 1st April 2022 and suppliers are allowed to increase their prices by about £700 a year – almost half. 18 million households are expected to pay £693 a year more; while 4.5 million users of prepayment meters are expected to pay £708 a year more.

A price cap can be thought of as a protection against rising prices, put in place by the government. It applies to those who are on a default tariff, whether they pay by direct debit, standard credit or prepayment meter. It limits the amount a supplier can charge for their standing charge and for each kilowatt hour of gas and/or electricity.

There is much talk of a cap of £2500 a year, but this is much misunderstood: it is an average and the amount a household pays continues to vary according to how much energy is used.

The cap changed again in September 2022:

- For electricity, the daily standing charge is capped at £0.46 (up from £0.45), with units at £0.52 per kWh (up – almost double - from £0.28).
- For gas, the daily standing charge is capped at £0.28 (up from £0.27), with units at £0.28 per kWh (up – more than double - from £0.07).

This cap is extremely welcome and is likely to save an average household £1150 a year.

However, in August 2021, the price cap was £1277 per year (average household): this rose to £1971 in April 2022. This was a very steep rise, and was not reflected by increases in incomes.

And the price of energy has effectively doubled in a year – with mitigations, but with little increase in incomes.

We can expect further price rises and we can hope for further caps.

⁷ <https://www.bbc.co.uk/news/business-60943192>

Council Tax⁸

The average Band B and D council tax set by local authorities in England for 2022-23 will be £1966, which is an increase of £67 or 3.5% on the 2021-22 figure.

While the increase aligns with the rate of inflation in January, it is far less than the increase in April.

The success of the increase depends upon the ability of people to pay and their inclination to do so. There is an assumption of stern enforcement, but there is room to doubt whether there are enough resources to enforce.

National Insurance Contributions

National Insurance Contributions were set to rise by 1.25% in April 2022, but this decision has now been reversed.

Spiral Effect

The government seems to regard this as a temporary thing – which will pass.

But those of us who have lived through this cycle in 1970s wonder whether these price rises can be expected to lead to increased wage demands from workers.

In turn, this will lead to increased prices.

The increased prices can be expected to lead to more wage demands, and so on...

In 1970s, inflation rose to 12.9% in March 1974.

The spiral ended with savage and uncomfortable freezes of prices and wages – also with power cuts, speed limits and a three-day working week.

Interventions

The government acknowledges the Cost of Living as a national problem, and has countered with a number of interventions.

⁸

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1064229/Council_Tax_Levels_Set_by_Local_Authorities_in_England_2022-23.pdf

The recent interventions help the lower paid households more than the rest, as lower-income families spend proportionally more on essentials such as energy and food than richer households. But even taking into account the recently announced support, the result will be that income of a typical household is falling by 4 per cent – or £1,000 – in the year ahead⁹. This is arguably the biggest fall in real-terms incomes since records began.

May 2022

The following interventions have now been announced:

- One-off payments of varying amounts to the most vulnerable, such as the elderly, the disabled and those with the lowest incomes.
- All households will receive a £400 discount on energy bills.
- Eight million low-income families are to get a one-off payment of £650.
- There is to be a one-off disability cost of living payment of £150, and pensioners are to get £300.

26th May 2022¹⁰

Further interventions were announced on 26th May 2022, and we welcome them:

- The Energy Bills Support Scheme is expanded so that households are to get £400 support – and it is not repayable.
- Households on means tested benefits including Universal Credit and several of the legacy benefits, as well as Tax Credits, are to receive two lump sum Cost of Living Payments of £650 in two instalments.
- Pensioner households are to receive an extra £300 as a top-up to the Winter Fuel Payment.
- Around six million people who receive disability benefits are to receive a one-off payment of £150.
- The Government is making available a further £500 million of local support by way of the Household Support Fund.

Household Support Fund

A Household Support Fund has been awarded by the government, extending to help vulnerable households meet daily needs such as food, clothing and utilities.

Somerset was awarded £3.8 million late in 2021:

- £1.1m was used to fund food vouchers for eligible children for school holidays

⁹ Even taking into account the support announced by the chancellor, the result will be the typical household’s income falling by 4 per cent – or £1,000 – in the year ahead.

¹⁰ <https://www.gov.uk/government/publications/cost-of-living-support/cost-of-living-support-factsheet-26-may-2022>

- £1.8m was distributed through Citizens Advice to help households with food, utility bills and other essentials.
- £400000 was used to support eligible people supported by Somerset County Council Children's Services.
- £100000 was used through Safe and Warm Somerset to support households in energy poverty.
- £80000 went to the Somerset Community Surviving Winter programme to support elderly and rural residents with heating costs.

The process of distributing this money gave Citizens Advice the opportunity to gather data and obtain insights into claimants and their problems.

The data indicates that more than two thirds of those applying (69%) have children.

Dominant reasons (more than three quarters (79%)) for a claim are increased bills and cost of living or low incomes.

We note that of 36 responses, seven (just over a sixth) refer to problems feeding themselves.

Six (a sixth) refer to Homelessness.

Five (almost a seventh) refer to the problem of keeping warm.

Three (a twelfth) more refer to living in a caravan.

A second such fund has been announced.

Other Interventions

There is also to be a £200 Rebate for energy costs.

The Warm Homes Discount was increased to £150 and eligibility was increased by a third.

Fuel duty has been reduced by 5% (a twentieth).

Changes to Universal Credit had already been announced – increasing the work allowance, and reducing the taper rate.

The National Living Wage rates increase in April 2022 from £8.91 to £9.50 per hour.

Benefits and pensions have been uprated – using inflation figures from September 2021 – 3.1% (about a thirtieth). This is much less than current rates of inflation, or the predicted rates.

“According to the Resolution Foundation, the poorest households are set to see their real incomes drop by 6% in 2022/23.”¹¹

Comparing Incomes and Expenditures

This is an inexact science because it is so difficult to establish expenditures. Few studies cover this aspect and we have included it on the basis that a vague indication is better than none.

For a Household on Universal Credit

Income in January 2022 - £1029 per month. Anticipated income in January 2023 – £1060.30/mth.

Assumed Household spending (Jan 2021) - £1029.49

If spending increased with the rate of inflation it would have increased by more than 10.3% - and reached a total that exceeds the benefit rate anticipated.

In summary, they have a negative income.

Their bill for household energy (assuming a consumption of 3600kwh per year will have gone up by almost four times – from £67.91/month to £208.33. Will have grown from less than 7% of their income to over 20% of their income. If their income was stretched in January 2021, they can now be expected to be overspending by about 13%.

Government Interventions amount to £1050 (one-off payments). Dividing those by 12 months should reduce the pain by £87.50 – so this household appears to be about £120 a month worse off from a total that should rise to £1060, considering their household energy bill alone.

CONCLUSION

Incomes of our clients are typically rising by 3.1%: costs are rising by more than three times that amount. So far (August 2022).

For an Average Household Income of £31400/year to keep up with inflation, income must rise by £3171.40.

We acknowledge that Benefits and Pensions are broadly aligned with inflation, but there is a delay: the new rate (for 2023 for example) is calculated using inflation data for September (2022 in the example). It is paid from April in the new year (2023). So the rise in payments comes at least 6 months after the rise in costs. We might think of the rise in payments as being in arrears. So the claimant bears the cost of the increase for at least six months – for

¹¹ <https://commonslibrary.parliament.uk/research-briefings/cbp-9428/>

as much as 11 months where a price rise took place in May (2022). When inflation rates are low, this is much less of a problem, but inflation rates are now high.

