

Briefing Paper November 2022

How is the Cost-of-Living Crisis Affecting People in Lancaster and Morecambe?

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Overview

The phrase 'Cost of Living Crisis' is thrown around in the media all the time. But what is causing such financial difficulty for residents and how is this coming through to our advice service?

This briefing seeks to

- Explain which elements of a 'cost of living crisis' are causing hardship
- Show how our service is responding, and the trends and data we are seeing and the stories we are hearing in Lancaster and Morecambe
- The quotes in this briefing come from a series of interviews conducted with advisers working on the Lancaster District Hardship Fund, who talked about what they are seeing

Why is there a 'Cost of Living Crisis'?

The 'word of the year' from the Collins Dictionary is '*Permacrisis*'¹ which is what some residents are currently experiencing due to a combination of factors that are causing widespread hardship. Covid-19 caused upheaval and as we emerge from the pandemic it has been replaced by a set of serious economic challenges, leaving those on the lowest incomes in precarious positions.

Since Covid-19, Government has chosen to intervene periodically with various short-term measures to provide help to different groups, rather than providing a reliable, increasing and steady social welfare safety net for those who are unable to work. Examples of this are the council tax rebate issued in April 2022 and the Hardship

¹ <https://www.bbc.co.uk/news/entertainment-arts-63458467>

Funds which have been distributed by local authorities. Each scheme that is not universal, and not targeted via the benefits system means that vulnerable people are inevitably left out due to a lack of knowledge or ability to apply. People are required to jump through multiple hoops to get the help they need which can increase stress and worry.

Since lockdowns ended, there has been a sharp increase in the levels of benefit sanctions, a cut of £20 per week to the basic rate of Universal Credit and a spiraling backlog of PIP (Personal Independence Payment) applications that are causing long delays for those applying for them.

“Even though people have disability benefits, it’s not enough, especially if they live on their own. Anyone with health needs living on their own is struggling to afford the basics now.” Adviser, Hardship Team

Inflation and Wages

As of September 2022, Consumer Price Index inflation has hit 10.1%² with food inflation hitting 14.6%. Most affected are the prices of flour, butter, oil and cheese, arguably staples.

Regular wages have gone up on average by 5.4%, but in real terms this is a 2.9% reduction due to inflation.³

² <https://www.bbc.co.uk/news/business-12196322>

³

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/average-weeklyearningsingreatbritain/october2022#>:

Housing

In the North West of England, rents have gone up by 4.3% as of September 2022.⁴ However Local Authority Housing rates (LHA rates) have been frozen since 2020 and it is not clear that they will be raised in 2023.ⁱ The LHA rate is the amount of money that someone is able to get to help towards their housing costs. It is based on the 30th percentile of market rent in any given area. As rents are rising, few and fewer properties are available for people to rent affordably, and this results in a gap between the LHA rate (the Housing Element of Universal Credit or Housing Benefit) and the actual cost of rent.

Interest rates are increasing and as of 3rd November 2022 have hit 3% affecting those who have a tracker mortgage and storing up significant increases for others as fixed term arrangements come to an end.

“Clients tend to prioritise electricity over gas, and they go without food to prioritise electricity. People get borderline OCD turning things off and on. One chap asked for blankets for Winter as he had already concluded he wouldn’t be able to afford any heating.” Adviser, Hardship Team

Energy costs

Energy prices have soared, partly due to the conflict in Ukraine. The Government has put in place an Energy Price Guarantee and has implemented various schemes for different demographics including a universal Energy Bills Support Scheme. The first of these has limited the price cap to £2,500 per household for average use. This is not a clear explanation however because real people tend not to have ‘average’ anything.

