Autumn Budget 2025

A submission from Citizens Advice

Contents

Social security support for low income households

Foreword by Stockton Citizens Advice

(Stockton District Advice and Information Service)

"If we could give you anything, just one thing, where money was no object and distance no barrier, what would you choose, just for you?"

Eight-year-old Tommy* paused, then quietly replied:

"I'd love boxing lessons."

Tommy's wish was simple. Modest, even. But behind it lay a childhood shaped by scarcity, not a lack of love, but of opportunity. As one of four children in a single-parent household, his life is governed by the constraints of Universal Credit, the two-child limit, and the benefit cap. He knows the word *"no"* not as rejection, but as routine. Not because his mother doesn't want to give him the world, but because the system has made it impossible.

The two-child limit slashes her support from £1,217.46 to just £631.82 per month; a staggering reduction of £585.64. The benefit cap took another £50. That's two children's support, stretched across four growing lives. Tommy's mother, unable to work due to her own mental health challenges, exacerbated by poor housing, rising costs, and relentless stress, survives on foodbanks, crisis grants, and the kindness of strangers. She is not living. She is enduring.

The move to Universal Credit brought a gap in payments that plunged her into rent arrears and debt. £60 is now deducted monthly to repay the advance she had no choice but to take. Before she could even begin, she was already behind. Her home is damp, mould-ridden, and unaffordable, with Local Housing Allowance covering barely half the rent. The walls may shelter, but they do not protect.

Tommy's story is not rare. It is heartbreakingly common. He is one of millions of children growing up in generational poverty, under a social security system that was meant to support, but instead, too often, suffocates.

When children are forced to dream only of what they *need*, rather than what they *could become*, that is not just personal tragedy. It is systemic failure.

The North East Child Poverty Commission's *No Time to Wait* report reveals a stark reality: between 2014/15 and 2021/22, the North East experienced the steepest rise in child poverty of any UK region, with rates climbing from 26% to 35% after housing costs.[1] For advisors working in some of the country's most deprived communities, stories like Tommy's and his mother's are heartbreakingly familiar.

Poverty is not a standalone issue; it ripples through every aspect of life. According to the Trussell Trust, low household income and material deprivation cost the UK economy an estimated £75.6 billion annually.[2] From families lost in the maze of transitional housing after immigration status change to individuals working full-time yet unable to afford necessities and elderly people enduring months without heating, poverty takes many forms, and its impact is visible everywhere.

Foreword continued...

Healthcare is one of the clearest indicators of this crisis, with evidence showing a complex interplay between economic conditions and poverty levels.[3] The Northeast consistently records the lowest life expectancy at birth across Great Britain.[4] But poverty doesn't just shorten lives, it diminishes their quality.

Education is a critical determinant of future income and job prospects. Individuals with low personal education levels are nearly five times more likely to live in poverty than those with higher qualifications.[5] Severe material deprivation, the inability to afford essentials like rent, mortgage, and utility bills, is 11 times more likely among those with low education. Childhood circumstances matter: growing up with an unemployed father or in a single-parent household more than doubles the likelihood of experiencing deprivation in adulthood.[6]

Poverty, not just for children, but for families, communities, and generations, is not an accident. It is the result of narrow thinking and fleeting political agendas that fail to see beyond the next election cycle. It is a systemic failure, deeply rooted and tragically sustained.

To dismantle it, we need more than promises. We need courage. A cross-party, long-term, and holistic commitment, one that transcends ideology and puts people before politics. Only then can we begin to confront what is, without question, the most urgent moral and social challenge facing our country today.

Natalya Robson, Child Poverty Services Team Lead, SDAIS

Scrap the Two-Child Limit and Benefit Cap

At Citizens Advice our frontline advice work, which supports 2.5 million people every year, gives us a unique insight into the financial pressures facing households, including those with children. In recognition of this, Citizens Advice was asked to lead engagement on the issue of household costs by the government's Child Poverty Taskforce. As part of this work, we convened a series of roundtable discussions with other key stakeholders in October and November of last year to identify recommendations for action. These were published in January of this year.[7]

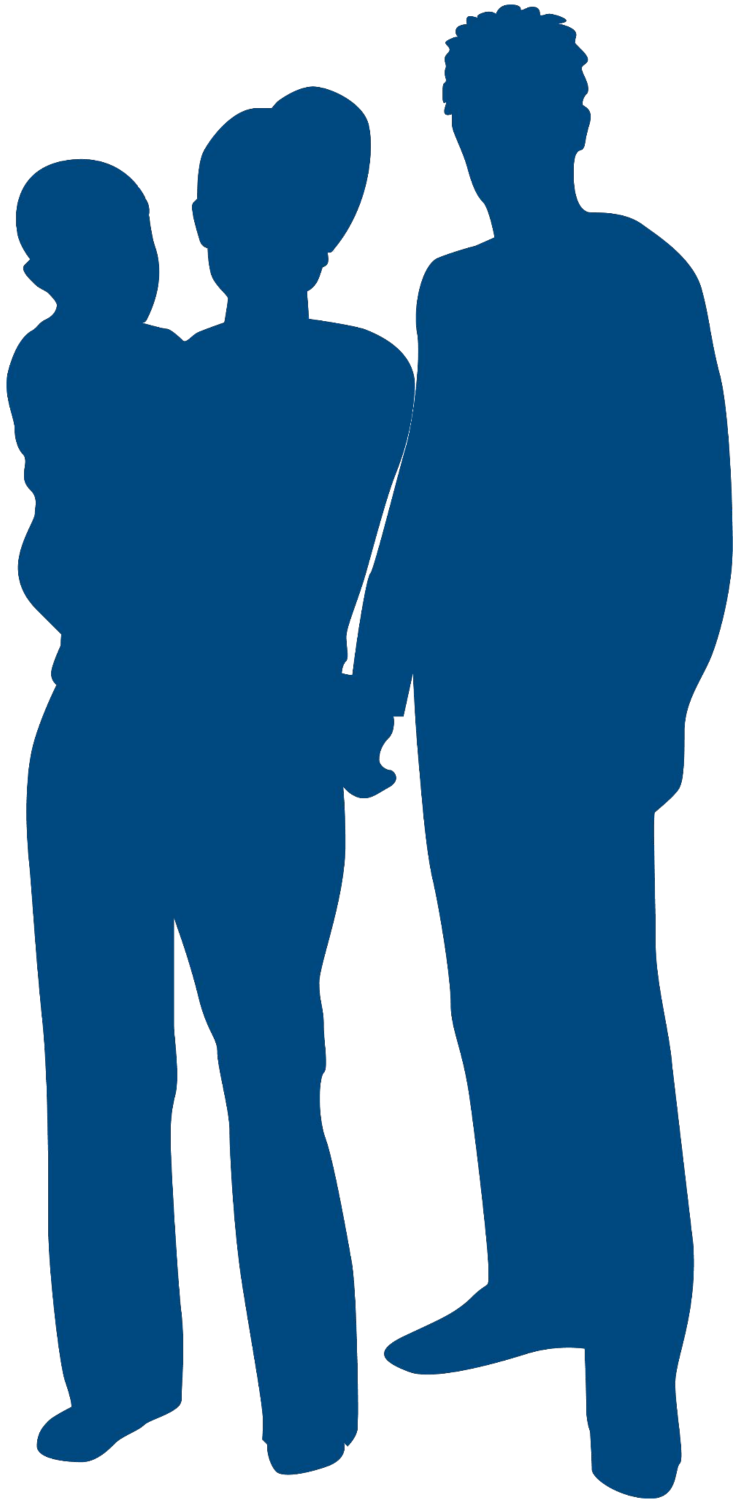
The resounding message from this work, and from our own data, is that scrapping the Two-Child Limit and the Benefit Cap must be an urgent priority for the Autumn Budget if the government wants to reduce child poverty. These policies are among the biggest drivers of child poverty in the UK and reversing them would be the most efficient way to lower child poverty levels. They arbitrarily reduce the money received by low-income families, disproportionately impacting children and, as a result, driving higher levels of child poverty. They serve no useful policy goal other than to cut benefit expenditure, arguably by simply displacing costs to other parts of the system, such as crisis support. But it is children who are paying the real price.

