



LIFE ON A LOW INCOME IN LANCASHIRE



An aerial photograph of a city in Lancashire, likely Blackpool, serves as the background. The image is overlaid with a semi-transparent blue filter. In the top-left corner, there is a large graphic of three overlapping triangles in light blue, orange, and white. In the bottom-right corner, there is a small orange triangle containing the number '02'.

LIFE ON A LOW INCOME IN LANCASHIRE

A RESEARCH AND CAMPAIGNS REPORT BY CITIZENS ADVICE IN LANCASHIRE

Citizens Advice Blackpool
Citizens Advice Burnley & Pendle District
Citizens Advice Rossendale & Hyndburn
Citizens Advice West Lancashire
Citizens Advice North Lancashire
Citizens Advice Fylde
Citizens Advice Preston
Citizens Advice Ribble Valley

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EXECUTIVE SUMMARY

What is meant by an income which allows people to manage their lives adequately? The Joseph Rowntree Foundation offers this definition: **A minimum standard of living in the UK today includes, but is more than just, food, clothes, and shelter. It is about having what you need to have the opportunities and choices necessary to participate in society.**

This report looks at the difficulties people living in Lancashire experience in managing their lives on low incomes whether they be wages, benefits or both. It combines research undertaken by the Citizens Advice Lancashire Research & Campaigns group about benefits and wages in our region, an analysis of our statistical data and some case studies, and a look at DWP statistics.

In particular, the report draws attention to specific areas of the Universal Credit system that are not working – particularly the housing element which fails to cover most people's rent, and DWP debt, meaning that they must make up the shortfall from meagre benefits which are not keeping up with the cost of inflation.

Citizens Advice workers across Lancashire take thousands of calls from people for a myriad of reasons; the front-line experience of advising people, and the complexity of the task, demonstrates the difficulties people have understanding the benefits system if they have not previously used it. For those who have to live off it long term, our research shows that the basic rate of benefits is not enough to cover the essentials.

As we approach Summer 2022, with the price cap lifting on energy bills, inflation in double digits, National Insurance being raised and a recent cut to Universal Credit, we know that many people's incomes are getting squeezed and that **those on the lowest incomes are finding it very difficult to manage to afford the basics – adequate heat, light, food, hygiene and shelter. In short, destitution.**

This report uses statistics from Lancashire County Council looking at the "Lancashire 14 area" which means the 12 district areas of Lancashire plus Blackpool and Blackburn with Darwen. Using these, we can look at an overall picture of life on a low income in Lancashire.

The results are stark. Universal Credit, in many cases, is not enough to live off, and certainly not enough to allow people to thrive rather than survive. As the cost of living crisis hits, more and more residents are likely to find themselves in an impossible situation. We argue that this is not right, and we call on those in power to change the system so that everyone has an adequate income to live off.

WAGES IN LANCASHIRE

The Government consistently states that employment is the route out of poverty. For many people on the lowest incomes or who need to work part time due to caring responsibilities or illness, this does not always hold true.

Employment varies enormously depending on where you live, what your circumstances are and what your skills and qualifications are. Using statistics from Lancashire County Council we can look at an overall picture of employment in Lancashire.

Median average full time weekly pay in Lancashire is broadly similar to the UK average (£610.70). [1] Blackpool and Pendle are the areas with the lowest wages.

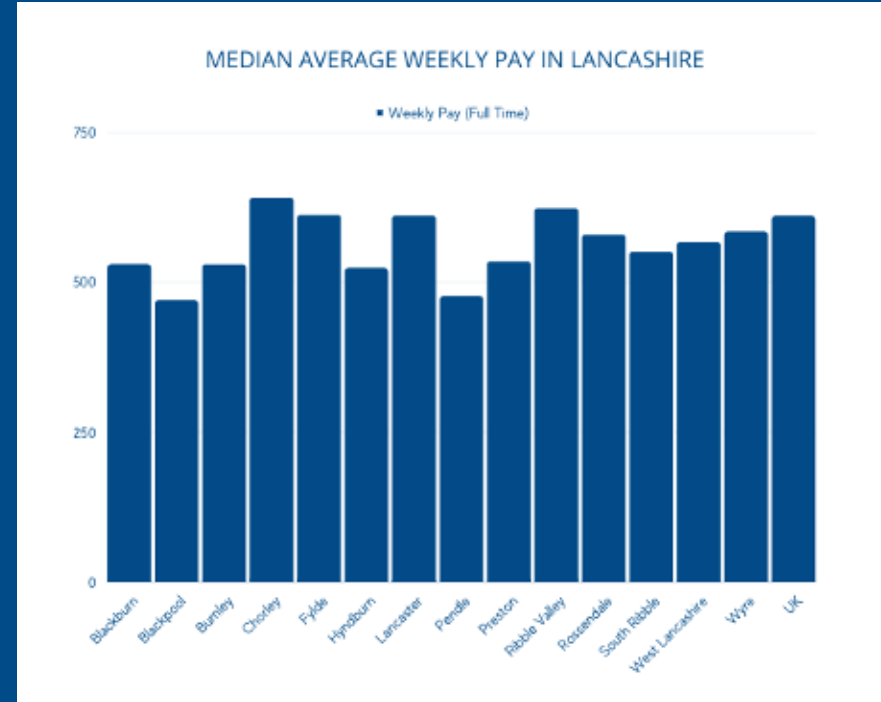


Fig 1 - Median Average Weekly Pay in Lancashire by District Authority
[1. <https://www.nomisweb.co.uk/reports/lmp/la/contents.aspx>]

EARNINGS AND GENDER

Men and women earn different amounts with women earning significantly less than men in all areas of the UK.

Part time work is also affected by gender with around 11.4% of men working part time compared with 34.5% of women. Part time work also affects incomes and means that women are more likely to earn less overall than men.[1]

Most Citizens Advice clients are women – on average across the country 57.6% of clients are female compared with 42.4% men.

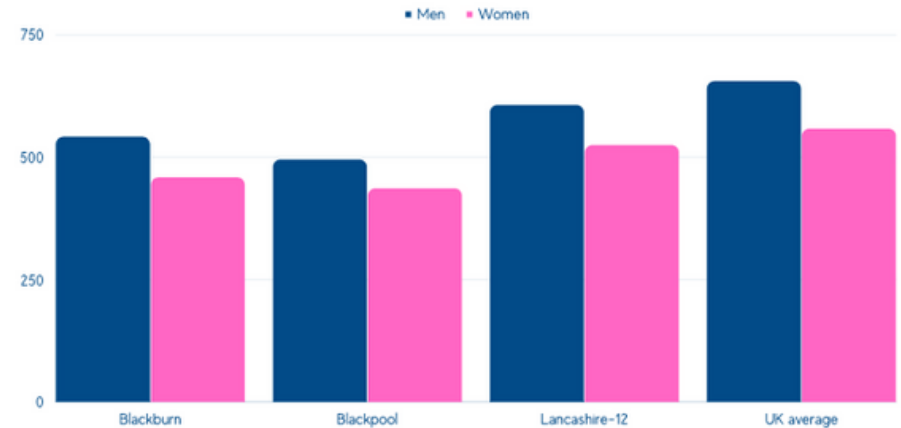
The majority (90%) of single parents, who often live on the lowest incomes, are female.

It is therefore more likely that women and their children are affected by low incomes and poverty than men. This in turn has a significant impact on their ability to afford everything they need.

Fig 2 - Median average weekly pay for men and women in different parts of Lancashire and the UK. Note that in the North West people earn less than the UK average.

