



Report on the Cost of Living in East Hertfordshire

Citizens Advice East Herts
April 2022

INTRODUCTION

The purpose of this report is to highlight the growing number of people affected by the increase in the cost of living nationally and locally and to reflect the causes, impacts and possible solutions.

The cost of living is increasing as incomes cannot keep up with price rises in housing, food, utilities, taxes and other commodities. On April 1st 2022 the energy price cap increased by 54% to almost £1971¹ bringing annual energy bills to a generational high. Households, already struggling, now face an almost unprecedented cost of living crisis in terms of speed and scale.

Nationally, around 70% of voters say they have seen their cost of living increase more than their income over the last 12 months, despite reports of pay rises. One in eight voters (12%) would now describe their financial situation as 'struggling', up from 9% a year ago². A fifth of bill payers say they are using personal loans, overdrafts or credit cards to pay their energy bills³.

Case study

Justina, who lives in Bishop's Stortford, is one person who is already affected by the cost of living crisis. She came to Citizens Advice East Herts with a range of issues relating to debt and poverty. She is recently separated from her husband and is supporting her two young children. When her marriage ended, she had to move house and the only accommodation she could find is a long distance from her daughter's school. Justina cannot work because she cannot afford childcare for her youngest daughter. She has thousands of pounds in debts, including parking tickets in her husband's name and council tax arrears. She came to us because she is having to choose between feeding her children and paying for petrol to get her daughter to school. While we were able to issue Justina with a food and fuel voucher, this will only provide limited short-term assistance.

Justina is not alone. Over 3 million households nationally are unable to cover the cost of essentials, and 380,000 are within £50 a month of not being able to meet costs. With the cost of living continuing to rise, millions of households are being plunged into debt and below the poverty line⁴.

The Joseph Rowntree Foundation's recent UK Poverty 2022 report⁵, found that around 1.8 million children are growing up in very deep poverty, defined as household income being so low that it is completely inadequate to cover the basics. This represents an increase of half a

¹ <https://www.ofgem.gov.uk/publications/price-cap-increase-ps693-april>

² <https://www.theguardian.com/politics/2022/jan/08/tory-mps-sound-alarm-over-cost-of-living-crisis-as-local-elections-loom>

³ <https://www.independent.co.uk/money/credit-cards-loan-overdraft-energy-prices-rise-ukraine-b2025547.html>

⁴ <https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/three-million-families-facing-crisis-as-cost-of-living-crunch-bites/>

⁵ <https://www.jrf.org.uk/report/uk-poverty-2022>

million children between 2011-12 and 2019-20, even before the full economic impact of the Covid-19 pandemic had been felt.

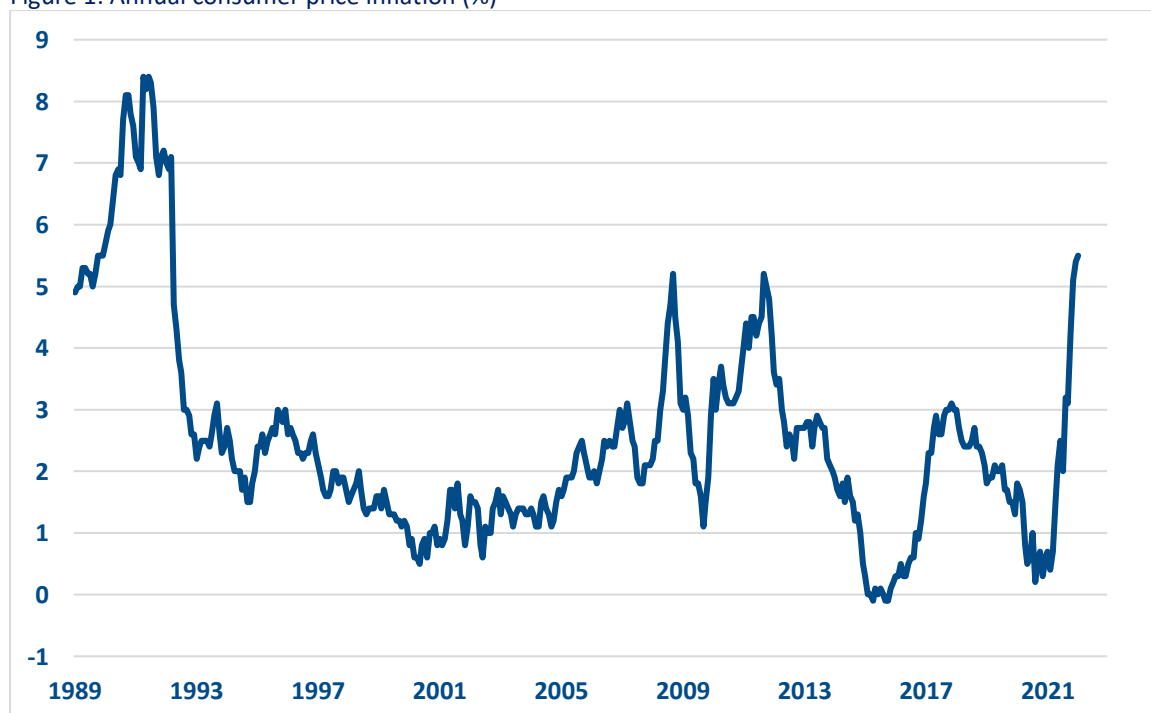
THE NATIONAL CONTEXT (REPRODUCED WITH PERMISSION FROM CITIZENS ADVICE ST ALBANS)