Growth in income of the poorest fifth of people was well below inflation – and fell by 1.5% between 2017 and 2020. While the median income of the richest fifth grew steadily, thereby increasing Inequality.

Consequences

The media talk of people being forced to choose between eating and heating. One newspaper article <https://metro.co.uk/2022/02/08/two-in-five-face-choice-between-heating-and-eating-before-energy-bill-hike-16065858/> says that as many as two in five people are already (May 2022) forced to choose between eating and heating – or crime – or failing to pay debts.

We are beginning to see significant implications for the mental health of those who are affected by the stress of struggling to pay bills. We anticipate exploring this as the story unfolds.

The Trussell Trust and Citizens Advice both anticipate a growing demand for Food Banks.

Poorer people spend more of their income on essentials.¹²

Research commissioned by Uswitch¹³ tells us that households are underestimating how they will be affected by energy price increases:

- The price cap for energy is expected to increase from the beginning of October 2022. The announcement is due at the end of October 2022.
- Experts are predicting that they will increase from £2000 to £3600 annually.
- One in eight people expect bills to go up by more than £1500.
- Another one in eight are expecting bills to fall.
- Nearly a quarter of households (23%) are in debt to their energy supplier. More than half as many again as this time last year. 6 million homes each owe an average of £118. So far.

The following is the output from a recent YouGov survey¹⁴

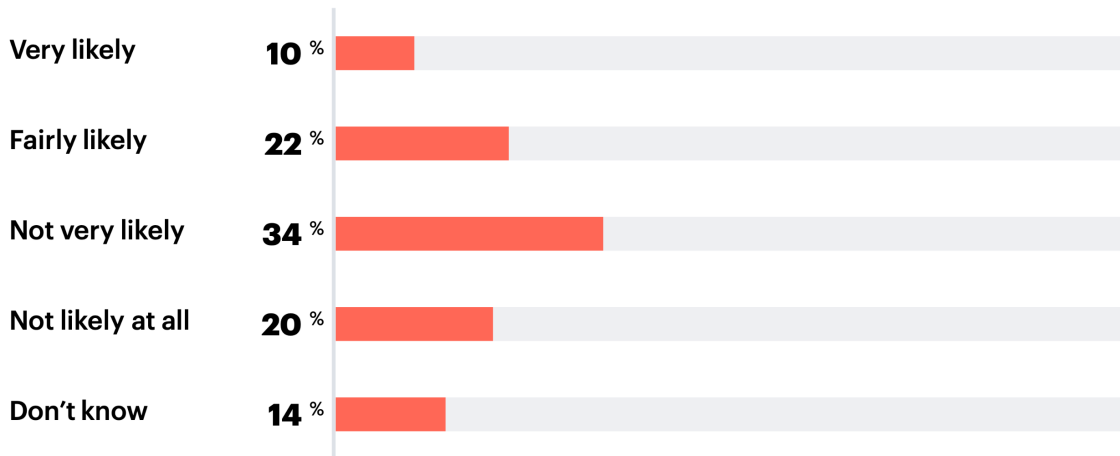
¹² <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/energypricesandtheireffectonhouseholds/2022-02-01>

¹³ <https://www.uswitch.com/gas-electricity/news/2022/08/15/households-hugely-underestimate-energy-price-cap-increase/>

¹⁴ <https://yougov.co.uk/topics/utilities/survey-results/daily/2022/08/10/35c4d/1>

How likely is it, if at all, that you think you will NOT be able to pay your energy bills this winter?

All adults (3823 GB adults - Aug 10, 2022)



YouGov | What the world thinks

yougov.co.uk

We expect to find that people will be compelled to spend more of their income on housing. In London it is commonly asserted that households with lower incomes spend more than half of their income on housing: in Somerset, fortunately that is less.

Citizens Advice analysis concludes that a quarter of people in the UK will not be able to afford their energy bills in October 2022¹⁵. From January this will be a quarter.

It will be interesting to see how people respond.

There are some calls for fundamental restructuring of markets for gas, electricity, transport and water. These industries were privatised about 35 years ago: there are some calls for them to be returned to state ownership.

There is an assumption that people can do more than they are currently doing – and that if/when life is hard enough, they will improve things by finding different/additional employment or moving their home so as to reduce travel costs; or just changing their car for something more economical. But we note that all of these have significant upfront costs.

There is another assumption that they can and will pay their bills.

¹⁵ <https://wearecitizensadvice.org.uk/the-just-about-managing-households-set-to-plunge-into-a-cost-of-living-crisis-78f2f099fc83>

But we are already aware that some people simply are not able to consider their finances. That many people – don't know how much money they have, and don't know their income or their outgoings. We have encountered people who take the view that it is simply Hopeless.

We have a strong impression that people bring their problems to Citizens Advice at the last possible moment when they are on the brink of eviction, or bankruptcy, or bailiffs.

It is reasonable to expect an increase in acquisitive crime, at a time when detected crime is at an all-time low and police are in no position to deal with it.

We can also predict a significant growth in unpaid debts. This can be expected to have a cyclical effect something like inflation. This implies that government-related debts, such as Council Tax, will go unpaid, with wider effects on our economy. Debts such as private rents will go unpaid, which can be expected to affect landlords, and to reduce the amount of property available for rent.

And this story is by no means over. It may yet be necessary to revise these views.

POVERTY

Poverty is a problem throughout the world: almost half of humanity is living on less than \$5.50 a day¹⁶. This is a study of Poverty in Somerset.

In the broadest terms, Poverty means a lack of the financial resources for a minimum standard of living.

The Joseph Rowntree Foundation says

“Poverty means not being able to heat your home, pay your rent, or buy the essentials for your children.”

Her Majesty's Government Office for National Statistics (ONS) publishes annual data (from surveys) about Households Below Average Income¹⁷. It is very widely considered that Poverty means that a household has an income that is less than 60% of the mean. The mean for 2020 was £29900, so we can calculate that

a household with an income of less than £17940 is below the Poverty Line (before April 2022).

¹⁶ <https://www.oxfam.org/en/5-shocking-facts-about-extreme-global-inequality-and-how-even-it>

¹⁷

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyear2020>

Many studies of poverty take this position, and we now argue that it is fundamentally inadequate in that it does not refer to necessary expenditures. It is more inadequate in rural areas, where travel costs are a major factor.

Debt is a main indicator of Poverty. And Debt is a main part of the work of Citizens Advice.

Many offices deal work with local Food Banks which are another significant indicator of Poverty.

Benefits is the other main focus of work in the organisation – one that also serves as a significant indicator of Poverty.

Destitution implies income so low that people are unable to eat, stay clean, and stay warm and dry. Destitution is a similar expression, which does refer to expenditures; and it has something on common with the concepts of the Minimum Income Standards that we refer to later. But it is less well documented and our focus remains on Poverty.

Many people are unaware of these problems in UK society. Many people reject them.

COMMENT

We believe that everyone in Britain should have the chance of a healthy, decent and secure life. Instead, too many people experience deprivation or even destitution – meaning that they can't obtain basics such as shelter, heating and clothing.

Describing Poverty in the UK

Slightly more than one fifth of UK households (22%) lived in Poverty at the beginning of 2022¹.

