

Unsustainable: debt fuelled by the rising cost of living

May 2023



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Unsustainable: debt fuelled by the rising cost of living

May 2023

UNDER EMBARGO



About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddEquality

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UNDER EMBARGO

Chair's foreword

The cost of living crisis is having a material and detrimental impact on the health and wealth of our nation. Prices of food, heating and other basic essentials have soared; these disproportionately affect the poorest and most vulnerable in our society.

Governments have been playing catch-up in their response to the scale of these challenges. Interventions have only softened the blow. Citizens relying on benefits to top up inadequate wages have been left defenceless against the relentless rise in energy prices which in turn have driven up food prices. Too many households are facing unacceptable hardships beyond their control.

The most important levers on economic policy: tax and spend, and the benefits system are under the control of the UK Government in London. Why UK prices are rising faster than elsewhere in Europe, and why wages have fallen in real terms for over a decade, are matters for them to address. As is responsibility for addressing the stark inequalities present in the UK economy more broadly.

However, this report provided us with an opportunity to look at the Welsh Government's response to this crisis. The support provided has been a lifeline to many, but there are concerns about what happens next as support tapers off and households face permanently higher prices.

We heard that the response risks being "a sticking plaster" when what is needed is a more sustainable and preventative approach. We believe that this can be done if the Welsh Government focuses its efforts on building economic capacity and resilience through investment in areas like green energy, skills and food security. Only then will Wales secure a route out of poverty and end the pain caused by unsustainable levels of personal debt.

We heard compelling examples of what a more sustainable approach could look like. On food poverty we want Wales to adopt a more preventative approach to reverse the shocking increases in foodbank use. The sustainable route out of fuel poverty is to massively improve the energy efficiency of people's homes which is required anyway to meet our carbon reduction targets.

There is also more that could be done to improve take-up rates of what citizens are entitled to. So we want to see the Welsh Government work with partners to improve passporting and data-sharing, thus ensuring that poor

households qualifying for one 'Welsh benefit', automatically receive other benefits they are entitled to. This would help to alleviate the hardship being felt right now. And while there are encouraging signs of progress in this area, we want to see this accelerated and for the government to mandate implementation of a more coherent all-Wales approach.

We are grateful to the charities, think tanks, public bodies and individuals for their contributions to this inquiry. To our focus group participants in particular, your contributions illustrate so powerfully the need for greater economic and social justice now, and in the years ahead.

A handwritten signature in black ink that reads "Jenny Rathbone". The signature is written in a cursive style and is positioned above the printed name and title.

Jenny Rathbone MS

Chair of the Equality and Social Justice Committee

Recommendations

Recommendation 1. The Welsh Government should work with counterparts in the UK Government to closely monitor the impact of rising prices and the disproportionate impact on vulnerable groups. The support provided to help households with the alarming increases in the cost of living should be kept under review..... Page 16

Recommendation 2. The Welsh Government should develop a long-term Action Plan setting out how it will prioritise a shift towards preventative measures aimed at tackling the root causes of poverty, wealth and income inequality. The Action Plan should include measures to help recover from cost of living pressures and improve economic resilience through investment in areas such as green energy, skills, and food security. To inform its approach it should:

- commission an independent, external evaluation of the economic impact of the cost of living support it provided during the 2022-23 financial year; and
- undertake an assessment of the extent to which future approaches balance proactive and reactive measures to support poverty alleviation and reduction.

We would expect the preparatory work to be completed by the end of 2023 and the Action Plan published no later than May 2024..... Page 21

Recommendation 3. The Welsh Government should outline what action it is taking to help reduce reliance on Emergency Assistance Payments by households who have required multiple emergency payments. This should include publishing a final breakdown of the assistance provided during the 2022-23 financial year..... Page 21

Recommendation 4. The Welsh Government should commit to:

- publishing data disaggregated by demographic group on take up of the Discretionary Assistance Fund; and
- undertaking an assessment of what additional disaggregated data it can publish for other means-tested grants it provides.

The Minister should update this Committee on this work by the end of September 2023..... Page 22

Recommendation 5. The Welsh Government should turn its vision for a Welsh benefits system into reality and mandate the implementation of a consistent, all-Wales approach to passporting households in receipt of one Welsh benefit to other benefits they are eligible for. Working with local authorities, the Centre for Digital Public Services, and others, the Welsh Government should provide an update on work in this area by the end of September 2023 with regular updates provided after that..... Page 25

Recommendation 6. The Welsh Government should adopt a more sustainable and preventative approach to tackling food poverty by supporting social enterprises which provide broader aims such as improving cookery skills in local communities and providing healthy meals. In order to do this, the Welsh Government should map out current provision of support for tackling food poverty broken down by type in each local authority area, with a view to developing a more sustainable strategy for tackling food insecurity across Wales. The initial mapping exercise should be completed by the end of 2023 and shared with this Committee..... Page 29

Recommendation 7. The Welsh Government should promote the approach adopted in Flintshire of developing sheltered accommodation into Warm Hubs with other local authorities through its engagement with the local leaders. This should be progressed in a timely manner ahead of winter 2023-24.
..... Page 32

Recommendation 8. The Welsh Government must urgently clarify a number of issues relating to its replacement for the Warm Homes Programme including:

- why the development of a replacement Warm Homes Programme has been delayed;
- whether it plans to make any amendments to the current Nest programme now that it has been extended to the end of March 2024;
- whether the replacement programme will include an area-based element and if so whether this will be mobilised to start in late winter.Page 33

Recommendation 9. The Welsh Government should set out what discussions it has had with Ofgem to raise its concerns that the resumption of forced installation of pre-payment meters following Ofgem’s review of

prepayment meters provides insufficient protection for vulnerable households. It should also detail any further action it will take to protect vulnerable groups of customers. The Minister should update the Senedd on work in this area and report back by the end of September 2023. Page 35

Recommendation 10. The Welsh Government should publish final figures regarding uptake for its Fuel Voucher Scheme in line with recommendation 6 of this Committee’s report on the Draft Budget 2023-24 as soon as this information is available. Page 36

Recommendation 11. The Welsh Government should provide progress updates in relation to recommendations 1, 3, 4, 5, and 7 of our 2021 report on debt and the pandemic which should include, where relevant, any action take in response to the cost of living crisis. This update should be provided by the end of June 2023. Page 38

Recommendation 12. The Welsh Government should work with Citizens Advice Cymru to monitor levels of demand for debt and other advice under the Single Advice Fund and commit to reviewing funding allocations in the 2023-24 Budget if necessary. This recommendation should be read alongside recommendation 3 of our report on the Draft Budget 2023-24. Page 38

Recommendation 13. The Welsh Government must work with councils to address the shortcomings identified in the review of the Council Tax Protocol, and the concerns of stakeholders as highlighted by this Committee, as part of its broader programme of reform. This should include placing a strengthened Protocol on a statutory footing. This work should be progressed at pace and an update provided to the Senedd before the end of September 2023. Page 41

Recommendation 14. The Welsh Government should provide an update on the action it will take over the financial year 2023-24 to raise awareness of credit unions and promote affordable credit, including the aims and expectations for the wider rollout of the No Interest Loans scheme. This update should be provided before the wider rollout is scheduled to commence in June 2023. Page 43

1. Background

1. This report builds on previous work by the Equality and Social Justice Committee, in particular its 2021 report on **Debt and the Pandemic**; its May 2022 report on **fuel poverty**; and previous budget scrutiny rounds (particularly **2023-24**). For more background information, including the terms of reference for the inquiry, **please visit the inquiry homepage**.

Evidence gathering

2. The Committee gathered evidence from a targeted set of stakeholders which included: charities, think tanks, credit unions, and public bodies.
3. The Senedd's Citizen Engagement Team held six focus groups (three online and three in person) to gather the views of individuals with experience of debt and cost of living pressures, with a particular focus on parents; people from ethnic minority backgrounds; and people with disabilities and/or health issues.
4. We are grateful to those who took part in our focus group sessions on this challenging subject and for sharing their experiences with such honesty and candour. **A summary of those discussions is available online**.
5. The Committee heard from Jane Hutt MS, Minister for Social Justice on 27 February 2023. The full schedule of evidence gathering is provided in Annex 1 and 2.
6. The Committee would like to express its thanks to all those who took part in the inquiry.

If you, or someone you know, are struggling with the effects of the issues raised in this report, please visit Senedd Research's **help and information on cost of living support** webpage.¹

Alternatively, visit the Welsh Government's **Get Help with the Cost of Living** page.²

URLs for both are provided in the footnotes below.