[1] <https://data.oecd.org/emp/part-time-employment-rate.htm>
<https://www.statista.com/statistics/280646/full-time-weekly-salary-in-the-uk-by-gender/>
<https://www.nomisweb.co.uk/default.asp>

MEDIAN AVERAGE WEEKLY PAY FOR FULL TIME MEN AND WOMEN



GENDER AND PAY

The gender pay gap varies across Lancashire quite markedly is on average about 18%. This number is the difference between men and women's hourly earnings as a percentage of men's earnings.

The picture across Lancashire is very variable but in all but two areas Burnley and Preston, there is a big gender gap in pay, affecting women's life chances and ability to afford the basics, especially where they are the sole earner in their household. Interestingly more men than women claim Universal Credit in all areas of Lancashire. It is likely that in many cases women are living with men who earn more than they do.

ZERO HOUR CONTRACTS

Zero Hours Contracts are working arrangements whereby an employer does not guarantee any hours to an employee and can increase or decrease the number of hours offered when employed without notice.

Approximately 93,000 workers in the North West of England[1] are employed on zero hours contracts. The pandemic was particularly difficult for those on zero hours contracts who often found themselves without any work due to the lockdowns.

A national restaurant chain had problems in their supply chain and had to close their restaurants for several days. Workers in Morecambe had paid bus fares to get to work, only to be told that there were no hours that week. Several employees needed referrals to local foodbanks as a result.

The Citizens Advice Help to Claim service gave support to many people who had not previously encountered the benefits system who were on zero hours contracts and found themselves in serious financial difficulty in early 2020. Advisers found that the benefits system is difficult for people to understand and that the 5 week delay when you first apply for Universal Credit causes debt and hardship. Clients can ask for an 'advance payment' to cover this time period, but it is a loan and has to be paid back out of subsequent benefits over around a year, which reduces them to a point at which many people can't afford the basics.

[1]<https://www.statista.com/statistics/398583/number-of-employees-zero-hour-contracts-region/>

MINIMUM WAGE AND REAL LIVING WAGE

The Low Pay Commission estimates that there were 2 million workers paid at or below the minimum wage in April 2019 – around 7% of all UK workers.

The Real Living Wage is a voluntary rate calculated by the Real Living Wage Foundation – which was £9 per hour in 2019. A study by IPPR showed that in 2019, 27% of workers in the North West earned less than this.

The Minimum Wage has risen sharply to £9.50 from April 2022. (The Real Living Wage Foundation has set the Real Living Wage at £9.90 per hour). This is welcome as inflation is currently very high. However, the minimum wage is scaled by age as follows:

Age 23 and over	£9.50
Age 21-22	£9.18
Age 18-20	£6.83
Under 18	£4.81
Apprentice	£4.81

As with Universal Credit, younger adults find themselves penalised for their age both by benefits and by the minimum wage. For care leavers, or young people who do not have parental support, it can be very difficult to get by under the age of 23. Universal Credit pays a lower rate of benefit to those under 25 (and to those under 35 for the housing element).



SICK PAY

Statutory Sick Pay (SSP) in the UK is extremely low compared with our European neighbours. It's paid at £99.35 per week for up to 28 weeks. (whereas, for example, Germany pays 70% of wages for 84 weeks, Norway pays 100% of wages for 52 weeks and Switzerland pays 80% of wages for 103 weeks).

The inadequacy of SSP was particularly highlighted due to the Covid-19 pandemic when so many people found themselves away from work and in need of financial support.

You are only entitled to get SSP if you are sick for four or more days in a row, earn at least £123 per week and are not an agency or casual worker between jobs.

Sick Pay can be topped up by support from the Universal Credit system but as many people discovered during the pandemic, the UC system is not fast enough or nimble enough to help in the short term, due to the 5-week wait at the start, and eligibility is a problem for many people, especially those in a couple or who have assets or savings.

LIVING ON BENEFITS: UNIVERSAL CREDIT

Benefits in the UK are complex as there are so many different benefits and two systems at work. However, the vast majority of working age people on benefits are now in receipt of Universal Credit which was introduced in Lancashire between 2015 and 2018.

Universal Credit was designed to replace 'legacy' benefits such as Job Seekers Allowance, Income Support, Employment and Support Allowance, Housing Benefit, Child Tax Credits and Working Tax Credits. It is paid monthly in arrears and supports both people out of work and those in work by topping up low wages. It supports those unable to work due to a health condition, or those who have caring responsibilities, and it includes help with housing costs.

There are separate benefits available for disabled people such as Personal Independence Payments (PIP) and Disability Living Allowance (DLA). Carers Allowance is available for people in receipt of disability benefits.

There are benefits available to people who have paid national insurance payments over the past two years when they are either unemployed or unwell. These are called "New Style Employment and Support Allowance" and "New-Style Job Seekers Allowance". This can be confusing as they are separate from the legacy benefits called Employment Support Allowance and Job Seekers Allowance.

This report focuses on Universal Credit because it is the main benefit for working age adults but in some of the case studies we have included adults living on other fixed incomes such as pensions or legacy benefits.

The key thing that we want to convey is that working age benefits are not enough for most people to live off. The Universal Credit system is difficult to navigate and in places it does not work well enough for people to avoid hardship and debt, especially at the point of applying whereby there is an initial 5 week wait for money.

The rate at which benefits are paid, especially after the £20 cut was implemented in October 2021, is too low to afford the basics. The housing element is too low and is not rising and for those who are disabled or long term sick the application system to get additional money is too complex.

HOW DOES UNIVERSAL CREDIT WORK?



- Universal Credit is a digital benefit that must be applied for online in most cases
- From the day you apply there is a 5 week wait before you get any money
- You can take a loan if you need an 'advance payment' before this, but it must be paid back
- If you live with someone as part of a couple you have to apply jointly and both incomes are taken into account when calculating eligibility
- If you are under 25 you are paid a lower rate of Universal Credit than over 25s for the standard element.
- This causes serious hardship for young people, especially young parents or care leavers. (see Case Study)
- If you are under 35 you can only get the shared accommodation rate for housing.
- You can't get Universal Credit if you have savings of more than £16,000, ordinarily if you are a student, or if you're not a UK citizen and don't have 'recourse to public funds'.
- Universal Credit is made up of different elements – an amount to live off (the 'standard allowance'), and amount for any children you are responsible for, and some for housing if you have rent to pay. There is also a carers element and an element if you are unwell or disabled and can't work long term. This is called "Limited Capability for Work Related Activity" or LCWRA or "Limited Capability for Work" or LCW and has to be applied for in a process similar to disability benefits with a long form and an assessment.
- If you are awarded LCWRA then you are eligible for an additional amount of Universal Credit each month, just over £340, in recognition that you can't work.
- Universal Credit won't cover mortgage payments or costs for children who don't live with you full time or if you're not the main carer
- If you are working, Universal Credit can top up low wages. Each month, your income will be assessed, and your benefit is reduced by 55p in each pound that you earn up to a certain threshold. This is called the taper rate.
- It's estimated that 1.3m people in the UK are not claiming UC when they might be eligible.
- If you are self-employed, the DWP will assume that you earn 37.5 hours per week at minimum wage before calculating your benefits.
- When you apply for Universal Credit you are put into a 'Claimant Commitment' group which you have to agree with your work coach. This means that you agree what you'll have to do in return for getting Universal Credit. For some people that means an intensive work search, but some people will have no work-related requirements due to health or caring responsibilities.
- The housing element of Universal Credit doesn't necessarily cover your actual rent – it's paid at the 30th percentile of market rate where you live. This causes problems in areas with high housing costs. (see below)
- The government has introduced a two-child limit and a benefits cap in recent years which limits the total amount of benefits that anyone can receive and only allows families to claim for 2 children if they were born after 2017. This causes great hardship for some families but the benefits cap is less of an issue in Lancashire mainly due to lower housing costs.

