

'Something has to give'

The Impact of the cost of living crisis on our clients



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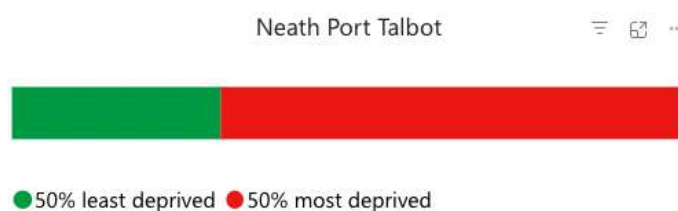


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Introduction

Since late 2021, the UK has experienced a 'cost of living crisis' caused by high inflation which leads to lower 'real' disposable incomes. As of March 2023, inflation stood at 10.1%¹, significantly above the Bank of England's Monetary Policy Committee's (MPC) target of only 2%.² By October 2021, almost 200,000 households in Wales – 14% – were living in fuel poverty and a further 153,000 households were at risk of fuel poverty.³ This was before OFGEM raised the domestic energy cap by 54% in April 2022.⁴ With the price of goods and services increasing so significantly, and with some of the most deprived areas in Wales in Swansea county⁵ and Neath Port Talbot county experiencing higher than average poverty rates⁶, the 'cost of living crisis is understandably impacting our clients significantly.

In Neath Port Talbot, 15% of local areas fall into the most deprived local areas in Wales, topped only by Cardiff, Rhondda Cynnon Taff, Merthyr and Newport. Additionally, 63 of the 91 local areas in Neath Port Talbot are in the 50% most deprived local areas in Wales.⁷ In Swansea, 11% of local areas fall into the 10% most deprived areas in Wales with 68 of the 148 local areas in Swansea being in the 50% most deprived local areas in Wales.



Graph A - Number of local areas in the 50% least and most deprived local areas in Wales

Figures from the Citizens Advice Dashboard also show a consistent increase in clients in need of crisis support each year as well as a consistent increase in food bank and emergency charitable referrals made each week. Again, energy advice figures are increasing steadily and by the end of February 2023 more than 60,000 clients had been seen with energy issues (which was 66% higher than the same point last year).⁸ The data

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<https://www.crosslandsolicitors.com/site/media/March-2023-inflation-CPI-CPIH-RPI#:~:text=CPI%20inflation%20was%2010.1%25%20in,in%20the%20year%20to%20February>

² <https://researchbriefings.files.parliament.uk/documents/SN02802/SN02802.pdf>

³ The Welsh Government defines fuel poverty as households needing to pay more than 10% of their income on heating their home

⁴ <https://www.gov.wales/wales-fuel-support-scheme-2022-2023>

⁵ <https://www.gov.wales/sites/default/files/statistics-and-research/2019-11/welsh-index-multiple-deprivation-2019-results-report-024.pdf>

⁶ <https://www.data.cymru/dashboards/viewofpoverty>

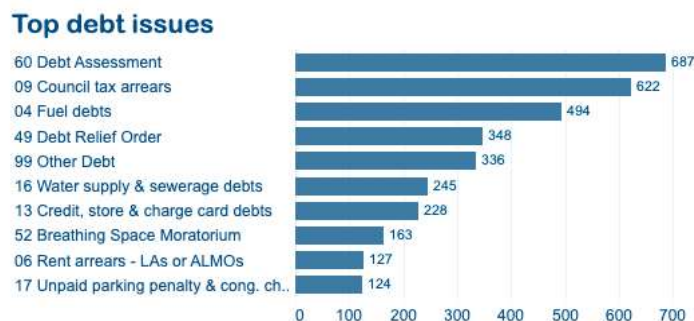
⁷ <https://www.data.cymru/dashboards/viewofpoverty>

⁸ Citizens Advice Cost Of living Dashboard - <https://public.flourish.studio/story/1634399/>

also shows certain groups who require our services above others for example people with disabilities and single person households or single person with children households.

Casebook Statistics

As is demonstrated by our client statistics, the demand for energy advice and energy debt advice increased significantly since 2021. Specifically, our energy debt advice cases increased, more than doubling from 19 cases in January of 2021 to 53 cases in January 2023.⁹ Similarly, we saw an increase in demand for our fuel voucher services with 57 fuel vouchers administered in April of 2022 compared to only 5 in April of 2021. There was a significant jump in demand in October and November of 2021 (11 in September, 44 in October, 151 in November) coinciding with the fuel cap price increase.