In order to maximise resources, we have reproduced (with permission) the national context from the 'St Albans The Big Squeeze: How will the 'cost of living crisis affect St Albans?'⁶ report. Information is correct as of February 2022.

The last decade has been a bad one for living standards in the UK, characterised by stagnant real wages in both private and public sectors. But a surge in inflation in recent months has taken it well above the rate of increase in wages, meaning that real wages have fallen. Raw material supply shortages, increased transportation costs, poor grain harvests due to adverse weather and shortages of workers (particularly lorry drivers, workers on farms, in food processing centres and in warehouses) are all pushing up business costs, and firms are passing them on to consumers.

The Consumer Price Index rose by 5.5% in the 12 months to January 2022. The last time inflation was higher was in March 1992 - almost 30 years ago, but the rate seems certain to increase further in coming months. The Bank of England, for example, is forecasting a peak inflation rate of 7.25% in April and expects the rate to remain above 5% until spring 2023.

Figure 1: Annual consumer price inflation (%)



⁶ <https://citizensadvicestalbans.org.uk/how-the-cost-of-living-crisis-will-affect-st-albans/>

More price increases are definitely in the pipeline. To take two examples. Analysts recently estimated that Unilever and its main European rival Nestlé face roughly 14% increases in bills over the next 12 months, much of which they will try to reflect in increased prices.⁷ Meanwhile, Next has announced its prices could rise by up to 6% this year to keep up with higher costs.⁸

There are fears that rising food prices in particular could force some families to choose between eating and heating their homes. Industry analysts looking at five major supermarkets said that while they typically see around 2,700 increases in prices in early January, this year the figure is closer to 4,000. According to market analysts Kantar, food prices in February were 4.3% higher than a year earlier, their fastest rate of increase since September 2013.⁹

In addition, petrol and diesel prices are close to their all-time record highs. Rail fares are due to go up by 3.8% in March. Rightmove reports that average asking rents have increased at the fastest rate on record and predicts that asking rents will rise by 5% in 2022 due to an imbalance between supply and demand. And the Bank of England has increased official interest rates, which could lead to higher mortgage payments for homeowners.

The problem is potentially worse for poorer households. When the prices of essentials, such as food and domestic energy bills, go up faster than other prices on average, then the effective rate of inflation that they face is higher than the official figure, because a bigger proportion of their spending goes on these items. The food poverty campaigner Jack Monroe has said that the official inflation rate grossly underestimates the real cost of inflation as it happens to families with the least, pointing to very large rises in the price of the cheapest available staple food products over the last year. In response, the Office for National Statistics has promised to reflect a wider range of incomes in its inflation measures.

While rising food prices may be the main issue now, looking forward to the rest of the year the biggest financial problem facing families is going to be soaring domestic energy prices. Households' gas and electricity bills are set to rise substantially in April, and possibly again in October.