HOW BENEFITS TOP UP WAGES



CASE STUDY

Carys is a single parent, living in rented accommodation with one child age 3. She works 18 hours per week earning minimum wage (£9.50 per hour) – which is £171 per week or £741 per month.

Universal Credit is a complex benefit because it is designed to top up wages and support those who are out of work.

It is paid monthly in arrears, and it is calculated by looking at how much someone earned the month before (reported automatically by HMRC) and it applies a 'taper rate', a 'work allowance' and various other things (such as the 'minimum income floor' if you are self employed) and calculates your benefit payment based on your circumstances.

In theory, this system works well, allowing someone to earn money (they are not limited to 16 hours like tax credits were) and to increase their working hours over time.

Carys is eligible for Universal Credit and her benefit award breaks down as follows:

Standard Element (for a single adult) £334.91
Housing Element (help with rent) £500.00
Children (amount per child) £244.58

Total if Carys was not working: £1079.49

Amount taken off for Carys' earnings - £218.35 (so Carys' only loses this amount from her Universal Credit which means she 'keeps' £522.65 of her wages).

Total payment of Universal Credit for the month - £861.14. Added to her wages, this makes a total income of £1,602.14 per month for Carys and her child to live off.

With a regular wage in secure employment, Carys is able to top up her low income and Universal Credit can be very helpful. Carys's mother provides childcare for Carys so that she can go to work – but if Carys needed help with childcare she can claim up to 85% of it back after paying it, from Universal Credit.

CASE STUDY

Adam is single and he has a zero hours contract with a restaurant chain, and his hours fluctuate a great deal. One week he could be working only 5 hours and then another week he may work 35 hours. This causes real problems with the Universal Credit system for Adam, as he's claiming the basic rate and the housing element.

As his wages fluctuate all the time, he's never sure how much Universal Credit he will get, and some months he doesn't get any at all. Because the benefit is paid in arrears, it is difficult for Adam to plan or manage his money because he never knows how much UC he will get. One month, his employer incorrectly reported his hours as being much more than the hours he actually worked, and he was left with no UC that month. This pushed Adam into rent arrears.

PROBLEMS WITH UNIVERSAL CREDIT AND WORK

Citizens Advice staff have heard about many cases when people's wages are reported incorrectly to HMRC which causes errors in the calculation of Universal Credit. In other cases, some people effectively get paid twice in one 'assessment period' (which is when UC look at how much you earned in any given month) due to bank holidays or weekends. This means that sometimes people get a zero award, even if they need help from UC to pay for basics.

Errors in the system can take a long time to rectify and many clients find it frustrating to try and work out what they should be receiving from the UC system. Where errors happen, it can push clients into destitution.

UNIVERSAL CREDIT IN LANCASHIRE

Figure 5 shows the percentage of the population on Universal Credit by men, women and both. As you'll see from the graph, the numbers fluctuate depending on the area, with more people in receipt of UC in areas of higher deprivation such as Blackpool and Blackburn, whereas in Ribble Valley and Chorley, the percentage is lower – these areas are more affluent.

- As of November 2021, the total number of people on Universal Credit in the Lancashire-14 area was 146,356 persons, which is 16% of people aged 16-64.
- 60,299 of those people are in employment, being 41.2%.
- Of the 58.8% of those on Universal Credit who are not working, a significant proportion will not be working due to illness or caring commitments.
- Blackpool has the highest total UC proportion in the UK at 26.1% - being 21,903 people
- Burnley has the second highest total UC proportion in the UK at 23.6%, being 18,938 people.
- The national average for Universal Credit rates within the population is 14.1%
- Ribble Valley has only 6.8% of working-age people living on Universal Credit so there is considerable variety in Lancashire.
- As of May 2021 the total percentage of people in the L-14 area claiming ANY working age benefit (including people who are working) was 26.7%. This includes legacy benefits.

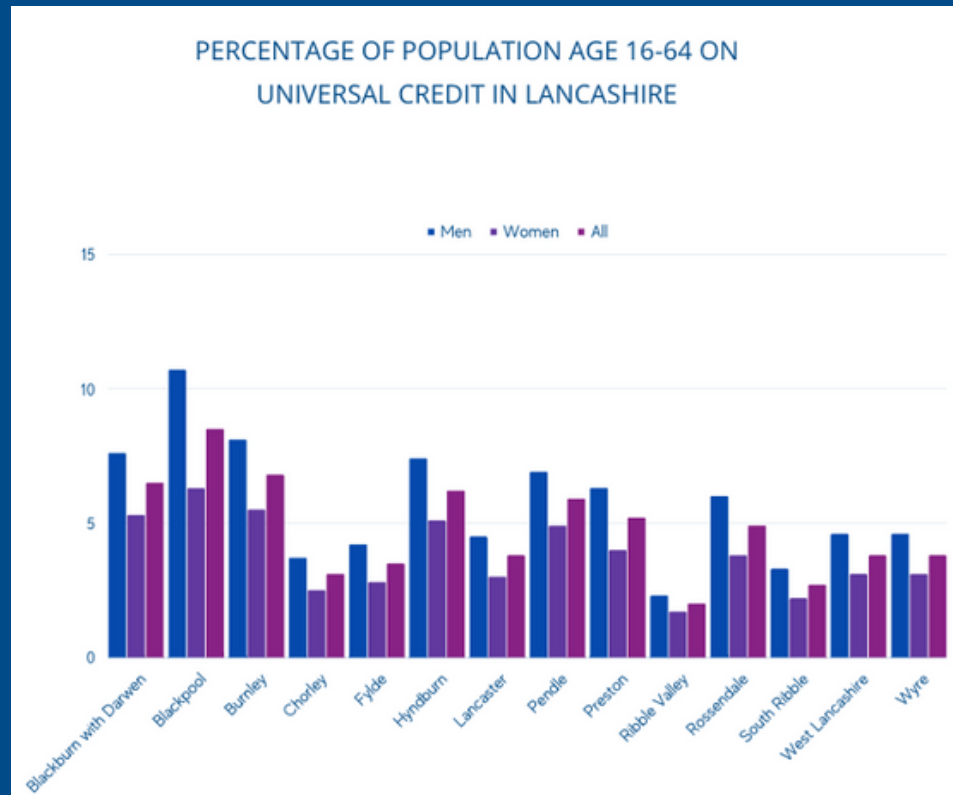


Figure 5 - percentage of the total population age 16-64 in each area in Lancashire by men, women and all. More men than women claim Universal Credit in all areas.

UNIVERSAL CREDIT: A ROUTE OUT OF POVERTY?

We have divided claimants into three groups – those who are working (light blue), those who are not required to look for work (navy), and those who are subject to an intensive work search (red).

In most cases around half of claimants are working or working with conditionality (usually a commitment to search for more hours). A large proportion, (over 20%) of claimants are not looking for work – this is usually due to ill health, caring responsibilities or having a young child (we have added the categories 'preparing for work' and 'planning for work' into the 'no work requirements' category for ease of understanding these numbers).

The government frequently cites working as the route out of poverty but for many UC recipients in Lancashire they are already working, and the cut to Universal Credit, the freezing of the Local Authority Housing rate and it's low rise compared with inflation in April 2022, is impacting on their ability to afford the basics. For those who cannot work, for many reasons, benefits are now being paid at their lowest rate comparative to wages, since the Second World War.