Almost one third of children (32%) live in Poverty. 4.3 million.

Almost half of single parent families (49%) live in Poverty.

More than a fifth of people (22%) have less than £100 savings.

Almost half of children from black and minority ethnic groups (46%) live in Poverty, compared with just over a quarter of white children (26%). Children in larger families are at a greater risk of Poverty.

Work is not a reliable route out of poverty – three quarters of children growing up in poverty (75%) live in a household where at least one member works.

Slightly less than a fifth of pensioners (18%) live in Poverty: more than two million pensioners. People aged over 85 are most affected. Almost one million of the over 85s could not meet an unexpected expense of £200.

These understandings of poverty contain a huge weakness because they consider only income, and it is essential expenditures – such as transport costs – that make the difference for rural people.

Causes of Poverty

The Joseph Rowntree Foundation study of Destitution lists the following causes, and the experience of Citizens Advice is entirely consistent:

- Unemployment.
- Low paid work.
- Insecure employment, eg zero hours contracts and temporary or seasonal work
- Low levels of skills or education.
- Benefits do not always lift claimants out of poverty. Housing Benefit, for example is unlikely to cover housing costs. Benefits have been capped and frozen for 7 years, instead of rising with inflation.
- Discrimination – may be because of class, gender, ethnicity, disability, age, religion, or poverty. The fact that many forms of discrimination are unlawful is no guarantee: the law is not well enforced.
- There are close links between family breakdowns and poverty. Breakdown may be a catalyst for poverty.
- Abuse, trauma or chaotic lives¹⁸.
- Inflation. Rents are currently rising steeply – an increase of 4.6% to an average of £968 a month according to a recent Rental Market Report by Zoopla (May 2022); and fuel prices have risen by around a third (see below).

Nationally, a third of Universal Credit claimants are in work (data from July 2019). Somerset figures are not available, but in one of the districts in the county (Sedgemoor), 4853 people who are in employment claim Universal Credit¹ and we take this as an indicator.

[Inflation in More Detail](#)

Prices generally rise progressively. For example, loaf of bread that costs £1 in 2021 is likely to cost at least £1.02 in 2022; and perhaps £1.20 in 2031.

As prices rise, each £1 of our money buys less food and less fuel and less clothes. We can talk of having less purchasing power.

¹⁸ See Complex Lives work.

During 1970s, UK inflation rates reached over 20% - returning to the example, that means that a loaf of bread a year ago cost £1 but now it costs £1.20.

In recent years the government has set a target of 2%. But at the time of writing, the rate is over 10%.

There are several ways of calculating inflation. This report refers to the Consumer Price Index (CPI), which is revised monthly and released by the Office for National Statistics; CPI is widely used – it is one of the three measures used to set the State Pension¹⁹.

The CPI is calculated from prices of a “basket of goods”. The basket is designed to reflect people’s buying habits. It takes no account of housing costs. It replaced the Retail Price Index – which included housing costs, and which rose at a faster rate. RPI is currently (April 2022 release) 7.8%% - and rising faster than CPI.

The bottom line is that if you bought a litre of petrol for £1 in 2008, it will now cost £1.40.

[On Housing](#)

Rural England has much lower levels of social rented housing and much higher levels of owner occupation. The Rural picture is complicated by issues of “gentrification”, second homes, tourism and retirement hotspots.

[Low Incomes and Rent](#)

At the time of writing, the average rent for a 3 bed property in Somerset is £1316. But rates are rising quickly.

Starting pay for a fully qualified nurse is £24907 – or £2075 a month²⁰; so they could reasonably expect to spend almost two thirds, or just over 63% of their pay on rent, assuming a family of 4.

Starting pay for a trainee firefighter is £28370 or £2364 a month; so they could reasonably expect to spend just more than half - over 55% - of their pay on rent, assuming a family of 4.

¹⁹ In 2020, the government committed to a “Triple Lock” on State Pensions, meaning that pensions would rise with the lowest of:

- Increase in prices calculated by CPI
- Average earnings
- 2.5%

But in 2021, in the era of Covid, average earnings were rising unexpectedly high, and have been removed from the calculation. CPI remains, with the 2.5% rule.

²⁰ <https://www.prospects.ac.uk/job-profiles/>

Starting pay for a teaching assistant is £17364 or £1447 a month; so they could reasonably expect to spend almost all - just over 90% - of their pay on rent, assuming a family of 4.

Consequences of Poverty

Some of the consequences of Poverty are:

- Health problems
- Housing problems
- Being a victim or a perpetrator of crime
- Drug or alcohol problems
- Lower educational attainment
- Homelessness
- Teenage parenthood
- Relationship and family problems
- Poverty in childhood increases the risk of unemployment and low pay in adulthood.

Debt as an Indicator of Poverty

The Citizens Advice community gathers no direct data about Poverty: as a result, we see Debt as an important indicator.

For many local Citizens Advice offices, the dominant debt problems relate to Council Tax and rent. This demonstrates that Debt is something that happens to people as part of their lives – not something they have opted for and applied for.

Other indicators are Food Bank work and cases of evictions.

Poverty and the Vulnerable

Almost one third of children (32%) in the UK live in Poverty. 4.3 million.

Almost half of single parent families (49%) live in Poverty.

Slightly less than a fifth of pensioners (18%) live in Poverty: more than two million.

The Politics of Poverty

Poverty is a political football.

Oxfam argues that today's inequality is a political choice.

Some argue that there is no Poverty.

At one end of the political spectrum, there is a view that we should all be equal. That in the fourth richest country in the world, nobody should be suffering from poverty, let alone destitution.

At the opposite end of the spectrum, there is a view that in a democracy, everyone can become rich. That the downsides of Poverty encourage people to work hard and earn well. That we must all contribute to the economy. There are still traces of the Victorian attitudes – that poverty affects the feckless and irresponsible.

We know from our clients that it is much more complicated than that. The downsides of Poverty depend upon enforcement, and upon internalisation of the need to avoid debt. Many of our clients have simply given up – particularly given up thinking about the downsides: for them, life is hopeless and debt is inevitable: it holds few fears.

A consequence of that is that creditors – such as landlords, and the Council tax authorities – are unlikely to see the debts paid; and this is another aspect of the problem that is not widely considered.

Since 2010, 45 Benefits have been Capped, Scrapped, Frozen or Reduced.

On Benefits

There is a misconception that a person gets more money from Benefits than they do from working. But there are very few cases where this is so.

The following table shows:

- To allow for inflation between 2008 and 2021, we multiply by 1.4 (inflation is currently increasing prices more steeply - by 3.8% per year²¹).
- National Living Wage for people over 25 is £9.50 (slightly above inflation) so 16 hours earns £152 so 4 weeks earns £608. A 32 hour week would earn £1216. Most working weeks are now 35 hours hence suggesting an income of £1330 for 4 weeks.
- Universal Credit for a couple aged over 25 is £509.91.
- There are a number of ways in which the income of a Benefit claimant might increase (while these are not reflected in National Living Wage), such as allowances for Disability (up to £200.20) and allowances for children (up to £519.58) and a Housing Benefit. Housing Benefit is massively complex: it varies according to location and it is modified in practice by the fact that Council Tax Benefit falls short of paying the Council Tax due; but a family in a 3 bed home might expect a Housing Allowance of £749.99. At the time of writing the average rent for a 3 bed home in Somerset is £1316 (and supply of such property is very limited.) These increases are possible and

²¹ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/october2021>

a small number of people will manage to claim all of them; but we discount these increases as exceptional.