Our own analysis shows the proportion of households with children that are in a negative budget, where their incomes are not sufficient to meet essential costs, is forecast to rise this year. This is especially true for single-parent households. Our forecast shows that more than 1 in 8 single-parent households will be in a negative budget this year, and they are more than twice as likely to be in a negative budget than households overall.[8]

This grim picture is reinforced by the government's own data. Currently, 84% of the 115,000 families impacted by the Benefit Cap have children in them, while 470,000 families containing 1.7 million children are impacted by the two-child limit.[9] Half the children in poverty in the UK now live in families impacted by the two-child limit (ie with three or more children in them).[10] The design of the two-child limit means that it will continue to drive higher rates of child poverty, pushing a further 670,000 children into poverty by the end of this parliament.[11]

But this is entirely avoidable. Scrapping the Two-Child Limit and the Benefit Cap would stem the projected rise in child poverty and reduce the number of children living in poverty by 500,000 by the end of this decade.[12] No other single policy intervention would be as effective at reducing child poverty. Partially lifting the limit - for example to create a 3 or 4 child limit, or to exempt working parents from the policy - would only create a narrower group who are at even higher risk of hardship. It also builds in further precarity into the system, as any working parents who lose their job would at the same time lose the additional support for their children.

We urge the government to use the Budget and Child Poverty Strategy to scrap these damaging policies in full and turn the tide on child poverty.



Universal Credit Reform (5 week wait)

The embedded 5 week wait in Universal Credit (UC) means that many claimants become trapped in spirals of debt very quickly. Unable to pay for essential costs during the period between claiming and receiving a first payment, they are forced to take out a new claim advance from the Department for Work and Pensions (DWP). This is then repaid through monthly reductions to their UC which, by definition, brings people's UC income below the amount they're assessed as needing.

The latest available data, obtained by Citizens Advice through a Freedom of Information request, shows 840,000 households receiving UC have a deduction for a new claim advance - that's 13% of all households on UC.[13] These deductions are also shaping the financial circumstances many children are growing up in: 590,000 children live in households affected by new claim advance deductions.[14]

The Fair Repayment Rate (FRR), introduced in April 2025, brought a welcome income boost to over a million UC households, by reducing the overall cap on deductions from UC from 25% to 15% of the standard allowance. While the FRR improved the affordability of deductions, they remain a significant source of hardship. Losing up to 15% of UC income through deductions is still unaffordable: a couple with at least one person over 25 can lose up to £94.22 a month.[15] In addition, since the FRR reduced the maximum amount that can be deducted per month, but not the total owed, claimants will remain in debt for longer.

In February 2025, households with new claim advances were having £32 per month deducted, on average, to repay these loans - rising to £43 for households with children. In total, the DWP deducted £290m between March 2024 and February 2025 for new claim advances from all UC households, and £143m specifically from households with children.[16]

There has been long-standing and significant demand for Citizens Advice's support with deductions for new claim advance loans. In the past 5 years, we have helped nearly 36,000 people with this issue. Demand has also risen. 8% more people came to us for advice on new claim advance deductions between January and August 2025 than in the same period in 2024, and 20% more than in the same period in 2023. Over 1 in 3 people we've advised on this issue this year, between January and August, have had children.

So far this year, among the people needing our support with advance loan deductions:

- **69% also needed a food bank referral**
- **45% also needed advice on accessing charitable support**
- **37% also needed advice on accessing crisis support through the Household Support Fund.**

This 'cycle of debt' that many of the people we help are experiencing means that more than half advised on new claim advance deductions also needed debt advice.
This is also reflected in DWP data which shows that 18% of UC households with new claim advance deductions also have a deduction for a budgeting advance, another DWP loan.

For some of the thousands of people we support with new claim advance deduction issues each year, these deductions can also make it difficult to give children the best start in life, and can be a barrier to taking up employment - like for Alara*.

After Alara's* husband suddenly passed away, she had to move into temporary accommodation with her teenage daughter. Alara spoke to one of our frontline advisers when she needed to access a foodbank, because she's been struggling to provide for herself and her daughter on her low income from UC. Her UC income is being reduced by deductions for an advance payment and a previous benefit overpayment. Alara has recently found a new job, but isn't starting work for another 2 weeks, and is worried about how she'll manage to afford her commute.

**All names have been changed.*

The solution

The hardship imposed by the gap in income caused by the 5 week wait could be addressed by a system of upfront grants or interim payments, or most likely a combination of the two.

Grants would eliminate the need for new claim loans, and therefore also boost take-home UC income for hundreds of thousands of households by reducing the subsequent need for deductions / loan repayments. The cost of this system could be reduced by targeting groups of claimants most likely to experience hardship, such as households including children and/or disabled people, or private renters most at risk of accruing rent arrears. Costs could also be reduced by only paying part of the value of a month's entitlement as a grant.

Interim payments would see the DWP pay claimants at least part of their first payment after 1-3 weeks, and the remainder after 5. This might make it possible for some claimants to stretch any money they already have (e.g. any employment income or savings) over the gap in income. This could reduce both the demand for, and value of, advance loans.

Interim payments may help some but are unlikely to help all households bridge the current 5 week wait. Therefore any comprehensive solution is likely to require a combination of payments and grants to ensure that households are not being set up to fail as they start their UC claim.

Service Solutions

The Future of Help to Claim

The Department for Work and Pensions is on a transformation journey towards a modern and responsive welfare system. Our evidence shows a direct barrier to this mission is that unresolved issues with sanctions, deductions, and incorrect payments are creating significant obstacles preventing claimants from being able to engage with employment support, directly undermining the goals of the Get Britain Working agenda.

Since 2019 Citizens Advice has worked in partnership with the DWP to support 919,000 people to claim Universal credit, generating an estimated £35 million in fiscal benefit and a wider £484 million in public value in 2024/25 alone.

Our research identified that the current system is creating a cliff-edge of support that occurs immediately after a claimant's first correct payment. At this point, vulnerable claimants are left to navigate complex, ongoing issues alone, creating a fragmented journey where they fall through the cracks. We welcome working in partnership to co-design and deliver an evolved service that removes these fundamental barriers which would create the stability necessary for claimants to move towards employment.