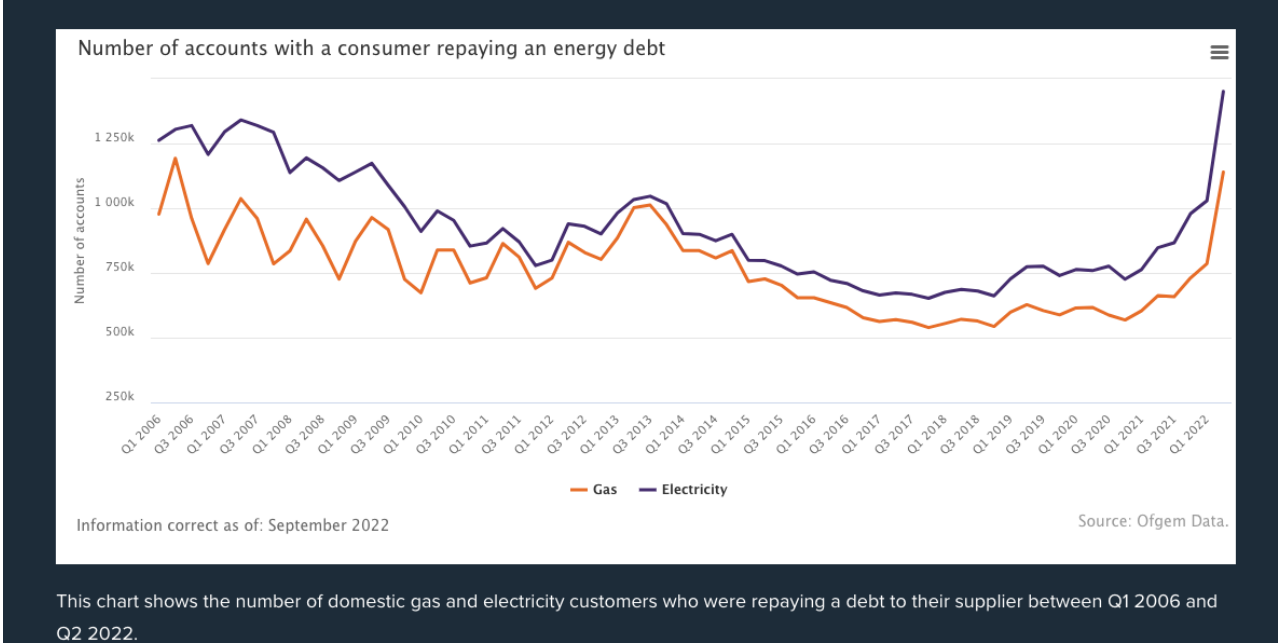
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<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/september2022>

A better way to explain this is that the government has capped the unit price of electricity at around 34p and gas at around 10.1p. How much you are charged depends on how much you use. Lancaster District has poorly insulated housing stock, meaning that many residents, especially those who are renting, find it difficult to afford the heating they need.⁵

The Energy Bills Support Scheme provides £400 to every household to offset the price of energy.⁶ Even with these schemes in place, for most people, the cost of energy has doubled since last year.

Ofgem⁷ has seen a very sharp increase in households with debt to their energy provider since the energy crisis began which you can see in the chart below.



This chart shows the number of domestic gas and electricity customers who were repaying a debt to their supplier between Q1 2006 and Q2 2022.

⁵ <https://www.lancasterguardian.co.uk/news/national/cost-of-living-crisis-two-thirds-of-lancaster-homes-are-not-energy-efficient-3841971>

⁶ <https://www.gov.uk/government/publications/energy-bills-support/energy-bills-support-factsheet-8-september-2022>

⁷ <https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts>

Ofgem's chart showing the number of households currently repaying an energy debt from 2006-22.