- We take the maximum amount of Universal Credit that might be awarded.

[Benefits v Work – A Summary](#)

Typically, Universal Credit would provide an income of £509.91 a month.

Working a 35 hour week at the National Living Wage rate would typically earn £1350 a month.

Universal Credit with a Disability allowance for the couple might increase to £559.96. A disabled family with 2 or more children might increase their Benefit to £1079.54.

So it takes a cynical and skewed calculation, assuming the best possible benefit, and a 16-hour working week to achieve a result that shows that Benefits provide a better income than working.

[Out of Benefits](#)

A household may end their dependence on Benefits by one or more of three routes:

- Return to work
- Find better paid employment
- Work more hours.

[On The National Minimum Wage and the National Living Wage](#)

National Minimum Wage - there are different published rates for certain age groups, and for apprentices. These are statutory. They are the result of negotiations involving businesses and trade unions.

National Living Wage – all workers aged over 23 are legally entitled to be paid at least £9.50 per hour at the time of writing. This is within the National Minimum Wage. It is calculated by reference to earnings and is intended to reach 66% of Median Earnings by 2024.

These rates are set by government. In recent years they have generally followed prices and the rate of inflation, but there is no formal link. They are not to be confused with the work of the Living Wage Foundation.

The Living Wage Foundation calculates a voluntary hourly rate intended to meet the real cost of living. It is paid by over 10000 employers. The Living Wage is calculated by reference to a

basket of household goods and services. The rate is expected to be revised in September 2022.

Mental Health and Poverty

Mental health can be seen both as a cause of poverty and as a consequence.

A 2017 study by the Money and Mental Health Policy Institute surveyed 5500 people with mental health problems: they found links between higher spending is a feature of life across a range of mental health diagnoses. For example, a short attention span, and impulsive behaviour are likely characteristics of Attention Deficit Hyperactivity Disorder (ADHD), and may struggle with complex planning and the organisational aspects of financial management. People experiencing Bipolar Disorder may be impulsive and lack self-restraint, and so may spend more. And people who experience Depression are likely to find it harder to solve problems and understand information.

On the other hand, Anxiety may be triggered by some forms of communication, such as opening letters and making 'phone calls. Let alone when the individual expects to face adversity. This was a feature of our study of Social Prescribing in 2019.

Citizens Advice and Poverty

UK population is 67.61 million. We saw 1491255 clients UK wide, in the 2020 year; so, on average, we saw 1 client for every 55 members of the population. Debt and Benefits are the most common kind of question.

REDUCING POVERTY

We are too far away to talk of ending Poverty in England and Wales.

Part of the problem lies in the disposition of those who currently live in Poverty, a lack of skills, ability and confidence to manage their financial affairs, an inability to prioritise or engage with the problems, unable to see a way to improve their situation through employment or education. A major part of the experience of our work is discovering that the client has left it much too late to seek help: if they had acted a month ago a manageable payment schedule could have been negotiated for overdue rent, but now eviction awaits.

Some clients are easily persuaded to part with their money, either lawfully, such as buying something shiny and attractive as modelled by celebrities, although the buyer will get little advantage from it or via a criminal “scam”, a “con” (confidence trick) or a fraud or through coercion.

But we can aspire to reduce Poverty. The government has taken a number of steps intended to help.

Pensions

Currently, it is possible to see pensioners as “safe” from Poverty in most cases and many more fortunate pensioners have several pensions.

Pensions have complicated tax implications not for discussion here.

And pensioners can often benefit from price concessions such as when travelling (eg Senior Rail Card) and admission prices.

State Pension

In 1909, an “Old Age Pension” was introduced. At 70, subject to a means test, pensioners could be paid 5 shillings – which would be worth roughly £31.25 at the time of writing.

That arrangement has evolved and now exists within the framework of Benefits.

In 2021, a claimant may receive a pension of £179.60²² subject to both:

- The retirement age is changing to 68
- A 35-year history of work.

In 2020, the government committed to a “Triple Lock” on pensions, meaning that they would protect pensions against inflation by using the lowest of three measures:

²² <https://www.gov.uk/state-pension>

1. Average earnings
2. Prices as measured by CPI
3. 2.5%.

However, in 2021, average earnings increased significantly faster than expected – arguably rising as much as 8%, and the government has dropped the commitment. In April, it took into account prices rising at 2.5%. We wait to see whether they will return to this manifesto promise.

Occupational Pensions

During the last century, occupational or workplace pensions have become available.

Until 2008, some employees, particularly those employed in government, have been able to join pension schemes intended to provide them with a pension when they are unable to work. These often include protection against disability and ill health, and a grant to family in case of death. They often provide a significant lump sum at the time of retirement. They are usually based on the employee’s contributions at, say, 10% of pay; and they are often supplemented by the employer.

These are in addition to the State Pension.

Payments go on until the death of the pensioner. They may then transfer to a partner at a lower rate.

It is quite possible to have a pension income that is more than half as big as the pensioner’s income was when employed. It is common for pensioners to pay higher rate tax.

Since 2008, most employees must, by law, be automatically put into a pension scheme.

Private Pensions

A private pension is a way of adding to any entitlement to state pension and/or occupational pension.

It is a matter of contract with a private company. Benefit is calculated according to contributions – a “pension pot”.

There are risks to such arrangements and the value of the pension pot may go up or down.

45% of men and 49% of women have no private pension – about half²³.

²³ <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionssavingsandinvestments>

Pension Credit

In 2003 a Pension Credit was introduced²⁴. It is a complex system, intended to lift people of limited means out of Poverty – such as those who don't qualify for the full State Pension.

Only six out of every ten households who are eligible for Pension Credits claim successfully. In 2020, £2.5Billion went unclaimed.

Winter Fuel Payment

Since 1997 people aged over 65 may receive an annual payment. If they live with another eligible person, the payment is £100; if they live alone it is £200; if they are over 80 it is £300.

Cold Weather Payment

People who are receiving some benefits, including Universal Credit and Pension Credit, receive £25 for each day in which the weather is (or is forecast to be) below 0°C.

Free School Meals

Local authorities provide Free School Meals to eligible pupils.

1.74 million pupils (20.8% of state pupils or slightly more than one in every five) are thought to be eligible²⁵. The number seems to be slowly increasing (1% during the pandemic).

Food Banks

Food Banks are charities: the Trussell Trust is a leading example. There are more than 2300 of them. The Trussell Trust supplied more than 2.5million 3-day emergency food parcels in 2020 to 2021 – which is an increase of a third by comparison with the previous year.

“In another food bank, the manager had sought other ways to instil a sense of self-responsibility and a ‘work ethic’ in claimants, signing up to a scheme run by the local Job Centre in which claimants were invited to take up a ‘voluntary’ position at the food bank in order to develop skills relevant to the workplace, but with those who declined subject to sanctioning (for examples of this practice in other South Wales food banks see Strong 2020). Expanding on their discussion of dependency, the deputy manager quoted above also explained how she drew on the help of the wider community to

²⁴ <https://www.gov.uk/pension-credit>

²⁵ <https://commonslibrary.parliament.uk/research-briefings/cbp-9209/>

identify anyone ‘abusing’ the system – enabling her to classify and demarcate ‘deserving’ and ‘undeserving’ claimants²⁶”

The report “The True Cost of Living” by The Trussell Trust tells us of people who are unable to afford the absolute essentials for keeping warm, fed and clothed.