¹ <https://research.senedd.wales/research-articles/help-and-information-on-cost-of-living-support/>

² <https://www.gov.wales/help-cost-living>

2. The impact of the rising cost of living

The rising cost of living is affecting every household in the country. The heart of the problem is that *“hundreds of thousands of people across Wales currently don’t have enough money coming in to live on.”*³

7. The main rate of inflation, the Consumer Prices Index, rose by 10.1% in the 12 months to March 2023.⁴ This was lower than its 11.1% peak in October 2022 but still much higher than the average over recent decades. The effects of rapidly increasing prices and low or stagnant wages has given rise to the phrase “the cost of living crisis”. Rising prices continue to erode the value of wages and the Office for Budget Responsibility has predicted that living standards across the UK will fall by 7% in 2024.⁵

8. Data from the Bevan Foundation, the Trussell Trust and Citizens Advice Cymru all illustrated how the cost of living crisis was affecting households in Wales. The implications for household spending, and arrears owed on household bills are all set out in **Figure 1: the impact of the cost of living crisis on households in Wales.**⁶

9. StepChange told us that, while it had seen an increase in people seeking advice for energy debts and negative budgeting, this increase was not as high as following the 2008 financial crisis.⁷ A survey commissioned by StepChange published in September 2022 found that 50% of people in Wales were finding it hard to keep up with their bills, a higher proportion than in England, Scotland and Northern Ireland.

³ Written evidence, [Citizens Advice Cymru](#)

⁴ Office for National Statistics, [Consumer price inflation, UK: March 2023](#) – 19 April 2023

⁵ Office for Budget Responsibility, [Overview of the November 2022 Economic and fiscal outlook](#) – 17 November 2022

⁶ Bevan Foundation, [A snapshot of poverty in winter 2023](#) – 2 February 2023; Citizens Advice Cymru [Kept in the dark \(Wales\)](#); written evidence, [Trussell Trust](#)

⁷ Written evidence, [StepChange](#)

Figure 1: the impact of the cost of living crisis on households in Wales

[INFOGRAPHIC TO FOLLOW]

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10. Citizens Advice Cymru supported nearly 40,000 with debt advice in 2022 and the number of people seeking advice on energy debt reached record levels.⁸ Citizens Advice Cymru said that these households were struggling to pay for basic essentials:

“... the sharp increase in people seeking debt advice over the last year isn't being driven by more people borrowing and struggling to service consumer credit, but rather because more and more people are falling into arrears on essential household bills such as council tax, energy, and rent. Put simply, many people just haven't got enough income coming in to cover their ever-increasing essential living costs.”⁹

11. Peter Tutton of StepChange told us that people in full-time employment were increasingly affected and that many were turning to them for support for the first time. He said:

“Over half our clients are in some form of employment [...] and about 40 per cent are in full-time employment, and that's grown a bit, and the cost of living is certainly putting more people who are higher up the income scale under pressure.”¹⁰

12. Several witnesses, including Karen Davies of Purple Shoots and Robbie Davison of Well-Fed, confirmed that cost of living pressures were affecting people higher up the income ladder than had been the case in previous downturns.¹¹ Robbie Davison said:

“What's been interesting, and almost alarming at the same time, is that there are people now coming through the system who have never been in need of food aid before or, if you like, poverty services at all.”¹²

13. Jen Griffiths of Flintshire County Council agreed:

“it's almost like there's a squeezed middle who are missed by the benefits system because they simply wouldn't qualify.”

⁸ Citizens Advice Cymru cost of living dashboard – February 2023

⁹ Written evidence, Citizens Advice Cymru

¹⁰ Equality and Social Justice Committee Record of Proceedings (ROP), paragraph 13 – 30 January 2023

¹¹ ROP, paragraphs 11 and 154 – 13 February 2023

¹² ROP, paragraph 11 – 13 February 2023

However, because of the cost of living, they're just really struggling to cope, and it's certainly something we've seen through our hub models in Flintshire. People we've never bumped into before are accessing services and trying to find ways to alleviate their situation.”¹³

14. There was a consensus among participants in our focus groups that cost-of-living pressures were the worst that they had experienced. They described the negative toll these pressures were having on their emotional, physical and mental well-being.¹⁴

15. The Trussell Trust observed more working people were turning to food banks for support; in mid-2022, “20% of people referred to a food bank were from a working household”.¹⁵

Impact on particular groups

16. Figures from the Office for National Statistics (ONS) show that lower-income households are experiencing higher inflation than high-income households.¹⁶ This is due to the impact of rising prices of goods and services such as food, gas and electricity on which lower income households spend a greater proportion of their income.

17. Citizens Advice Cymru, Chwarae Teg, the Bevan Foundation, and StepChange, all pointed to the uneven impact of rising prices on different groups and across different income profiles.¹⁷

18. Peter Tutton of StepChange and Dr Steffan Evans of the Bevan Foundation identified several specific groups disproportionately impacted by the rising cost of living: women, single parents, renters (particularly private sector), adults under 50, and carers.¹⁸

19. Chwarae Teg highlighted that the “cost of living crisis is exacerbating women’s economic precarity” and “increasing the likelihood of indebtedness”.

¹³ ROP, [paragraph 13](#) – 13 February 2023

¹⁴ Equality and Social Justice Committee, [Summary of focus group discussions](#)

¹⁵ Written evidence, [Trussell Trust](#)

¹⁶ ONS, [Inflation and cost of living for household groups, UK: October 2022](#) – 16 November 2022

¹⁷ Written evidence, [Citizens Advice Cymru, Chwarae Teg, the Bevan Foundation, StepChange, and the Runnymede Trust](#)

¹⁸ ROP, [paragraphs 8 to 12, 17 to 19](#) – 30 January 2023

This was due to persistent inequalities faced by women and their unequal position in the labour market.¹⁹

20. Citizens Advice Cymru said that half their clients (48%) are now living on a negative budget, up from 36% in early 2019, and that their data analysis for England and Wales showed that the unemployed, private sector tenants, disabled people, and those with long-term health conditions were the worst affected. Over half of their clients seeking advice on the cost of living have a disability or long-term health condition.²⁰

21. Research by the Runnymede Trust found that people from ethnic minority communities are “heavily over-represented amongst the lowest-income groups and are currently experiencing much higher levels of food insecurity, material deprivation and fuel poverty.” They highlighted that people from ethnic minority communities in Wales are 3.5 times more likely to be in poverty than white people.²¹

22. The Minister for Social Justice cited a range of sources to prove that low-income groups, renters, people with disabilities and people from ethnic minorities are disproportionately affected by cost of living pressures. The Minister highlighted the long-term burden on low income households:

“The current cost of living crisis should not be seen in isolation. For many people living with debt, this current crisis is the culmination of years of disadvantage brought about by 10 years of austerity measures which depleted the provision of support services for vulnerable people.”²²

Our view

Over the last year, inflation has risen to levels not seen since the early 1980s. Fuelled by spiralling energy costs, prices have surged in many countries; with double digits inflation rates in the UK. Many ordinary households and families are bearing the brunt of the rising cost of living. A combination of **stagnant wages and spiralling prices mean that many cannot cover the costs of the day-to-day basics** of food, fuel and shelter. Growing numbers of people are finding themselves short at the end of each month and the divisions and stark inequalities in wealth and income present in the UK economy are worsening

¹⁹ Senedd Research, [Women are the shock absorbers of poverty: the impact of the cost of living on women](#). – 26 October 2022

²⁰ Written evidence, [Citizens Advice Cymru](#)

²¹ Runnymede Trust, [Falling Faster amidst a Cost-of-Living Crisis: Poverty, Inequality and Ethnicity in the UK](#)

²² Written evidence, [Welsh Government](#)

as a result. The findings of our focus group sessions corroborate this and highlight an increasing sense of desperation amongst families unable to make ends meet. They make for sobering, distressing reading.

The impact of rising prices is felt unevenly, with single parents, renters, carers, people with disabilities and ethnic minorities being disproportionately impacted. What is striking is that economic hardship is increasingly affecting working households in full-time employment as well as those reliant on the safety net of benefits. This worrying trend points to a systemic challenge, one that ultimately requires action at a UK level.

The future outlook for inflation remains uncertain. Although eventually expected to return to the target rate of 2%, households will continue to struggle with the impact of permanently higher prices in the long term. It is vital that both the Welsh Government and the UK Government monitor the disproportionate impact of this inflation in prices on vulnerable groups. The support provided to households to help with the cost of living needs to be kept under review.