1.<https://www.lancashire.gov.uk/lancashire-insight/economy/income-earnings-and-benefits/>
2.<https://dwp-stats.maps.arcgis.com/apps/MapSeries/index.html?appid=f90fb305d8da4eb3970812b3199cf489>

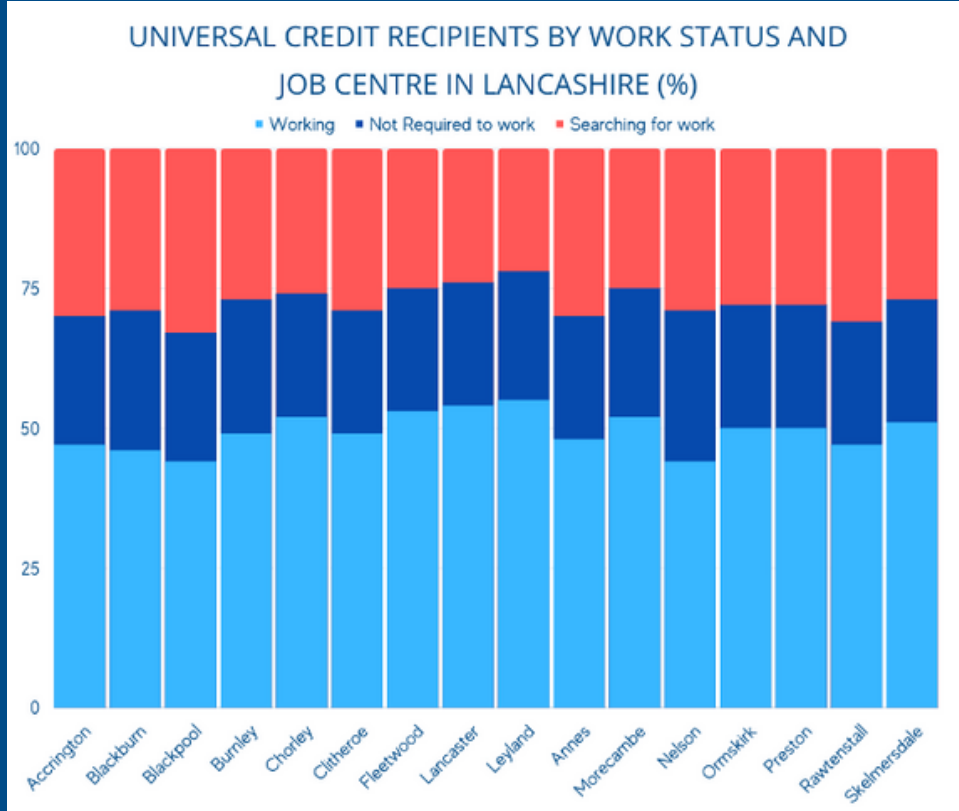


Fig 6: Number of people on Universal Credit and their conditionality by job centre as of 10th February 2022.

HOUSING COSTS AND UNIVERSAL CREDIT

The Housing Element of Universal Credit can be particularly problematic for some people. If you are already living somewhere, and you lose your job, you can't adjust your housing costs to suit. However, this is what is expected by the benefits system which will only help with housing costs on a fixed formula.

Firstly, Universal Credit calculates how many bedrooms you may be entitled to. This is based on the number of people living in your home and your housing allowance will be reduced if you have more bedrooms than people you are claiming for. If you have grown up children in your home, you may be given a 'non-dependent deduction' as they will be expected to contribute to the rent. This is usually around £75 per month, per non-dependent person.

The housing element is paid at the 30th percentile of market rate from 2020. This doesn't reflect the recent steep rises in local rent prices and in many cases fails to cover the actual cost of rent.

This means that claimants must make up the difference between their housing element and their actual rent out of the 'standard allowance' which is the part of Universal Credit they are supposed to live off (around £73 per week). This means very difficult choices for many people. Inflation in 2022 is affecting rents across the UK which are rising. Increases in interest rates are likely to impact on private rental prices in the coming years.

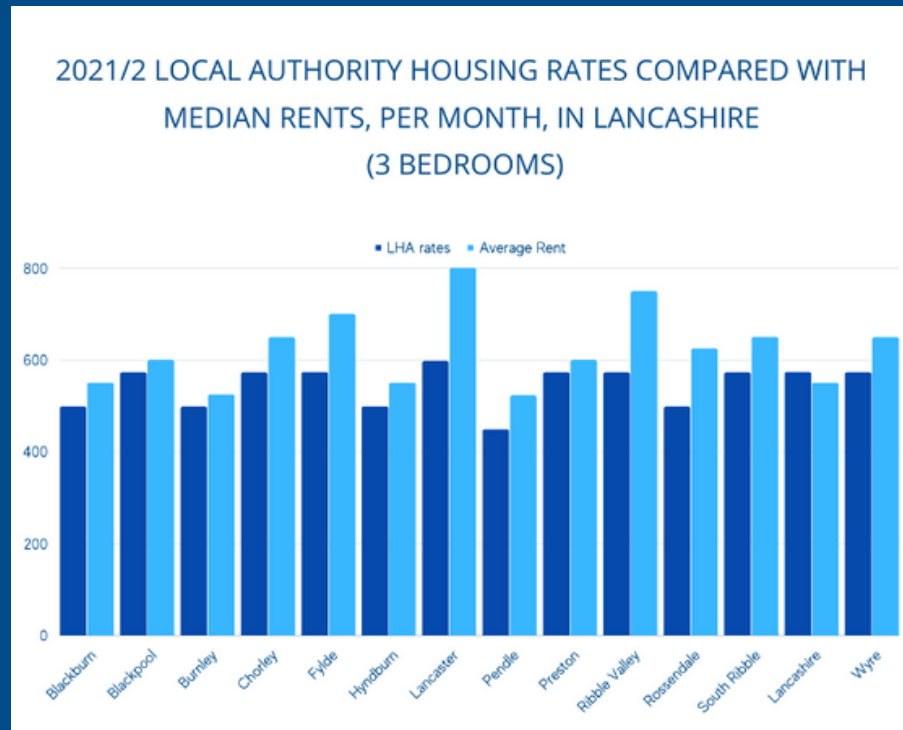


Fig 7 – this graph shows the difference between the LHA rate (navy blue) which is given to cover rental costs in a given area, and the actual median market rent (light blue) in that area for a 3 bedroom house. In some areas, the difference is large which means that many clients fall into rent arrears or go without essentials to afford the rent.

COMMENT FROM CITIZENS ADVICE

Katy, the manager at Ribble Valley Citizens Advice says *"The cost of private rentals in Ribble Valley is certainly an issue. We believe that long term benefit claimants are priced out of the area or significantly impoverished. We support people to claim Discretionary Housing Payments from the council almost routinely."*

CASE STUDY

Simon lost his job as a bar manager in the pandemic. He rents a 1-bedroom flat in Lancaster for £650 per month. He applies for Universal Credit and is given £418.86 per month to cover his rent. This leaves him with a shortfall of £231.14 per month which he must make up out of the Standard Element.

Given that the standard element of Universal Credit for him to live off for the month is £342.72 the shortfall in rent leaves him £111.58 to live off for the month to pay all his bills and buy food. This is £25.74 per week.

With utility bills and food prices rising, Simon cannot afford the basics.