On the other hand, a Conservative MP has recently argued in the House of Commons that food banks are largely unnecessary because the main cause of food poverty is a lack of cooking and budgetary skills.

Fuel Bank

The Fuel Bank Foundation²⁷ is emerging as a route for support.

They help people who are in crisis: people who are unable to pay and have no fuel. Their intention is to provide immediate relief and a space for them to get back on their feet. And they campaign for long term change.

Water Debt

Where a household owes money in respect of water bills, the supply company may well work to enforce the debt through the courts (which may result in action by bailiffs) but they are not allowed to cut off the supply²⁸.

Wessex Water, the provider in Somerset, has numerous schemes to support people to pay their bills in an affordable way and provides grants to support agencies like Citizens Advice to provide holistic advice to their customers.

²⁶ May et al (2020) Still bleeding: The variegated geographies of austerity and food banking in rural England and Wales. *Journal of Rural Studies* 79: 409-424 <https://doi.org/10.1016/j.jrurstud.2020.08.024>.

²⁷ <https://www.fuelbankfoundation.org/how-we-are-helping/>

²⁸ Section 61 of the Water Industry Act 1991

Food Poverty

A Research Briefing in the House of Commons Library says

“Since the start of the pandemic, household food insecurity increased, the use of food banks reached its highest levels, and campaign groups highlighted the importance of free school meals for families in the UK.”

There is no accepted definition of the concept of Food Poverty.

The alternative expression Household Food Insecurity is also widely used, but still not defined.

It is generally taken to mean that the household cannot (or is uncertain) acquire an adequate quality or sufficient quantity of food in socially acceptable ways.

It acknowledges that in 2019-20 5 million people (8%) were in food insecure households.

Food Poverty seemed to be worsening during the pandemic, as indicated by the fact that the Trussell Trust has supplied a third more food parcels during the 2020-21 year.

The risk of being food insecure is higher among younger people, single parents, social renters, ethnic minorities and people in poor health.

In April 2020, half of people seeking food bank assistance had never used a food bank before.

Causes are suggested:

- Private renters often have a shortfall between their housing Benefit and their housing costs.
- Social Renters are subject to a mechanism known as the “bedroom tax”
- Long waits for Benefit payments.
- Loss of entitlement to a Benefit.
- Benefit sanctions.
- Personal Independence Payments lost or reduced.
- Reduction in Benefit income²⁹.

Work is not a guaranteed route out of poverty. There are about a million people employed on the basis of zero-hours contracts. Pay is not keeping up with the rate of inflation. Housing costs are rising more rapidly than the rate of inflation.

Poorer people often need to spend more than a third of their income on housing³⁰.

²⁹ State of Hunger (May 2021) by The Trussell Trust.

³⁰ <https://www.jrf.org.uk/data/housing-costs>

Children

Children tend to be particularly affected by food poverty, although the government has extended the entitlement to free meals outside of term time.

In 2015, the Somerset Intelligence data³¹ reported that 12.9% of Somerset children live in poverty.

In 2022, Citizens Advice in Somerset awarded 6164 claims for Household Support Fund: almost three quarters of these involved households with children – more than 72%.

And they disclosed 8330 individual children – more children than claims.

In 2016 there were 109657 children (under 17) in Somerset.

So just over 7.5% of children in Somerset have recently been affected by poverty so as to claim HSF.

Cared-For Adults

Adults who are cared for are also affected by food poverty. Of the 6164 HSF claims in Somerset, 879 involved an adult who was cared for – more than a fifth (just over 14%).

³¹ <http://www.somersetintelligence.org.uk/Sedgemoor%20Public%20Health%20CYP%20District%20Needs%20Profile.pdf>

Fuel Poverty

A household is classified by the Department for Business, Energy and Industrial Strategy³² as being in Fuel Poverty if:

- Its fuel poverty energy efficiency rating is Band D³³ or below
- and
- their disposable income is below the poverty line.

About an eighth of homes (13.4%) were in Fuel Poverty in 2019.

On average each needed an increase in income of £216 to escape the classification.

Single parent households are most likely to be fuel poor (28%); couples over 60 need most (£289) to escape the classification.

Households living in private rented accommodation are most likely to be fuel poor (26.8%).

The Fuel Poverty Gap is a significant indicator: this refers to the increase in income required to lift the Household out of Fuel Poverty. The average gap was £126 in 2019.

If energy prices rise as expected in October 2022, the number of people in fuel poverty may double.

³²

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966517/Fuel_Poverty_Factsheet_2019_data.pdf

³³ Homes are banded according to their fuel efficiency: Banding reflects things including the kinds of fuel, levels of insulation, ventilation, control and need for cooling. Fuel Poverty is measured by a Low Income Low Energy Efficiency (LILEE) indicator.

The Rural Perspective

Poverty in Rural Areas

Much of the area of Sedgemoor is categorised as Rural – and a smaller, but still significant part of the population.

Until recently it was difficult to obtain reliable data to demonstrate a difference between Urban and Rural. We now applaud organisations such as the Office for National Statistics who have rectified that.

But it remains relatively invisible. For example, only 25% of local authorities provide any kind of emergency shelter for the Homeless, and those tend to be concentrated in county towns.³⁴

Travel is a main factor that makes it more costly to live in rural areas. Public transport has been retreating from rural areas; banks and post offices have also retreated. We recognise the government’s “Bus Back Better” programme to improve public transport.

Table 1 Geographical distance of urban and rural households from essential services (Source: DEFRA 2013).

% of population living more than 4km from	In Urban areas	In Rural areas
Bank or Building Society	3%	59%
General Practitioner	0%	20%
Pharmacy	0%	45%
Convenience Store	0%	33%
Supermarket	0%	44%
8km from a Hospital	3%	45%

The recent study May et al (2020) Still Bleeding: The variegated geographies of austerity and food banking in rural England and Wales. Journal of Rural Studies 79: 409-424 shows how rates of Benefits sanction are more than a third higher in rural areas, despite a claim to strict impartiality.

Many areas have Local Welfare Assistance Schemes but since 2013 many of these have closed – roughly one in three in rural areas; and almost all of the Predominantly Rural authorities

³⁴ May et al (2020) Still Bleeding: The variegated geographies of austerity and food banking in rural England and Wales. Journal of Rural Studies 79: 409-424.

have cut funding by 90% to 100% (by comparison with 35.2% of authorities categorised as Urban with Significant Rural Areas, and 22.6% of predominantly Rural authorities.)

County Durham has the greatest density of Food Banks at 28 – which is one per 1724 population. Cornwall is second – at 25 or one per 21440.

Food Banks are an important example of the problem of the cost of travelling to them; and donors also have to travel. But Food Banks find it more difficult to secure donations – in the absence of the larger supermarkets and workplaces.

Transport Costs

Transport is a main factor in Rural Poverty, and much of the area of Somerset is Rural.

When we think of the cost of transport, vehicle fuel is a major component of that. Fuel prices rose to reached a record high in October 2021. They peaked at around £2 a litre in June 2022, and at the time of writing a diesel sells for 182.7 pence per litre, and petrol for 170.40 pence³⁵. a tank of petrol for an average car costs £81.20 (petrol) or £82.97 (diesel), but this time last year the cost was £62.70 or £64.65. If your car has an average sized 55 litre tank, and you fill it from empty, that is £92.70 for petrol or £100.48.