Recommendation 1. The Welsh Government should work with counterparts in the UK Government to closely monitor the impact of rising prices and the disproportionate impact on vulnerable groups. The support provided to help households with the alarming increases in the cost of living should be kept under review.

Cost of living support by the Welsh and UK governments

23. Both Welsh and UK governments have responded to the cost of living crisis with significant support packages. The Welsh Government response has included the Wales Fuel Support Scheme 2022-23, the Fuel Voucher Scheme and increases to the Discretionary Assistance Fund. UK Government support has included the Energy Price Guarantee, the Energy Bills Support Scheme, and a series of Cost of Living Payments. A detailed breakdown of the government support packages designed to help with the rising cost of living, including eligibility criteria, is provided in Annex C.

Approach of the Welsh Government

24. Stakeholders broadly welcomed the support measures provided. However, several organisations expressed concerns regarding their temporary nature and the impact on households when schemes come to an end.²³

²³ Written evidence, [Citizens Advice Cymru](#), [WLGA](#)

Citizens Advice Cymru noted that when the first UK Government Cost of Living Payments were made last summer, they saw a temporary decrease in requests for crisis support and debt advice, however requests for this support soon returned to previous levels.²⁴

25. Similarly, the Trussell Trust told us that the UK Government’s first Cost of Living Payment provided only “temporary respite in the face of increasing costs and inadequate benefit levels”. A survey by YouGov for the Trussell Trust found that over three-quarters of those who had received the payment in July 2022 had spent it by the end of the month. It had mainly been used to buy food, essentials, or pay off debt.²⁵ The Trussell Trust concluded that:

“while some interventions, such as November’s Cost of Living payment and the Welsh Government’s fuel support scheme may have provided some crucial respite for families struggling to afford the essentials, it has not been enough to help them manage the cost of living crisis for an extended period of time.”²⁶

26. Chwarae Teg welcomed the Welsh Government’s response to date but argued that future support “could be expanded and more effectively targeted” and cited childcare, council tax reduction and support for navigating the benefits system as potential priorities.²⁷

27. Sarah Germain of FareShare argued that tackling poverty in the longer-term would require opportunities for “good employment” and encouraging more employers to adopt the real living wage.²⁸

28. The Minister for Social Justice highlighted that the Welsh Government had provided £1.6 billion in targeted cost of living support and ‘social wage’ programmes that keeps money in people’s pockets.²⁹ She highlighted the deteriorating picture for most households and called on the Department for Work and Pensions to take a lead in supporting people through the crisis. The Minister said:

“an estimated 90,000 households are having an average of £60 per month deducted from their Universal Credit awards, and around 50 per cent of people receiving debt advice who

²⁴ Written evidence, [Citizens Advice Cymru](#)

²⁵ Written evidence, [the Trussell Trust](#)

²⁶ Written evidence, [the Trussell Trust](#)

²⁷ Written evidence, [Chwarae Teg](#)

²⁸ ROP, [paragraph 97](#) – 13 February 2023

²⁹ Written evidence, [Welsh Government](#)

have deficit budgets get Universal Credit. [...] Deductions from Universal Credit are mostly to repay debts owed to the UK Government itself, including the advance payment that people have to claim to get through the five weeks' wait for their first Universal Credit payment.”³⁰

Discretionary Assistance Fund (DAF)

29. The Discretionary Assistance Fund (DAF) was allocated £38.5 million for 2023-24, an uplift of £18.8 million on the previous financial year.³¹ While most were supportive of the increased budget for the DAF, there were concerns about its sustainability and suitability for tackling hardships faced by families in the long-term.

30. While welcoming government support with the cost of living, Citizens Advice Cymru described the measures as a “sticking plaster” which compensate for “inadequate social security, low wages and increasingly unaffordable essential services”. Adding:

“The continued boost to DAF funding during 2023-24 is very welcome but this is support to help people with short term, emergency needs. While such emergency support is vital now, what’s really called for is a proactive solution to get us out of the cycle of reactive crisis support.”³²

31. Susan Selby-Lloyd of the Trussell Trust described Welsh Government support with the cost of living as “very welcome” but warned:

“Those short-term mitigations clearly help people. In the long term, the evidence indicates that they're not sufficient to sustain people and lift them out of poverty and needing charitable food aid.”³³

32. The Trussell Trust called for the DAF to be replaced by a new Welsh Emergency Fund, with clear eligibility criteria.³⁴

33. Peter Tutton said that while the DAF was important in keeping people out of debt or harmful credit, it was less useful as means of reducing poverty:

³⁰ ROP, [paragraph 172](#) – 27 February 2023

³¹ Welsh Government, Written Statement, [Changes to the Discretionary Assistance Fund from 1st April 2023](#) – 28 February 2023

³² Written evidence, [Citizens Advice Cymru](#)

³³ ROP, [paragraph 25](#) – 27 February 2023

³⁴ Written evidence, [Trussell Trust](#)

“what you need to keep people out of poverty is stable, sufficient, ongoing income.”³⁵

34. Dr Steffan Evans said that measuring the effectiveness of the DAF is challenging as although the Welsh Government collate data on different demographic groups who receive support, this information is not routinely published. He noted that organisations in the anti-poverty and advice sectors would benefit from publication of this data so awareness raising can be targeted at groups with a relatively low take-up, and so that they can look into issues affecting groups where there is a sharp increase in take-up of the fund.³⁶

35. Karen Davies of Purple Shoots supported expansion of the DAF and said that the Welsh Government had acted to raise awareness and improve take-up of the fund.³⁷

36. During our scrutiny of the Draft Budget 2023-24, the Minister stated that she had prioritised Welsh Government funding for the DAF and the Basic Income Pilot in response to ongoing cost of living pressures.³⁸ On 28 February 2023 the Minister outlined changes to the DAF from April 2023 onwards including harmonising rules for DAF and Emergency Assistance Payments (EAP); uplifting EAP awards by 11%; and reducing the number of awards granted (to certain eligible groups) from five to three times in a rolling twelve-month period while decreasing the gap permitted between applications to seven days.³⁹

37. While the changes announced to the DAF came after we had completed most of our evidence-gathering, the Bevan Foundation welcomed the changes particularly to uprate payments in line with inflation.⁴⁰ The WLGA said that the flexibilities introduced during the COVID-19 pandemic had been “extremely responsive to the needs of the most vulnerable as the cost of living pressures have increased.”⁴¹

³⁵ ROP, [paragraph 75](#) – 30 January 2023

³⁶ ROP, [paragraph 71](#) – 30 January 2023

³⁷ ROP, [paragraph 239](#) – 13 February 2023

³⁸ [Welsh Government Draft Budget Paper Equality and Social Justice Committee](#) – 16 January 2023

³⁹ Welsh Government, Written Statement, [Changes to the Discretionary Assistance Fund from 1st April 2023](#) – 28 February 2023

⁴⁰ Bevan Foundation, [Welcome for Welsh Government announcement on the Discretionary Assistance Fun](#)

⁴¹ Written evidence, [WLGA](#)

Our view

Cost of living support

While measures to support people with the cost of living by both UK and Welsh governments are welcome they are unlikely to eliminate the hardship faced by the poorest households. We note that the Joseph Rowntree Foundation has concluded that the measures announced in May 2022 had “not been sufficient to stem the tide of rising hardship” for people in the bottom 20% of the income distribution, especially those on Universal Credit.⁴²

Approach of the Welsh Government

The Welsh Government has spent considerable sums of money supporting vulnerable people and those on the lowest income with pressures arising from the rising cost of living. All the evidence we received indicated support for these interventions and it is clear many households would otherwise be facing greater levels of hardship.

There are, however, repeated concerns that these measures are a ‘sticking plaster’ response to issues that require a more long-term, preventative approach. We reached a similar conclusion in our report on the Draft Budget 2023-24 and called for the creation of a cost of living plan.⁴³ In line with that recommendation, we would like to see the Welsh Government develop a long-term action plan which **prioritises preventative measures and spending aimed at addressing the causes rather the symptoms of poverty** and inequalities in income and wealth. We acknowledge that this is sometimes easier said than done, especially when significant economic policy levers are reserved to Westminster. However, the experiences of recent years have shown that we need to build economic capacity and resilience through investment in areas like green energy and food security. To ensure that future approaches strike the right balance between proactive and reactive measures we agree that there is merit in conducting an external evaluation of the economic impact of the cost of living support package provided by the Welsh Government during 2022-23.

