

Agenda – Equality and Social Justice Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Rhys Morgan
Meeting date: 4 October 2021	Committee Clerk
Meeting time: 13.00	0300 200 6565
	SeneddEquality@senedd.wales

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

Private pre-meeting

(13.00 – 13.15)

1 Introductions, apologies, substitutions and declarations of interest

(13.15)

2 Debt and the pandemic – public services

(13.15 – 14.15)

(Pages 1 – 32)

Rob Simkins, Campaigns Manager, Shelter Cymru

Will Henson, Policy & External Affairs Manager, Community Housing Cymru

Lisa Hayward, Welfare Reform Policy Officer, Welsh Local Government Association

Break

(14.15 – 14.30)

3 Debt and the pandemic – impact on groups with protected characteristics

(14.30 – 15.15)

(Pages 33 – 39)

Lee Tiratira, Youth Team Lead and BME CYP Project Worker, Ethnic Minorities & Youth Support Team (EYST)



Cerys Furlong, Chief Executive, Chwarae Teg

Break

(15.15 – 15.30)

4 Debt and the pandemic – affordable credit

(15.30 – 16.15)

(Pages 40 – 47)

Claire Savage, Policy Officer, Credit Unions of Wales

Sara Burch, Manager of Gateway Credit Union

Daniel Arrowsmith, Policy & Regulatory Compliance Manager, Association of British Credit Unions Limited

Karen Davies, Chief Executive, Purple Shoots

Break

(16.15 – 16.30)

5 Debt and the pandemic – think tanks

(16.30 – 17.00)

(Pages 48 – 78)

Steffan Evans, Policy and Research Officer, Bevan Foundation

6 Papers to note

(17.00)

6.1 Correspondence from the Gender Network regarding gender equality – 15 September 2021

(Pages 79 – 81)

6.2 Correspondence from the Chair of the Legislation, Justice and Constitution Committee regarding the protection of classified information – 21 September 2021

(Page 82)

6.3 Correspondence from the Chair of the Legislation, Justice and Constitution Committee regarding the Police, Crime, Sentencing and Courts Bill LCM – 22 September 2021

(Pages 83 – 84)

6.4 Consultation response to the Culture, Communications, Welsh Language, Sport, and International Relations Committee by the Wales Council for Voluntary Action and the Wales Governance Centre

(Pages 85 – 95)

7 Motion under SO17.42(ix) to exclude the public from the remainder of the meeting

(17.00)

8 Consideration of evidence – debt and the pandemic

(17.00 – 17.15)

9 Consideration of the Armed Forces LCM

(17.15 – 17.30)

(Pages 96 – 118)

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Shelter Cymru's response to the Senedd Cymru, Equality and Social Justice Committee Inquiry, Debt and the Pandemic.

About Shelter Cymru

We exist to defend the right to a safe home because **home is everything**. We help thousands of people across all of Wales every year who have been affected by the housing emergency by offering free, confidential, and independent advice. When necessary, we constructively challenge on behalf of people to ensure they are properly assisted and to improve practice and learning.

We work with people who use our services as equals. We provide information, advice, and support to help people identify the best options to prevent homelessness, to find and keep a home and to help them take back control of their own lives.

We fight the devastating impact the housing emergency has on our people and communities with campaigning, advice, and support – and we never give up.

Our Response

The effectiveness of the Welsh Government's overall approach to tackling debt-related issues during the pandemic, and to consider how its policy might need to develop over the coming months to address upcoming challenges.

- Whilst initially welcomed, the original scope of the Tenancy Saver Loan meant that many people weren't able to access this support;
- The change to the Tenancy Hardship Grant is a positive move, however it is probably too early to measure the scheme's success;
- Additional 'top-ups' to Discretionary Housing Payment¹ by the Welsh Government and local authorities has been shown to be necessary and we support these actions;
- We supported the decision to ban evictions during the pandemic as this undeniably prevented people being evicted into homelessness as a result of debt and/or other reasons;

¹ <https://gov.wales/written-statement-extension-tenancy-saver-loan-scheme-and-additional-funding-discretionary-housing>