Some indications for the average driver are as follows:

27.8.22	Petrol	Diesel
Av Distance	6300	9400
Av mpg	36	43
Tank of Fuel	55 litres	55 litres
Cost Tank	£92.70	£100.48
Fuel per year	183 gal	219 gal
Cost	170.40/litre	182.70/litre
Cost per year	£1,272.25	£1,683.26

It is simply impossible to predict future prices.

But fuel is by no means the only factor in calculating the cost of travel. Cost per mile varies widely according to the vehicle used; a car with a 2000cc petrol engine costs 51.6p per mile³⁶.

The steep rise in the cost of fuel has taken place at a time when rents, and food prices were also rising steeply. And at a time in which Benefits have fallen by £20 a week.

And we must be clear that many goods, not least including food, is delivered by the use of fuel – so we can expect the prices of other goods to be forced up as a consequence.

³⁵ <https://www.rac.co.uk/drive/advice/fuel-watch/>

³⁶ https://media.rac.co.uk/blog_posts/typical-vehicle-running-costs-for-petrol-engine-cars-42585 May 2022

Britain is the fifth richest country in the world by Gross Domestic Product.³⁷ Somerset is by no means its poorest County: Average Income is £20441 (2018), which is slightly below the national average (0.97). A fifth of its children live in Poverty.

The Uplift was a temporary increase to Universal Credit in the context of the Covid pandemic – in March 2020. We believe that it was a great and proportionate help. It was a help to working people as well as the workless. It is clear that our clients quickly came to rely on it, and the fact that it was temporary was quickly lost: so it has been felt as a reduction in a cornerstone of the Benefit system. We recognise that the changes to the National Living Wage, and to the taper rate in the 2021 budget are positive, but again, we think that they do not go far enough.

Some people assume that debts will eventually be paid. We have doubts about this – we see clients who regard repaying debts as hopeless, the threat of bankruptcy holds no fears, because it relies on the debtor having some assets – and the whole point is that they have none. The threat of eviction is a serious fear, but in 2019-20, more than 288000 households were supported in relation to homelessness by their local authority; and we think that an increase is not a good thing.

The Future

It is worth wondering what the future holds for the poor in Britain.

Will their position improve ?

There is no reason to expect their position to improve much in the short to medium term.

There is more work available post pandemic. But a third of Universal Credit claimants are in employment and 21.4% of people in the UK are “economically inactive” – meaning that they are not working or seeking work.

Will they ultimately default on their debts ?

Many of those who are in debt simply regard it as hopeless. They regard incoming communications as inherently stressful – and many of them are simply unable to engage.

Bankruptcy as an ultimate sanction holds little fear because they have nothing to lose.

They are used to having a poor credit history: this too is unimpressive to them. If they have an existing tenancy, they may well not need to apply for any form of credit. But unpaid rent and unpaid Council Tax just backs up on them.

³⁷ ["World Economic Outlook Database, April 2021" International Monetary Fund.](#)

Eviction is a main threat. But a landlord who evicts them has in practice little chance of recovering rent that is owed and Homelessness is a main concern for government and its agencies.

So this is a difficult question.

The Joseph Rowntree Foundation predicts³⁸ that things will yet get worse – that 400000 people could be pulled into poverty by the inability of Benefits to keep up with prices.

In August 2022, we saw a political campaign “Don’t Pay”. Citizens Advice empathises with this position but cannot support it as failing to pay could well worsen the predicament for those who do so.

A week later, we saw a similar political campaign “Enough is Enough”.

[If they default, what are the implications ?](#)

Where our clients default on debts, main worries for them are eviction for rent arrears and the court process for Council Tax debts. Local authorities tend to be quick to enforce the debt, which may mean that they can take money from income including benefits. It is possible in extreme cases for the client to face imprisonment. But imprisonment does not necessarily imply that the debt is paid.

The point is that these are examples of debts which may well never be enforced: the councils and the landlords will go unpaid. Which has adverse implications for them too.

Some landlords operate on a very small scale – letting property while they are in care, in which case it may be their rent that pays for the care; or letting property that they have inherited from their parents. Others operate as a small business – and the rent is business-critical. Few have profit margins that can tolerate non-payment.

So the ripples of unpaid rent spread – and if businesses fail, then banks and governments are also affected.

“Poverty is the parent of revolution and crime” (Aristotle)

³⁸ <https://www.jrf.org.uk/press/400000-people-could-be-pulled-into-poverty-real-terms-cut-benefits-april>

UPDATE JANUARY 2023

CURRENT RATE OF INFLATION

The rate of inflation to October 2022 was 9.6%³⁹.

This is a slight fall by comparison with the August figure.

Government sources, including the Office For National Statistics (upon whom we rely heavily in this report and others), rely on the Consumer Price Index (CPI) as a method for quantifying Inflation.

It tends to run behind the Retail Price Index (RPI) that was used formerly – and a result it tends to reduce increases in Pensions and Benefits intended to keep pace with inflation. In the year to September 2022, RPI rose by 14.2% while CPI rose by only 11.1%.

We recommend a review of definitions of Poverty to take into account necessary expenditures.

Particularly we recommend reverting to the Retail Price Index as the standard measure of Inflation in the UK because it factors Housing into the calculation and better reflects the people's predicaments.

PRISON SPACE – The Guardian 30.11.2022

The Guardian reported that the Justice Department has requested the emergency use of 400 police cells - for the first time in 14 years – using a protocol entitled Operation Safeguard. This is as a result of an acute and sudden increase in the prison population.

This is currently attributed to a strike by Barristers.

This is despite the largest prison building programme in a century.

There were 82839 inmates in prisons on 25 November: there were 79685 at the same point in 2021.

So far there is no suggestion that this links in any way to imprisonment for acquisitive crime in the context of the Cost of Living Crisis.

³⁹ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/october2022>

PREDICTION

The Prediction remains that inflation will ease in 2023.

CURRENT PRICES⁴⁰

There is considerable variation of price changes for supermarket goods: vegetable oil has risen by 65.2%; tea is up by 46% chips by 38.7% and bread by 38%; but orange juice has reduced in price by 8.9%.

On 1st December 2022, prices of vehicle fuel had moderated: Unleaded Petrol was priced at 159.47 pence per litre and Diesel at 183.4.

Much now depends upon how much of an individual's income is taken up by purchases of food, fuel or accommodation: if after those purchases there is a good deal of residual income, then the individual might hope to manage; if, on the other hand, there was no residual income then they will be struggling. It is those that were less well-off last year that are struggling most now.

We are not all in this equally.

PREPAYMENT METERS

Prepayment meters are used by people on the lowest incomes, such as people on benefits, including pensions, as well as disabled people and people in rented properties.

Users pay in advance for their fuel by means of a top-up card, a fob, or an app. Payment through a meter is usually more expensive. And the levels of payment ruthlessly follow the seasons and the weather – they require far more money in January than in July.

Top-up payments often require cash – which may create another level of difficulty and cost.

They may be used to collect outstanding debts – thus creating another layer of difficulty.

If they fail to pay, they are regarded as self disconnecting.

Further details about prepayment meters and the conditions that should apply to companies considering a compulsory change can be found at <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/check-prepayment-meter-rules> .