Recommendation 2. The Welsh Government should develop a long-term Action Plan setting out how it will prioritise a shift towards preventative measures aimed at tackling the root causes of poverty, wealth and income

⁴² Joseph Rowntree Foundation, [Going under and without: JRF's cost of living tracker, winter 2022/23](#) – 14 December 2022

⁴³ Equality and Social Justice Committee, [Report on the Draft Budget 2022-23](#) – February 2023

inequality. The Action Plan should include measures to help recover from cost of living pressures and improve economic resilience through investment in areas such as green energy, skills, and food security. To inform its approach it should:

- commission an independent, external evaluation of the economic impact of the cost of living support it provided during the 2022-23 financial year; and
- undertake an assessment of the extent to which future approaches balance proactive and reactive measures to support poverty alleviation and reduction.

We would expect the preparatory work to be completed by the end of 2023 and the Action Plan published no later than May 2024.

Discretionary Assistance Fund

The Discretionary Assistance Fund has evolved and adapted since its creation in 2013. The Welsh Government used the DAF to respond to several unprecedented crises in recent years and, to its credit, has done so with flexibility and pragmatism. As a source of emergency funding, it is **clear that the DAF has played an important role supporting the most vulnerable** in times of personal crisis and hardship.

Further changes to the DAF were announced in February 2023. They included a decision to uplift the awards possible through the Emergency Assistance Payments system in line with the CPI rate of inflation, which we warmly welcome. We are less certain about changes made to decrease the number of Emergency Assistance Payments that households affected by COVID or the removal of the £20 Universal Credit uplift are eligible to receive from five to three over a 12 month period.

In line with our view that the Welsh Government adopts a more proactive and preventative approach to addressing cost of living pressures, we think that it should outline what it is doing to help reduce reliance on the DAF by households who have required multiple emergency payments.

Recommendation 3. The Welsh Government should outline what action it is taking to help reduce reliance on Emergency Assistance Payments by households who have required multiple emergency payments. This should include publishing a final breakdown of the assistance provided during the 2022-23 financial year.

Data

We note the evidence calling for data relating to cost of living support measures such as the DAF. Publication of this data in the past has helped researchers and organisations in the sector scrutinise the effectiveness of programmes. Publication of a wider range of data could have benefits in terms of targeting support and awareness raising among different demographic groups. We agree that, building on the decision to publish data on DAF take-up by local authority, the Welsh Government should publish data disaggregated by demographic group. It should also consider what additional disaggregated data it can publish relating to the other means-tested grants it provides to support low-income households.

Recommendation 4. The Welsh Government should commit to:

- publishing data disaggregated by demographic group on take up of the Discretionary Assistance Fund; and
- undertaking an assessment of what additional disaggregated data it can publish for other means-tested grants it provides.

The Minister should update this Committee on this work by the end of September 2023.

The 'Welsh' benefits system

38. Both the Bevan Foundation and Citizens Advice Cymru have raised the need to simplify the application process for means-tested grants administered by the Welsh Government (sometimes known as the Welsh benefits system).⁴⁴ Currently the Welsh Government spends approximately £400 million on benefits, grants and allowances which together constitute the Welsh benefits system. A number of devolved organisations are involved in administering these benefits including local authorities, the NHS and the Welsh Government itself. Each has its own application process and set of eligibility criteria in a system which can be confusing for applicants and is likely to impact take-up rates.

39. The Minister for Finance and Local Government told the Finance Committee in January 2023 that the Government was “committed” to “having a single point of contact for people to access the Welsh benefits system” and that exploratory work by the Centre for Digital Public Services was underway

⁴⁴ Bevan Foundation, [Easing the Cost of Living Crisis this Winter](#).

to identify solutions. The Minister for Social Justice elaborated that she had been working with partners on the development of a Welsh Benefits Charter and that a set of draft principles “to underpin the delivery of a coherent and compassionate Welsh benefits system” had been agreed. The Minister said:

“This is about how we deliver our benefits, not just technically, but in the spirit of social security. It’s going to be a more joined-up approach, a simplified system [...] this draft charter will show a vision of a much fairer and more equitable Welsh benefits system.”⁴⁵

40. An official said that the Welsh Government was in discussions with the Scottish Government about their benefits charter⁴⁶ and were seeking to develop a similar framework for evaluation.⁴⁷

41. Participants in our focus groups often did not distinguish between Welsh and UK Government support schemes and there was often confusion from participants regarding the name, application process and eligibility criteria of different benefits.⁴⁸ They also highlighted the risks of digital exclusion for some households and called for greater provision of information in everyday settings, such as in GP surgeries and on public transport.

42. While the Trussell Trust called for a single point of access to ‘Welsh benefits’, and for alignment of access criteria for UK and Welsh benefits, Karen Davies of Purple Shoots said that many of the issues faced by her clients were as a consequence of how benefits are currently administered by the Department for Work and Pensions and was supportive of the Welsh Government’s exploratory work.⁴⁹

43. StepChange, Credit Unions Wales, and Purple Shoots all supported efforts to improve passporting arrangements for benefit entitlements.⁵⁰

Policy in Practice feasibility study

44. The Bevan Foundation commissioned independent experts, Policy in Practice, to undertake a feasibility study to explore these issues in greater detail. Their report published in April 2023 found that:

⁴⁵ ROP, [paragraph 121](#) – 27 February 2023

⁴⁶ Social Security Scotland, [Our Charter](#)

⁴⁷ ROP, [paragraph 125](#) – 27 February 2023

⁴⁸ [Summary of focus group discussions](#)

⁴⁹ ROP, [paragraphs 243-244](#) – 13 February 2023

⁵⁰ ROP, [paragraph 119](#) – 30 January; [paragraphs 225, 226](#) – 13 February 2023

- data already held by organisations administering Welsh benefits could be used to identify eligibility for other Welsh benefits; although good practice exists, a common approach is stymied by differing legal interpretations of data protection rules;
- simplified eligibility criteria would improve identification of eligibility and targeting for take-up purposes of Welsh benefits;
- creating a common digital application process which encompasses the data requirements for all Welsh benefits would enhance take-up of benefits, assist support organisations with signposting, among other advantages.⁵¹

45. The Policy in Practice report makes a number of recommendations to the Welsh Government on the practical steps to establishing a more coherent and comprehensive Welsh benefits system. The Bevan Foundation in its Foreword to the report calls on the Welsh Government to make better use of existing data to increase the uptake of grants and allowances in the short term and to create an implementation group to take forward other longer term recommendations.

Our view

There is a general consensus that the so-called 'Welsh benefits system' would benefit from more integration and coherence. The current system is fragmented, inefficient and is likely to be leaving some families without the support to which they are entitled. Measures to improve integration **could alleviate poverty, boost the economy and save money** in terms of administrative costs. We were encouraged by the Minister's action taken to date to progress work in this area. The development of draft principles to underpin a Welsh Benefits Charter in particular marks an important milestone.

Now is the time to move beyond agreement in principle to concrete action. This is made all the more urgent by the cost of living crisis. The Policy in Practice report commissioned by the Bevan Foundation makes an important contribution by demonstrating what's possible to deliver in this area. We would urge the Welsh Government to work at pace with partners to consider the report with a view to implementing its findings, particularly the quick wins it identifies. Given the significant variations amongst different local authorities and some public bodies the Welsh Government must address this as a priority.

⁵¹ Policy in Practice, [A common approach to Welsh benefits Feasibility study](#) – April 2023

This should include mandating the implementation of a consistent all-Wales approach to passporting households in receipt of one Welsh benefit to other benefits they are eligible for.

Recommendation 5. The Welsh Government should turn its vision for a Welsh benefits system into reality and mandate the implementation of a consistent, all-Wales approach to passporting households in receipt of one Welsh benefit to other benefits they are eligible for. Working with local authorities, the Centre for Digital Public Services, and others, the Welsh Government should provide an update on work in this area by the end of September 2023 with regular updates provided after that.

UNDER EMBARGO

3. Rising food and fuel prices

‘To heat or to eat?’ is a question faced by far too many households. Urgent action is needed to reduce food insecurity and improve energy efficiency in the long term.