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- We strongly agree with the decision to retain the six month notice period² for evictions in Wales and believe that in the interest of protecting tenants and to avoid confusion, this should remain in place until the Renting Homes (Wales) Act comes into force in 2022;
- The drive to house people who became homeless remains the right decision and we are pleased to see the Welsh Government commit to continuing this approach and abolishing policies such as priority need and intentional homelessness³;
- We believe the focus now needs to be on getting people from temporary accommodation into sustainable, long-term solutions – and supporting people to do this without prejudice toward their financial situation;
- The Welsh Government, local authorities and housing associations need to show flexibility in supporting tenants with former tenant arrears, given the extraordinary situation many people have found themselves in.
- It is important to note that former tenant arrears was an issue prior to the pandemic⁴ and will now have been exacerbated for many people, further widening societal inequalities and stopping people from having a safe place to call home;
- It is welcome that the Welsh Government intends to introduce affordability of social rents as an indicator in the revised Regulatory Framework. We are concerned however about a lack of clarity about how the Welsh Government defines affordability. The current rent settlement of CPI+1% is arguably not affordable for many tenants during the pandemic.

The impact of individual debt on public services during the pandemic and beyond, and to explore whether changes could be made to the approaches that public bodies are taking to debt recovery.

² <https://gov.wales/written-statement-use-powers-under-coronavirus-act-2020-residential-tenancies-extension-period-0>

³ <https://twitter.com/ShelterCymru/status/1441012867109736461>

⁴ <https://www.bbc.co.uk/news/uk-wales-49496377>

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- Welsh Government research⁵ shows that council tax arrears have increased significantly as a result of the pandemic. It is vital that local authorities communicate effectively so as not to push people into homelessness as a result of taking action to recover debt on areas such as council tax arrears;
- We have warned about the rise in the number of illegal evictions⁶ our advice services have seen throughout the pandemic. In all four police areas in Wales, we have encountered police assisting illegal evictions of tenants from their homes. Many households in Wales are behind on a bill or have borrowed money⁷ and research by the Bevan Foundation⁸ shows one in five people are worried about losing their home;
- It is vital that police services are not contributing to increased debt and/or homelessness in Wales by helping to facilitate illegal evictions of people from their homes. We believe that people deserve to be treated with compassion and flexibility, regardless of their financial situation and its impact on their lives and suggest that additional training may be a solution to this issue we are seeing.
- Rent Smart Wales have acknowledged an additional training need for landlords and have agreed to revise their mandatory training to help to resolve this issue too.
- Welsh Government figures show that while rent arrears among housing associations initially increased during lockdown, they soon levelled off and then began to decrease.⁹ Our engagement with social landlords indicates that a major factor behind this has been the necessity for landlords to abandon old ways of working, due to their lack of eviction powers, and increase support-based approaches. There has been much useful learning about how to work effectively with tenants in rent arrears and prevent evictions, which we are hoping will be taken forward into the future.

⁵ <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Council-Tax/Collection/arrearsofcounciltax-by-billingauthority>

⁶ <https://whq.org.uk/the-magazine/issue/120/alarming-trends/>

⁷ <https://www.bevanfoundation.org/wp-content/uploads/2021/09/Debt-in-the-pandemic.pdf>

⁸ <https://www.bevanfoundation.org/wp-content/uploads/2021/06/Snapshot-of-poverty-in-spring-2021.pdf>

⁹ <https://gov.wales/sites/default/files/publications/2021-08/registered-social-landlords-business-continuity-survey-june-2021.pdf>

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How different groups have experienced debt issues throughout the pandemic, and whether Welsh Government policy interventions have met the needs of particular groups.

- A number of reports illustrate how issues with debt throughout the pandemic have disproportionately affected some groups of people and not others;
- Shelter Cymru's research¹⁰ showed that people hit hardest financially were people on lowest incomes and that a disproportionate amount of people with children were more impacted;
- These findings are reinforced by the Bevan Foundation¹¹ who illustrate that renters, disabled people, 25-49 year olds, lone parents and BAME households were all at a "heightened risk" of problem debt during the pandemic;
- Their earlier research¹² also showed that households on higher incomes saw their income increase, while the reverse was the case for households with a net income of less than £20,000;
- As such, we welcomed initiatives by the Welsh Government such as the tenancy hardship grant, increased eviction protection and top-ups to DHP and Discretionary Assistance Fund budgets. However, the situation is still extremely serious, our own advice services report that Section 21 eviction notices in July 2021 were close to double that of July 2019, pre-pandemic;
- Trends like this will only continue to exacerbate existing issues for people and are likely to contribute to pushing more people further into debt and/or homelessness.

The effectiveness of mechanisms such as the Discretionary Assistance Fund and affordable credit in providing assistance to those most in need during the pandemic, and what changes could improve future delivery.

