

Cost of Living Crisis

Hinckley & Bosworth Briefing May 2022

Following the uncertainty of Covid-19, the UK is now in the grip of a cost of living crisis, with significant implications for Hinckley & Bosworth borough, the Council (Hinckley & Bosworth Borough Council) and local residents.

Citizens Advice LeicesterShire (CitAL) has worked in partnership with Hinckley & Bosworth Borough Council in its various forms for over twenty years to deliver advice and support for Hinckley & Bosworth residents. We are immensely grateful to the Council for its continued support, which has enabled us to continue to deliver our services throughout the unprecedented events of recent years.

This briefing sets out a summary of the national context, the impact for Hinckley & Bosworth and its residents and our plans to address these issues in order to ensure access to vital support for those who are in need in the borough.

The cost of living crisis

National overview

- Increased hardship

The UK is currently experiencing the fastest rise in inflation for over 30 years, rising by 6.2% in the 12 months to February 2022¹. The rising cost of fuel and a shortage of HGV drivers is having a knock-on effect on businesses, with significant increases in the price of essentials such as food and petrol, leading to significant hardship.

Wholesale gas and electricity prices are reaching record highs. The energy price cap rose by £693 for direct debit customers in April 2022, bringing the annual cost of energy to £1,971 for households on a default tariff². The rise is even more pronounced for those on prepayment meters. This will be compounded by another expected increase in the energy price cap in October 2022 and the proposed move to quarterly increases at the same time.

Citizens Advice has estimated that, despite the government's support measures such as the £150 council tax rebate, 5 million people are now unable to afford the latest price cap rise³. It's likely many more will be unable to afford further increases from October.

From April 2022, many households also saw a rise in National Insurance contributions and a Council Tax increase. Looking ahead, from April 2023, the new Health and Social Care Levy will be introduced, which will affect the increasing number of working pensioners.

¹ ONS, 2022, <https://tinyurl.com/7ktjanaf>

² Ofgem, 2022, <https://tinyurl.com/vxds2cbr>

³ Citizens Advice, 2022, <https://tinyurl.com/2p85ryf2>

These economic stresses come on the heels of the Covid-19 pandemic. While government support measures such as the Job Retention Scheme and other protections helped to mitigate the worst effects of the economic shock, Citizens Advice reported that in 2020 6 million people in the UK fell behind on bills as a result of Covid-19⁴.

- Debt

Snapshot statistics from the Money Advice Trust⁵ shows that in the last three months, 12% of UK adults have sold a personal or household item, 12% have gone without heating, water or electricity and 8% have gone without food to mitigate the rising cost of living. Meanwhile, 10% have borrowed from friends and family, risking damage to vital personal relationships.

The Money Advice Trust estimates that over the next three months one in five adults will borrow money to pay for essentials, while 17% expect to seek help from their energy provider, local authority or other creditors.

- Benefits and Universal Credit

In October 2021, the £20 a week uplift to Universal Credit introduced during Covid-19 was removed, equating to a cut of £1,040 per year for the UK's poorest households at a time of rising prices.

From May 2022, the UK Government will resume the process of managed migration to Universal Credit for the 2.6 million people⁶ who are still on legacy benefits, with a projected completion date of September 2024. This process is likely to see winners and losers: some claimants will see their income rise on Universal Credit, while others will receive lower entitlements.

- Housing

The latest interest rate rise to 1% in May 2022 could lead to an increase in mortgage rates for property owners. Which⁷ estimates that a £250,000 mortgage could cost £367.92 more each year as a result of this rise.

This is likely to impact households in the private rented sector, who could see their rents increase to cover the shortfall. Analysis by the Joseph Rowntree Foundation⁸ shows that rates of poverty were already highest for those in the social and private rented sectors due to the high cost of rent.

- Recommissioning

The recommissioning of a new national MaPs-funded debt advice service, which was due to launch in April 2022, has been pushed back for at least 12 months. The period of uncertainty that preceded this announcement has meant the loss of many highly skilled debt case workers from the advice sector, as staff left to seek more secure employment.

⁴ Citizens Advice, 2021, <https://tinyurl.com/2p9hmv4z>

⁵ Money Advice Trust, 2022, <https://tinyurl.com/2p88z8tr>

⁶ IFS, 2022, <https://ifs.org.uk/publications/16049>

⁷ Which, 2022, <https://tinyurl.com/5t2wwezr>

⁸ Joseph Rowntree Foundation, 2019/20, <https://tinyurl.com/2yvnxti4>

The new Help to Claim contract is for a minimum of 12 months, with the possibility of a 12 month extension, meaning further changes to delivery of this important service are likely in 2023 or 2024. Changes to the specification for the new contract means that in-person face-to-face advice at Jobcentre Plus is no longer available, with support delivered solely via remote channels (telephone, email and webchat). This will put further pressure on core face to face services in order to assist those who cannot cope with remote channels.