The rising price of food

46. A key component of the inflationary pressures faced by households has been rising food prices. Food price inflation was at a 45-year high in March 2023, with prices rising by 19.2% compared with a year before.⁵²

47. Figures provided by the Trussell Trust showed that their food banks in Wales distributed 77,000 emergency food parcels between April and September 2022. This was an increase of 38% in the number of parcels distributed compared to the same period in 2021-22 and a 96% increase since 2017-18.⁵³ Susan Selby-Lloyd said that the main reason for reliance on emergency food aid was due to “inadequacies in the social security system” which she told us was “the primary driver of foodbank use.”⁵⁴

48. Longer term, the Trussell Trust argued that “food banks are not the answer” and called on the Welsh Government to publish a plan to reduce and prevent the need for emergency food aid. Similarly, Fareshare Cymru stated that that “hardship and poverty are solved by ensuring everyone has access to adequate and stable incomes, not food aid” and argued that “structural foundations for change” are needed to achieve this.⁵⁵ More evidence to illustrate these points can be found in **Figure 2: the impact of the rising cost of living on household spending and foodbank use.**

49. Well-Fed, a social enterprise in Flintshire, operates a FoodStore model, which is an alternative to food banks. This involves providing free food ingredients for meals to households in need for four weeks, before gradually charging for the food at a subsidised price. They also provide cookery training

⁵² Office for National Statistics, [Cost of living insights: Food](#) – 24 April 2023

⁵³ Written evidence, [the Trussell Trust](#)

⁵⁴ ROP, [paragraph 18](#) – 27 February 2023

⁵⁵ Written evidence, [Fareshare Cymru](#)

and operate mobile shops so rural and deprived areas can get fresh, nutritious food at lower prices.

50. Well-Fed advocate a change of approach “to move people away from over-reliance on charity to contributors to their own wellbeing.” They argued that “when people are in crisis, there are no food standards applied to food aid” and that:

“Charging affordably for meals/food, protects health and promotes dignity. In addition, we must arrange a food aid response predicated on feeding everyone well – this can be done.”⁵⁶

51. Robbie Davison summarised the thinking behind the Well-Fed approach: “if people eat well, they cope well” and that “the big difference in this is to give people choice, allow people to eat as normally as they would if they had money in the first place.”⁵⁷

52. Jen Griffiths from Flintshire County Council called for flexibility in grant funding to combat food poverty. She told us:

“Sometimes, the grant conditions are so tight that we can't necessarily apply it. So, I think maybe what I'm asking for is a broader approach to allow the local areas, whether that be third sector, the local authority, charitable organisations, to be able to use that money in a way that fits their community, because not all of the communities are the same.”⁵⁸

53. The Minister for Social Justice told us that £5 million was allocated to tackling food poverty but that this funding was split into two parts: emergency support (mainly through foodbanks) and local food partnership initiatives.⁵⁹ She highlighted the Big Bocs Bwyd initiative as an example of the latter supported by government funding.

⁵⁶ Written evidence, [Well-Fed](#)

⁵⁷ ROP, [paragraph 85](#) – 13 February 2023

⁵⁸ ROP, [paragraph 46](#) – 13 February 2023

⁵⁹ ROP, [paragraph 138](#) – 27 February 2023

Figure 2: the impact of the rising cost of living on household spending and foodbank use.

[INFOGRAPHIC TO FOLLOW]

UNDER EMBARGO

Our view

The question of whether to heat or to eat underlines the seriousness of the cost of living crisis facing Wales. Charities and foodbanks are responding admirably to significant increases in demand. Foodbank charities recognise that foodbanks are not a sustainable or long-term answer to the challenge of food poverty. As long as household incomes fail to cover the costs of foodstuffs then foodbanks are likely to continue playing an important role in the crisis response. However, in the long-term, we want to see efforts to tackle food poverty placed on a more sustainable footing. We think that the work of social enterprises such as Well-Fed offer a vision of what a more sustainable approach could look like: “if people eat well, they cope well.”

There is a role for the Welsh Government to play in **supporting the transition to a more sustainable and preventative approach to tackling food poverty**. This includes mapping out the support for tackling food poverty in each local authority area and identifying the examples of best practice which support broader aims along the lines of Well-Fed and the Big Bocs Bwyd initiative. This mapping exercise could then be used to target future support with a view to developing a more consistent picture across Wales.

Recommendation 6. The Welsh Government should adopt a more sustainable and preventative approach to tackling food poverty by supporting social enterprises which provide broader aims such as improving cookery skills in local communities and providing healthy meals. In order to do this, the Welsh Government should map out current provision of support for tackling food poverty broken down by type in each local authority area, with a view to developing a more sustainable strategy for tackling food insecurity across Wales. The initial mapping exercise should be completed by the end of 2023 and shared with this Committee.

Rising price of fuel and energy

54. Unprecedented rises in the cost of energy and fuel have been a key driver of inflation. Figures from the House of Commons Library show that domestic gas prices increased by 129% and domestic electricity prices by 67% from February 2022 to February 2023.⁶⁰ Despite interventions in the form of the Energy Price Guarantee (EPG) by the UK Government, and the Wales Fuel Support Scheme (WFSS) by the Welsh Government – among others – large numbers of households are struggling with the cost of energy.

⁶⁰ House of Commons Library, [Rising cost of living in the UK](#) – 27 March 2023

55. The WLGA told us that while the universal nature of UK Government support with the cost of energy had “allowed for the interventions to be delivered at scale and pace, the support has not necessarily targeted those households in greatest need and does not provide support to those households using alternative fuels.”⁶¹

56. StepChange highlighted the “ongoing need for additional support with energy bills” for the most vulnerable households.⁶²

57. Luke Young from Citizens Advice Cymru expressed concerns about the ending of the WFSS stating: “you can remove the scheme, but you won't remove the need, particularly at a time when we are seeing rising pressure on households.”⁶³ Citizens Advice Cymru's dashboard showed that while the WFSS contributed to helping address the rising cost of living during winter 2022-23, the gap in household budgets is set to increase from April 2023 onwards.⁶⁴

58. Figures provided by the Minister for Social Justice showed that over 307,000 households had been supported with a payment of £200 towards their fuel costs during 2022-23.⁶⁵ However, the Minister for Finance and Local Government confirmed that the scheme would be discontinued in 2023-24 and told the Finance Committee that the cost of £90 million constituted a “very, very large investment, and it's not something that we are able to afford to do next year”.⁶⁶

59. The Minister for Social Justice told us that £1 million had been allocated to local authorities for the provision of Warm Hubs this winter.⁶⁷ The WLGA described the warm hubs initiative as providing “invaluable level of community-based support where people can access a warm space, a hot drink and often a hot meal, as well as accessing advice and information along with enrichment activities”. They added that the positive impact on providing access to support and in reducing levels of social isolation meant that some councils would consider the model in future plans for community and place-based services.⁶⁸

⁶¹ Written evidence, [WLGA](#)

⁶² Written evidence, [StepChange](#)

⁶³ ROP, [paragraphs 64 and 65](#) – 30 January 2023

⁶⁴ Citizens Advice Cymru/Flourish, [Rise in COL v support](#) – 16 December 2022

⁶⁵ Written evidence, [Welsh Government](#)

⁶⁶ ROP, [paragraph 50](#) – 14 December 2023

⁶⁷ Written evidence, [Welsh Government](#)

⁶⁸ Written evidence, [WLGA](#)

60. Jen Griffiths highlighted that Flintshire County Council developed all its sheltered housing into Warm Hubs for older people.⁶⁹

Energy efficiency and the Warm Homes Programme (WHP)

61. The Bevan Foundation and Citizens Advice Cymru expressed concerns regarding the future of Welsh Government support for improving energy efficiency.⁷⁰

62. Luke Young said that: “to get rid of the Wales Fuel Support Scheme and help people on energy bills, you have to reduce the costs of energy to people, and one way to do that is on energy efficiency.”⁷¹

63. In its submission to the Finance Committee on the Draft Budget 2023-24, the Bevan Foundation called on the Welsh Government to bring forward plans for a new Warm Homes Programme with a substantial increase in investment, a focus on insulation measures, broader eligibility criteria and stronger programme management.⁷² Dr Steffan Evans expressed concerns about delays and told us the next WHP would need to learn the lessons of the current programme:

“[...] the Audit Wales report found fundamental issues with that programme. We haven't seen those changes being made yet. I think it was March of last year that I remember filling in a consultation for the Welsh Government on a new scheme to replace Warm Homes for the Welsh Government. It's now the end of January, a year later, and we still haven't heard the Welsh Government's response to that consultation, not to mention about what the new scheme actually will be.”⁷³

64. Luke Young suggested that “the Welsh Government could be challenged further on how it is going to bring its social housing up to energy A efficiency within the current budget means”.⁷⁴

65. In the Budget for 2023-24 the revenue funding for the WHP remains flat at £4.37 million, with capital funding increasing by £5 million to £35 million.⁷⁵