“Families who were getting by and doing alright, aren't alright now. They might have afforded a curry before, or a night out, but now they can't afford to do anything except the basics, they're going into debt and life is no fun because they can't afford to do anything. That's really hard for people to cope with. Social isolation is a massive problem, because it's winter and you can't go anywhere for free, so people have got no stimulation, no ability to form connections with friends. They get isolated and less confident” Adviser, Hardship Fund

Debt

Six million people, around 12% of the UK adult population are currently behind on at least one household bill. 45% of all UK adults, equivalent to 23 million people, have found it difficult to keep up with household bills and credit commitments in the past few months. This is up from 30% in October 2021 and 15% in March 2020 – a significant and worrying rise.⁸ Citizens Advice nationally is seeing an increase among people who present with 'negative budgets' which means that they don't have enough income to buy essentials and therefore are unable to service any of their debts.

***“I've had 5 cases in the past few weeks from people saying that there's no point in putting gas on the meter because it's in debt, so the money just gets swallowed.”
Adviser, Hardship Team***

⁸ <https://themoneycharity.org.uk/media/October-2022-Money-Statistics-2.pdf>

Benefits

Usually, benefits increase each year by the rate of inflation, and pension rates are protected by the 'triple lock'. If these norms apply, in April 2023 there should be a significant rise in the rates of working age benefits, by at least 10% which will help to protect those on the lowest incomes. However, even if these rates do go up, the UK's replacement rate (the phrase used for international comparisons of benefits) is one of the lowest in the OECD⁹ with the UK at the second from bottom of the list.

Research from Citizens Advice North Lancashire showed earlier this year that Universal Credit is not enough to live off in Lancashire¹⁰ to afford the basics and avoid destitution. In the face of rising inflation, if benefits are not increased in 2023, the effect on those on the lowest incomes will be serious hardship. Around 13,500 people in Lancaster District are in receipt of Universal Credit. 41% of them are in work.

“Pensioners are very worried and frightened about telling you anything and they’re proud. We’ve had pensioners who are still working despite poor health because they can’t afford not to. If they are renting and on a state pension they get housing benefit, but it doesn’t cover the cost of their rent all the time. A lot of them are in 2-3 bed houses they’ve been in all their lives, and now they are facing the bedroom tax. They can’t afford to move because it’s too expensive – moving house is a trauma in itself. Pensioners tend to have savings – and they are saving for a rainy day but they are saving for their funerals and for grandchildren, not for themselves. They are managing really well, scrimping and saving, but it just doesn’t add up at the moment” Adviser, Hardship Fund

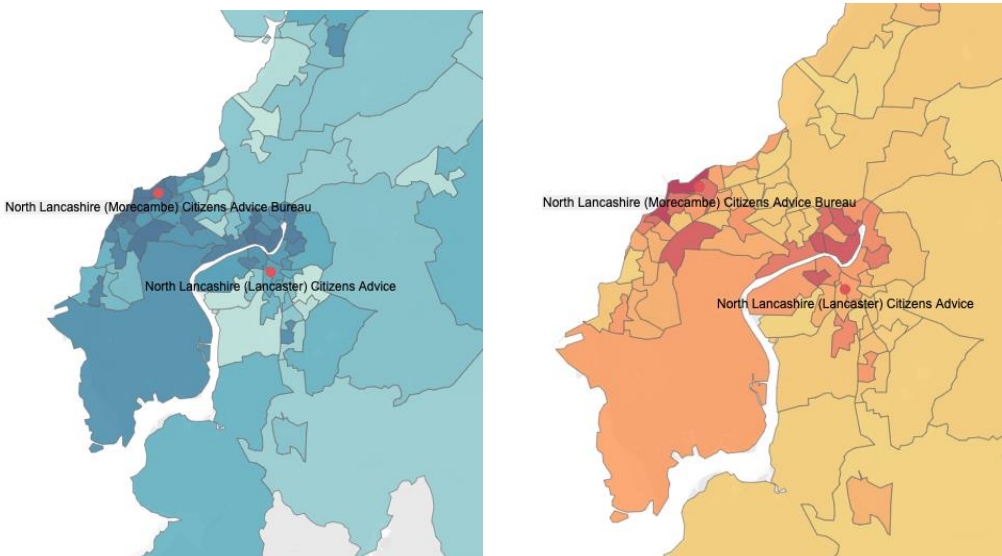
⁹ <https://stats.oecd.org/Index.aspx?DataSetCode=NRR>

¹⁰ <https://www.northlancashirecab.org.uk/assets/Life-on-a-Low-income-in-Lancashire-FINALweb.pdf>

What is Citizens Advice North Lancashire seeing because of the Cost-Of-Living-Crisis?