- **Recruitment**

The number of UK job vacancies hit a new record of 1,288,000 in Q4 2021/22, an increase of almost half a million compared to pre-pandemic levels⁹. Government figures show that in the three months to February 2022, there was 1.0 unemployed person per job vacancy, compared with more than four candidates per vacancy during 2020/21¹⁰.

The volunteering landscape is also very different. The number of people aged over 70 who are still working has more than doubled in a decade¹¹. Many retired volunteers now have competing demands on their time, such as childcare, while younger volunteers are more likely to use volunteering as a stepping stone to employment.

Advice services

Access to advice services has a significant impact on community health and wellbeing. In 2015, the Low Commission¹² found that the effects of advice on patient health included:

- Lower stress and anxiety
- Better sleeping patterns
- More effective use of medication
- Smoking cessation
- Improved diet and physical activity
- Better general health
- Better relationships
- Increased income
- Housing stability

In 2020/21, for every £1 invested in CitAL's services, we generated¹³:

- £3.05 in savings to government and local services (fiscal benefit). By helping to stop problems recurring or escalating, we helped to reduce pressure on public services like health, housing and out-of-work benefits.
- £26.91 in wider economic and social benefits (public value). Solving problems improves lives, which means better wellbeing, participation and productivity of the people we help.

Impact in Hinckley & Bosworth

- **Increased hardship**

⁹ ONS, 2022, <https://tinyurl.com/3enr6xfe>

¹⁰ Research briefing, 2022, <https://tinyurl.com/3xsumf4r>

¹¹ Rest Less, 2019, <https://tinyurl.com/2p8ceptd>

¹² The Role of Advice Services in Health Outcomes; Low Commission (2015); <https://asauk.org.uk/health-and-advice/>

¹³ Citizens Advice, 2021, <https://tinyurl.com/32dk5s54>

CitAL is now beginning to see an increase in Hinckley & Bosworth clients contacting us for help with issues which are indicators of hardship, including a 250% rise in clients seeking help to access charitable/one off support for basic needs and a 180% increase in those seeking support for utilities issues between Q3 and Q4 of 2021/22 (please see Appendix 1).

In March the Chancellor announced a £500m extension to the Household Support Fund, which operated over winter 2021/22 to provide support for low income households. In Leicestershire, applicants to the scheme were mainly processed by CitAL's Money Max service.

Between December 2021 and March 2022, we supported 62 Hinckley & Bosworth residents to access the Household Support Fund. Most applicants were seeking help with food or fuel vouchers, and many also accessed other support, such as help with Discretionary Housing Payments and budgeting.

The new Household Support Fund has now gone live as from 23rd May 2022 and will run through until the end of September 2022. It looks to be similar to the last scheme and we expect to be heavily involved in assisting clients with applications.

- Debt

More than 15% of adults¹⁴ think they will need to seek out advice about debt issues as a result of the rising cost of living. CitAL supported 335 Hinckley & Bosworth residents with a debt issue in 2021/22, dealing with £652,338 of total debt. (This figure reflects the capacity of the team with several vacant posts in the final quarter of the year. We are currently recruiting to bring the team back up to strength as soon as possible.)

- Benefits and Universal Credit

In Hinckley & Bosworth, 7,062 households were affected by the £20 a week cut to Universal Credit in October 2021¹⁵, which also removed £7,334,480 annually from the local economy.

Indications suggest that, when the migration of households from legacy benefits to Universal Credit recommences in May 2022, approximately 2,561 households in Bosworth constituency will be affected by the end of the transition period in September 2024. It is very likely that a proportion of these claimants will require advice and support through the managed migration process. In 2021/22, CitAL supported 1,153 Hinckley & Bosworth clients with a benefits issue.

- Housing

The average house price in Hinckley & Bosworth in May 2022 is £340,322¹⁶ and the average private sector rent for a three-bedroom house is currently £918 pcm¹⁷. In 2021/22, we supported 240 Hinckley & Bosworth residents with a housing issue. There is likely to be an increase in

¹⁴ Money Advice Trust, 2022, <https://tinyurl.com/2p88z8tr>

¹⁵ Commons Library, 2022, <https://tinyurl.com/5n7azpsp>, <https://tinyurl.com/mw9tt9z6>

¹⁶ Rightmove, 2022, <https://tinyurl.com/bdeanzbr>

¹⁷ Houses for sale to rent, 2022, <https://tinyurl.com/5n6d7544>

the number of people seeking help with housing as private sector rents rise, and availability of private sector rented housing reduces.