⁶⁹ ROP, [paragraph 121](#) – 13 February 2023

⁷⁰ ROP, [paragraph 128](#) – 30 January 2023; written evidence, [Citizens Advice Cymru](#)

⁷¹ ROP, [paragraph 65](#) – 30 January 2023

⁷² [Written evidence to the Finance Committee from the Bevan Foundation](#) – December 2022

⁷³ ROP, [paragraph 128](#) – 30 January 2023

⁷⁴ ROP, [paragraph 143](#) – 30 January 2023

⁷⁵ Welsh Government, [Final Budget 2023-24](#)

66. On 26 April 2023 the Welsh Government confirmed a delay to the replacement Warm Homes Programme and a year-long extension of the Nest scheme element of the current Warm Homes Programme until March 2024. The Minister for Climate Change explained to us that she plans to “procure a new, demand led scheme which tackles both the climate emergency and fuel poverty before the end of the calendar year.”⁷⁶

Our view

Impact of rising energy prices

Uncertainty and volatility in world energy markets, particularly in terms of the price of gas, seem likely for the foreseeable future. Considerable intervention by Government, particularly in the form of the Energy Price Guarantee has managed to curb the worst excesses of the energy price rises which continue to be pegged to the latest spot price for gas. However, under the EPG the average gas and electricity bill remains 27% higher than the summer 2022 price cap and 96% higher than the winter 2021-22 price cap.⁷⁷

The additional support provided via the Welsh Government’s £90 million Winter Fuel Support Scheme came at a critical time for many households and we share the concerns expressed to us regarding the withdrawal of this support in 2023-24.

The Warm Hubs programme provided some respite for vulnerable people this winter, although we note that funding for next winter is yet to be secured. We commend the initiative in Flintshire to develop its estate of sheltered accommodation into Warm Hubs and believe that this could be emulated by other local authorities.

Recommendation 7. The Welsh Government should promote the approach adopted in Flintshire of developing sheltered accommodation into Warm Hubs with other local authorities through its engagement with the local leaders. This should be progressed in a timely manner ahead of winter 2023-24.

⁷⁶ Correspondence from the Minister for Climate Change regarding the WHP

⁷⁷ House of Commons Library, [Domestic energy prices](#) – 13 March 2023

Replacement for the Warm Homes Programme (WHP)

We reported on the flaws of the current Warm Homes Programme in May 2022.⁷⁸ In line with our view that the Welsh Government shift its emphasis to prioritising more preventative spending to tackle the cost of living, we believe that **measures to improve the energy efficiency of homes is the key to tackling fuel poverty**. We urgently need a plan to get people out of warm hubs and into warm homes by insulating and retrofitting housing across all tenure types.

Given the issues raised in our Warm Homes inquiry and the eye-watering increases that many households have seen in energy bills over recent months, we are extremely disappointed and frustrated at the extent of the delays to the replacement WHP and that the Government's response to these issues has shown a lack of urgency. The Welsh Government should clarify why the replacement WHP is taking longer than anticipated and the implications that this may have for its wider approach to tackling fuel poverty.

Recommendation 8. The Welsh Government must urgently clarify a number of issues relating to its replacement for the Warm Homes Programme including:

- why the development of a replacement Warm Homes Programme has been delayed;
- whether it plans to make any amendments to the current Nest programme now that it has been extended to the end of March 2024;
- whether the replacement programme will include an area-based element and if so whether this will be mobilised to start in late winter.

Prepayment meters (PPMs)

67. In 2022 Citizens Advice Cymru saw more people who were unable to top up their pre-payment meter than in the previous 10 years combined.⁷⁹ Luke Young told us that 7,500 more people in Wales will be on pre-payment meters by the end of winter 2022-23 according to their modelling.⁸⁰

⁷⁸ Equality and Social Justice Committee, [Fuel poverty and the Warm Homes Programme](#) – May 2022

⁷⁹ [Wales: Citizens Advice Cymru cost of living dashboard 2022 in review](#)

⁸⁰ ROP, [paragraph 132](#) – 30 January 2023

68. The forced installation of prepayment meters (PPMs) became a matter of widespread concern following an investigation by the Times into British Gas in early 2023.⁸¹

69. In response to these concerns, the UK Government announced that energy suppliers had agreed to “stop forcing vulnerable households onto prepayment meters” on 10 February 2023.⁸² The regulator, Ofgem, then conducted a rapid review which reported on 18 April 2023.⁸³ Ofgem announced that the halt on the installation of pre-payment meters would be lifted with certain exemptions including people over-85 and people with certain health conditions. Energy suppliers also confirmed that they would agree to strengthened oversight by the regulator and a new Code of Practice on involuntary prepayment meters.⁸⁴

70. The Minister for Social Justice said she had met energy suppliers and Ofgem, to raise concerns regarding the treatment of vulnerable customers. The Minister said:

“I’ve had more than one meeting with them. They have professed to want to support their most vulnerable customers, but I think the recent examples of the forced installation of PPMs has just shown that that hasn’t stood the test in terms of the assurances I was getting from those who I met in terms of energy providers. [...] I also met the Ofgem board, who came to Cardiff, and expressed my concern about the fact that their powers do not seem to be having an impact, and should those powers be strengthened, and, indeed, how are they going to investigate in particular the most recent examples of forced installation and the warrants that have gone out in terms of installing PPMs in vulnerable people’s houses. The energy companies have got to be answerable.”⁸⁵

71. A majority of contributors to our focus groups said energy bills were “confusing to understand” and that they were often startled by the amounts of

⁸¹ The Times, [Exposed: How British Gas debt agents break into homes of vulnerable](#) – February 2023

⁸² HM Government, [Energy companies halt forced installation of pre-payment meters](#) – 10 February 2023

⁸³ Ofgem, [Energy regulator outlines next steps on forced Prepayment Meter \(PPM\) installations](#) – 21 February 2023

⁸⁴ Ofgem, [All energy suppliers sign up to tougher Ofgem oversight and new Code of Practice on involuntary prepayment installations](#) – 18 April 2023

⁸⁵ ROP, [paragraph 74](#) – 27 February 2023

money owed. Several participants also reported that energy companies were unhelpful when they sought support with call handlers often lacking knowledge regarding options available for customers.⁸⁶

72. The Minister highlighted that £4 million had been allocated in 2022-23 to fund 49,000 vouchers for households on PPMs as part of the Welsh Government's Fuel Voucher Scheme.⁸⁷ But at the end of January 2023 only 11,000 vouchers had been issued according to the Minister.⁸⁸

Our view

We are alarmed by the forced installation of prepayment meters into the homes of vulnerable customers particularly during an unprecedented crisis affecting the price of energy. We note the conclusions of the Ofgem review which will allow this practice to continue in all but the most extreme cases. We welcome the strengthening of provisions around code of conduct but wait to see whether there is any substance to these changes. The Welsh Government should set out its response to the Ofgem review and carry out an assessment of any further actions it could take to support vulnerable groups affected by the issue of PPMs and report back to the Senedd by the end of September 2023. Any action that the Welsh Government is considering should take into account the letter from Citizens Advice Cymru noted at our meeting on 24 April 2023.⁸⁹

Recommendation 9. The Welsh Government should set out what discussions it has had with Ofgem to raise its concerns that the resumption of forced installation of pre-payment meters following Ofgem's review of prepayment meters provides insufficient protection for vulnerable households. It should also detail any further action it will take to protect vulnerable groups of customers. The Minister should update the Senedd on work in this area and report back by the end of September 2023.

In relation to the Fuel Voucher Scheme we reiterate recommendation 6 of our Draft Budget 2023-24 report and call for final figures regarding uptake for the scheme to be published.

⁸⁶ Summary of focus group discussions

⁸⁷ Written evidence, Welsh Government

⁸⁸ ROP, paragraph 98 – 27 February 2023

⁸⁹ Correspondence from Citizens Advice Cymru to the Minister for Social Justice regarding energy companies, 31 March 2023

Recommendation 10. The Welsh Government should publish final figures regarding uptake for its Fuel Voucher Scheme in line with recommendation 6 of this Committee's report on the Draft Budget 2023-24 as soon as this information is available.

UNDER EMBARGO

4. Debt and the rising cost of living

Energy debts, rent arrears, and outstanding council tax payments are all on the rise. Preventing lower-income households from amassing problematic and expensive debts just to pay for essentials will be a key challenge.