DIFFERENCE BETWEEN LHA RATE AND MEDIAN RENT IN £, PER MONTH

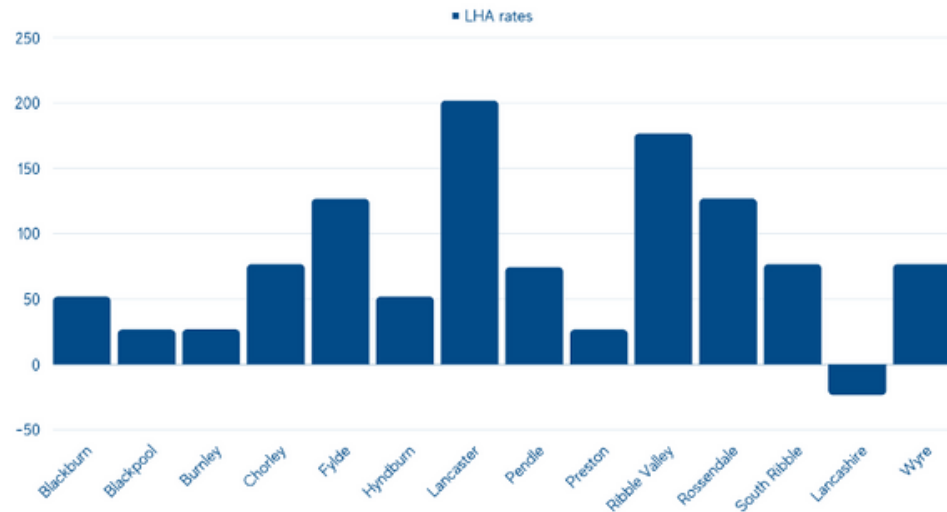


Fig 8 – this graph shows the difference, in pounds, between median rent and the LHA rate, per month, for different areas in Lancashire for a 3 bedroom house. In Lancaster and Ribble Valley there is a shortfall of over £150 per month that clients must make up if their rent is average, rather than at the LHA rate.

HOUSING ALLOWANCES ARE TOO LOW

DIFFERENCE IN LHA RATE AND MEDIAN RENT AS A PERCENTAGE
OF THE STANDARD ELEMENT OF UNIVERSAL CREDIT PER MONTH

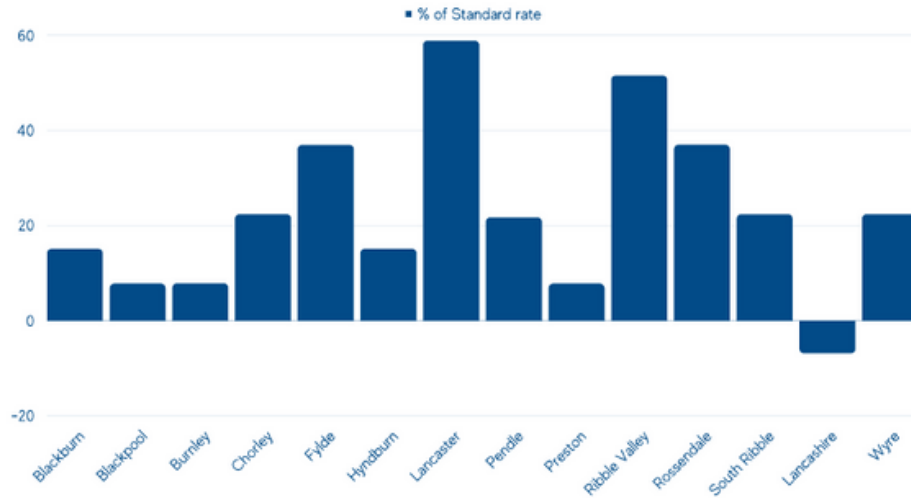


Figure 9 shows the amount (percentage) of the standard rate (£342.72) that someone must spend on housing if their rent is average, rather than at the 30th percentile of market rate for a 3-bedroom house. As you can see, areas with more expensive housing create more problems for people.

In Lancaster, if your rent is the average market rate, you would have to spend nearly 60% of the standard element of UC (the part you have to live off) to make up the shortfall of your housing element. This leaves a single adult with roughly £143 to live off for the month.

Conversely in some areas of West Lancashire, the housing rates are set at a more affordable rate – but there are several different housing rates in this area depending on your postcode, so it depends where you live. Most council housing or housing association property is set at or below the LHA rate of rent which allows those tenants to afford to live off benefits more easily.

Rents in the North West of England were on average £674 per month in December 2021, an 8% rise on the previous year. This rise is not reflected in the LHA rates which are frozen and remain at the levels set on 1st April 2020. This means that the percentage of properties priced at the LHA rate is likely to become smaller over time. Those on benefits looking for somewhere new to live will have less than 30% of the market available to them due to rising prices.

This causes difficulty and stress when it comes to housing; tenants are either forced to rent privately at a higher price than the LHA rate, which means that they must pay more from their benefits to cover their rent, or they risk homelessness while waiting on council waiting lists which are extremely long, especially where 3 or more bedrooms are required.

CASE STUDIES

"My husband passed away and I began to really struggle with my finances. Universal Credit is not enough for me to live on. I have a broken boiler which I am unable to repair because of a lack of money. I have to wash myself in the sink using a kettle for hot water because I have no hot water." Single female client, Blackpool

"I work part-time as a key worker. I rely on Universal Credit to top-up my income. I have debts which have built up over time because of my lack of income. Even with the top up from benefits, I have a budget deficit at the end of every month and have to scrimp to get by. This often results in missing meals or defaulting on bills to ensure to that I have enough money to keep myself safe and healthy. My wages are not enough to deal with the limited help I get from Universal Credit." Client, Blackpool

"We spoke to a client last week who was working full time for the NHS and who needed a referral to the foodbank because her wages and her Universal Credit were not enough for her to live off." Citizens Advice worker, North Lancashire

AFFORDING THE BASICS ON UNIVERSAL CREDIT



Citizens Advice's Lancashire Research Cluster has looked in detail into how much it costs to afford the basics in specific areas of Lancashire.

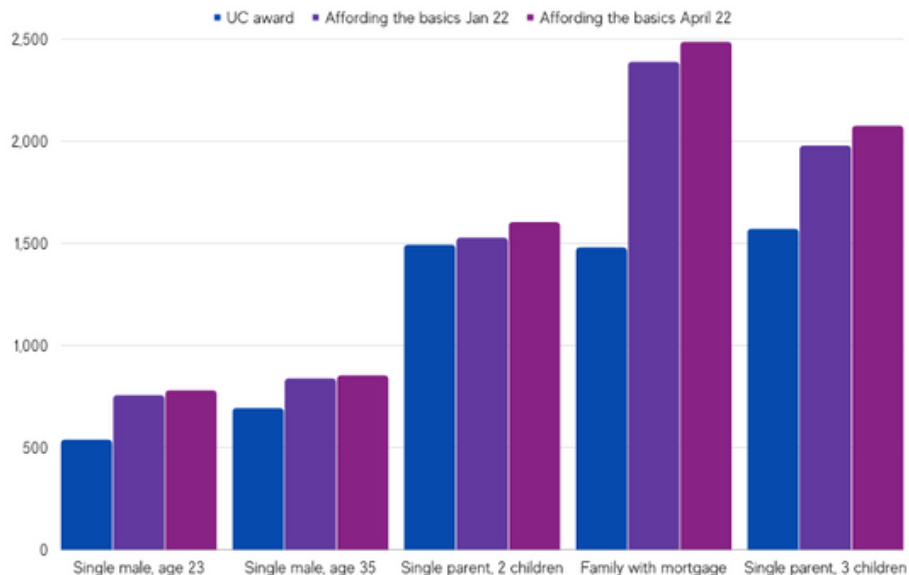
We calculated average costs for essentials including rent, water, gas, electricity, council tax, tv licence, phone and internet access, travel, food, personal goods and services and clothing and school uniform for each area. These are the items that we consider are essential to avoid destitution. We compared these with benefits paid to claimants in each area of Lancashire.

Note that we expect the situation to worsen as 2022 goes on, and the price cap lifts again in October. This services to illustrate the very deep poverty that many people are trapped in due to inadequate benefit payments.