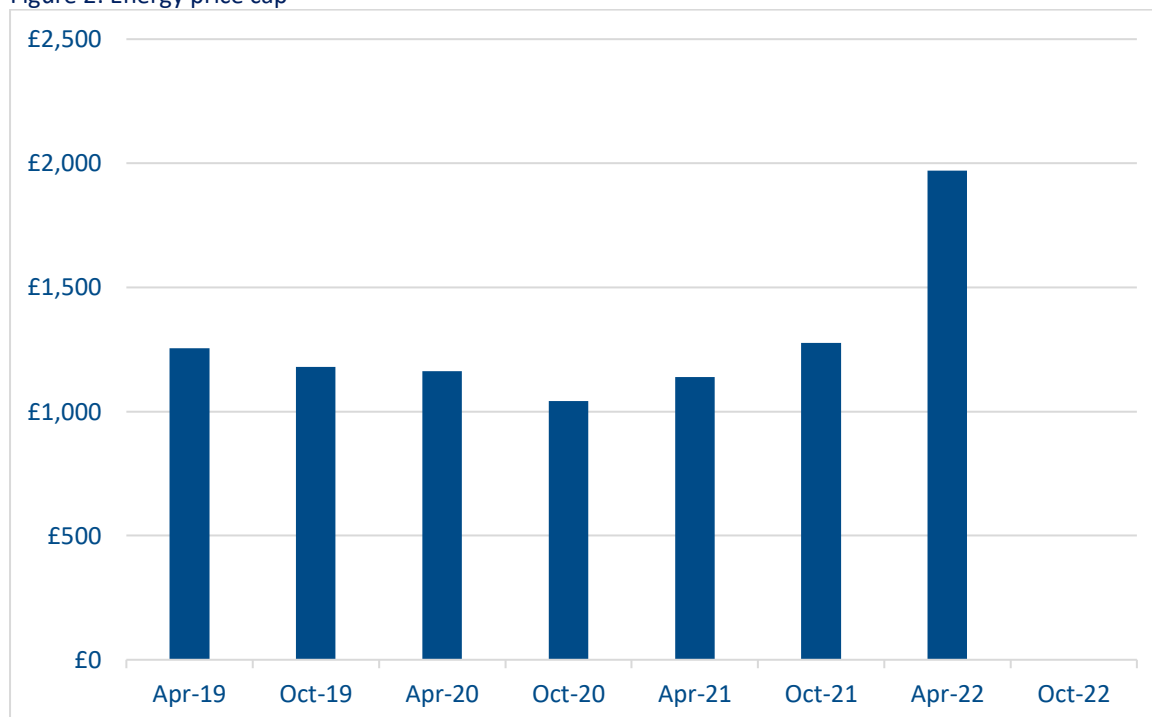
Since January 2019, the rates suppliers can charge for their default, standard variable gas and electricity tariffs has been limited by a price cap. This cap is set twice yearly by Ofgem based on supplier's costs, and in particular on what they have to pay for gas and other forms of energy. On 3rd February, Ofgem announced that the price cap would increase by 54% from April 2022, meaning that the average household would see an increase in their annual bill of £693 - taking it to £1,971. Because energy suppliers have, for the most part, stopped offering fixed rate contracts, the majority of households – 22 million in total – will be affected by this increase.

⁷ Food inflation: a headache for CEOs and consumers alike | The Week UK

⁸ Price Increases Are Going to be a 2022 Thing for Next Plc and Other Retailers - Bloomberg

⁹ Grocery prices in UK rise at fastest rate in eight years, data shows | Supermarkets | The Guardian

Figure 2: Energy price cap



This has led to some startling predictions about the impact on poorer families. The Resolution Foundation believes that the poorest third of households will be spending at least 10 per cent of their budgets on energy bills alone from April.¹⁰ Citizen’s Advice have estimated that the number of people in fuel poverty will increase by 50% overnight¹¹. And the End Fuel Poverty Coalition thinks that more than 2.2 million households with dependent children in England will be in fuel poverty from 1 April - a rise of 74 per cent from 2019¹².

In response to these concerns, the Government has announced a number of measures. Energy companies will apply a £200 discount to households’ energy bills from October (though there will be automatic £40 additions to bills in each of the next five years); households in bands A to D will receive a £150 rebate on their council tax bills; and eligibility for the Warm Home Discount has been expanded. These steps will alleviate some of the pressures caused by the increase in the price cap, but critics have pointed out that the £200 discount and the £150 rebate together cover little more than half of the increase in the price cap. In 2021 Citizens Advice saw an increase of 51% in those seeking help with fuel bill debt issues.¹³ After April’s price increase, many more households will struggle to pay their energy bills and debts problems seem sure to increase further.