Our advisers and partners have reported a significant, unmet need for post first correct payment support:

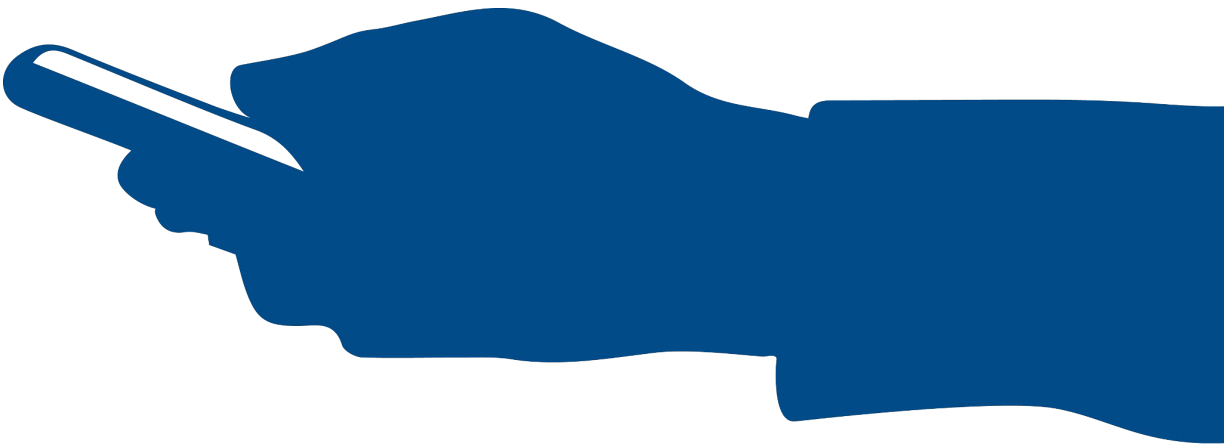
- **Managing Claims: 68% of our local partner organisations agree a future service must offer advice on managing an ongoing claim, covering critical issues like sanctions and deductions.**
- **Checking Payments: 72% of local partners state a future service must be able to check if an existing Universal Credit award is correct. Nearly half of our advisers (47%) see clients with this need multiple times a week.**

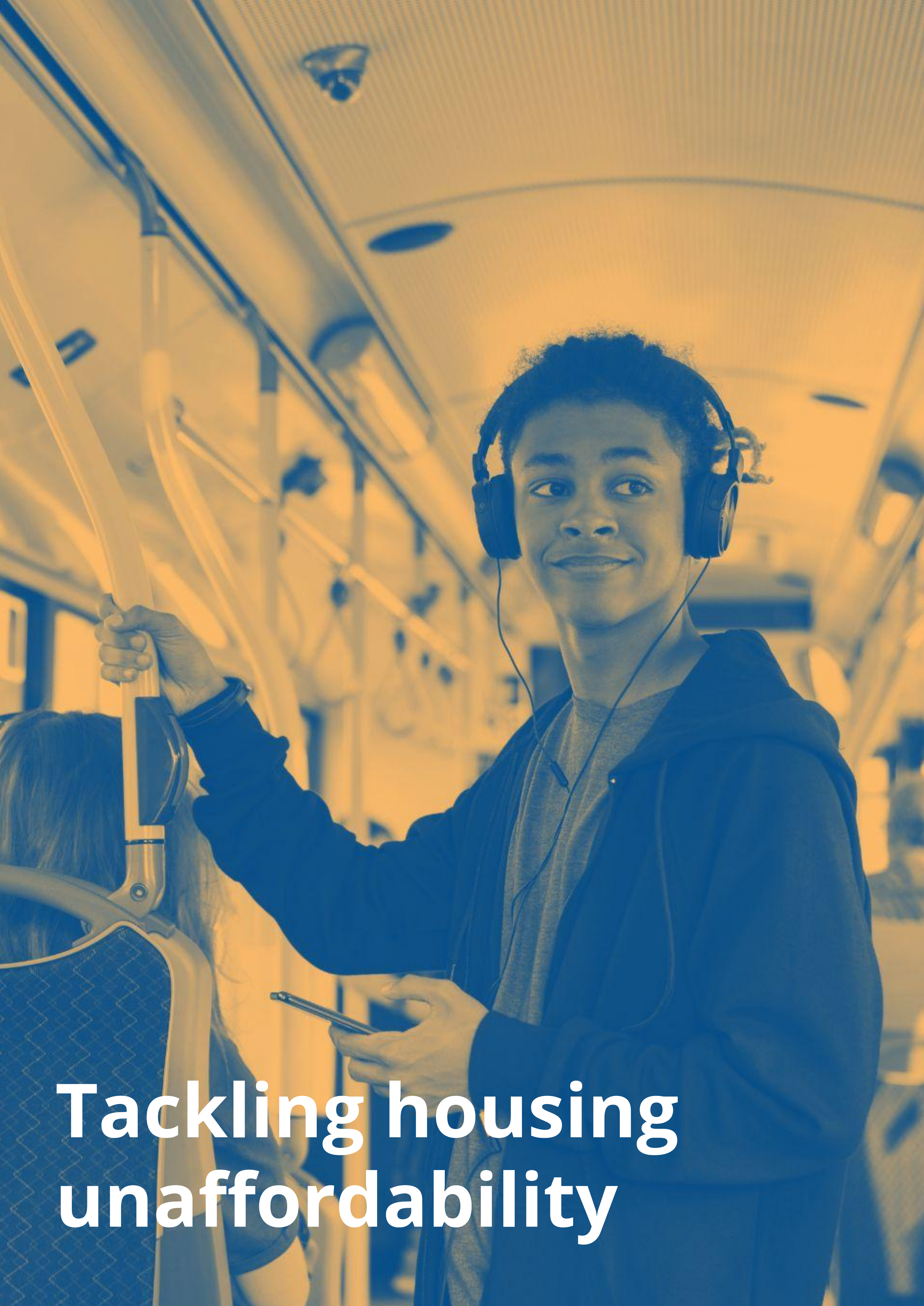
Widening the scope of the existing Help to Claim model would ensure that the unmet needs of clients are addressed, preventing them from escalating into crises and removing complex barriers to seeking employment. We are advocating that the government should allocate provision within the Autumn Budget to widen the scope of the Help to Claim service to provide holistic advice beyond the first payment. This will allow the service to address the key drivers of claimant instability through:

- **Ensuring Correct Payments: Provide ongoing support to manage claims, check payments, and handle sanctions and deductions. This is a critical need identified by the majority of our partners, with 72% agreeing that a future service must be able to check if an existing award is correct.**
- **Delivering Holistic Advice: Address the 44% of clients who have interconnected needs, such as PIP, Council Tax, housing, and debt. A high proportion of our local partners (80%) agree that offering advice on other benefits would be highly effective.**
- **Providing Tailored, Accessible Support: Include face to face provision to support marginalised claimants including older people, those with long-term health conditions, and those facing digital exclusion ensuring no one is left behind.**

Our existing service has a proven track record of delivering trusted and effective support; 96% of our clients said our advice helped them find a way forward and 85% would have been unable to resolve their problem without our support.

Amira, a mother who is not working due to her own health issues and her role as a carer for her autistic child, contacted us with a query about her migration notice. Our adviser uncovered multiple interconnected problems: her Housing Benefit had stopped; her PIP had lapsed; and she was at risk of debt and rent arrears. A single-issue service would have left these critical problems unresolved creating complex barriers. We supported Amira to claim Universal Credit and get a referral to reclaim PIP, providing her with the financial and housing security needed to manage her complex situation.





Tackling housing unaffordability

Foreword from Leeds Citizens Advice & Law Centre

In Leeds, we are seeing increasing numbers of families trapped in damp and unfit accommodation, for which they are paying excessive rents. The absence of controls over the quality and cost of privately rented accommodation, and the shortage of local authority housing, have contributed to this situation, with long-term health and developmental effects for children in particular.

With just one law firm in Leeds now offering legal aid advice for housing, more and more people have turned to us for help and in 2024/25 Leeds Citizens Advice & Law Centre advised on 7,578 housing enquiries. Homelessness, disrepair and disputes with landlords are among the most common.