Fig 10 shows the cost of the absolute basics in Blackpool in January 2022 (purple) and April 2022 (maroon) to incorporate a 57% rise in fuel bills, in comparison with what they are receiving in Universal Credit (blue).

"Destitution means going without the essentials we all need to eat, stay warm and dry, and keep clean." – Joseph Rowntree Foundation

ENOUGH TO LIVE OFF? UC CLAIMANTS INCOMES VS
COST OF ABSOLUTE BASICS IN BLACKPOOL



AFFORDING THE BASICS ON UNIVERSAL CREDIT



When calculating 'the basics' we do not include socialising, culture, emergencies, birthdays, celebrations, tobacco or alcohol. The result is stark. People living on the lowest incomes have little chance of being able to afford the absolute basics while living on Universal Credit. For those who fall on hard times who have a mortgage, they will not be able to afford the payments. For those who are affected by the benefits cap or the two-child limit, the impact is severe.

For those whose benefits are subject to a deduction by the DWP for an advance payment, a sanction, debt collection, an emergency loan or a historic debt such as a child tax credit debt, it is almost impossible to get by. In November 2020, 44% of Universal Credit recipients were subject to some kind of deduction from their benefit payment. [1]

The Joseph Rowntree Foundation calculates the amount that people need in order to achieve a 'decent' standard of living as established by in depth surveys of the public. Its essence is the idea that living well includes participating in society as well as avoiding destitution. The graph opposite showing costs in Lancaster and Morecambe shows how far off Universal Credit is from allowing recipients to afford a decent life.

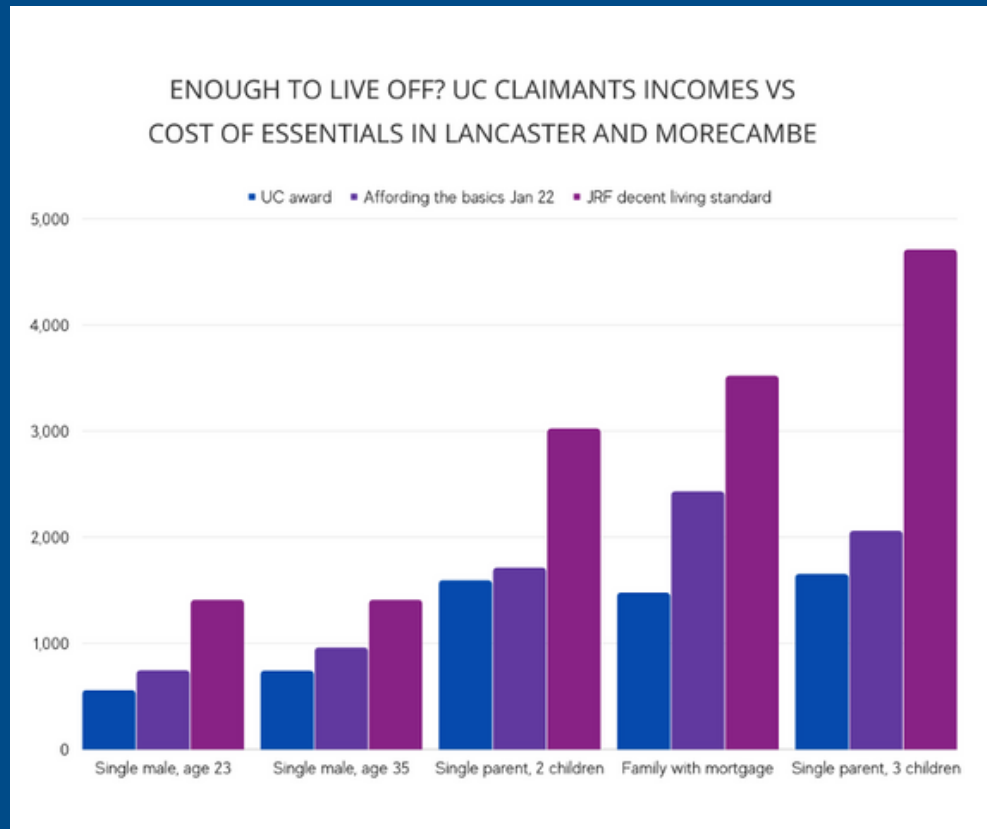


Fig 11 shows UC income vs the cost of essentials in Lancaster in January 2022 and compares it with what the Joseph Rowntree Foundation (JRF) says you need in order to afford a 'decent' standard of living in the UK. It clearly shows that Universal Credit is not enough to live off.

[1] <https://www.lloydsbankfoundation.org.uk/we-influence/welfare-deductions>

UNIVERSAL CREDIT IN HYNDBURN & ROSSENDALE

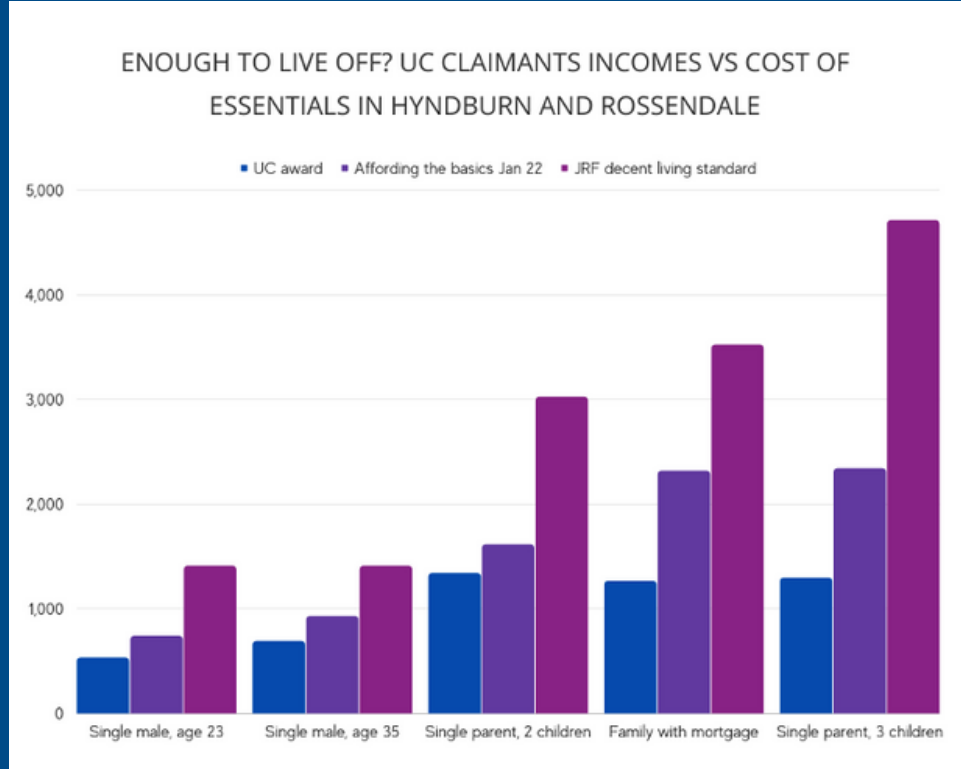


Fig 12 shows UC income vs the cost of essentials in Hyndburn and Rossendale in Jan 22 and compares it with why the JRF says you need in order to afford a 'decent' standard of living in the UK. Again, it clearly shows that Universal Credit is not enough to live off in Hyndburn and Rossendale.
<https://www.jrf.org.uk/minimum-income-calculator-do-you-earn-enough-decent-standard-living>

CASE STUDY

"I work full-time with a top up of Universal Credit. I cannot afford all of the basics. I am a single parent and struggle week-to-week. I am behind massively on my council tax and with my water bill. My gas and electric are pre-payment meters but I have to go without it at times so that my daughter can eat. With the increase in gas prices, this is going to become worse. I don't know what else I can do."