Citizens Advice North Lancashire is a local independent charity with offices in both Morecambe and Lancaster. It is staffed by a team of around 25, mostly part time workers, and 54 trained volunteers. The charity's objectives are to provide advice to people to help them to solve the problems that they are facing, and to campaign for change where policies and practices impact unfairly on residents.

Citizens Advice North Lancashire has seen a significant rise in cases from 1st November 2021 – 31st October 2022. The clients coming to us for help mirror closely with the indices of multiple deprivation (a measure by government of deprivation, undertaken at LSOA or Lower Super Output Area – small areas of a local authority containing on average 1500 residents).



The map above left shows the Indices of Multiple Deprivation by LSOA area in blue. The darker the colour, the higher the level of deprivation.

The map on the right shows the numbers of clients who came to our service from 1st November 2021 to 31st October 2022. The deeper the colour, the higher the number

of clients from that LSOA area. These maps show that we tend to see people who live in areas of high deprivation.

“I’ve heard about families sharing beds to keep warm, families moving in with each other, people using Klarna [a debt product] to buy food – that’s causing havoc. Debt is a constant cycle and people can’t get out of it, so they have to rely on the foodbank and fuel vouchers” Adviser, Hardship Fund

“You’re screwed! People are putting rents up astronomical amounts. You can’t get 3 bedrooms in this area for under £1,000 per month – there’s just nothing. But the LHA rate is only £650 for 3 bedrooms so I don’t know what we are supposed to do.” Client

“All it takes is one mini crisis to set people back – school shoes – so we can’t eat this week. We needed £40 for something, and then there’s no money for the shopping.” Adviser, Hardship Fund

“I talked to one lad who had just come out of prison. He said that being inside was better than being out because at least inside you got food and heating.” Adviser, Hardship Fund



Ward Breakdown

The chart below shows the numbers of clients who have come to us from each Ward in our District last year, compared with the year before, and it shows the percentage increase in clients for each ward. Client numbers have increased in every ward other than Overton in the past year. This is partly due to the pandemic ending, and an increase in volunteers, but we also think that this is due to the cost-of-living crisis and the increased need for support.

Ward

Count of clients with a financial crisis issue

| Local Authority Ward | Current Period | Previous Period | Change | % Chang |
|------------------------------|----------------|-----------------|------------|------------|
| Scotforth East | 46 | 14 | 32 | 229% |
| Bolton & Slyne | 17 | 6 | 11 | 183% |
| Marsh | 103 | 40 | 63 | 158% |
| Skerton East | 183 | 77 | 106 | 138% |
| Kellet | 7 | 3 | 4 | 133% |
| Castle | 81 | 36 | 45 | 125% |
| Torrisholme | 17 | 8 | 9 | 113% |
| Heysham South | 70 | 33 | 37 | 112% |
| Upper Lune Valley | 6 | 3 | 3 | 100% |
| Bulk | 138 | 73 | 65 | 89% |
| Halton-with-Aughton | 9 | 5 | 4 | 80% |
| John O'Gaunt | 30 | 17 | 13 | 76% |
| Scotforth West | 59 | 34 | 25 | 74% |
| Skerton West | 186 | 111 | 75 | 68% |
| Ellel | 20 | 12 | 8 | 67% |
| Lower Lune Valley | 12 | 8 | 4 | 50% |
| Warton | 4 | 3 | 1 | 33% |
| Carnforth & Millhead | 44 | 35 | 9 | 26% |
| Poulton | 171 | 140 | 31 | 22% |
| Harbour | 198 | 168 | 30 | 18% |
| Heysham North | 115 | 105 | 10 | 10% |
| Bare | 33 | 31 | 2 | 6% |
| Westgate | 137 | 131 | 6 | 5% |
| Heysham Central | 27 | 26 | 1 | 4% |
| University & Scotforth Rural | 1 | 1 | 0 | 0% |
| Silverdale | 3 | 3 | 0 | 0% |
| Overton | 24 | 26 | -2 | -8% |
| Grand Total | 1,716 | 1,123 | 593 | 53% |