¹⁰ https://sheltercymru.org.uk/wp-content/uploads/2020/11/Life-in-lockdown-in-Wales_Nov-2020.pdf

¹¹ <https://www.bevanfoundation.org/wp-content/uploads/2021/09/Debt-in-the-pandemic.pdf>

¹² <https://www.bevanfoundation.org/wp-content/uploads/2021/06/Snapshot-of-poverty-in-spring-2021.pdf>

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- In a similar situation to the issues with the Tenancy Saver Loan, we have seen significant numbers of applications to DAF rejected¹³, many due to a cap on the number of applications people can make;
- The discretionary approach to many support schemes can often act as a barrier to people accessing much needed support. This is something we have seen with homelessness policies, such as priority need and DHP;¹⁴
- We believe that the Welsh Government and local authorities across Wales are better placed moving away from a discretionary approach, where people are forced to re-live their trauma to prove eligibility, to a more person-centred and rights-based approach to support, which speeds up the support process for people and families who need it;

¹³ <https://www.bbc.co.uk/news/uk-wales-56258809>

¹⁴ <https://sheltercymru.org.uk/blog-what-is-priority-need/>



Equality and Social Justice Committee inquiry into the level of indebtedness during the pandemic

Response from Community Housing Cymru

September 2021

Introduction

Community Housing Cymru is the membership body for more than 70 not-for-profit housing associations and community mutuals and is the leading voice for the social housing sector in Wales. We welcome the opportunity to respond to the Committee's consultation on the priority issues to consider when planning its future work programme.

Summary

The economic impact of the coronavirus pandemic has manifested in an increased number of housing association tenants in serious levels of rent arrears. The year following March 2020 saw a 22% increase in the number of tenants owing more than thirteen weeks worth of rent to their housing association, a concerning trend for both tenants and housing associations.

A voluntary arrangement to prevent repossessions by housing associations and legal interventions by Welsh Government have significantly reduced the number of tenants evicted for rent arrears across both the private and social rented sectors.

Two new financial interventions have been made by Welsh Government to support tenants in rent arrears, the Tenancy Saver Loan and the Tenancy Hardship Grant. However, the vast majority of housing association tenants are ineligible for this support.

The pre-existing Discretionary Housing Payments, administered by local authorities and funded by UK Government, have continued to provide some level of support to housing association tenants. These payments are only available to tenants in receipt of Housing Benefit or Universal Credit.



Response to specific questions

- 1. The effectiveness of the Welsh Government's overall approach to tackling debt-related issues during the pandemic, and to consider how its policy might need to develop over the coming months to address upcoming challenges.**

We believe housing related debt has been of concern to Welsh Government throughout the pandemic, particularly the potential of high levels of individual rent arrears amassing due to the economic impact of the virus. The initial response focussed on the housing security of people in high levels of arrears, through restrictions on the ability of landlords of all tenures to repossess homes. This was achieved through various interventions under powers contained within the Coronavirus Act 2020 and Section 45C of the Public Health (Control of Disease) Act 1984. One intervention remains in force, namely the temporarily extended notice periods landlords must give tenants before applying to court for possession, a measure currently due to expire on the 30th September 2021 (as of 22nd September). Welsh Government retains the power to temporarily extend notice periods under the Coronavirus Act 2020 until its expiry in March 2022.

These interventions have had their most significant impact in the private rented sector (PRS), as the social rented sector (housing associations and local authorities) voluntarily ceased repossession activity shortly after the first lockdown was declared in March 2020.¹

Impact of the pandemic on rent arrears

It is difficult to argue that legal interventions have reduced the level of indebtedness of tenants to landlords in terms of rent arrears. It is more likely that these interventions, although crucial to protect public health, have in fact increased the personal rent arrears of some tenants in the social rented sector.

However, the total arrears owed to housing associations by all tenants has remained stable over the pandemic², due to the significant measures put in place by housing associations in supporting tenants to avoid and resolve debt.

