



Somerset

Top priorities for a new government

This will be the living standards election. 5 million people are living on a negative budget, falling further into debt just to cover their essentials. A further 2.3 million people are living on empty - cutting back their spending on essentials to unsafe levels.

The rise in clients with negative budgets has been driven by four main factors:

- Income from benefits hasn't kept pace with inflation, and have fallen even further behind the real cost of living
- Work isn't paying for many people we help on low incomes, as real terms earnings have stagnated
- High energy costs have seriously impacted households - with costs doubling for a period and still 40% above their pre-crisis levels
- Private rents have been rising above earnings for years, and the recent rise in interest rates has also dragged low-income mortgage holders into debt

We're in the problem business! Our advisers help people with more of them than anyone else in the country - nearly 9 million a year (over 23,000 in Somerset). So we have a pretty clear view of the most urgent problems facing Britain as we head into an election year.

And it's been heartbreakingly clear what the biggest problem is over the past two years: negative budgets. Last year, we sounded the alarm¹ that half the people we help with debt are in a negative budget - where even after expert advice, they have more money going out than coming in.

A negative budget is the ultimate red line between making ends meet and being pushed deeper and deeper into trouble. Like quicksand, it's hard to get out of once you're in. And while negative budgets are the worst of this problem, so many more people come to us feeling like they're just living on empty, running to stand still, worrying about what the future holds.

This is a stark warning that while our advice can be life changing, it's not always enough to pull people out of the red and into the black. It's not for lack of trying - negative budgets are a failure of policy, not advice. Successive governments haven't addressed

¹ <https://wearecitizensadvice.org.uk/living-on-empty-245f4b9acbe3>

fundamental policy issues - especially the supply of affordable housing - leaving millions of households struggling to make ends meet on stagnant incomes.

When the cost of other essentials like energy and food spun out of control in recent years, there was nowhere to go but down. People made tough decisions, cutting back on heating and eating, but this only takes you so far. Some costs can't be cut.

What it will take to turn the tide

This situation isn't sustainable. It should be a first priority for the government to solve. But how?

We shouldn't underestimate the scale of this challenge - there's no silver bullet. When our advisers give people debt advice, they go through all the income, spending, and debts to come up with a plan that's specific and sustainable for them. They understand that the complexity of people's situations means they need to look at the whole person.

To solve the problem of negative budgets, we have to take that view into policy making.

To get people back from the brink, of course we have to invest in getting incomes - through benefits and work - back in touch with the real cost of living. But that won't solve the problem without action on uncontrollable costs like energy, and especially housing.

These things won't be fixed overnight. Living standards are in freefall for millions. Papering over the cracks won't be enough. Politicians and policy makers know the challenge we face, and the importance of getting this right with an election on the horizon. But they also have to face up to a tough reality on spending, and no decisions will be easy.

A tool to assess policy change

Getting people out of the red and into the black is what our advisers specialise in, but they can't tackle this scale of negative budgets alone. We need government to take tangible steps to shift the dial.

That's where the National Red Index² comes in. As a tool, it shows us - through the lens of negative budgets - how decisions made in Whitehall translate when they're thrown into the complexity and connectedness of people's real lives, and - crucially - what it would take to lift people back onto a secure footing for good.

This type of tool has never been more needed. We can see where governments should prioritise spending time and money to have the biggest impact on negative budgets.

² <https://www.citizensadvice.org.uk/policy/publications/the-national-red-index-how-to-turn-the-tide-on-falling-living-standards/>

We've used our tool to identify where a new government, in their first 100 days, could start to shift the dial, without breaking the bank.

As a priority, they should address the following:

The National Red Index - new way of understanding living standards

1. Legislate to uprate working-age benefits using inflation data from the Household Costs Indices³, so they better reflect the true cost of living for low-income households.
2. Keep increasing the national minimum wage so more people in work can be lifted out of a negative budget.
3. Reform the Local Housing Allowance so it better supports people with high private rent costs.

IVAs

- Commit to cleaning up the IVA market by bringing pre-IVA advice into FCA regulation, in line with almost all other debt advice. Removing the statutory exclusion that Insolvency Practitioners and IVA firms rely on to provide debt advice would bring them into the scope of FCA regulation, giving consumers the same protections as exist in the FCA regime and enabling the FCA to address harms in the market.