Homelessness issues were nearly a quarter of recorded housing enquiries in 2024/25, and have been increasing since the Covid pandemic. That increase is driven by:

- Private sector rents in Leeds increasing by an average of 24% from 2020
- Local Housing Allowance and Housing Benefit rates failing to keep pace with rent inflation
- Increasing numbers of people living in poverty and falling into rent arrears
- The shortage of local authority-owned housing.

Disrepair in the private rented sector is another significant issue, with damp and mould being the most common problem and tenants vulnerable to 'revenge evictions' if they try to get their landlord to carry out repairs.

People like Jess* are in desperate need of help. After 7 years living in a privately rented, 1-bedroom property with 3 young children, Jess approached Leeds City Council for help to improve her housing situation. She told them about the property's severe disrepair, damp and mould, which caused constant chest infections and skin problems in her children. Despite these problems and the overcrowding, the Council did not provide help and did not accept that Jess and her family were in need of rehousing.

With Legal Aid funding, our Housing Solicitor helped Jess to challenge the Council's decision, leading to her being accepted as homeless and eligible for rehousing in a 3-bedroom property.

If the Renters' Rights Bill becomes law this year, it will provide greater protection for tenants against many of these issues but could still leave private tenants on low incomes unprotected. Further actions are needed alongside the Renters' Rights Bill if people on low incomes are to be afforded better and more secure housing in the private rented sector.

Local Housing Allowances has fallen well below the actual level of rents being charged in the private sector. People have to be on low incomes to qualify for LHA, but are forced to use already inadequate income to meet the shortfall in rent payments, or fall into rent arrears. Even with the Renters' Rights Bill being in rent arrears will still be a legitimate ground for eviction, so people on low incomes will remain at higher risk of homelessness. Uprating Local Housing Allowance to reflect actual rents is therefore essential.

There is also a question about the extent to which people will be able to benefit from these new rights if they are unable to access free legal advice. With so little legal aid advice now available for housing problems, renters' rights may remain theoretical for those who cannot afford legal fees.

Leeds Citizens Advice & Law Centre

Policy solution for the Autumn Budget

citizens advice

Permanently link Local Housing Allowance with 30th percentile of local market rents and abolish the Shared Accommodation Rate

The picture in Leeds of increasing numbers of people with housing issues coming through the door is reflected across our network. Housing is consistently one of the top issues our advisers help people with every day and we're helping record levels of people with homelessness. Last year, this was 400 people per day. We welcome the government's commitment to boosting social housing which has huge potential to lift people out of a negative budget. But it's a long-term goal and people need help with housing costs now.

Local Housing Allowance (LHA) is the lever government should pull to do this quickly. LHA rates should be uprated in line with the intended policy design, ie linked to the 30th percentile of local rent costs. This should be maintained permanently, rather than reviewing it each year. The Shared Accommodation Rate for under 35 year olds should also be abolished.

Due to recurrent freezes to LHA and spiralling private rents, as of November 2024 48% of households renting privately and receiving the UC housing element have a shortfall between the support they receive and their rent - that's 772,731 households.[17] Data available on Housing Benefit from May 2025 similarly shows that 60% (136,834) of private tenants have rent shortfalls.[18] From the budgets of those we help with debt issues, we can see indications of the positive impact of uprating LHA in 2024. The average monthly deficit for our debt clients, who receive UC and rent privately, fell from £69.01 in the fourth quarter of 2023/24 to £44.47 by the second quarter of 2024/25 (when we know the uprating of LHA was fully implemented). Since then, deficits have steadily deepened. In the first quarter of 2025/26, the average monthly deficit among private renters on UC who came to us for debt advice was £66.04.[19]

Rent shortfalls are even more prevalent, and more pronounced, among those only eligible for the Shared Accommodation Rate (SAR). Citizens Advice research estimated that 88% of SAR claimants had a shortfall between support and their actual rent in 2023,[20] and that our clients reliant on the SAR and seeking debt advice, also had significantly *higher* monthly shortfalls than those are eligible for other rates of housing cost support.[21]

Isha* is struggling to meet her essential costs. She recently separated from her husband after experiencing domestic abuse, and is now living with her two daughters, who are 4 years and 9 months old**. Her current property is both more than she can afford with her UC housing costs support, and in a poor condition: the private rented flat has a recurring damp problem and has mould on the walls**. Isha is worried the mould is causing breathing problems for her 4-year-old daughter. **Isha's budget is very strained because her benefits are wrongly being capped, and there is a £300 shortfall between her rent costs and the local LHA rate.** Isha told her adviser that the stress of her financial situation was worsening her mental health.

The consequences of inadequate LHA have a serious ripple effect on people's lives. In the last year, 21% of those coming to us for support because of inadequate LHA also needed a foodbank voucher; 22% needed support accessing local authority homelessness services; and 14% were signposted to localised welfare support, like the Household Support Fund. So far this year, 55% of those we helped because of inadequate LHA also needed advice on Discretionary Housing Payments, putting additional pressure on local authorities.

Our advisers are also seeing the effects of inadequate LHA in the rise of families forced to live in unsuitable, sometimes unsafe, temporary accommodation. Since 2021, we've seen a 68% increase in people needing advice from us about temporary accommodation and the lack of affordable private rented properties is a key driver of this.[22]

We also know that the legacy of being unable to afford private rents can be a barrier to people leaving temporary accommodation so people become trapped in what should have been a short-term situation. One of our advisers told us that "*people are in an awful, awful situation, as they couldn't afford the previous rent* [in the private rented sector]*, but* [those previous rent arrears] *are now a complete barrier*" to accessing a settled home.

Polly* and her toddler went to their local council for help when they were made homeless. After making the long journey to their temporary accommodation, Polly got there to find most of the bannisters on the stairs were missing. The stairs were also incredibly steep, making the property very unsafe for her toddler. Polly tried to get the bannisters fixed but this was taking too long, and so she applied for loans and a Universal Credit (UC) budgeting advance to pay for the repairs herself. **Having to remove this serious health and safety hazard left her in debt and facing deductions from her UC to repay the advance.**

Uprating LHA and abolishing the SAR for under 35 year olds, to prevent people becoming homeless in the first place, is crucial to delivering on the government's ambition to reduce use of temporary housing and the number of children who spend their entire childhoods without a secure home.

**all names have been changed.*

Bill affordability

Foreword by Citizens Advice Hull & East Riding

Fuel poverty is tightening its grip on Hull and the East Riding. Our local data shows that over half of the clients we see who cannot meet their bills are already repaying energy debt, and one in five are repaying water debt. This is not a marginal issue: it is a central driver of the financial crisis, poor health and wider public costs.