¹ <http://financialassistanceprotocol.wales/>

² <https://gov.wales/sites/default/files/publications/2021-08/registered-social-landlords-business-continuity-survey-june-2021.pdf>



In addition to preventing evictions due to rent arrears caused by the pandemic, housing associations pledged to:

- Help tenants get the financial support they need:
 - Support to navigate the welfare system and access Universal Credit and other benefits that people are entitled to
 - Supporting people to access emergency payments to meet their energy costs
 - Delivering emergency food parcels or supporting them to access services such as food banks
 - Supporting people to access other emergency grants and support that may be available
 - Ensuring that no tenants are left with unmanageable housing related debts when the coronavirus crisis is over
- Support tenants and find solutions if they have difficulty paying rent.
- Do everything they can to support tenants' wellbeing:
 - Accessing community and support services digitally to keep tenants and staff safe
 - Support to access mental health and other community health services
 - Online groups and phone calls to check in on tenants' wellbeing and to support them if they are lonely or isolated
 - Regularly contacting their most vulnerable tenants to ensure they are able to access the support that is available

Despite these interventions, the impact of the pandemic on rent arrears has been unequal. Unpublished research by Community Housing Cymru (CHC) has attempted to quantify the changes in the number of tenants in serious rent arrears across the first year of the pandemic. Between March 2020 and March 2021, both the number and proportion of housing association tenants in serious arrears³ increased by roughly a quarter. The number of housing association tenancies in very serious levels of arrears, i.e owing more than thirteen weeks' rent increased by 22% over the year.

³ In this context, two definitions of serious arrears were used. More than eight weeks' worth of rent in arrears and more than thirteen weeks' worth of rent in arrears.



Additional government support for rent arrears during the pandemic

Welsh Government have developed two schemes over the course of the pandemic to address rent arrears. However, these schemes have focused on the PRS in the main, with only a very small number of housing association tenants eligible for either scheme.

The Tenancy Saver Loan (TSL) scheme provided PRS tenants with access to 1% APR loans to be paid directly to their landlord to address rent arrears. This scheme opened in October 2020 and has since been superseded by the Tenancy Hardship Grant. The TSL processed few loans, with 41 issued between its inception and the end of April 2021.⁴ In response to this, Welsh Government developed the Tenancy Hardship Grant (THG)⁵, a replacement for the TSL providing grants to PRS tenants who have built up more than eight weeks of rent arrears during the pandemic. However, only a very small number of private tenants of housing associations are eligible for this grant. No social rent tenants are eligible for support through the THG.

Pre-existing support for rent arrears

Discretionary Housing Payments (DHPs) are available to cover housing costs for those claiming Housing Benefit or the housing element of Universal Credit and are in housing distress due to debt. These payments are funded by UK Government and administered through Welsh local authorities. Welsh Government has the capability to 'top up' the funding for local authorities to deliver these payments, and has done so once in the past, but during the pandemic has chosen to focus on the Discretionary Assistance Fund (DAF). We believe this to be sensible, as the DAF is available to all whereas DHPs are only available to those in receipt of housing benefits. However, the DAF must remain flexible and accessible to tenants in debt.

- 2. The effectiveness of mechanisms such as the Discretionary Assistance Fund and affordable credit in providing assistance to those most in need during the pandemic, and what changes could improve future delivery.**

CHC welcomed the flexibilities to the Discretionary Assistance Fund (DAF) that Welsh government brought in as a response to the COVID-19 pandemic. The budget for DAF was increased, more frequent payments were allowed and the qualifying

⁴ <https://gov.wales/sites/default/files/publications/2021-05/atish15059.pdf>

⁵ <https://gov.wales/tenancy-hardship-grant-private-rented-sector-tenants-coronavirus>



criteria were made more flexible. We also fully support the recent Welsh government announcement of an extension of the DAF flexibilities to March 2022.

However, the Bevan Foundation and Child Poverty Action Group recently raised concerns⁶ that the number of DAF applications sharply decreased in the run up to the end of a period of flexibility. Financial hardship will not come to an end for people in Wales in 2022. We recommend that the Welsh government builds on the recent success of the DAF to create a more permanent adjustment to flexibilities which better meet the needs of people in Wales when they fall into financial crisis.

For more details, please contact:

Will Henson

Will-Henson@chcymru.org.uk

⁶ <https://www.bevanfoundation.org/views/removing-emergency-support/>

Equality and Social Justice Committee - Evidence Session

- **The effectiveness of the Welsh Government's overall approach to tackling debt-related issues during the pandemic, and to consider how its policy might need to develop over the coming months to address upcoming challenges.**

The perception is that WG provision for persons on a low income or in debt is better than over the border. However, we cannot ignore that the majority of advice previously sought for these matters has been via face-to-face channels. Whilst organisations have been able to adapt and offer online and telephone facilities, there will remain a sector that have yet to access support. Better targeted funding / publicity for 3rd sector debt advisory agencies is required or direct funding to make arrangements in house through Local Authorities who have a better understanding of their communities.

The Welsh Government website clearly points to advice available but what is needed is further investigation as to how easy it is to actually access the advice, especially if you are digitally excluded or with additional support needs. Most people can find what they need online with a little patience yet for those without such access and support where are they able to get the vital support they need.