There is some good news for the low paid. The National Living Wage (NLW), which was extended in April 2021 to include those aged over 23, is to increase in April 2022 by 6.6% to £9.50 per hour. At the same time, the National Minimum Wage (NMW) is increasing for those aged 21 and 22 by 9.8%, for those between 16 and 20 by 4.1% and for apprentices by

¹⁰ Spiralling energy prices will turn the UK’s cost-of-living crisis into a catastrophe • Resolution Foundation

¹¹ Energy bills are skyrocketing — how do you help the millions who need help most quickly? | by Morgan Wild | Jan, 2022 | We are Citizens Advice (medium.com)

¹² Massive increase in children experiencing fuel poverty revealed – End Fuel Poverty Coalition

¹³ £700m debt is 'tip of the iceberg' as cost-of-living crisis grows - Citizens Advice

11.8%.¹⁴ Whether workers who earn a little more than the Living Wage see similarly large rises is yet to be seen.

However, working households also face an increase in their National Insurance contributions. The government has announced a 1.25% increase in employees' National Insurance contributions from April 2022, initially to fund the NHS's efforts to tackle the backlog of people waiting for treatment, and then to cover some of the cost of social care (employers' contributions are also going up by the same amount). According to the government's figures, this will mean an annual increase of £89 for someone earning £20,000.¹⁵

In addition, the government is freezing the personal allowance for income tax at its 2021/22 level of £12,570 until 2025/26 and also many other tax thresholds. In its Economic & Fiscal Outlook published alongside the 2021 Budget the Office for Budget Responsibility notes that the tax rises announced in the Budget 'increase the tax burden from 34.0 to 35.0 per cent of GDP in 2025/26, its highest level since Roy Jenkins was Chancellor in the late 1960s'. Freezes to the income tax personal allowance and higher rate threshold for four years bring 1.3 million people into the tax system and create 1 million higher rate taxpayers by 2025-26.¹⁶

The story is also grim for those who rely on benefits for all or part of their income. In recent years these have been increased every April in line with consumer price inflation in the previous September. When inflation was low and relatively stable, this created few problems. But in April this year, benefits like Universal Credit, housing benefit and the state pension will increase by 3.1%, while inflation is expected to be in excess of 7%. As a result, the real purchasing power of these benefits will fall by 4% and families whose incomes are already low will face a serious squeeze on their budgets.

For those on Universal Credit, the main benefit for low-income families, changes made by the Chancellor in the Autumn 2021 Budget to reduce the taper rate (the rate at which benefit is withdrawn as income goes up) from 63 to 55%, and to increase the work allowance by £500 a year mean that around 2 million families will be, on average, about £1,000 a year better off. But this does no more than replace the £20 a week uplift to Universal Credit introduced during the pandemic and ended last year. Meanwhile, over 5 million will be worse off because they no longer receive the uplift.

What all this means in aggregate terms is that households are facing the biggest squeeze in the purchasing power of their disposable incomes for many years.

Impact of the War in Ukraine

Since Citizens Advice St Albans wrote their national analysis, the war in Ukraine has escalated and is starting to have an additional detrimental impact on the cost of living in the UK. According to the Centre for Economics and Business Research, the average UK

¹⁴ National Minimum Wage and National Living Wage rates - GOV.UK (www.gov.uk)

¹⁵ National Insurance: What's the new Health and Social Care tax and what will it cost me? - BBC News

¹⁶ Economic and fiscal outlook - October 2021 - Office for Budget Responsibility (obr.uk)

household will experience a £2,553 drop in income this year, half of which is a result of the invasion of Ukraine due to an increase in fuel and food prices¹⁷.

THE SITUATION IN EAST HERTFORDSHIRE

Following on from the national picture, this section examines the impact of the cost of living increase on the residents of East Hertfordshire and, in particular, on the potentially vulnerable groups living here. East Hertfordshire is one of the more affluent districts in the UK. This masks pockets of deprivation. There are many households experiencing multiple indices of deprivation living in close proximity to more affluent households. This can create social inequality in local communities. Life expectancy in more deprived areas is significantly lower than more prosperous neighbourhoods. The ONS reports that almost 9,000 people in East Herts were income-deprived in 2019¹⁸.

With the added financial pressures from April 2022 - the energy price cap increase, the rise in National Insurance contributions and continuing inflation raising the price of basic goods - additional households who have hitherto been managing will become vulnerable to the ongoing rise in the cost of living.

