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## Autumn Statement 2014

### Small gains but big household costs not addressed

3 December 2014

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#### Summary

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Responding to today's Autumn Statement Gillian Guy, Chief Executive of national charity Citizens Advice, said:

'The Autumn Statement offers small gains but does not address big household costs. Despite welcome progress in our economy, many households are still struggling to get by and the next Government will still have tough decisions to take on public spending.'

'It's good news that the post-recession economy offers more jobs, but far too many people are facing instability in work and wages which have stubbornly failed to meet rising prices. Raising the personal tax allowance will mean more money for some, but not all, low income workers. But freezing the Universal Credit work allowance will make it harder to make work pay.'

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#### Key statistics

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- Citizens Advice research found 3 in 5 people are worried about the effect that rising household bills will have on their finances over the next year.
- Our figures show half of UK adults – 27 million people – will have to cut their spending to cope with household costs.
- 1 in 4 people coming to Citizens Advice has some kind of debt problem.
- 2 in 5 people who get help with debt problems from Citizens Advice have dependent children.
- Employment and housing are bigger concerns for under-25s coming to bureaux than any other age group.
- Forty per cent of Citizens Advice clients say accessing childcare is a barrier to work.
- From July to September 2014, over 22,000 people came to Citizens Advice with a problem with their privately rented home
- Energy bills are up by 33% since 2010, that's seven times the increase in average earnings.

The table below shows the number and range of issues about which people have come to Citizens Advice for help, via a bureau, online or over the phone:

 2013-14	Issues	%	 2013-14	Page views	%	 2013-14	Issues	%
Benefits and tax credits	1,897,000	34%	Consumer	9,146,000	27%	Consumer goods & services	449,000	72%
Debt	1,630,000	29%	Benefits and tax credits	6,064,000	18%	Energy and post	43,000	7%
Housing	422,000	8%	Employment	5,381,000	16%	Utilities & communications	48,000	8%
Employment	387,000	7%	Debt and money	3,904,000	11%	Financial services & capability	29,000	5%
Relationships and family	289,000	5%	Family	3,247,000	9%	Travel, transport & holidays	30,000	5%
Consumer (excl. financial)	251,000	5%	Housing	2,633,000	8%	Housing	9,000	1%
Legal	194,000	4%	Legal	1,855,000	5%	Debt	4,000	1%
Financial services & capability	101,000	2%	Tax	849,000	2%	Health & community care	6,000	1%
Health and community care	71,000	1%	Health	413,000	1%	Other	8,000	1%
Immigration and asylum	68,000	1%	Education	355,000	1%			
Tax	46,000	1%	Discrimination	349,000	1%			
Education	21,000	0%						
Other	154,000	3%						
<b>Total</b>	<b>5,531,000</b>		<b>Total</b>	<b>34,196,000</b>		<b>Total</b>	<b>626,000</b>	

\*The above figures have been rounded to the nearest thousand.

## Household costs: a missed opportunity

A freeze on fuel tax, exempting children from Air Passenger Duty and increasing the personal income tax threshold are small but welcome gains for households. But today is a missed opportunity to address some of the larger financial problems families face, particularly around childcare and energy bills and some people are still without access to **basic banking services**.

### Childcare

Increasing financial support for childcare is one of the Government's success stories, but too often the practicalities of childcare are a barrier to people being able to balance work and family. Forty per cent of Citizens Advice clients say accessing childcare is a barrier to work. The Government must ensure that problems with support, like unaffordable up-front payments and poor quality care, do not prevent parents making the most of positive reforms.

### Energy Bills

Energy bills are up by over a third since 2010 and many people live in homes which haemorrhage heat. Urgent investment is needed to make homes more energy efficient, particularly to help low income and fuel poor households get on top of their bills. Until consumers have a market which is competitive and transparent, and results in affordable deals, too many people will get a raw deal. This includes people with prepayment metres, who pay on average £80 a year more than direct debit customers and often receive a second class service.'

## Housing

Britain has failed to build enough homes for decades and it is good news that the Government has committed to building new homes directly, release land for house building and the development of a new garden city. But it will take time for the benefit to be felt.

The chronic undersupply of housing has created problems in the private rented sector, which need to be fixed urgently. From July to September 2014, over 22,000 people came to Citizens Advice with a problem with their privately rented home, and this number continues to rise.

Other groups, including owner-occupiers, are also under pressure. **Any rise in interest rates will not only have serious consequences for people with mortgages, but also for private tenants** whose landlords pass increased costs on.

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## Freezing Universal Credit work allowance won't make work pay

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Seeking to manage welfare spending is sensible, but the Chancellor's method is flawed.