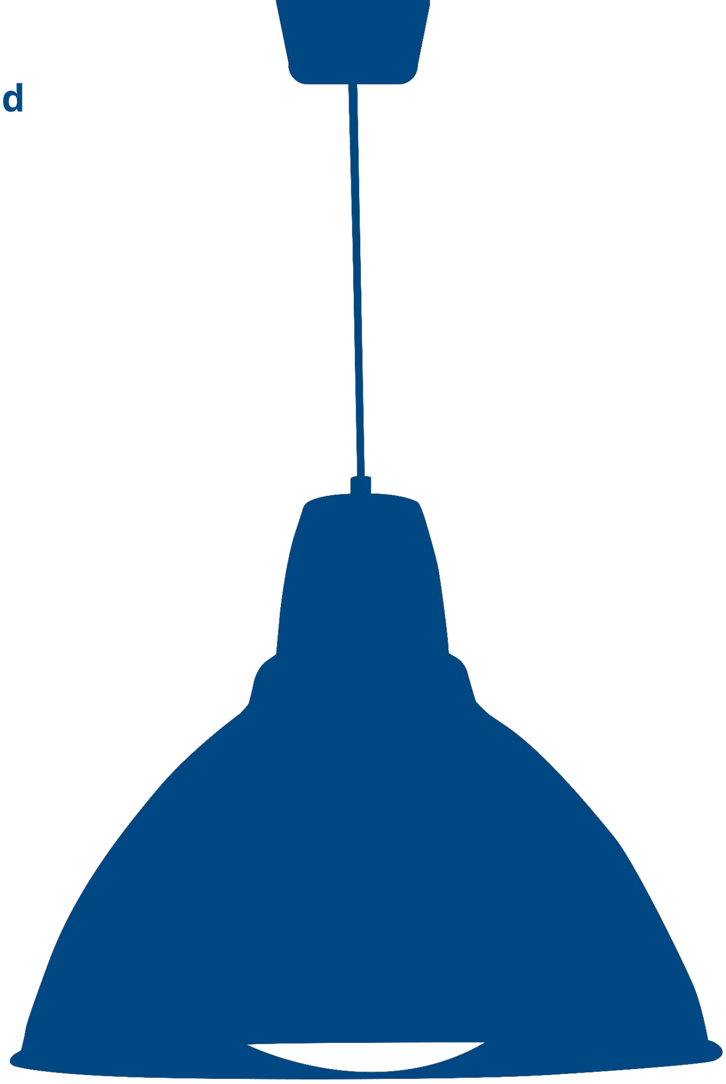
Households in arrears are twice as likely to experience food insecurity and three times as likely to fall behind on rent or council tax, forcing councils to spend more on crisis support. Among those unable to afford their energy bills, 26% report a mental health condition, rising to 31% for people with fuel debt and 35% for those with water debt.

The link between cold, damp homes and ill health is undeniable. Last year alone, our advisers supported 1,291 clients with 1,468 damp and mould issues – problems that begin with people being unable to heat their homes, and end with avoidable NHS costs.

The demand our advisers are seeing for emergency help illustrates how deep the need runs. In the past year, we had 1,258 requests for fuel vouchers from 744 clients. Over 460 needed a single voucher; over a third returned for multiple vouchers; and one client returned 25 times. 49% of voucher recipients also needed food bank referrals, 28% were supported through the Household Support Fund, and 27% were added to the Priority Services Register because of their vulnerability.

In total, our advisers handled 7,040 energy-related issues – an average of three separate energy problems per client – alongside 1,956 fuel debt issues and 1,106 water debt issues. These are not isolated incidents but a pattern of overlapping crises that keep households trapped in hardship.

Behind the numbers are real people. In one case, Julia* sought help from our energy team. She was living in a cold home with her daughter and could not afford the cost of her energy bills. Her house was particularly cold as she did not have furnishings or carpets, but she couldn't afford to purchase these due to her high energy bills. She was dependent on food and fuel vouchers to keep the meters running, without even turning on the heating. She was stuck in a cycle that she couldn't escape. This situation led to extreme distress to Julia, impacting her mental health.



Paul* has been referred to our service several times across the last few years for support with ongoing bills and debts. The cost of Paul's bills are unaffordable, and has led to his debts building across his priority debts. He has cut down his energy usage, which has caused damp and mould to form in his home.

This is a vicious cycle. High bills create arrears; arrears create ill-health and housing damage; ill-health and damage drive up NHS and local authority spending. Every pound invested in lowering household energy costs saves multiples in avoided emergency grants, healthcare and lost productivity. Public Health England already attributes thousands of excess winter deaths to inadequately heated housing.

- **Many of our homes are older, poorly insulated, and inefficiently heated.**
- **Families on low incomes spend a far higher share of their disposable income just to keep warm. Even after cutting usage to the bone, many of our clients still cannot keep the lights and heat on. Heating and eating become an either-or choice – an impossible trade-off that harms both body and mind.**

Keeping the lights and heat on is not a luxury, but it feels that way to our clients. It is a prerequisite for healthy homes, thriving communities and sustainable growth.

Jessica Smith, Data and Insights Officer, Hull and East Riding Citizens Advice

Policy solutions for the Autumn Budget

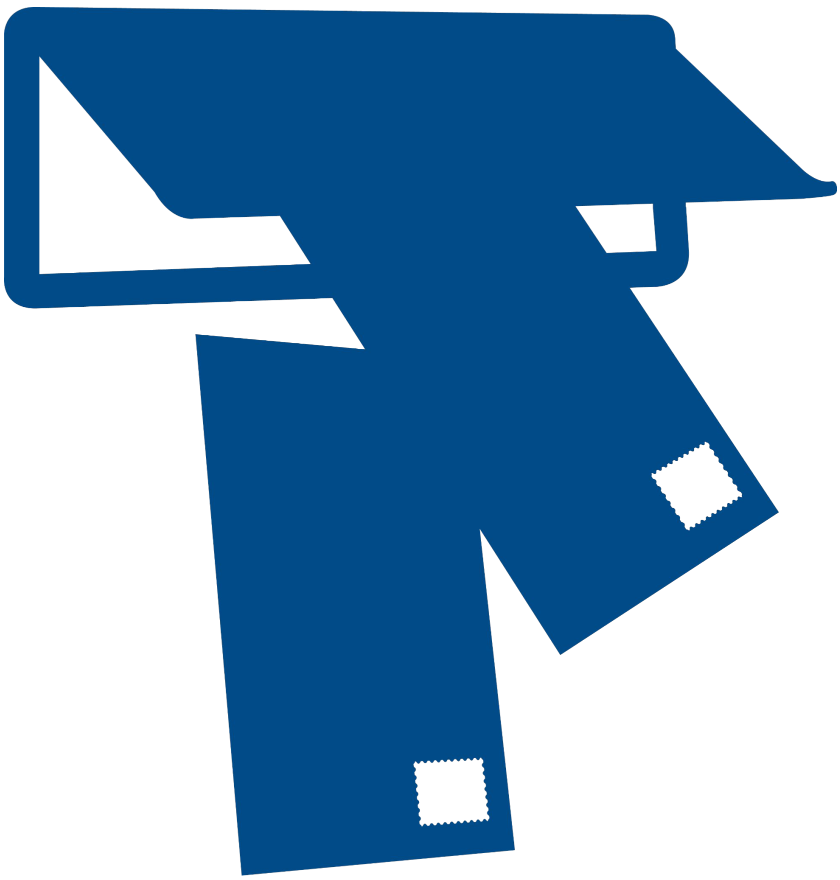
Bringing down energy bills

The government must address affordability in the energy sector and better support people, especially those most vulnerable, by reforming the Warm Home Discount to provide more tailored support for households with the highest energy use, and taking steps to reduce the cost of electricity to help those in the deepest fuel poverty and encourage the green transition.

Energy prices remain volatile and are still much higher than they were before 2022. In our local Citizens Advice services, we continue to support nearly double the number of clients with their energy bills since before the crisis began. For example, in January 2021 we supported 5,840 clients compared to 10,726 clients in January 2025.