At Citizens Advice East Herts we have seen a year-on-year increase of 54% in calls to our telephone message line since 2020/21. In March 2022, we recorded the highest ever number of contacts in a month, when over 900 people called our telephone message line seeking advice. We are seeing significant increases in fuel and food bank enquiries and we expect that to continue.

Food Poverty

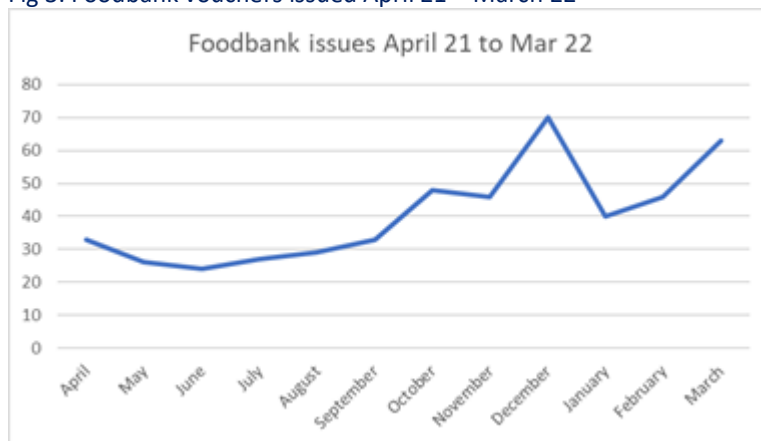
In July 2020, the Hertfordshire Community Foundation reported that 1 in 5 households (25,000 children) in Hertfordshire live in poverty. In East Hertfordshire, 6% of the population was income-deprived in 2019 according to the ONS. That means they were out of work or on low earnings. What that suggests overall is that a significant proportion of the population of East Herts is living with severe financial pressures and are at high risk of tipping into a crisis as the cost of living soars.

One sign that people are in crisis is that they feel compelled to seek help from Citizens Advice with their debts. Because we record every contact we have with local people, including the issues that they ask for help with, we know when debt problems are on the rise. This appears to be the case now with debt issues rising 5.6% January – March 2022 compared to the previous quarter. Referrals to foodbanks, which levelled off in mid 2021, are rising substantially. In 2021 – 22 we gave out over 300 foodbank vouchers, and in March 2022 alone our advisers dealt with 63 foodbank issues.

¹⁷ <https://news.sky.com/story/cost-of-living-crisis-how-the-war-in-ukraine-is-eroding-living-standards-in-the-uk-12568365>

¹⁸ <https://www.ons.gov.uk/visualisations/dvc1371/#/E07000223>

Fig 3: Foodbank vouchers issued April 21 – March 22



However, our caseworkers are finding that food poverty is the end result of a number of inter-relating issues with which our clients present. We must therefore understand food poverty alongside a suite of other issues: debt, housing, benefits, employment, income, etc, all of which are being exacerbated by the cost of living crisis.

It is particularly important that people with disabilities are seen to be at greater risk from the cost of living crisis, as they disproportionately experience poverty already. 62% of working age adults that use foodbanks are disabled¹⁹ compared to 19% of disabled working aged adults in the population²⁰. In March 2022, 46% of our clients were disabled or had long term health problems.

Case study

When 'John' contacted us for help he was struggling with serious physical and mental health issues. He was trying to claim Universal Credit but was hindered by his lack of IT skills, equipment and uncertainty about his employment status. He had got into debt and was worried about paying his rent and buying food. We were able to arrange a foodbank delivery and, with his permission, contacted the Job Centre on his behalf and completed his Universal Credit application. John was almost overwhelmed when told that he would get a food delivery and would be able to pay his rent.

Fuel and Energy Costs

Soaring domestic energy prices are the main cause of pressure on household budgets in 2022. On April 1st 2022 the energy price cap increased by 54% to £1,971²¹. Most households in East Hertfordshire will be adversely affected by this. However, poorer households will be disproportionately affected and are left most vulnerable to these rises.