Graph B - Top Debt issues for our clients (01/04/22-31/03/23)

Over the last year (01/04/22-31/03/23), Utilities and Communications was the 4th most advised upon issue with Charitable Support and Food Bank issues heavily advised upon too. As can be seen from Graph A, over the same period, Fuel Debts were the 3rd most advised upon debt issues.¹⁰ In the year before, Utilities and Communications was only the 9th most advised upon issue and Fuel Debts were the 5th most advised upon debt issue demonstrating an increased demand as the cost of living rose.¹¹

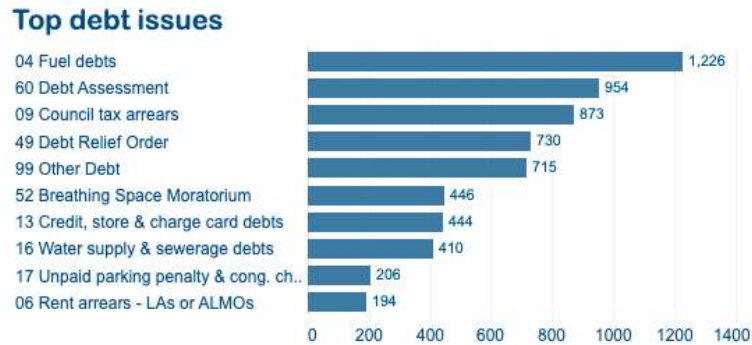
Between 01/04/22-31/03/23 Charitable Support and foodbank issues were advised upon 2,544 times to the residents of Swansea and Neath Port Talbot. Further, Utilities & Communications Issues were advised upon 3,797 times to 1,215 of the 9,335 clients served during that time period. In addition to this, Graph C demonstrates that Fuel debts were the most advised upon debt issues to the residents of Swansea and Neath Port Talbot as a whole with the issue being advised upon 1,226 times, followed by

⁹ Statistics as accurate as possible but depend on the correct usage of funder codes when recorded in casebook

¹⁰ CASNPT C6 Key Statistics Report (01/04/22-31/03/23 for SNPT Office Group advice)

¹¹ CASNPT C6 Key Statistics Report (01/04/21-31/03/22 for SNPT Office Group advice)

Council Tax Arrears at 873.¹² It's clear from the figures that these are the areas being impacted most for our clients by the rising cost of living since Council Tax arrears was consistently the most advised upon topic from 2013 up until 2021, when prices began rising and Fuel Debt advice rose in demand.¹³



Graph C - Top Debt issues for our clients (01/04/22-31/03/23)

Client Interviews

25 interviews were conducted with clients in order to truly understand how the increased cost of living is impacting our clients in their day to day lives.¹⁴ The average monthly income noted by respondents was £1155.25 which is significantly lower than the estimated average monthly salary of around £2073 taken from Data Cymru's 'A View of Poverty' dashboard.¹⁵ It's important to note however that our responses include households relying solely on benefits such as Universal Credit (with incomes of around £520) meaning the lower figure is expected.

When asked whether they were struggling to cover their bills as well as cover the higher cost of gas and electricity 74% of respondents said that they were. Those respondents were then asked whether they have changed or introduced any habits to accommodate this increase in energy prices - results shown in Graph D.¹⁶ 53% of respondents noted that they were now turning off lights as well as lowering the heating or layering up in a bid to reduce their energy bills. 29% of responses noted turning off appliances and 18% having shorter or fewer showers.

¹²CASNPT C6 Key Statistics Report (01/04/22-31/03/23 for all office groups advising SNPT residents)