Freezing the work allowance for people on Universal Credit will mean many find it harder to make work pay. Recent assessments of the Government's flagship reform have raised extensive concerns. A slow roll-out of the new benefit is sensible, but a wait of nearly a decade before Universal Credit is in place creates uncertainty for many households. There are also concerns that an ever-extending roll-out period is leading to unacceptably high implementation costs. The Government must be watchful of the money being spent on this flagship reform, whilst ensuring that there is targeted help for people moved onto Universal Credit.

It is unfortunate that this freeze reduced the incentive to work. Citizens Advice research shows that giving every child of a parent receiving Universal Credit a Free School Meal would ensure every hour of work pays more than it currently does.

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## Fines on the banks

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We welcome the Government's decision to use the money from fines to support people, such as improving the facilities and access to GPs surgeries. The Government should give strong consideration to using a portion of any future fines to support advice services, which we know have a positive impact on people's health. Four in five people say that our advice improves at least one other aspect of their life, e.g. their mental wellbeing

Citizens Advice asks all the political parties to strongly consider supporting the principle that fines placed by regulators on organisations across industries such as financial services, energy and telecoms be used to meet consumer demand for advice services

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## Flooding

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It is good news that the Chancellor has announced tax relief to encourage business investment in flood-affected areas. This is on top of the £140 million committed to in the Budget, which is helping flood-hit communities. Our army of volunteer advisers will continue to work tirelessly to help communities to get back on their feet. A focus on long-term prevention and infrastructure is vital to give residents piece of mind.

Focus on flooding and storms often only gets attention when we see the sort of serious damage suffered by thousands of households at the start of this year. However some of the most damaging

effects of flooding only appear months and years after the initial impact. Citizens Advice Bureaux continue to help people get fair treatment from their insurer for months after storms, but unfortunately the crushing burden of debt can easily hit home as households try to pay for the damage.

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## What would Citizens Advice's Autumn Statement have looked like?

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The Government is making tough choices in order to reduce the deficit and balance the books. While the economy is recovering, many families up and down the country are facing equally tough times with stagnant wages, reforms to welfare and the pressures caused by rising costs of essential goods and services. As part of this process it is essential that the Government invests in support for hard-pressed and hard working families who are arriving at Citizens Advice in ever increasing numbers.

Citizens Advice has an unrivalled amount of front line, real time evidence showing the problems people face as they navigate markets and bureaucracy. Our policy recommendations will help to ease the burdens on hard-working families and the working poor as they wait for the economic recovery to fully filter through.

We are therefore disappointed that the Government's Autumn Statement did not implement any of our policy recommendations, but we look forward to working with them going forward. Our recommendations were as follows:

1. Acknowledge the value of advice to society and the intrinsic relationship between Government reforms and increasing demand for advice services by:
  - investing in advice services to support the implementation of complex Government reforms, such as Universal Credit.
2. Ease the burden on families' finances, support everyone who can work to do so and provide a strong safety net for those who can't by:
  - making childcare accounts available to those claiming Tax Free Childcare accessible to Universal Credit claimants
  - awarding Free School Meals to **all** children in households in receipt of universal Credit
  - asking the Low Pay Commission to consider how the National Minimum Wage can increase back to parity real-terms value we saw before the crash.
3. Help make markets work for families and ensure everyone has access to essential services like energy and banking at a price they can afford by:
  - introducing a universal service obligation on retail banks so everyone has access to essential banking services, and reach agreement on the minimum standards for basic bank accounts
  - using a portion of the £1.1bn fine the FCA has imposed on several banks to meet the substantial need for front line debt advice
  - making energy efficiency a UK infrastructure priority to keep energy prices low for the long term.

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## About Citizens Advice

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 Citizens Advice's charitable aim is to make society fairer by providing the advice people need for the problems they face; and improving the policies and practices that affect people's lives

- ✚ We help two in three people resolve their problems and are worth one billion pounds to society each year
- ✚ Four in five people say that our advice improves at least one other aspect of their life, e.g. their mental wellbeing
- ✚ 320 Citizens Advice Bureaux provide free, confidential and impartial advice from 3,300 locations across England and Wales by 21,500 volunteers alongside 6,500 paid staff
- ✚ Last year Citizens Advice Bureaux helped 2 million clients with 5.5 million problems
- ✚ Last year the Citizens Advice Consumer service answered 1.2 million calls
- ✚ Last year there were 16 million unique visitors to our advice website [www.adviceguide.org.uk](http://www.adviceguide.org.uk).

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## Contact

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