While energy prices increased a relatively modest amount at the recent price cap announcement, consumers who are already struggling and on the brink of financial struggles have been pushed under even more pressure. With winter fast approaching, our commissioned survey with Yonder[23] found that **38% of people are worried about being able to afford their energy bills this winter**.[24] These worries are not spread evenly, with certain vulnerable groups more likely to feel worried about their bills:

- **Over half of people on means-tested benefits (56%) are worried about their bills**
- **Just under half of those with children (46%)**
- **Nearly half of those who rent (49%) or are disabled (48%)**



Energy continues to be among the least affordable bills, **with 26% of people saying they found it difficult to reliably afford their energy bills.**[25] It is clear energy bills are a key driver of financial difficulties for households and especially so for the most vulnerable. To reduce energy costs and improve living standards, particularly supporting vulnerable households to keep warm and well, the government should:

1. **Introduce better targeted bill support.** We welcome the government's changes this winter to expand access to the Warm Home Discount to 6 million households, and proposals to extend the scheme until 2030/31. However, the size of the discount (£150) has not risen in proportion to energy prices.

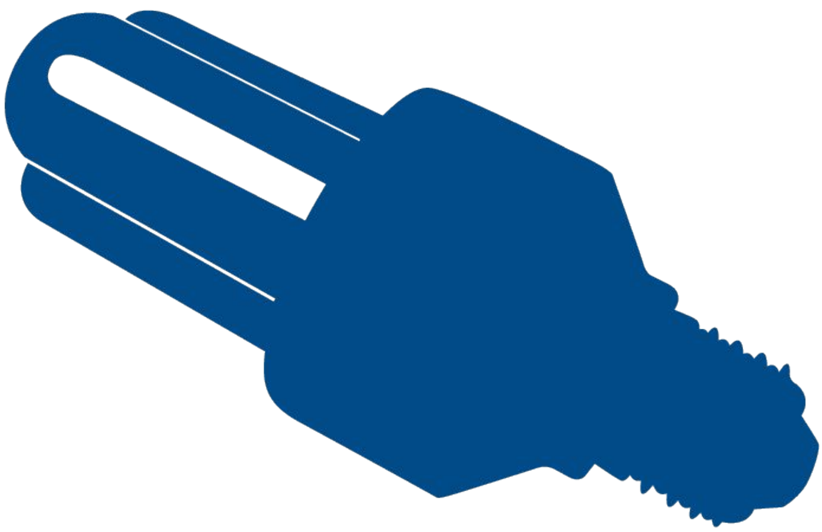
   To provide more transformational support, the Government should 'top up' the scheme to increase the level of help provided, and reform the Warm Home Discount so that it provides more tailored support. Providing support worth up to a third of the average energy bill for those with the highest needs would help millions of families reduce or eliminate the fuel poverty gap (an average of £417 per year).[26] This would also help reduce record debt levels in the energy sector and support those most at risk of being left behind during the energy transition. We previously estimated this would have a total additional cost of around £2 billion.[27]

2. **Take action to reduce the cost of electricity for everyone.** Cheaper electricity bills are vital for people to see the benefits of clean power. This will enable households to adopt low-carbon technologies, such as heat pumps, at scale and strengthen energy security by reducing the UK's reliance on imported fossil gas. It would also bring down bills for the 2.3 million households with traditional electric heating, who are often in the deepest fuel poverty[28] and are more likely to live in rented homes where they can't choose their heating system.[29]

   Currently, a range of social and environmental policies that seek to encourage low-carbon power generation, improve the energy efficiency of homes, and subsidise bills for fuel-poor households, are paid through levies on electricity bills. Reforming these policy costs and levies could reduce energy bills by hundreds of pounds for over 8 million households.[30]

   This could be achieved by moving some policy costs to taxation, or by 'rebalancing' some levies to gas bills. Careful changes can limit increases in gas bills, and the Government should ensure people on lower incomes who use gas to heat their homes see lower bills by adapting the Warm Home Discount to provide more support to people with gas heating.

The recommendations will complement action to improve the energy efficiency of homes and take up of low carbon heating in the upcoming Warm Homes Plan.



Water bill support

People cannot afford their essential bills, and water bill increases are making this worse. Almost one in five (19%) bill payers have struggled to afford their water bills in the last 12 months.[31] This rises to 30% for low-income households.[32] In April 2025, households faced unprecedented rises n their water bills, with an average annual increase of £123.[33]

The national social tariff is a significant opportunity to get bill support right in the water market. Recommended by the Independent Review of the Water Sector and now moving toward consultation, the tariff gives the government the chance to ensure low-income households are properly protected. We recognise that water companies need to invest in infrastructure, but this cannot come at the cost of people rationing water or falling further into financial distress.

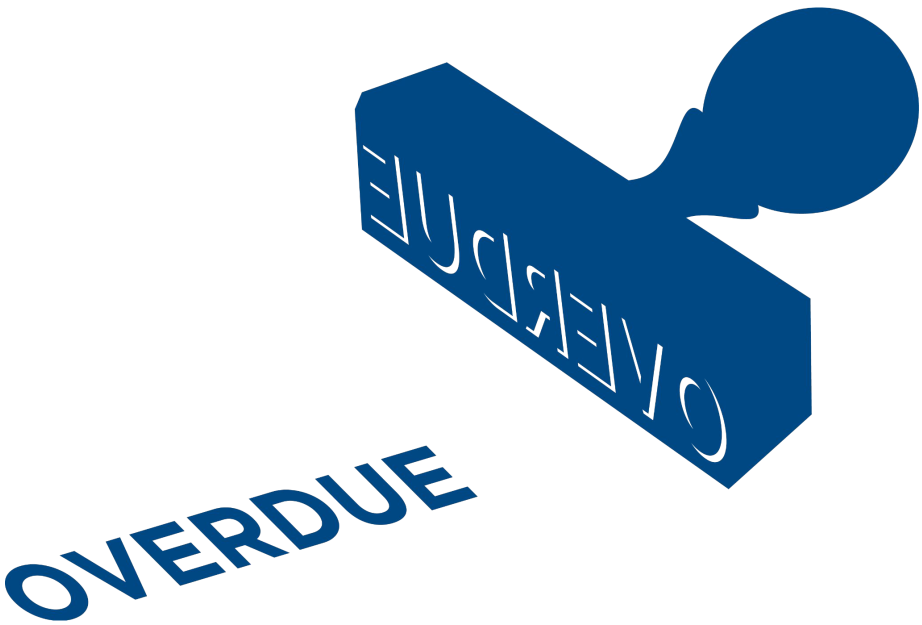
The current postcode lottery of local social tariffs is not fit for purpose; uptake is chronically low due to barriers documented by Citizens Advice.[34] A new approach is needed, one that distributes support fairly and matches the ambition of the energy sector, where the Warm Home Discount automatically applies discounts to bills.

For a social tariff to succeed, it must be:

- **Well-targeted so that support reaches the right households**
- **Accessible and automated to avoid low take-up**
- **Generous enough to shield financially vulnerable consumers from unaffordable bills and price hikes.**

The government should ensure consultation on the national social tariff moves ahead swiftly. We recommend the government invests in administration costs and data-matching practices. To ensure its success, DWP needs to be given a clear remit and appropriate resources to deliver this data-matching function at scale for the water sector. We estimate this cost to be around £5-10m based on administration estimates from the Warm Homes Discount.

The government should also consider short-term transition funding, to support people with the rising cost of water bills and to ease the shift from local schemes to national schemes. As a national social tariff takes hold, short-term transition support would ease the pressure of water bills, and this additional funding could come from a cross-subsidy within industry, or from the Treasury.