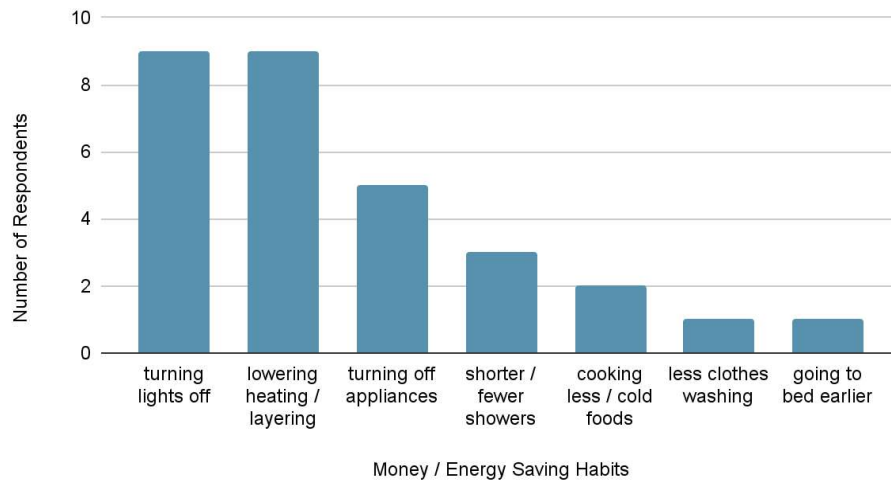
¹³ Casebook CP6a Report for 2013-18, Casebook C6 Report for 2019-21

¹⁴ The interviews focused on the rising cost of fuel / energy

¹⁵ <https://www.data.cymru/dashboards/viewofpoverty>

¹⁶ *Under this question, people could choose more than one option so this means there are more responses than participants in the survey*

Money / Energy Saving Habits



Graph D - Money Saving Habits Implemented by our Clients

When asked whether the rising cost of energy has had any adverse effects on their mental or physical health, 37% noted an adverse effect on their mental health and 21% on their physical health. A further 32% of responses noted that they were anxious or worried by the rising costs and the impact on their lives.

When asked what the single biggest impact that the rising cost of energy and cost of living has had on them in the last year, the biggest responses noted having to choose between food and heating and only being able to afford essentials now (as seen in Graph E). Other responses noted that they would struggle to buy gifts for their children now and that it had caused them to go into debt. As noted by our client interviews, for many the rising cost of living may mean having to choose between heating their home or eating. This can create a cycle of poor financial and mental health for the households and families who can't afford to live on the money that they have.

Quote from a client

"There needs to be more support available"

Quote from a client

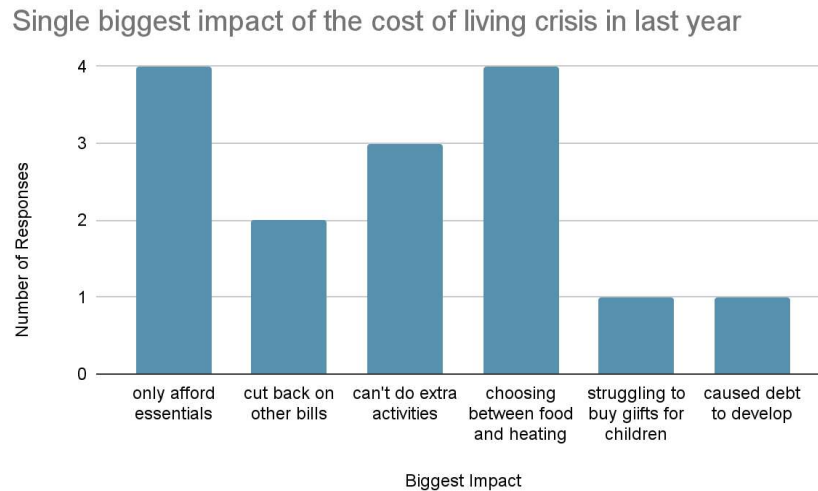
"Something has to give."

Quote from a client

"Something needs to change or it will be impossible to survive."

Quote from a client

"The government need to do more"



Graph E - Single Biggest Impact of the Cost of Living Crisis on our Clients in the Last Year

Who are the most affected?

Universal Credit Recipients

The Citizens Advice Cost of Living dashboard showed that of the clients we support with debt issues in a negative budget, clients receiving Universal Credit were the highest proportion.¹⁷ In Swansea Neath Port Talbot, issues dealing with Universal Credit are the third most commonly dealt with, topped only by other benefits and tax credit issues and debt issues (includes all debt issues).¹⁸ This is consistent with the findings in the The Trussell Trust and Joseph Rowntree Foundation ‘Guarantee Our Essentials’ report¹⁹ and affirms that those in receipt of UC are particularly vulnerable to the rising cost of living.