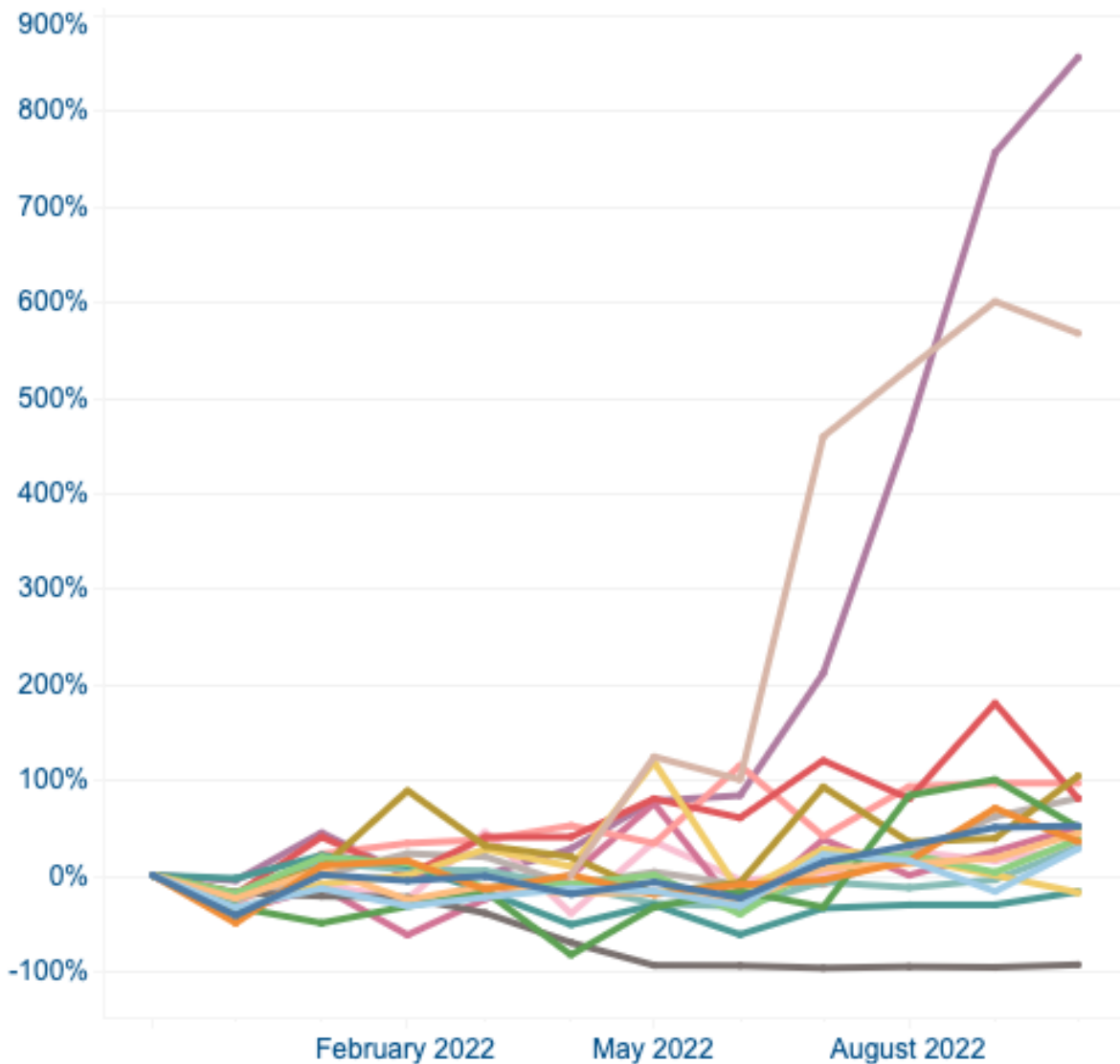
What issues are our clients facing?