Universal Credit and disability benefits

- Once a Universal Credit claim has been made, claimants must wait at least 5 weeks, with no money coming in at all, until they receive their first payment. This is a significant source of hardship, leaving people dependent on food banks, and causing them to build up rent arrears. Where people take out new claim loans to try and bridge the gap, the system is directly causing increased indebtedness. Loan repayments eat into incomes, with some people losing as much as 25% of their Universal Credit standard allowance to these repayments. Scrapping the 5 week wait for payment would reduce a considerable amount of harm in the system, helping prevent people from being pushed into debt immediately when they first claim for benefits after falling on hard times.
- When applying for disability benefits, disabled people face a complex application process, lengthy delays accessing benefits and a poor decision-making process, resulting in wrong decisions that are regularly overturned at appeal stage. Disability benefits need to be reformed to ensure disabled people are able to access benefits easily, quickly and with decisions right the first time.

Ending section 21 evictions and the broken private rented sector

³<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/householdcostsindicesforhouseholdgroups/january2022toseptember2023#overview-of-the-household-costs-indices-inflation-rates>

- The private rental sector is a broken market. Renters lack fundamental security, which leaves them exposed - they can't challenge unaffordable rent rises or push for necessary property repairs - because they always fear being kicked out of their homes. The number of people we've been helping with a homelessness issue has kept rising since the pandemic - a key driver of this trend is the record numbers of private renters needing help with a Section 21 or 'no fault' eviction notice from their landlord. The next government must end section 21 'no fault' evictions for renters and deliver reforms that give tenants meaningful security in their homes and protection when things go wrong.

As statutory advocates for post, we're shaping a postal service that is affordable, universal and reliable

- Following years of postal delays and significant price increases, Ofcom, the regulator, is reviewing Royal Mail's obligations by implementing a new Universal Service Obligation (USO). Royal Mail operates in a monopoly market, which means consumers don't have any alternatives when it comes to our postal service, so we're asking MPs to ensure that post remains **universal, reliable and affordable** for all our clients.
- We're also calling for a solution for those who don't have access to their post, such as people experiencing homelessness or victims of domestic abuse, having their post intercepted by their abuser. We're asking MPs to **implement an Address & Collect scheme**, a free service allowing people to collect their letters at a post office.
- Post offices in local communities provide vital services for many of our clients, particularly those in vulnerable circumstances or in rural areas. As Post Offices face significant financial challenges, we're asking MPs to **support the continuation of the subsidy beyond March 2025** to maintain access to essential Post Office services in hard-to-reach locations, and **ensure any decisions on the future of the post office network are carried out in consultation with consumers**.

Energy affordability and the future of the energy market

- The energy price spike has had a devastating impact on household finances. While it is welcome that prices have fallen, they remain 40% above their pre-crisis levels. Throughout last winter we helped record numbers of people who could not afford to top up their prepayment meters and energy debt is now the most common type of debt we help people with.
- In the medium term, the investment needed to deliver the net-zero transition is likely to keep prices high, and reforms may mean less affluent consumers pay more.

- The Government already uses the Warm Home Discount to support low income households with their energy costs - the WHD should be reformed by the next government to provide greater levels of support to the most fuel poor households.

Social tariffs across sectors

- Access to many essential services now comes at too high a price for those on low incomes. Our research shows that last year over 4 million people cut back on essentials including phone, broadband and insurance costs. These are essential services that people rely on to get to work, manage their benefits, and stay in touch with their families.
- Social tariffs - which provide discounts to eligible low income consumers - exist in some markets but provision is patchy. The next government needs to introduce a social tariff strategy to ensure that low-income consumers can access support in all essential markets.
- The next Government should ensure that there are social tariffs in essential markets such as energy, water, broadband and telco, and insurance. These tariffs should be easy for consumers to access, with the DWP supporting with data matching.

Somerset specific national red index data

1. Constituency negative budgets data

Constituency	Negative budget rate	Number of people in negative budget	Ranking of constituency by negative budget rate (England, Wales & Scotland)
Bridgwater	7.28%	7,222	248
Yeovil	5.83%	6,114	413
Glastonbury & Somerton	5.06%	4,653	521
Taunton & Wellington	5.29%	5,708	488
Wells & Mendip Hills	4.87%	4,315	547
Weston-Super-Mare	6.34%	6,144	355
Frome and East Somerset	6.05%	5,575	381

2. Constituency polling data

Constituency	% said cost of living or living standards was one of the most important issues in determining	% said that negative budgets are an important issue.

	how they will vote.	
Bridgwater	59.70%	80.11%
Yeovil	58.38%	79.93%
Glastonbury & Somerton	54.73%	80.86%
Taunton & Wellington	59.32%	77.96%
Wells & Mendip Hills	51.54%	78.78%
Weston-Super-Mare	59.92%	79.38%
Frome and East Somerset	55.63%	79.35%