The Trussell Trust and Joseph Rowntree Foundation report found that 90% of low-income households on Universal Credit are currently going without essentials.²⁰ On top of this, the report states that almost half of households see their payments reduced by deductions and caps, for example repaying debts. This means that not only are households whose main income is Universal Credit vulnerable but half of those vulnerable households will also struggle further due to deductions from their income.

According to the DWP’s Stat-Xplore, as of March 2023 there were 28,952 people in receipt of Universal Credit in Swansea and Neath Port Talbot, with 11,521 of those

¹⁷ <https://public.flourish.studio/story/1634399/>

¹⁸ Citizens Advice C8 Casebook | Issue Trends (For CASNPT)

¹⁹ <https://www.jrf.org.uk/report/guarantee-our-essentials>

²⁰ <https://www.jrf.org.uk/report/guarantee-our-essentials>

people being currently employed.²¹ When considering the Joseph Rowntree and Trussell statistics, this means that an estimated 26,057 UC recipients are going without essentials in Swansea Neath Port Talbot.

Individuals on a prepayment meter for their energy

Statistics from the Citizens Advice cost of living dashboard show that by the end of February 2023 Citizens Advice had seen more than 8,500 people who can't afford to top up their prepayment meter across England and Wales. This is nearly three times as many as we had seen by this point in 2022, and it's already more than the whole of 2021 - the year energy prices started to rise.²² A shocking statistic from the January 2023 Cost of Living Dashboard showed that we saw (In Wales) as many clients who couldn't top up their prepayment meter than we had in the whole of the previous 10 years.²³ As to how this continues to develop, the May Cost of Living Dashboard shows that we've seen more than twice as many individuals (nationally) who cannot top up their prepayment meters as we had this time last year and nearly as many as the whole of 2019, 2020 and 2021 combined already this year.²⁴ This highlights what could possibly be the most vulnerable group of households amidst the rising cost of energy. This is because prepayment meter users are given an emergency credit when they are initially unable to top up but are generally left without utilities until they can find payment following this. It's important to remember also that many households who are on prepayment meters are on them because they previously fell into debt with their providers that they were unable to repay. This means that many households on prepayment meters are already in debt or low income and are vulnerable to the loss of their utilities until they are able to find a means to pay again, including payments for any debts and emergency credit used (this would likely be through a repayment plan).

A recent new code of practice on involuntary prepayment installations has been introduced by Ofgem which aims to ensure that prepayment meters aren't installed in cases where the occupants of the household are vulnerable, for example where there are health issues or the occupiers are over 85.²⁵ Although this is undeniably a step in the right direction in protecting the most high risk, it does little to help those who currently face disconnection from their energy supply due to being unable to top up their prepayment meter already.

²¹ <https://stat-xplore.dwp.gov.uk/webapi/jsf/tableView/tableView.xhtml>

²² Citizens Advice Cost of Living Dashboard

²³ Citizens Advice Cost of Living Dashboard January 2023

²⁴ Citizens Advice Cost of Living Dashboard May 2023

²⁵ <https://www.ofgem.gov.uk/publications/energy-suppliers-sign-new-code-practice-involuntary-prepayment-installations>

Disabled People

Disabled people made up 60% of the clients Citizens Advice (England and Wales) saw between 01/01/22-28/02/23 who couldn't afford to top up their prepayment meter.²⁶ This was also true of the number of people that we referred to food banks as well as those referred for charitable support and in need of crisis support. Statistics at a local level are consistent with the national figures with 61% of clients advised by Citizens Advice in Swansea or Neath Port Talbot noting that they are disabled or have a long-term health condition.²⁷ On average, utility bills and the general cost of living are higher for disabled people and this means that the rising costs impact this demographic more, especially the rising energy costs. This means that up to 60% of our clients are experiencing a greater impact from the cost of living crisis and observe higher costs than those who are not disabled.

Single person households including single person with children households

Unsurprisingly, households made up of a single person or single person with children required the most support for food banks and charitable support as well as most other advice topics related to the cost of living. A likely explanation behind this particular demographic being hit harder than others might be the consistent cuts in the value of UC. Unlike pensioners who are protected to a degree by the triple lock on pensions which ensures their income maintains value in real terms, UC recipients are left with less and less real income with the rising inflation rates and cost of living. It is understandable that single income households in this situation are being hit harder and are in need of more support than other demographics.