The total issues that we helped clients with are summarized here:

Issues

| | Issues | Clients |
|---------------------------------|---------------|---------|
| Benefits & tax credits | 4,445 | 1,799 |
| Charitable Support & Food Ban.. | 2,906 | 1,223 |
| Debt | 3,541 | 985 |
| Other | 1,674 | 861 |
| Housing | 1,748 | 718 |
| Benefits Universal Credit | 1,218 | 548 |
| Utilities & communications | 956 | 524 |
| Legal | 569 | 360 |
| Relationships & family | 626 | 355 |
| Employment | 880 | 321 |
| Financial services & capability | 451 | 298 |
| Health & community care | 432 | 198 |
| Consumer goods & services | 315 | 196 |
| Travel & transport | 265 | 194 |
| GVA & Hate Crime | 195 | 96 |
| Tax | 100 | 82 |
| Immigration & asylum | 162 | 72 |
| Education | 85 | 59 |
| Grand Total | 20,568 | |

The more pressing question is how those issues are changing in the face of a cost-of-living crisis. The numbers are stark. The chart on the following page has two particularly large spikes showing the percentage increase in cases. These are both cost of living issues. The purple line showing the highest spike is **clients who are struggling to pay utility bills (an increase of 855% on last year)** and the brown line is the **increase in clients seeking charitable help (hardship fund, food bank vouchers and fuel vouchers) – an increase of 566%**.



As winter approaches, unfortunately we expect to see an ongoing increase in the numbers of clients coming to see us who cannot afford the basics (heat, light, food, shelter and hygiene). For as long as the hardship fund, food bank and fuel vouchers are available we can distribute them, but these are finite resources, and we are concerned about what may happen if and when these run low.

It is extremely difficult, as an advice agency, when we have no advice to give. We are finding that more and more clients simply don't have enough to live off. We will continue to campaign on this issue.

*“Lots of people are very accepting of the situation. And it’s become normal not to have what you need. Not enough food or heat and worries about debt and rent.”
Adviser, Hardship Team*

“A teaching assistant applied to the Hardship Fund because Teaching Assistants don’t get paid in the summer holidays and Universal Credit doesn’t catch up quickly enough with the drop in income. We’ve seen nurses and teachers too, and a doctor. It’s affecting everyone now.” Adviser, Hardship Team

Who are our clients?

From 1st November 2021 – 31st October 2022 we saw 5,382 clients with 20,568 different issues and we opened 7,970 cases.

63% of our clients have a long-term health problem (49%) or a Disability (14%) with only 37% of clients have no health issues. This shows very clearly that those in society who suffer from ill health are likely to have issues with other areas of deprivation including poverty, poor housing, inadequate food or heat, employment issues or benefit problems.

Most of the work that our Advice Matters team undertakes is helping with PIP (Personal Independence Payment) applications, mandatory reconsiderations and appeals, and also with Attendance Allowance, which is a benefit for disabled pensioners. PIP work takes up a huge amount of our time, with many residents finding themselves in very difficult financial circumstances when illness strikes before pension age, because the benefit system does not cover the cost of living.

61% of our clients are women. As 90% of single parents are women, this is not a surprise as we know that single parents tend to struggle financially. This summer we saw multiple cases of single parents having to give up paid work due to a lack of

childcare, with applications being made to the Lancaster District Hardship Fund as a result.