Debt

73. Data from StepChange showed that in 2021 a ‘**cost of living** increase’ was the eighth most commonly reported reason for debt; by 2022 this was the second most commonly reported reason, cited by 15% of clients.⁹⁰

74. In 2022, 29% of StepChange’s clients had grappled with a ‘negative budget’ where the cost of essentials were higher than their income. This rises to 60% of clients with children.⁹¹

75. Both StepChange and Citizens Advice Cymru reported that individual cases are becoming “much more complex”, with greater time and resource implications.⁹²

Single Advice Fund

76. The Single Advice Fund (SAF) budget allocation in 2023-24 was £11 million. Citizens Advice Cymru receives SAF funding but Luke Young expressed concerns that a “flat budget is going to mean some really tough pressures on the service”:

We don't know the full extent of whether that flat budget will mean jobs going or services being constricted—we're working through that right now—but it is pretty obvious, the same as other bits of Welsh society in the economy, that there's going to be pressure and it will mean that we'll have to do a bit less than we would have wanted to do.

⁹⁰ StepChange, [Statistics Yearbook Personal debt in the UK January - December 2022](#)

⁹¹ StepChange, [Statistics Yearbook Personal debt in the UK January - December 2022](#)

⁹² Written evidence, [StepChange, Citizens Advice Cymru](#)

77. The Welsh Government told us that by maintaining funding for the SAF it was “confident that its advice and support services will reach vulnerable people who are in the greatest need”.⁹³

Our view

Previous work on Debt and the Pandemic

Our previous report on **Debt and the pandemic** hinted at the gathering “economic storm”. That report made 14 recommendations, a number of which have either been fulfilled or superseded by later policy developments. A status update for each is provided in Annex D. Questions are outstanding regarding progress with recommendations 1, 3, 4, 5, and 7 which relate to publication of data; promotion of debt advice; tackling fuel poverty; and debt bonfires. We would welcome an update from the Welsh Government on these.

Recommendation 11. The Welsh Government should provide progress updates in relation to recommendations 1, 3, 4, 5, and 7 of our 2021 report on debt and the pandemic which should include, where relevant, any action taken in response to the cost of living crisis. This update should be provided by the end of June 2023.

Debt advice and the Single Advice Fund

The pressure on household finances is likely to increase demand for advice, particularly debt advice in the short term; we note that in addition to rising caseloads the complexity of individual cases is also increasing.

Funding for the Single Advice Fund is flat for 2023-24 which is likely to increase the pressure on staff and have implications for these services. The Welsh Government should work with Citizens Advice Cymru and other partners to keep this situation under review and, if necessary, review the funding allocation made if demand for advice outstrips what can be supplied under the SAF. This echoes recommendation 3 of our work on the Draft Budget 2023-24.

Recommendation 12. The Welsh Government should work with Citizens Advice Cymru to monitor levels of demand for debt and other advice under the Single Advice Fund and commit to reviewing funding allocations in the

⁹³ Written evidence, [Welsh Government](#)

2023-24 Budget if necessary. This recommendation should be read alongside recommendation 3 of our report on the Draft Budget 2023-24.

Debt owed to public bodies

78. Chwarae Teg highlighted the growth in debt owed to public bodies, particularly in the form of council tax arrears.⁹⁴

79. Luke Young reported that Council Tax debt was competing with energy debt to be the number one issue for clients in Wales. This was in contrast to data from Citizens Advice in England.⁹⁵

80. We highlighted in our previous work how bailiffs employed by local authorities used aggressive and heavy-handed enforcement approaches.⁹⁶ In response to our recommendation, the Welsh Government commissioned a review of the Council Tax Protocol and the findings were published in March 2023.⁹⁷

81. Some witnesses expressed concerns that heavy-handed enforcement approaches were still a problem.⁹⁸ Peter Tutton of StepChange argued that all public sector creditors should be subject to a broader set of statutory principles when it comes to debt management citing the principles contained in the Digital Economy Act as one potential avenue. He also highlighted the work of the Enforcement Conduct Board and called for public sector creditors, including local authorities, to “only work with bailiffs that agree to sign up and follow ECB standards.”⁹⁹

82. Luke Young called for local authorities to show greater “forbearance”; for current rules around missed payments to be scrapped; and for the Council Tax Protocol to be reviewed, strengthened and placed on a statutory footing.¹⁰⁰

83. On the issue of debt write-offs the Bevan Foundation and Citizens Advice Cymru argued against making this an immediate priority, and instead emphasised ensuring people had enough money to cover the essentials and preventing individuals from falling into further hardship.¹⁰¹

⁹⁴ Written evidence, [Chwarae Teg](#)

⁹⁵ ROP, [paragraph 24](#) – 30 January 2023

⁹⁶ Equality and Social Justice Committee, [Debt and the pandemic](#) – November 2021

⁹⁷ Welsh Government, [Understanding the impact of Council Tax Interventions in Wales: introduction of the Council Tax Protocol for Wales](#) – 8 March 2023

⁹⁸ ROP, [paragraphs 187–192](#) – 13 February 2023

⁹⁹ ROP, [paragraphs 36 and 37](#) – 30 January 2023

¹⁰⁰ ROP, [paragraph 29](#) – 30 January 2023

¹⁰¹ ROP, [paragraphs 44 and 49](#) – 30 January 2023

UNDER EMBARGO

Our view

Public sector debt

We are clear that the hardship currently faced by many people requires patience and understanding on the part of public sector bodies. It is disappointing to hear anecdotal evidence that some public sector bodies continue to use bailiffs who deploy aggressive and heavy-handed enforcement tactics. We urge the Welsh Government to send a clear signal to devolved public bodies that while they have a right to protect their revenue, heavy-handed enforcement tactics will not be tolerated.

The Council Tax Protocol

We welcome the fact that the Welsh Government has published its review of the Council Tax Protocol but note with concern its findings that introduction of the Protocol in 2019 “made little impact on collection and enforcement activity” by local councils. It also found the strictness of enforcement activities lacked uniformity and that barriers to full implementation included a lack of training and guidance and issues relating to the internal organisation of some councils. In light of the recent saga surrounding the forced installation of PPMs it is vital that the Welsh Government work with councils to address the shortcomings identified in the review by placing a strengthened Protocol on a statutory footing.

Recommendation 13. The Welsh Government must work with councils to address the shortcomings identified in the review of the Council Tax Protocol, and the concerns of stakeholders as highlighted by this Committee, as part of its broader programme of reform. This should include placing a strengthened Protocol on a statutory footing. This work should be progressed at pace and an update provided to the Senedd before the end of September 2023.

Affordable credit

84. In 2021 the piloting of a No Interest Loans Scheme was announced by Fair 4 All Finance with support from government funding.¹⁰² The Welsh element of the pilot received a £1 million loan from the Welsh Government and the Social Credit consortium (comprised of Purple Shoots, Robert Owen Community Banking and Plend) was tasked with running it.

¹⁰² Fair 4 All Finance, [Plans announced for new UK wide No Interest Loan Scheme pilot](#) – 6 September 2021

85. The Minister for Social Justice told us that the pilot was currently in the “test and learn phase”, and that lending would be scaled up during 2023.¹⁰³ Referrals into the scheme are being made through Plend. People who fail Plend’s affordability checks may be suitable for a No Interest Loan if they can afford to repay a loan with the interest removed.

86. Regarding the pilot, Karen Davies warned:

“We have just started but only with a limited number of clients, and it is interesting that quite a lot of them are being declined because they still fail on affordability; they're trying to borrow money that they've got no hope of repaying. So, I don't know if it's going to work as a solution, but we're testing it out, really.”¹⁰⁴

87. The Welsh Government confirmed continued support for credit unions in Wales with funding of £422,000 in 2023-24. In January 2023 the Welsh Government announced:

“In a clear demonstration of the importance of credit unions in Wales, Ministers within the Welsh Government Cabinet took part in a coordinated visit across the length and breadth of the country, raising awareness of the services they provide, which includes ethical and affordable lending.”¹⁰⁵

88. The Welsh Government is working with credit unions on another new loans scheme:

“We have provided £1.2m in 2022-23 for credit unions to expand their lending to people with a poor credit history who otherwise would be refused a loan with a credit union due to their risk of defaulting, and who would be very likely to use high cost credit providers or worse, loan sharks. This scheme is making an impact, with more than 1000 people now borrowing from a credit union for the first time.”¹⁰⁶

89. Nicola Field from Bridgend Lifesavers Credit Union said that the Welsh Government had “provided a lot of support for credit unions”, but that more could be done to raise awareness of the wider services offered by credit unions

¹⁰³ Written evidence, [Welsh Government](#)

¹⁰⁴ ROP, [paragraph 169](#) – 13 February 2023

¹⁰⁵ Welsh Government, [Hundreds of thousands of pounds of funding for 'lifeline' credit unions](#) – 5 January 2023

¹⁰⁶ Written evidence, [Welsh Government](#)

beyond loans and savings. She highlighted the fact that credit unions can take receipt of benefit payments for people without a bank account as one example of this.¹⁰⁷

Our view

We previously highlighted that affordable credit providers offer a much safer option than illegal lenders or high-interest credit providers. The Welsh Government's continued commitment to credit unions is welcome. Given the cost of living pressures faced by households we agree that raising awareness of their services, including wider work such as providing a service to those without bank account by taking receipt of benefits payments, would be worthwhile.