Available Government support and it's impact on our clients

UK Government Support:

From the beginning of the cost of living crisis when prices started to rise, the UK Government has introduced a variety of support schemes designed to ease the burden on the public. Support available to the public included the:

- Energy Bill Support Scheme - £400 reduction to winter energy bills for everyone
- Cold Weather Payment - £25 for each 7 day period of very cold weather (zero degrees celsius or below) for everyone
- Warm Home Discount - £150 off winter energy bill for those with low income but high energy costs or those in receipt of the Guarantee Credit Element of Pension Credit
- Winter Fuel Payment - between £250 and £600 towards energy bills for those born before 26/09/1956

²⁶ Citizens Advice Cost of Living Dashboard March 2023

²⁷ Casebook C6 Key Statistics Report

- Pensioner Cost of Living Payment - additional £150 or £300 payment for those entitled to the Winter Fuel Payment
- Cost of Living Payment - up to 3 payments, each of around £300 for those receiving low income benefits and tax credits
- Disability Cost of Living Payment - £150 to those receiving certain disability benefits

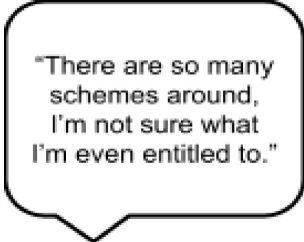
Welsh Government Support:

The Welsh Government also has its own support schemes for the Welsh public which include:

- Fuel Support Scheme - £200 cash payment for those in receipt of certain benefits
- Fuel Voucher Scheme - for households experiencing serious financial crisis who are referred by a partner agency
- Discretionary Assistance Fund Emergency Assistance Payments (Welsh Government) - for those in extreme financial hardship with payments of £56 for single person households, £67 for 2 person households and £111 for households with 3 or more persons

The main issue with the administration of this support was confusion as to who was entitled to what since the various support schemes had different eligibility requirements, as is seen above. A particular point of confusion arose from the fact that some payments were available to everyone and automatic whereas some needed to be applied for and had eligibility requirements. There was also the factor that some were available as one off payments whereas others were more consistently or periodically available. This meant that many people didn't know that they might be entitled to some support if they applied and many also weren't aware of how they could apply. This was consistent with our client survey responses where 37% of respondents said they only received any automatic support payments and hadn't applied for any themselves, and 16% were unaware of the support available. In order to combat this, more effective and more accessible advertisements would be useful in ensuring people are aware of their eligibility.

Quote from a client



"There are so many schemes around, I'm not sure what I'm even entitled to."

Charitable Support:

- Food Bank Vouchers through the Trussell Trust and independent food banks
- Charitable fuel vouchers, for example through the Trussell Trust
- Various charities that provide grants to individuals

Charitable support available to clients often proves invaluable in a crisis situation and may allow clients to heat their home or eat where they otherwise would not have been able to. Between 01/04/22-31/03/23, charitable support was the 6th most advised upon issue by Citizens Advice Swansea Neath Port Talbot²⁸ and it's also clear from the CA cost of living dashboard that demand for foodbank and charitable support referrals has continued to increase since 2021²⁹. Furthermore, according to the Trussell Trust end of year statistics, 5,045 food parcels were distributed in Neath Port Talbot during 2022 and 11,412 were distributed in Swansea.³⁰ It's clear from the above statistics that individuals are accessing this support in order to survive during the cost of living crisis, however, they do nothing to address the underlying issue and are only a temporary solution. More long term and sustainable support or changes are needed in order to address the growing number of households in Wales and the wider UK who can't afford the basics due to the high cost of living.

Summary

As can be seen from the figures highlighted above, UC recipients, people on prepayment meters, disabled people and single person households are the most heavily affected demographics by the cost of living crisis. When talking to our clients, it was clear that the government support on offer was confusing and difficult to navigate which ultimately led to unclaimed potential support and more hardship for our clients than is necessary. Finally, emerging trends seen in the Citizens Advice Cost of Living Dashboard suggest that the impact of this crisis is likely to continue to impact our clients for many more months, if not longer.

²⁸ CASNPT C6 Key Statistics Report (01/04/22-31/03/23 for SNPT Office Group advice)

²⁹ Citizens Advice Cost of Living Dashboard March 2023

³⁰ Trussell Trust: End-of-Year-stats-2021-22-FOR-PUBLIC-USE - NB that this is only Trussell Trust Registered Foodbank figures and does not include independent foodbanks