¹⁹ Trussell Trust, Lockdown, lifelines and the long haul ahead: The impact of Covid-19 on food banks in the Trussell Trust network (2020) <https://www.trusselltrust.org/wp-content/uploads/sites/2/2020/09/the-impact-of-covid-19-on-food-banks-report.pdf>

²⁰ <https://www.scope.org.uk/media/disability-facts-figures/>

²¹ <https://www.ofgem.gov.uk/publications/price-cap-increase-ps693-april>

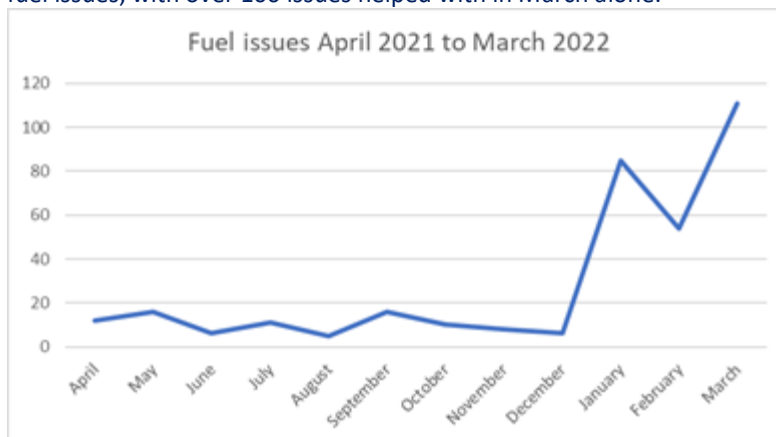
“...Of much greater concern is what removing £584 a year does to the life of someone who is struggling to get by. An extra £10 a week could help a little – save for a few weeks and buy your child a new pair of trainers. Taking away £10 a week can mean not just the choice between heating and eating but doing without both. And that will be bad both physically and psychologically” Professor Sir Michael Marmot 2022²²

Official numbers from 2019 show that 4,650 households in East Hertfordshire were defined as being in fuel poverty (that is they live in low energy efficient housing and after housing costs and energy needs would be below the poverty line). This means there are significant numbers of people here who are already struggling to meet their current energy bills. Indeed, in some rural parts of the district, 13% of households live in fuel poverty ²³.

Nearly 1 in 9 people in the Hertford and Stortford constituency are unable to pay their energy bills right now without cutting back on essential spending. 3% of residents are unable to pay their bills even after cutting back on essential spending. The number of people unable to pay their bills even after cutting back on essential bills is estimated to rise by 136% in April 2022. ²⁴

Citizens Advice East Herts has seen a seven-fold (over 500%) increase in Utilities and Communications issues in the first three months of 2022 compared to the previous 3 months and we expect this to continue to rise.

Fig 4: The chart shows the rapid increase that we have already seen in people coming to us for advice about fuel issues, with over 100 issues helped with in March alone.



²² Studying health inequalities has been my life’s work. What’s about to happen in the UK is unprecedented. Michael Marmot 2022 <https://www.theguardian.com/commentisfree/2022/apr/08/health-inequalities-uk-poverty-life-death>

²³ LG Inform, Department for Business, Energy & Industrial Strategy, ‘Fuel Poverty Sub Regional Statistics’ https://lginform.local.gov.uk/reports/lgastandard?mod-area=E07000242&modgroup=AllRegions_England&mod-metric=2131&mod-type=namedComparisonGroup

²⁴ Citizens Advice commissioned Opinium to conduct polling to gain an accurate picture of how people are being affected by energy price rises in different parts of the country, which uses a large-scale national poll and granular demographic data in local areas to generate local insights. They surveyed 10,301 UK adults aged 18+ between 8th to 17th February 2022. The data was sampled and weighted to be representative of the UK adult population.

Case study

Brian lives in Hertford and is unable to work due to poor mental health. He came to us because he was struggling to manage, with many debts including council tax arrears. Brian's income was already failing to cover his bills. His rent had just increased and he already had a shortfall in Housing Benefit due to the bedroom tax. With energy costs rising, he cannot afford to top up his meter and the cold is making his arthritis worse. Brian would like to return to work but anxiety and stress due to his financial situation are making this impossible for him.

We are helping Brian apply for a discretionary housing payment; to make an application for PIP; and to receive further debt advice. It remains to be seen whether this will result in a sufficient increase in income to meet Brian's needs.

Brian's issues reflect the complexity and number of interlinking causes of poverty our advisers are helping people with.