- **Recommissioning**

Locally, CitAL lost 75% of its debt worker capacity before the end of March 2022, with further recruitment compromised by ongoing uncertainty around the contract extension.

CitAL was successful in our application to be part of the national Citizens Advice supply chain for the re-tendered Help to Claim service, which launched in April 2022. Citizens Advice continue to argue for the need for face-to-face support available under Help to Claim.

- **Recruitment**

This national worker shortage is impacting CitAL's ability to recruit staff for specialist roles, e.g. replacing the debt advisers lost during the commissioning process. At the same time, we are recovering from the loss of 57% of our volunteers, many of whom were long-standing, as a result of the pandemic.

We have put in place measures to mitigate the impact on local Hinckley & Bosworth Advice Services and are currently reviewing our recruitment processes to enable us to attract high-calibre candidates for advice roles. We were fortunate to secure a grant from The National Lottery Community Fund to adapt our volunteer recruitment, training and supervision processes to support remote service delivery. We are currently investing resources in operating an active and ongoing programme of volunteer recruitment and training.

Hinckley & Bosworth Advice Service

In 2021/22, CitAL supported **2,494** Hinckley & Bosworth residents to solve their problems with **7,987** issues, including welfare benefits, debt, housing, employment, utilities, family and relationships, immigration, discrimination, community care and consumer issues.

We also helped to secure **£1,403,974** in additional income for local households, through access to benefits and dealing with debt, while **67,399** individuals accessed online advice directly from www.citizensadvice.org.uk.

In 2021/22, Hinckley & Bosworth Borough Council invested £53,200 in CitAL's local advice service. For every £1 invested in Hinckley & Bosworth, we generated **£26.39** in value to the residents we help, through benefit entitlements and debts written off.

At a time of increased pressure on household budgets and competing urgent priorities for Hinckley & Bosworth Borough Council, CitAL's advice and support services are essential, not only for the individuals we help directly, but also for Hinckley & Bosworth's wider community.

We are implementing plans that will mitigate the challenges that our services face around staffing and volunteers by introducing new ways of working in the County. This approach will spread volunteers evenly across all districts, helping to ensure a consistent service with equality of access for all.

As well as Adviceline, which is available 9.00am to 4.30pm, Monday to Friday, plus email advice and appointments by video, we will also have a team of volunteers in place who are able to deliver face-to-face advice at the Hinckley Hub during agreed hours. Face-to-face advice will be provided by appointment, prioritised for those with the most complex issues or additional needs.

Appendix 1 - Hinckley & Bosworth Comparison Statistics

Annual Summary Comparison between 2019/20 and 2021/22

	No Clients	No Issues	No Activities	No Cases	Financial Gain	Total Debt	Website Hits
2019/20	2387	7563	5847	2409	£1,509,031	£1,481,588	57072
2020/21	2488	7281	6494	2514	£1,558,432	£842,970	66,828
2021/22	2494	7987	8113	2680	£1,403,974	£652,338	67,399
Difference between 19/20 & 21/22	107	424	2266	271	-£105,057	-£829,250	10,327
Difference between 21/22 & 20/21	6	706	1619	166	-£154,458	-£190,632	571

Annual Cost of Living Indicators 2019/20 to 2021/22

	2019/20		2020/21		2021/22	
	No Clients	No Issues	No Clients	No Issues	No Clients	No Issues
Charitable/ one off support for basic needs	62	75	52	177	147	235
Benefits Issues	1,083	3,807	858	3,064	933	3,271
Utility Issues	54	121	45	87	76	180
Utility Debt	109	319	72	141	110	204

Comparison of Annual Cost of Living Indicators

	Difference between 21/22 & 19/20				Difference between 21/22 & 20/21			
	Clients	% Difference	Issues	% Difference	Clients	% Difference	Issues	% Difference
Charitable/ one off support for basic needs	85	137%	160	213%	95	183%	58	33%
Benefits Issues	-150	-14%	-536	-14%	75	9%	207	7%
Utility Issues	22	41%	59	49%	31	69%	93	107%
Utility Debt	1	1%	-115	-36%	38	53%	63	45%

2021/22 Qtrs 3 & 4 with comparison

	Qtr 3		Qtr 4		Difference in numbers		% Difference	
	No Clients	No Issues	No Clients	No Issues	No Clients	No Issues	No Clients	No Issues
Charitable/ one off support for basic needs	28	37	98	158	70	121	250%	327%
Benefits Issues	232	683	314	973	82	290	35%	42%
Utility Issues	15	34	42	95	27	61	180%	179%
Utility Debt	16	26	56	96	40	70	250%	269%