The ethnicity of our clients reflects local demographics with 95% of clients being white. Many clients do not self-identify as Gypsy, Roma or Traveller so it is difficult to know how many of our clients are from that community but Morecambe, particularly the Middleton area, has a significant Traveller population. Lancaster-based charities Global Link and RAIS exist to support refugees and asylum seekers so we know that we see fewer of these clients due to the support they can access there.

Most of our clients are of working age (around 80%). In the past year the largest age group we saw was adults aged 35-39.

“Sometimes the knock on effects of going into work doesn’t pay – you lose healthy start vouchers, you lose money for childcare and then you’re worse than when you weren’t in work.” Adviser, Hardship Team

How do we benefit clients?

In the past year the service has gained direct income of £2,658,037 for residents in Lancaster District. It has also help write off debt worth £628,477 and rescheduled payments worth £214,990.

The total financial impact to clients of our work in the past year is £4,217,045.

“I don’t know what I’m going to do. I can’t afford gas and electricity going forward and this Hardship Fund is welcome but it’s just a drop in the ocean.” Client

Wellbeing

We know that the benefit to clients is not just financial. We have a particular project – our Advice Matters project, which seeks to improve health and wellbeing through the provision of good advice. This service focuses on how clients feel, and surveys are taken at the start and end of our work with people.

We work in GP surgeries, and we know that our work supports the NHS and saves it money. GPs often remark that people come to them because of poverty or practical issues so where we can, we work in partnership with doctors in our area, reducing the need for appointments and where health issues are occurring, encouraging clients to get help early, rather than waiting for things to reach crisis point. This reduces emergency attendance at A&E.

The Advice Matters service surveys show that after seeing our advisers, 69.5% of clients feel more confident, more optimistic, less stressed, or more satisfied with life. Where they don't, we are finding that this is due to long waiting times for disability benefits such as PIP, so the issue has not been resolved. We maintain contact with clients over longer periods now, so that we can check that their issues have been resolved over time.

“Loads of people can't work due to childcare costs. There aren't many jobs available 9-3 and schools aren't prioritizing working parents for after school clubs.” Adviser, Hardship Fund

How will we respond as Winter approaches?

Citizens Advice North Lancashire is proud to be a part of the national network of Citizens Advice offices. Our data and research contribute to the national picture – and Citizens Advice is well placed to tell stories about what is going on as it is located in almost every community across the country. This information is used to influence policy making at a national level.

Locally we are committed to working in partnership with colleagues in the local council and the third sector and we will continue to do so for the benefit of our clients. We will seek additional funding to provide as many expert advisers as possible, to recruit and train new volunteers and we will continue to campaign on behalf of the most vulnerable clients we see.



The Citizens Advice North Lancashire team and partners at the opening of the Lancaster Office in September 2022.

“If you live on your own you can’t get by on just benefits” Adviser, Hardship Fund

Citizens Advice North Lancashire is an independent local charity. To donate to our service, go to <https://www.justgiving.com/citizensadvice Lancashire>

Thanks to Hardship Team for their input into this paper. The Lancaster District Hardship Fund has been set up by Lancaster City Council and it is run in partnership with Citizens Advice North Lancashire. The aim of the fund is to provide support to residents who are struggling financially.

The types of short term support the fund can help with includes

- Utility Bills
- Food
- Housing Costs
- Household appliances
- Other essential items

Applicants undergo an assessment from the Citizens Advice North Lancashire Hardship Team, who support clients and identify debt, housing, benefit, financial and employment issues and offer further support if necessary to ensure that clients are claiming all benefits and other support they are entitled to. We can refer clients to our debt team for further intensive work and we can signpost to other local services such as foodbanks and food clubs.

ⁱ <https://www.insidehousing.co.uk/news/news/lha-rates-frozen-for-next-year-minister-confirms-73515#>