Housing

Housing is a common issue among our clients as there is a significant shortage of affordable housing in the area. Hertfordshire has some of the highest house prices in the UK, with 90% of Hertfordshire's districts with prices higher than the national average. Rents are also higher than national average. According to the ONS the median monthly rent in East Herts is £1050 which is significantly above the national median of £775 for England (recorded between October 2020 and September 2021).

Housing benefit is often insufficient to cover costs of renting even the cheapest homes in East Herts. For example, the Local Housing Allowance (LHA) for a 3 bedroomed property in the Bishop's Stortford area is currently £258.90 per week i.e.£1,035.60 per month. Searching online found 17 properties available for rent in the area but none were at or below this level of rent and instead ranged from £1,150 to £2,900 per month. East Herts Council Tenancy Strategy 2021 - 2026 calculated a shortfall between LHA and weekly rents for 3 bedrooms as £78.60 per week i.e. £314.40 per month.

The result is that housing costs often form a much greater proportion of household spending than in most other parts of the country, leaving less for spending on other essentials.

This, combined with a lack of social housing (nearly 18,500 households are on the waiting list for social housing), has meant that across the past ten years, there has been a 96% increase in statutory homelessness across Hertfordshire²⁵. In East Herts there are 2,039 households on the waiting list for social housing, the fourth highest district in

²⁵ Hertfordshire Community Foundation, Hertfordshire Matters
<https://www.hertscf.org.uk/shares/Hertfordshire-Matters---Full-report-REVISED-6th-Feb-2020-with-additional-date-information-smaller-file.pdf>

Hertfordshire²⁶. Housing is the second most common advice issue (after Benefits and Universal Credit) for Citizens Advice East Herts. Most months our advisers help with over 100 housing issues, - in March 2022 alone there were 166 housing issues. We estimate that 1 in 10 clients require ongoing casework.

Rents are expected to rise this year. Rent growth is at its fastest in 5 years, and 1 in 5 expect their rent to rise this year. ONS data for February 2022 for the East of England shows 3.5% increase in rent compared to a 2.3% increase for the rest of the UK. Rightmove rental data for the East of England (September to December 2021) shows a 9.9% year-on-year increase.

Struggling renters are at risk of eviction. Insecurity in the private rented sector is a huge problem. We're already seeing huge numbers of people facing eviction, and many tenants fear challenging a rent rise will result in them being asked to leave²⁷.

Private renters already spend more of their income on housing costs than any other group. Shelter calculated in 2019 that 48.3% of wages are spent on private rent in East Herts²⁸.

Benefits

Benefits including Universal Credit is our top issue that people seek our help with, accounting for 38% of all issues (January to March 2022), an increase of 7% compared to the previous quarter.

However, people don't usually just come to us for help with benefits but other issues as well. Since January 2022, people who sought our help about benefits also needed help with housing (10%), debt (9%) and utilities (9%).

RECOMMENDATIONS

Citizens Advice East Herts is committed to supporting any one in East Herts who needs it with free, confidential and impartial advice. As we help more clients, who come to us with more complex, interconnecting issues related to the cost of living crisis we are aware that there is a great need for government intervention to stop the poorest falling between the cracks and more people being sucked into poverty.

We support the National Citizens Advice with its recommendations to the government.

1. Support people on the lowest incomes through a grant in April, targeted using the existing benefits system.
2. Increase benefits by the Bank of England forecast inflation rate of 6% for April, rather than the planned September rate of 3.1%. This is a cost neutral solution which would help ensure benefit levels reflect the current cost of living.
3. Recognise the crisis will stretch through to next winter and invest in targeted non-repayable support for people on the lowest incomes. Analysts predict the price cap could

²⁶ Ibid

²⁷ National Citizens Advice – Renters, Cost of Living Report March 2022

²⁸ Shelter - Private rents & family wages. Affordability in the Private Rented Sector July 2019

rise again by a predicted £400 in October, effectively wiping out the increase of October's energy rebate. Government should put in place a further grant for those who need it most.

In addition, locally we would urge East Herts Council to re-evaluate as soon as possible the 2015 East Herts Council Fuel Poverty Strategy in responses to the great increases in prices which threaten a far greater number of households with fuel poverty.

ACKNOWLEDGEMENT

We would like to thank Tony Dolphin and Citizens Advice St Albans for kindly allowing us to reproduce the national cost of living context from their March 2022 report 'St Albans The Big Squeeze: How will the cost of living crisis affect St Albans?'.