Advice infrastructure

National Advice Strategy

The story of the last few years of Citizens Advice has been of a sustained shift in our services towards helping people in crisis. Since 2019, the number of clients we have referred to food banks has risen three-fold and we now estimate around 90% of our generalist advice relates to either crisis prevention or immediate crisis support. For a service that aspires to help people whoever they are, and whatever their problems might be, we must now acknowledge that we are increasingly a service that for many is the last stop on the road to destitution.

But it doesn't need to be this way. Social welfare advice, which supports people, to navigate complex issues like benefits, debt, housing, employment, immigration, and consumer rights, is at its best and its most effective when it is able to address problems early and stop them escalating. Prevention must be a key focus for us all. As was rightly acknowledged in the government's 2024 manifesto:

> ***"For too long, Britain has been held back by governments that, because they lack a relentless focus on long-term ends, are buffeted about by events. Politics has enormous potential to change lives for the better, but too often different parts of the government have pursued their own narrow goals rather than working together. Government is at its best when working in partnership with business, trade unions, civil society, faith groups, and communities."***

This rings true particularly for the advice sector. Our evidence suggests that Citizens Advice alone has an estimated social and economic value to society of £5.7bn and saves the government and public services £759 million a year, by helping to stop problems from occurring or escalating. But we make this impact in spite of a wildly disjointed commissioning landscape in which individual government departments, arms-length bodies, health authorities and local councils - amongst many others - independently commission (or don't commission at all) advice services with little regard to how these services intersect with each other. At Citizens Advice, we pride ourselves on seeing the whole person, and understanding the deep connections that exist between people's problems. But many of the systems in which we operate hinder, rather than help this endeavour.

There are few common expectations of quality within this provision, no identification of collective outcomes, and few routes for those with on-the-ground insight to shape how the public sector supports advice. There are examples where this has happened, including the launch this year of the levy-funded Consumer Energy Debt Advice service, which aims to support the 7 million people living in households with energy debt following the energy price crisis, but these are the exception not the rule.

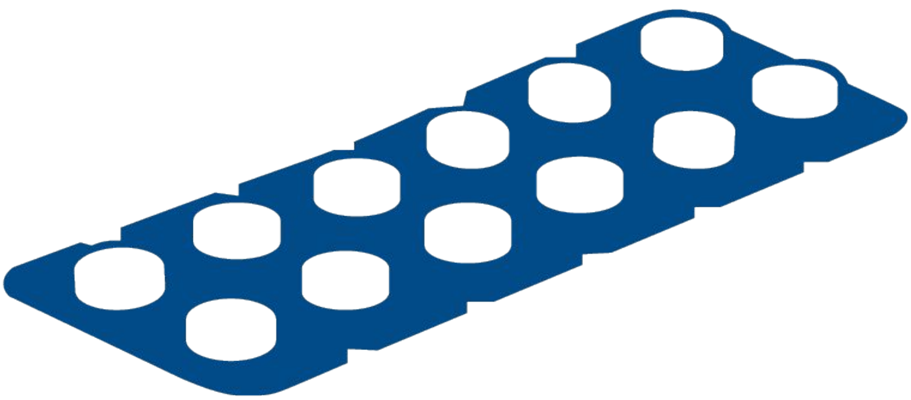
In short, while the public sector as a whole makes significant investments in advice right now, it is very far from spending that money in a way that will make the biggest difference to people's lives.

There are a number of things that the government could do to remedy this situation:

- Currently, no department or government body is responsible for ensuring access to good quality social welfare advice, beyond any services they may directly commission in their area of competence. **The government should consider appointing or establishing a body, or individual, with formal responsibility for social welfare advice provision across government. It needs to consider a wide definition of advice, rather than being limited to advice delivered by one department, or to suit a particular advice need like specific legal advice.**

- Once established, that body, or individual, should **develop a national advice strategy, in partnership with the advice sector to ensure the sustainable funding and coordination of quality-assured advice provision**. This could build on the work conducted by the Welsh Government, which published an Information and Advice Action Plan in 2016 and an Information and Advice Quality Framework in 2018 (updated in 2022), that has formed the basis for a more coordinated approach to advice provision in Wales, including proactive identification of where additional support might be needed now and in the future. The Welsh Government also holds higher expectations of the quality of advice, principally the Advice Quality Standard.

Doing so would unlock a far greater ability for the provision of preventative advice to contribute to the government's objectives, particularly its six missions. There is a particularly strong connection between the provision of social welfare advice and the aims set out in the NHS 10 Year Plan to shift care from hospitals to communities, and to move from treating illness towards prevention, and there are significant opportunities to build on existing good practice in this space, including opportunities for social investment in advice. Examples include Citizens Advice Liverpool's Advice on Prescription programme, which has shown by academic research to result in improved health outcomes for participants and a reduction in the prescription of anti-depressants. The study concluded that 'even at the lower bound for the estimate of the programme cost effectiveness, Citizens Advice on Prescription would still be more cost effective than most other NHS or public health investments'.[35]



Embed advice provision through English devolution

Citizens Advice has historically been strongly supported by local authorities to cover their core costs and to deliver the holistic advice that people associate with our service. This funding accounts for roughly a third of the average income of a local Citizens Advice charity, although these proportions vary significantly in different areas ranging from those over 90% funded by their local council to others receiving no local authority funding at all.

Since 2010, many of our local Citizens Advice have seen significant reductions in the support they receive from local authorities, or have lost out on this funding altogether. This has been a significant driver in a reduction of the number of independent local charities within our network which has roughly halved in this period. While the vast majority of these closures have been the result of mergers, and advice provision continues in those areas, it demonstrates the significant exposure of the provision of social welfare advice to risks associated with local authority funding levels.

The proposals in the English Devolution and Community Empowerment Bill (which at time of writing is at the Committee Stage in the House of Commons) are therefore of high strategic significance for the provision of social welfare advice in communities in England. For the Citizens Advice network, devolution presents both risks and opportunities. The greater alignment of powers vested in new strategic authorities could help make a significant contribution to our shared objectives around the prevention of crisis, but the widescale disruption of local authorities as they reorganise risks inadvertently harming existing social welfare provision.

There are a number of actions that the government could take now to ensure that these risks are minimised, and the opportunities maximised:

- **Ensure financial sustainability** - Use the 2025 Autumn Budget to ensure that the commitment of the English Devolution White Paper to make "reform and prevention the default setting in local authorities across England", is supported with the required funding for local authorities to innovate and to work with local civil society partners, including independent advice providers, to tackle complex social problems.

- **Strengthening evidence base** - As the explanatory note for the English Devolution and Community Empowerment Bill states, "Devolution done right drives innovation, enabling different leaders to trial different methods, and learn from what works to ultimately deliver more for citizens". We agree with this diagnosis, but would encourage stronger institutional support for the sharing of best practice between different strategic and/or combined authorities.

  This is particularly the case for collaboration with the voluntary and community sector, where the evidence base is fragmented and often inaccessible to others. The recent business case from PBE (formerly Pro Bono Economics), drawn from the findings of the Law Family Commission on Civil Society, to establish a Civil Society Evidence Organisation has significant merit, and government investment in this initiative would make a significant difference.

- **Collaborative Commissioning** - The principles set out in the English Devolution White Paper to make prevention the "default setting" of local government would benefit from a more collaborative approach to service commissioning. Utilising local voluntary sector partners' insights in the design and delivery of public services will improve the efficiency and effectiveness of public services. New strategic authorities should be encouraged to work in this way, and where grants are made from central government to devolved areas to pursue particular social ends, strong consideration should be given to mandating collaboration between strategic authorities and their local community and voluntary sectors, including independent advice providers.