In terms of the piloting of the No Interest Loans Scheme we heard concerns regarding its operation and note that the intention is to proceed with a wider roll-out in June 2023. Ahead of the roll-out the Welsh Government should clarify its aims and ambitions for the scheme's operation in Wales.

Recommendation 14. The Welsh Government should provide an update on the action it will take over the financial year 2023-24 to raise awareness of credit unions and promote affordable credit, including the aims and expectations for the wider rollout of the No Interest Loans scheme. This update should be provided before the wider rollout is scheduled to commence in June 2023.

¹⁰⁷ ROP, paragraph 246 – 13 February 2023

Annex 1: List of oral evidence sessions

The following witnesses provided oral evidence to the committee on the dates noted below.

Transcripts of all oral evidence sessions can be viewed on [the Committee's website](#).

Date	Name and Organisation
30 January 2023	Peter Tutton, StepChange Luke Young, Citizen's Advice Cymru Steffan Evans, Bevan Foundation
13 February 2023	Sarah Germain, FareShare Jen Griffiths, Flintshire County Council Robbie Davison, Well-Fed Nicola Field, Credit Unions of Wales Karen Davies, Purple Shoots
27 February 2023	Susan Lloyd-Selby, Trussell Trust Jane Hutt MS, Minister for Social Justice, Welsh Government Paul Neave, Head of Social Welfare - Advice and Department for Work and Pensions Policy, Welsh Government

Annex 2: List of written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed on [the Committee's website](#).

Reference	Organisation
DCLC 01	Welsh Local Government Association
DCLC 02	Chwarae Teg
DCLC 03	Citizens Advice Cymru
DCLC 04	Association of British Credit Unions Limited
DCLC 05	Trussell Trust
DCLC 06	Well-Fed
DCLC 07	FareShare Cymru
DCLC 08	StepChange

Annex 3: Government support with the cost of living

The Welsh Government's cost of living support measures for households have included:

- **Wales Fuel Support Scheme 2022-23** – this provided low-income households with £200 towards their fuel bills, and closed in February 2023.
- **Discretionary Assistance Fund** – this provides support to people experiencing considerable financial hardship through grants for essentials. There is also an element that support off-grid households with rising fuel costs.
- **Fuel Voucher Scheme** – partners refer households for support through this scheme, which supports households on prepayment meters and off-grid households.
- There is also wider cost of living support available, such as the temporary increase to the PDG - Access grant, which pays for school essentials.

The UK Government's main support measures for households have included:

- **Energy Price Guarantee** – until 30 June 2023 a typical household will have energy bills capped at around £2,500 a year. From July 2023 to 31 March 2024, the guarantee will be extended so that a typical household's energy bill is around £3,000.
- **Energy Bills Support Scheme** – this provided eligible households with a £400 non-repayable discount to help with their energy bills over winter 2022 to 2023.
- **Cost of Living Payments** – payments have been made to low-income households on particular benefits, people on certain disability benefits and pensioners (some households are eligible for more than one payment). These payments will continue in 2023-24.
- **Alternative Fuel Payment** – this will provide support of £200 for households that use alternative fuels, such as heating oil, liquefied petroleum gas (LPG), coal or biomass, to heat their homes.

Some of the above schemes and measures have now ended. If you, or someone you know are struggling with the rising cost of living, please visit Senedd Research's [help and information on cost of living support](#) webpage.

UNDER EMBARGO

Annex 4: Progress with previous recommendations

The following recommendations were made in the Committee's [report on Debt and the Pandemic](#). A brief commentary on progress with implementation is provided and the recommendations requiring an update are shaded. [To read the report and the response visit the Committee's website](#).

Recommendation	Response	Status
1. The Welsh Government's equalities data unit should work with organisations in the sector to collate and publish annual data on debt in Wales starting in the next financial year 2022-23, broken down by protected characteristics	Accept in principle	Noted in the equalities data unit priorities 2022-27 document but awaiting further detail. Request an update.
2. The Welsh Government should commission expert research into the relationship between addiction and debt and report back to this Committee on progress. This research should cover addiction in all its forms including gambling, alcohol and other substance addictions and the Welsh Government should write to the Committee with an update on progress and timescales for completion and publication before the end of March 2022.	Accept	Initial research completed in March 2022 ; Committee steer needed on next steps
3. The Welsh Government should set out in its response what additional measures it will put in place to promote debt advice services to vulnerable groups who are at heightened risk of debt, so they can make informed choices about the options available to them.	Accept	Needs revisiting in light of cost of living pressures – request an update
4. The Welsh Government should publish revised plans within the next three months to tackle fuel poverty, to ensure	Accept in principle	The Tackling Fuel Poverty Action Plan was published in March 2021 and the Government response

Recommendation	Response	Status
that these are in place well ahead of the next rise to the energy price cap due to come into force from April 2022.		states that they plan to review it every two years, meaning a review is overdue – request an update
5. The Welsh Government should provide clarity in its Draft Budget on how it will allocate sufficient funds up until 2024-25 to accelerate plans to bring all social homes up to Energy Rating A to mitigate increased fuel poverty as a result of rising energy costs.	Accept	Consultation on new Welsh Housing Quality Standard took place May-August 2022 but no further announcements, including the Government's response to the consultation, have been made. Request an update
6. The Welsh Government review of the Council Tax Protocol for Wales should include an assessment of whether the Protocol should be strengthened including whether it should be placed on a statutory footing. This review should be progressed urgently and be completed by no later than June 2022.	Accept	Findings of review were published in March 2023 .
7. The Welsh Government should explore the feasibility of introducing 'debt bonfires' in relation to aspects of public sector debt, drawing on evidence from Wales and beyond, and should write to the Committee with its conclusions by the end of June 2022.	Accept	Partially completed – research work by WG's Knowledge and Analytical Services has been shared with the Committee in June with a further update provided in November 2022 . WG highlighted the insolvency review by the UK Government's Insolvency Service which is due to report in 2023. Request an update.

Recommendation	Response	Status
8. The Welsh Government should set out in its response to this report what further action it has taken to improve awareness of Welsh housing law among frontline police officers.	Accept	Complete
9. The Welsh Government should set out how it will ensure that it uses the legislative or policy levers at its disposal so that tenants across all tenures do not lose their homes because of debt accrued as a result of the pandemic.	Accept	Complete
10. The Welsh Government should also ensure that the notice period for no-fault evictions remains at 6 months until the Renting Homes (Wales) Act 2016 comes into force.	Accept in principle	Provisions in the Renting Homes Act 2016 which extended the notice period for no-fault evictions to 6 months came into force in December 2022 despite numerous delays.
11. The Welsh Government should explore the possibility of extending the Tenancy Hardship Grant scheme to include low-income tenants in social housing who are not eligible for Discretionary Housing Payments.	Accept	Completed. Eligibility for the Tenancy Hardship Grant was extended in January 2022 .
12. The Welsh Government should set out in its response to this report how it intends to promote affordable credit sources among those at heightened risk of debt over the next six months.	Accept	Superseded by recommendation in this report.
13. The Welsh Government should make flexibilities introduced to the Discretionary Assistance Fund as a result of the pandemic a permanent feature of the fund.	Accept in principle	See notes for Recommendation 14 below.

Recommendation	Response	Status
<p>14. To inform preparation work for the new DAF contract from April 2023 the Welsh Government should undertake a review of the current DAF to include:</p> <ul style="list-style-type: none"> a review of eligibility criteria; options for streamlining the application process; and a review of the guidance associated with applications to ensure that it is sufficiently easy to understand and written in plain English and Welsh. 	Accept	<p>Completed and superseded by later policy changes. New arrangements for the DAF, including shortening the periods between applications (as per recommendation 14) and streamlined processes, were confirmed by WG in April 2023.</p>