Client, Blackpool

DISABILITY AND UNIVERSAL CREDIT

Clients who are unwell and unable to work can apply for a status called "LCWRA" or "Limited Capability for Work Related Activity". This awards an extra amount of £340 per month in a Universal Credit award but cannot be applied for until a claimant has submitted fit notes from their doctor for a minimum of 3 months. They then fill out a form called UC50 and attend an assessment to see if they will qualify for LCWRA. If awarded "LCA" or "Limited Capability for work" they are not compelled to search for work, but they don't get the extra money.

Clients can apply separately for a Personal Independence Payment; the assessments are separate from one another which leads to a huge amount of paperwork and form filling required by clients who are often unwell. This causes stress.

PIP is supposed to cover the extra expenses that people have as a result of being unwell. However for many clients, living off Universal Credit and PIP is still a struggle, especially if the client has a mortgage rather than rent to pay as it's not covered by benefits.

Long term conditions such as fibromyalgia, ME and arthritis can be problematic as symptoms come and go and clients sometimes fail assessments. Similarly, mental health conditions may fluctuate or clients may be reluctant to ask for help meaning that they rely on only the standard element of UC to get by. Those affected by Long Covid and who can't work are likely to find themselves in very difficult financial positions if they don't have private means.

CASE STUDY, HYNDBURN

Hayley is a 44 year old single woman with no dependents who owns her home outright. She has had PTSD for the past 4 years because of her partner's sudden death. She is also being investigated for bowel cancer.

Hayley has been unable to work for the last 6 months due to a deterioration in her mental health. She is now receiving letters from creditors demanding money which she feels completely overwhelmed by and says that she now has letters piling up in a bin bag which she is unable to deal with. She is currently trying to manage on a monthly Universal Credit payment of £243.00.

Hayley is now in a very precarious financial position. Because she does not have enough to live on, she is now accruing debts - including priority debts for fuel and council tax. She has tried to re-mortgage her home but has not been successful and so is now seriously considering selling her home against her wishes. She needs to replace her washing machine but does not have the funds to do so.

Hayley is an example of someone who prior to a deterioration in her mental health was managing. She has now been put into a situation where she simply does not have enough to live on which is impacting on her mental health even further. Citizens Advice Rossendale & Hyndburn are doing everything they can to support Hayley by providing specialist debt advice and looking into any other benefits she may be entitled to. However it has to be said that this may take some time and in the meantime she is left in very vulnerable circumstances.



CASE STUDY

"I have a carer who helps me every day. I am in receipt of Universal Credit and PIP. Most weeks I cannot afford to pay for food. I do not currently have a cooker or a washing machine so I handwash all of my clothes and can only cook food in a microwave. This makes it really difficult to sustain myself. I also cannot afford to pay for my gas and rarely put my heating on. All of this makes my health conditions worse."

Disabled Client, Lancashire

YOUNG PEOPLE AND UNIVERSAL CREDIT

Universal Credit is not available for most students and is paid at a lower rate if you are under 25. For some parents, it creates a difficult situation when children are still living at home and trying to study over the age of 20 as there is very little support for them.

For young people who are parents or who are care leavers and have no choice but to claim, it means living off an impossibly small sum of money. The standard element for someone under 25 to live off each month is £265.31.

CASE STUDY

Sara was referred to us in a financial crisis. She is 23 years old, single and is 25 weeks pregnant. She is currently unable to work due to anxiety. She was made redundant from her last job last year and since then her situation has declined.

She is currently in receipt of Universal Credit and Council Tax Support. However due to her age her Universal Credit is only £265 per month and she has deductions made from this to pay off an advance payment. She receives £278.41 per month (shared accommodation rate) for housing costs but this does not fully cover her rent and she has a £22 per month shortfall. Sara tells us that she is also trying to pay a bit more towards her rent as she is in arrears and is scared of losing her home. She is in arrears with her energy supplier, water and council tax. She is currently unable to afford food and needed a referral to the local food bank.

This is a young woman who is pregnant and unable to afford to feed herself and thereby keep herself and her baby healthy. Despite her Citizens Advice adviser trying to help her improve her financial situation - a DHP (Discretionary Housing Payment) and Sure Start maternity will be applied for - it is going to be impossible for her to manage on such a low income. This is an example showing that not only is Universal Credit generally not enough for people to live on but also that people under the age of 25 who often have the same outgoings are penalised even further by lower rates of Universal Credit and the shared accommodation rate. This means that they are placed in an impossible situation whereby they will never be able to make ends meet.

DOMESTIC ABUSE AND RELATIONSHIP DIFFICULTIES ON UNIVERSAL CREDIT

Citizens Advice staff regularly see cases that involve domestic abuse and financial abuse. The Universal Credit system demands that a couple living together must have joint finances. This can compound stress, discord and domestic violence. In some cases, clients are unable to access any money because Universal Credit is only paid to one partner.

While it is possible to split the payment this is not done as a matter of course. Foodbank staff in Lancashire also regularly see clients in need of emergency food to feed them and their children because money has been withheld by a partner as part of a pattern of domestic abuse.

CASE STUDY

Sarah was the victim of domestic violence. She split from her abusive partner and called Citizens Advice North Lancashire (CANL) for help because their benefits were being paid to his account and he would not give her any of it to buy essentials. CANL supported the client to make a claim in her own right and to begin a process of applying for PIP.

Sarah would have had less of a problem with money if her previous claim had been in her own name, rather than one shared with her ex-partner.

CASE STUDY

Steve, from Preston, rang the Citizens Advice Help to Claim line during the pandemic because he had lost his job. His partner had a good salary, but their finances were kept separate. The adviser explained to Steve that he would have to apply jointly for Universal Credit with his partner and that he was unlikely to be awarded anything because of her salary.

Steve was extremely distressed by this and said that his partner would break up with him and ask him to move out because she didn't want to have to support him financially. Steve was not eligible for New Style Jobseekers Allowance because he was self-employed and had not paid the required National Insurance so there was no income that he was eligible for in his own right.

DEBT AND DEDUCTIONS

This report demonstrates how little people have when they live off Universal Credit. On top of the low payment rates, around 44% of Universal Credit claimants have a deduction from their monthly payment due to debt to the DWP.

This is often due to an 'advance payment' which is a loan given to claimants when they first apply for Universal Credit and have to wait for 5 weeks for their first payment. It is paid back over time by deducting it from benefit payments. This causes hardship.

For those people who find their benefits have been calculated wrongly by the DWP (and who often don't realise it), if an error is discovered they will have their benefits reduced to cover the overpayment. The Trussell Trust calculated that in 2019/20, £1 in every £10 of Universal Credit is paid incorrectly. Nearly half of those being referred to Trussell Trust foodbanks in 2022 are in debt to the DWP.[1]

There are maximum amounts set for deductions, but these are significant. For example, if you are a single person aged 25 or over and you receive £334.91 to live off each month, the DWP can take up to £84 per month as a deduction – which is 25%. This makes it even harder for those on the lowest incomes to afford the basics, as demonstrated by our research above in this report which showed that Universal Credit is not enough to live on, even without deductions.[2]

1. https://england.shelter.org.uk/housing_advice/benefits/what_to_do_about_universal_credit_deductions_for_debt

2. <https://www.disabilityrightsuk.org/news/2022/march/nearly-half-people-referred-trussell-trust-food-banks-are-debt-dwp>

CITIZENS ADVICE IN LANCASHIRE



£19.7M

GAINED FOR CLIENTS
ACROSS LANCASHIRE
BY OUR OFFICES



48%

NEARLY HALF OUR
CLIENTS ARE LONG
TERM SICK OR DISABLED



58%

OVER HALF OF CLIENTS
COMING TO US ARE
FEMALE



17,819 CLIENTS

CAME TO US FOR HELP
WITH BENEFITS IN
2021



36,549 CLIENTS

SEEN BY OUR OFFICES
IN 2021



10,982 CLIENTS

NEEDED HELP WITH
FINANCE OR DEBT

Each Citizens Advice office is an independent local charity, but we are all members of the national Citizens Advice network. This means that we can pool the data from our case recording system together and look at the issues that our offices have seen in 2021.