- **Health Inequalities** - The proposal to establish a new duty for combined authorities and combined county authorities to have regard for the need to reduce health inequalities between persons in their areas is a welcome one, but should not be limited to health interventions. The evidence base for the social determinants of health is incredibly strong, with people on the lowest incomes almost three times as likely as those on the highest to say they are in poor health and nearly half of people in problem debt saying their health is less than good.

  Citizens Advice, like many other charities in this space, knows that poverty and deprivation create ill health, and that ill health or disability drives poverty and deprivation. Central government should be encouraging and facilitating new combined authorities to take the broadest possible view of how to meet their health inequality duties and resourcing them to do so accordingly.

Beyond the provisions within the English Devolution and Community Empowerment Bill, there are a number of other ways in which central government interacts with local government which are relevant to advice infrastructure.

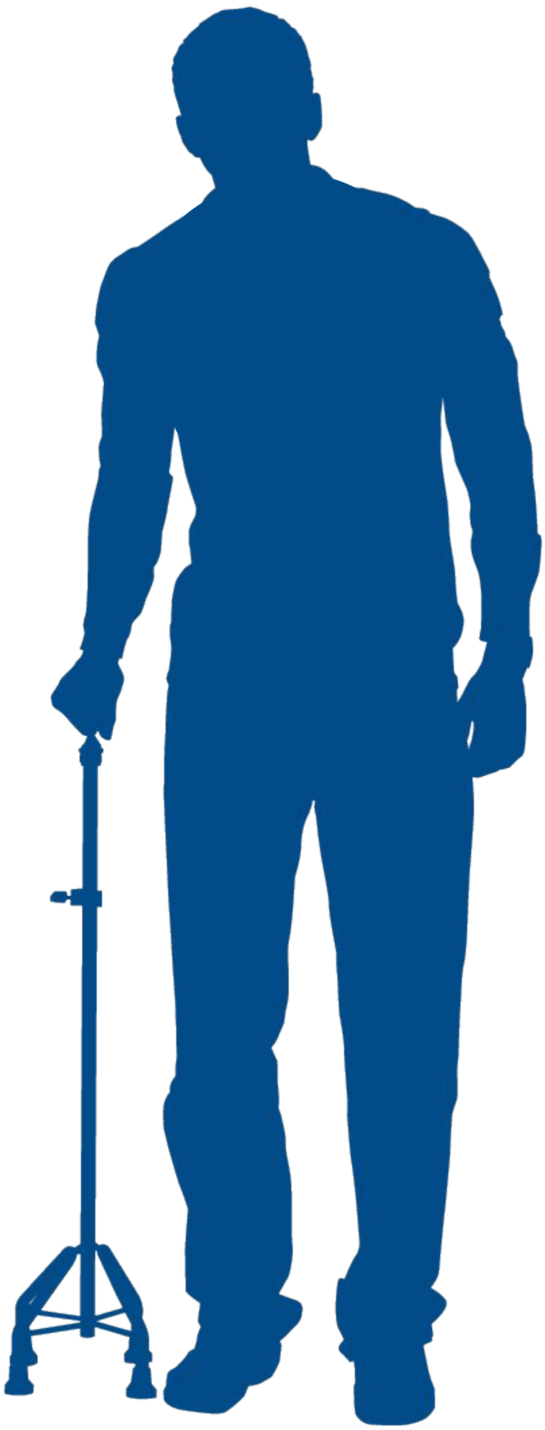
We welcome the commitment that the CRF should be used for building financial resilience and preventing financial crisis, and a strong advice infrastructure has a key role to play in this.

The evaluation of the predecessor Household Support Fund 4 (HSF4) scheme indicated significant benefits to pairing crisis support with advice. 45% of those who received advice on household finances and managing costs of living said that the support they received led to them to feel more confident in managing finances, against 32% of the whole cohort of HSF4. Those who received advice on household finances and managing the costs of living were the likeliest to say the support they received lasted them for a "few months or more", and were more than twice as likely as the whole cohort to have been able to access further support owing to their receipt of HSF4 support.[36]

This accords with our own experience of delivering Help through Hardship - a significant ongoing partnership between Citizens Advice, Trussell and Mind - to provide support for people in crisis, worried about money and unable to afford the essentials. An evaluation of this service found that two-thirds of callers (64%) reported that the advice they were given helped them in the short term, and almost half (46%) said the advice helped them in the long term.

In short, a thriving social welfare advice infrastructure is a key way in which financial resilience and prevention can be delivered through centrally funded, but locally delivered crisis support.

However, for all of the reasons set out above, this infrastructure is by no means secure. The CRF could be used by local authorities to take a more preventative approach by bolstering existing local advice services, but given the frozen cash value of the fund and the extreme demands on it, including the inclusion of Discretionary Housing Payment, additional alternative avenues to secure this approach will be needed. The UK Government should, therefore, **use the Autumn Budget to give consideration to directly bolstering the sustainability of local advice services to maximise the impact of the CRF's resilience-building strand.** This should be a priority for any national advice strategy developed along the lines set out in the previous section.



Empowering consumers through expansion of statutory advice and advocacy

In addition to the generalist advice provision we offer, Citizens Advice serves a more formal statutory role as the consumer advocate in a number of regulated markets, including Energy and Post. Parallel arrangements exist in Scotland where an arms-length body, Consumer Scotland, holds similar responsibilities.

The final report of the Independent Water Commission, chaired by Sir Jon Cunliffe and published in July 2025, recommended that Citizens Advice should take on the function of consumer advocate for the water sector from the Consumer Council for Water. We have been collaborating closely with officials within the Department for Environment, Food and Rural Affairs and the Welsh Government on the implementation of the recommendations from the review.

We believe that the model of statutory advocacy is a powerful one, particularly when it is allied with advice provision. Our work on energy has saved consumers billions of pounds through influencing price control decisions alone, achieved at a very low cost to the public purse. We are able to expertly challenge industry and regulators on behalf of consumers, using the deep insight into the problems that energy consumers face we gather from our advice provision.

In many regulated markets there are similar challenges. Individual consumers lack the power to effectively challenge the practices of companies, or the operation of these regulated markets, which can cause significant harm. This harm is particularly acutely felt by those who are already struggling with poverty or marginalisation. Existing mechanisms for redress are often insufficient or poorly understood, and mitigations against this detriment often rely on consumers being able to leverage limited or non-existent competitiveness in these markets.

As well as the cost to individuals of each problem - money, time and stress - cumulatively multiple problems chip away at people's confidence. If people aren't confident they will get a good quality product at a reasonable price and any problems will be resolved quickly they will be less willing to engage in markets and take a risk on a new product or service in the future - hindering growth.

The key to tangible growth which strikes a responsible balance on the risk of deregulation lies in empowering consumers to engage with markets confidently and safely, and providing live data on emerging issues to guide timely, targeted and evidence-led regulatory interventions. Statutory advice and advocacy is a proven model for delivering on these criteria.

While our recommendations on social tariffs above are one way to support these consumers, establishing statutory advice and advocates is a powerful and extremely cost-effective way to tip the balance of power back towards consumers and enable tangible growth which puts money in people's pockets.

We would encourage the government to implement the recommendations of the Independent Water Commission with regards to statutory advocacy. And we would encourage the government to consider the establishment of statutory advocates in other regulated markets, including in financial services, and telecommunications (where the government could build on the 2018 Modernising Consumer Markets green paper, which led to a consultation on options to improve the provision of consumer advocacy in the telecoms sector).

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