

CAW Brief

Negative Budgets

“ *The outlook for the winter ahead is bleak* ”



Westminster

National research conducted by Citizens Advice has resulted in a recent policy report, [Living on Empty](#), which details the widespread impact of rising costs on clients across the UK.

The significant rise in the overall cost of living has had a dramatic impact on the clients served by Citizens Advice Westminster. It is clear we have hit a tipping point, and it is increasingly difficult to find ways to help those who are experiencing spiralling debt. For this reason we are highlighting here the ever-increasing financial pressures our clients face, as well as the increasing numbers of issues our clients are facing.

700%
increase
in
crisis support
referrals

Energy costs are clearly the major driver in pushing clients into a cycle of negative debt. Since September of 21-22, energy debt has been the most common debt issue clients raise with CAW, and the number of clients referred to crisis support during this period has increased 8-fold. Inquiries about food banks and other sources of charitable support in Westminster have increased 44% compared to this time last year, a pattern our partner agencies are also experiencing. But it is not only food that our clients cannot afford. Daily, clients have to make difficult choices between food, rent, utility bills, medicine and other basic necessities. This is reflected in the number of issues each client brings when they speak to a CAW adviser, with a 16% increase in the 12 months to October 2023. On average, each client is now supported with almost 5 separate issues.

Our clients need targeted support prioritising these urgent needs. While the reduction of the energy cap may take the problem of energy poverty out of the headlines, Westminster citizens will continue to be impacted by increased debt and food poverty due to the high cost of living. Energy prices remain 76% higher than in October 2020, and food inflation remains high at almost 10% in September 2023. Our clients are already doing all they can to cut back on expenses, but they remain unable to cover essential costs. The pattern is deep and consistent, and without help, the outlook for the winter ahead is bleak.

The government's response must be strategic and long term. The price of energy needs to be accounted for in the calculation of benefits and Universal Credit. Proper funding for housing, food and basic necessities must impact policy in order to help citizens escape negative debt.

Living in crisis...

Mary's Story

"Mary," is a single mother living in Council housing with dependent children. The high cost of energy prices and low income has forced her to use emergency credit on her prepayment meter, incurring additional charges. Mary uses all of her benefit money to pay for energy bills and can no longer afford food for her family.

John's Story

"John," who has long-term health issues can no longer afford his rent due to the benefit cap, which was imposed in May of 2023. Since that time, he can no longer afford to eat well, which, along with stress, is having a negative impact on his health.

Sophia's Story

"Sophia," who acts as a carer for her husband, is experiencing severe hardship due to high energy bills and the accumulation of past debt. The family are Council tenants who rely on benefits, but under the current cost of living, the monthly payments do not cover the most basic necessities, including food.

Angel's Story

"Angel" is impacted by the benefit cap, and struggles to meet basic needs such as food since the cost of gas and electricity increased. She has acquired energy debt as a result, despite using low income medical funds to cover bills. Universal credit is simply not enough to help her deal with the increased cost of living.

*Names have been changed to protect client confidentiality

As these examples demonstrate, cost of living increases are resulting in negative budgets for clients unable to meet their essential expenditures. Benefit entitlements and/or insufficient pay simply do not cover the high costs of food, housing, and fuel, even when clients cut back on expenses. For those with children or suffering from ill health, the impact of increased debt and having nothing left at the end of the month is particularly extreme.