In 2021, our offices saw 36,549 clients who had 131,807 different issues.

We gained £16,311,952 for clients by making sure that they had applied for benefits that they were entitled to. We assisted clients with writing off £1,932,896 of debt and helped clients to reschedule £175,354 in repayments to creditors. £408,726 of money was reimbursed to clients and £890,925 of other income was gained for clients.

This makes a total of £19.7m gained for the benefit of our clients in Lancashire.

58% of the clients we saw were women with just under half having a long-term health condition or disability (48%).

ISSUES SEEN BY CITIZENS ADVICE OFFICE IN LANCASHIRE IN 2021

Benefits and tax credits – 17,819
Financial issues and financial capability – 6,122
Debt – 4,860
Housing problems – 3,846
Employment issues – 2,542
Referrals to foodbanks – 2,807
Relationships and family – 2,295
Consumer goods and services – 1,774
Legal issues – 1,671
Health and community care – 1,541
Immigration and asylum – 662
Utilities or communications – 1,507
Travel and transport – 734
Tax issues – 334
GVA and Hate Crime – 269
Education – 171

Within benefits, the top issues we dealt with were

- 1.Helping people apply for Universal Credit – 19,434 issues
- 2.Helping with Personal Independence Payment issues – 8158 issues
- 3.Helping with the housing element of Universal Credit – 3012 issues

88% of clients were white with 6% being Asian, 2% black and 2% mixed race and 2% 'other'.

The vast majority of clients are working age (16-64) with around 19% being outside this age range, usually older.

The majority of our work was done over the phone or by email due to the pandemic.



2022 - A COST OF LIVING CRISIS IS HERE

In March 2020 the basic rate of Universal Credit was increased by £20 per week across the board in recognition of the difficulties of the pandemic. In October 2021 despite opposition from every poverty charity in the UK, the Government reduced Universal Credit again down by £20 per week and benefit levels are now being paid at the lowest rate since the Second World War relative to wages. [1] Legacy benefits were never increased in the first place and continue to be paid at a very low rate.

The impact on recipients is severe and harmful, coming at a time of increased inflation, rising energy prices and an impending rise in the rate of National Insurance.

With energy bills set to rise by an average of £693 in April 2022, and again in October, many of our clients are facing impossible choices. We have heard of clients who are forced to choose between food and heating, or who are living in one room, or have no heating at all or go several days each week without electricity.

[1] <https://www.jrf.org.uk/press/uk-heading-biggest-overnight-cut-basic-rate-social-security-world-war-ii>

CASE STUDY

A client called our Adviceline seeking help. She had a household income of £1,200 per month and her rent was £600 per month. Her electricity bill in January arrived – and it was for £612. The client was extremely worried and distressed, as if she paid it, she would be in rent arrears and have absolutely no income for anything else. Across the service, we are seeing huge bills like this, many of them inaccurate.

2022 - INTERVENTIONS ARE NOT EFFECTIVE

The Chancellor intervened in February 2022, introducing two schemes which are poorly targeted and don't help those in the most need. The proposal to reduce energy bills by £200 in October 2022 in the form of a loan piles expenses into an uncertain future for those on low incomes and comes 6 months later than it is needed.

The rebate on Council Tax bands A-D again is badly targeted, may not help those who are in receipt of Council Tax Support and misses some altogether who may be in bands E-H due to historical anomalies with house valuations. The £144m fund announced to accompany this will not be sufficient and involves a great deal of administration for agencies and charities trying to assist the poorest and most vulnerable residents.

The Household Support Fund (HSF) which has been put in place to help struggling households is being implemented differently depending on which council area you live in, creating a postcode lottery. One council has decided to give out supermarket vouchers to all HSF recipients – another council will only pay bills, not cash, meaning that those relying on solid fuel or gas canisters can't get help with fuel payments. The HSF scheme creates yet another administrative burden for clients and for councils, and bypasses the Universal Credit system which was specifically designed to help those on the lowest incomes.

CASE STUDY

Lancaster City Council paid the £150 rebate to those in bands A-D houses in May 2021, to residents who pay by direct debit. It is now waiting for guidance from the government, which has not arrived yet, on how to verify and process payments to other residents. Lancaster City Council is the only council in Lancashire that offers a full discount on council tax to those on the lowest incomes - who do not have a direct debit set up, and who therefore have not received the rebate.

Those in the greatest need of help with bills have not yet received it, and Citizens Advice North Lancashire is concerned that vulnerable residents may miss out. The benefits system is the most effective way to get money to those on the lowest incomes, in the fastest way.

WHAT IS CITIZENS ADVICE CALLING FOR?



Citizens Advice, along with the major charities who help people in poverty in the UK such as the Joseph Rowntree Foundation, the Child Poverty Action Group and the Trussell Trust are calling on the government to act urgently to increase benefits, and keep increasing them in line with inflation, so that those on the lowest incomes can avoid destitution.

Charities across Lancashire including Citizens Advice are bracing themselves for an avalanche of people seeking help as prices rise. We are already setting unwelcome records across our services with the numbers of people seeking emergency or charitable help with food and fuel. This isn't right - we believe that everyone should be able to afford a decent standard of living in one of the richest nations on earth.

The Universal Credit system is a good one in principle but it needs some key changes to work properly. Our detailed recommendations are set out in the following pages.

OUR RECOMMENDATIONS FOR CHANGE



For those in receipt of benefits, the rate at which they are paid must be increased by at least the rate of inflation, urgently.

The ongoing disparity between men and women's full time wages causes more poverty among women nationwide, especially for single parents who are 90% female. **The government should do more to enforce equal pay** and should recognise this disparity with more support within the benefits system for single parents looking after children who are more than 90% female.

Childcare costs should be met in advance rather than claimed back under the Universal Credit system to allow more people the chance to gain employment.

Zero Hours contracts and forced 'self employment' should be better regulated so that workers retain better rights, conditions, pay and time off.

Sick Pay should be increased substantially to cover the actual costs of living in the UK. At the moment it is paid at one of the lowest rates in Europe and causes serious financial hardship and debt for people who are already in poor health.

We welcome the rise in the National Minimum Wage in April 2022 to £9.50.

MAKING UNIVERSAL CREDIT FIT FOR PURPOSE

While Universal Credit is not perfect, its basic concept works well. Different elements come into play depending on a person's circumstances and people can work without losing income.

However, there are some serious difficulties with the system as designed at present. Citizens Advice teams in Lancashire recommend the following changes to the system.

- **Deductions for debt to the DWP or other agencies should not exceed 5% of benefits**
- **Claimants should be individuals, not couples**
- **The 5-week wait for money should be removed and money awarded faster, as a grant, not a loan**
- **The two-child limit and benefits cap should be removed**
- **The housing rate should be paid up to the median rent in any given area**
- **The under 25s rate should be abolished and one rate paid to all adults**
- **It should be easier and faster for disabled or unwell clients to get additional help**

AUTHORS

This report was written by Joanna Young from Citizens Advice North Lancashire with contributions from the Lancashire Citizens Advice Research and Campaigns Cluster Group. Many thanks to all the staff and volunteers across Lancashire for contributing data and case studies for this report.

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. That's why we're here: to give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

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