⁴⁰

<https://www.ons.gov.uk/economy/inflationandpriceindices/articles/trackingthelowestcostgroceryitemsukexperimentalanalysis/april2021toapril2022> Note that this is experimental research by web scraping technology.

Since July 2021, 490000 warrants have been issued allowing energy firms to install prepayment meters in homes – by force if necessary. This is an 18% rise on the previous year.

Warrants are largely uncontested by customers. It is said to be possible for the court to be many miles from the home that is affected.

Gillian Cooper, Head of Energy policy for Citizens Advice said “Switching people onto prepayment meters when they fall into debt is disconnection by the back door. Hundreds of thousands could be left in cold, dark homes this winter if they can’t afford to top up.”

Ofgem regards this kind of action as a last resort, and says that it has banned installations entirely for the most vulnerable customers.

BENEFITS

The Government has announced that from April 2023, Benefits will rise with inflation.

We see this as a major step forward and we applaud !

Nonetheless, the rate for 2023 has already fallen behind inflation, particularly for Universal Credit; so this has the effect of “baking in” years of under funding. But at least it creates some security and predictability for people who are less well off.

AT CA SEDGEMOOR

In the year to 30th November 2022, CA Sedgemoor clients brought 9687 new issues: a rise of 30% - a huge growth.

They brought 965 very varied Housing issues: a significant rise of 15.4%.

There were 4479 Benefits issues: an overwhelming increase of 74.1%.

And 1015 debt issues: a rise of 10.2%.

WE OWE IT TO OUR YOUNG PEOPLE TO FIX OUR BROKEN HOUSING SYSTEM – The Sunday Times 27.11.2022

This is an article written by Sajid Javid, a leading Member of Parliament who once offered himself as a candidate for Prime Minister, expressing concern for young people trying to find a house they can afford.

It makes the point that a house is likely cost 9 times average earnings. In 1996, it would have cost three times as much.

It points out that in 1996 it would have taken a couple three years of saving 5% of their income to accumulate the necessary deposit: now it would take almost 25 years.

Our view of the problem has a good deal in common with his.

“Homes are the foundations on which families and communities are built.”

“A lack of housing is the most significant barrier to social progress in our country today.”

Methodology

Our data proves nothing, but provides indicators about the lives and concerns of Somerset people. We consider these indicators to be strong and reliable indicators about the lives of our clients and their concerns.

So far, this is desk research, based primarily on Citizens Advice data from the system referred to as Tableau.

We do not have reliable data about clients' incomes: we must work with indicators.

In each case, we have compared the picture of the whole area with the picture for cases indicating poverty inasmuch as the client brought an issue of Benefits or Debt.

Calculations of Benefit and incomes are massively complicated: rates vary according to age, and family status; some rates (eg Housing Benefits) also vary according to location; Benefits (and Pensions) also vary according to numbers of children, and/or Disability, and/or National Insurance contributions.

Weekly/monthly/annual – rates are calculated on the basis that:

- Year = 52 x Week
- Week = 35 hours
- Month = Year/4
- Working month= 22 days.

We do not weight data. Mainly for reasons of simplicity, we present the data as it comes to us – without modification or weighting – we rely on our readers to interpret it, and assess its significance for them.

We can “see” data about Clients – or data about Issues. One client may bring several Issues: they may have several issues at the same time, or may bring them in consecutively. This is capable of causing confusion.

Our understanding of Rural and Urban derives from the Rural Urban Classification by the Office of National Statistics⁴¹.

We choose to present the data by noting the averages (from the data selected) and significant departures from those averages. We take Significant to mean more than 5% above or below the average. And we round to the nearest whole number.

In passing, this study enables us refine our view of ourselves and our clients and their issues. Numbers are rounded, so totals may not add to exactly 100%.

Our data has its weaknesses:

⁴¹ <https://www.ons.gov.uk/methodology/geography/geographicalproducts/ruralurbanclassifications>

- It depends entirely upon what clients tell us. There is little verification.
- Clients may choose to remain anonymous, or may obtain advice without disclosing information about themselves. It is possible that this skews our data.
- Citizens Advice Offices have differing standards for recording data. Most see it as having the purpose of providing good Advice; few focus on the wider aspects the we in Research & Campaigns work would like. A main example of this is that some records show AIC codes (denoting the type of work) that are very focused on the Advice, while some show all of the AIC Codes that apply, even where they are not referred to in the Advice.
- It is possible to argue that Debt and Benefits are not valid indicators of poverty. We acknowledge that they do not prove poverty, but we take the view that they are strongly indicative.
- Reference to Housing costs is a difficulty. These are too complex in that they vary from place to place, and according to whether the home is owned or rented or mortgaged, and according to the size of the house and if it is rented, who it is rented from. Up-to-date information is not yet published. But in such expenditures data as there is, Housing costs are cannot be separated fuel and power.

APPENDIX A

A Minimum Income Standard for the UK in 2021

The Centre for Research in Social Policy is an independent research centre based in the School of Social Sciences at Loughborough University. They carry out research and analysis of a Minimum Income Standard (MIS) for the UK.

They say that a single person needs to earn £20,400 a year to reach a minimum acceptable standard of living in 2021. This is significantly more than the National Living Wage (NLW).

A couple with two children needs to earn £30,400. They could do so if they both work full time at the NLW.

Single people on Benefits have an income that is less than half of the MIS. They could double their income by working full time at NLW rates, but would still fall short of MIS.

This Standard refers not to the work of experts, who are likely to be employed and well paid, and so somewhat out-of-touch, but to members of the public, checked by experts.

In 2014, this work was accepted in evidence in a landmark High Court ruling, and used as evidence to a Parliamentary Welfare Reform and Public Bill Committee.

APPENDIX B

Case Studies

Arguably the best insight comes from a question that claimants were invited to explain in their own words the reason for seeking help, and what else they needed. The answers, in the original language of the clients, edited only to preserve anonymity, provides a rich and authentic picture:

- Bed and mattress
- Being made homeless
- Having surgery on my left shoulder meaning I'm incapacitated for a minimum of 6 weeks. I receive ESA but usually go foraging for wood to cook with on a wood burning stove and to keep warm. With no mobility in my left arm I cannot drive, I cannot collect or saw/chop wood, meaning I've got no heating, and having ran out of lpg gas I cannot cook either. I usually get food from charities but cannot mobilise to go out looking for free food and cannot carry anything. I need financial help to keep warm and to pay for someone to do my shopping as well as help with my personal care.
- I am currently NFA and I am about to move into supported housing and I need lots of things to assist me with that transition
- I am currently unemployed. During my period of employment my income was low due to working part time.
- I currently homeless I'm living in a caravan along the road I need to buy gas bottles and pay for fuel from my generator as I am waiting for accommodation to come up so I can move into
- I gave a 'friend' my bank card and pin to buy me some shopping as I was unwell and he spent £200+ putting me seriously overdrawn.
- I have to buy a lot of Incontinence pants and I have to pay a cleaner every week I have heart failure causing lymphoedema so I have to take water pills causing Incontinence I have autism not getting any help as carers are extremely hard to find I have no food and no mini oven as it broke
- I have been homeless for years and I am about to move into my own place so have a lot of things I need help with financially
- I have been unable to work since October 2020 due to mental health issues, which have left me house bound
- I have lost my business and have recently been hospitalised
- I have to pay for my prescription private because I'm legally prescribed cannabis and it's expensive
- I need new carpets
- I recently lost my uncle and I'm overwhelmed with moving, and preparing for new bills.
- I was evicted (no fault) from the shared house in Bournemouth and now live in a caravan, I have both a wood burner and a gas bottle but I have used up the gas and need to change it and need to buy fire wood to stay warm due to fibromialgia which is triggered by cold

- I was evicted and made homeless.
- I was served a no-fault eviction notice whilst on the carers element of universal credit and have been moved into social housing. I just want to make the new place into a comfortable home. The extra expenses I am incurring doing this are taking up all of my very low income and the stress of it all is making me ill. If I get any more unwell, I worry I won't be able to keep up my caring responsibilities for my elderly, disabled Grandmother, and my mother who is a cancer patient. All this and I am struggling to keep up with the rising costs of everything and outstanding bills for energy, council tax, debt repayments and more.
- I'm in need of nearly all of the options u provided.
I don't have a bed at the moment so that would be lovely
I have applied for this help previously but didn't receive an email so I'm worried I did it wrong
- I was run over by a tractor it fractured my pelvis in three places broke ten ribs flattened my right lung crushed my right shoulder and broke my shoulder blade in three places. I then spent three weeks in the intensive care unit, now I am home but unable to work, I only get £809 pounds a month universal credit My rent is £600 a month Gas (propane Bottles) and Electricity £140 per month, This leaves me £69 per month for food / toiletries / and phone bill (for internet connection to order food deliveries (Tesco) and keep in touch with my Doctor/Surgeon) unable to drive. or walk great distances.
- It is a mixture of the reasons u have , I have a low income, also things are more expensive now
- Just moved house, low income & debts.
- Living in a caravan need to keep warm cook and wash Gas is essential and clothes and footwear rugs and curtains for glass doors to keep warm
- Lost job and have no income ,house being repossessed and currently going through my divorce
- Lost job currently waiting for uc to start have no money
- My cooker broke Christmas and I am unable to afford to get one I have had some of my money reduced
- Off work due to serious car accident
- Pregnant and relationship breakdown
- Recently diagnosed with irritable bowel syndrome and gluten-free foods costs much more, also lactose intolerant and have other food allergies. Gas bill has also been extremely high this winter as I suffer from sciatica and other back pain and need to have the heating on often.
- severe mental health problems including CPTSD and schizophrenia... I'm struggling to pay bills and self maintain
- The tenant that resided at my property has caused ongoing problems and has left the flat with alot of repair costs and unpaid rent. The property's listed and the drains were all blocked, which led to leaks and running water effecting the electrics. The electrician has now fixed the problem but the drainage due to the property being listed is still ongoing. It's looking like I'll need replacement sink, kitchen cupboards and flooring. I don't know yet how much or the full plumbing costs.

- I am still awaiting my PIP claim to be authorised
I am a Coeliac and need gluten free food. This is neither cheap but also something food banks understandably don't cater for.
- The cost of keeping my caravan warm is really expensive in winter. a 13kg gas bottle lasts barely a week and costs 40 pound. I receive 220 of benefits to survive on. The caravan doesn't get warm either, the gas fire just takes the chill off so I need to have it on constantly when inside the caravan, if I turn it off for an hour I start to see my breath in the air.
- Trying to find a new home and afford it
- Went away to visit a friend over the weekend and my freezer has broken down, has ruined all of my food and I need to replace the food and the freezer
- When my Fiancé died, His sons locked me out of the house, when I moved into my flat 14 months later, I had just my clothes. I suffer pain in my back, both shoulders and my knee. I do feel ashamed at my age, but I am struggling.

Edith from a village near Highbridge in Sedgemoor

Edith lives in a Somerset village:

- 3 miles from a supermarket
- 4 ½ miles from a bank
- 4 miles from a railway station
- 22½ miles from the relevant hospital

Edith said

"I am at breaking point financially and will not have enough money to live off this month.

My youngest daughter was diagnosed with Type 1 Diabetes this year. I have been advised that I cannot claim DLA for her, until she has had symptoms for 3 months.

I am already a Carer for my eldest child, who is registered Blind, has Autism and challenging behaviour.

My shopping bill has almost doubled and I am incurring 'unexpected expenses' as a result of my youngest daughter's diagnosis.

I have contacted UC on 2 separate occasions, begging for a Budgeting Advance. They have said I am only entitled to £123, which is nowhere near enough.

I am therefore contacting you in desperation. I need to purchase school uniform, clothes, shoes for my children, and the associated costs relating to Christmas. "

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CITIZENS ADVICE SEDGEMOOR

May 2022

Citizens Advice Sedgemoor is a registered charity. It is part of a Citizens Advice service which operates at 2500 locations in England and Wales to provide advice that is free, confidential, independent and impartial.

The service helps millions of people face to face, over the phone, by email and web chat every year with the help of 21000 thousand volunteers and 8700 staff. In 2021, 40 million visits to our website, and 1.48 million people used our 'phone service.

Twin aims of the service are:

- To provide advice people need for the problems they face
- To improve the policies and practices that affect people's lives.

Each local Citizens Advice is an independent charity, giving advice on a wide range of issues including debt, benefits, housing, consumer and employment.

Citizens Advice Sedgemoor consists of 12 staff, including about 4 volunteers.

Address:

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1041082

For further information, or to comment on this study please contact the Research and Campaigns Team at our offices:

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Glossary

Absolute poverty is used by the UN and the World Bank to mean inability to afford the basic needs of life (such as food, clothing and shelter). This introduces a difficult debate about what are the basic needs.

CPI – Consumer Price Index: arguably the most important way of calculating inflation. Does not refer to housing costs.

Destitution - Income so low that people are unable to eat, stay clean, and stay warm and dry.

Economically Inactive - not working or seeking work.

Expenditure: it is almost impossible to take a view on current expenditures. Many households are expected to have no idea of their current incomes and expenditures. They are changing rapidly. And households often tell us that this is just Hopeless. However we assume that current expenditure is the same as current income – unless current income exceeds the amount in the best data – Office for National Statistics data – Average Household Expenditures 2021 datasets; if income exceeds that, we assume that the Average Household Expenditure applies.

Fuel Poverty Gap is the increase in income required to lift the Household out of Fuel Poverty.

Median is the middle number in a series. Eg in the series 1 to 9, the median number is 5.

Occupational Pension – pension schemes provided by an employer. They are payable in addition to the State Pension.

Poverty - It is very widely considered that Poverty means that a household has an income that is less than 60% of the mean. The mean for 2020 was £29900, so we can calculate that ***a household with an income of less than £17940 is below the Poverty Line. But we note that the International picture is fundamentally different – and we do not suggest that England is the worst place in the world for Poverty.***

Pension Credit is a complex system, intended to lift people of limited means out of Poverty – such as those who don't qualify for the full State Pension.

A private pension is a way of adding to any entitlement to state pension and/or occupational pension.

Relative poverty in the UK is usually⁴² taken to mean a household income that is less than 60% of the median household income. This approach means that it is a logical consequence that a significant proportion of the population lives in relative poverty.

⁴² Eg Child Poverty Act 2010.

RPI – Retail Price Index. Used to calculate inflation until about 1987. Does refer to housing costs.

State Pension is a pension available to people aged over 66 subject to a history of contributions.

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