<https://gov.wales/work-skills-financial-support>

- **The impact of individual debt on public services during the pandemic and beyond, and to explore whether changes could be made to the approaches that public bodies are taking to debt recovery.**

Our response here focuses on Council Tax. The key factor to success is the level of engagement with the debtor. Once engaged the local authority is able to identify whether there should be an entitlement to Council Tax Reduction Scheme (CTRS) and other welfare benefits and signpost accordingly. They are also able to offer support in many other areas all of which can only be achieved once engagement commences.

Luckily in Wales anyone who is entitled to receive 100% support through the CTR Scheme will receive it. There is no chargeable element like in many English areas. No postcode lottery exists, and everyone follows the same set of regulations with the prescribed amounts defined in law.

During the first months of the pandemic, we saw caseloads rise significantly from 274,800 at the beginning of April 2020 to around 285,900 at the end of July.

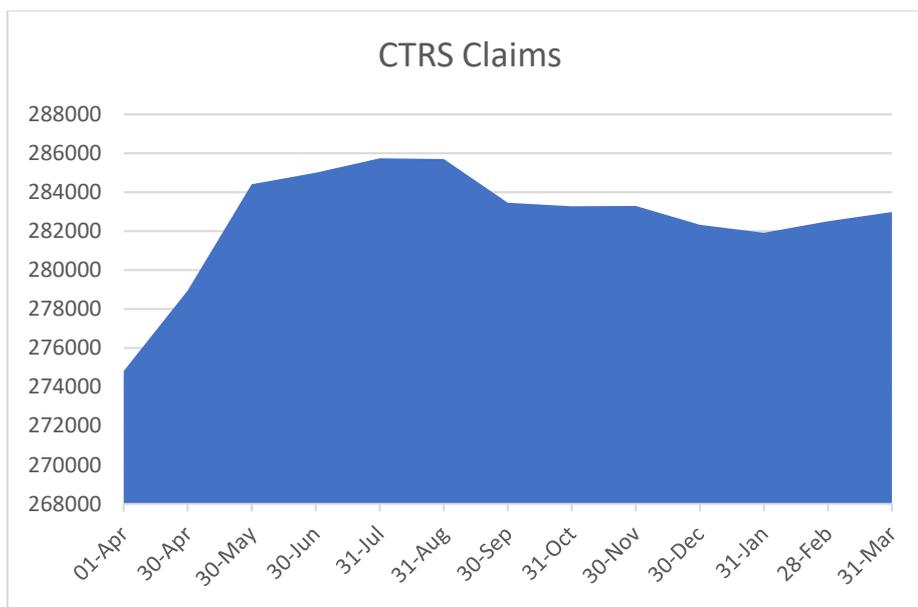


Figure 1 data provided to WLGA from all Local Authorities

The loss of committal in Council Tax proceedings has had an impact here. Whilst no LA was keen to imprison debtors it did provide a valuable tool by 'forcing' the debtor to deal with their financial affairs. In the majority of previous cases a suitable resolution was obtained which benefitted all.

The approach LA's have been taking to debt recovery during the pandemic, including the suspension of recovery activities for a period of six months, is well documented. They are gradually improving recovery rates and continue to work with residents by entering into longer term payment agreements with regard to repayment of arrears and ensuring payment of in-year 2021-22 debts remain the top priority

- **The impact of the pandemic on take-up of debt advice services, and to understand the implications of future demand for Welsh Government policy.**

As stated previously, we remain concerned about the accessibility of debt advice services for those not digitally included or already know to the advice providers.

More than one authority has reported back that strong, national marketing activities work. They are a great way to ensure people are aware of the support available. The publicity generated by Marcus Rashford in England resulted in a change of policy and whilst we have been in a more fortunate position, we cannot underestimate how successful a public figure can be in profile raising (Martin Lewis etc).

We welcome the roll out of the Tenancy Hardship Grant for those who are in Private Rented Sector and suffering financial hardship and at risk of homelessness due to rent arrears. This grant is targeted at those who are not eligible for a Discretionary Housing Payment as they are not receiving Housing support and who are outside of

the welfare system. It is still very early days, and we look forward to receiving updates on scheme progression.

- **How different groups have experienced debt issues throughout the pandemic, and whether Welsh Government policy interventions have met the needs of particular groups.**

In their recent blog 'The 3 D's of Covid' the Money and Pension Service refer to the pandemic as having a negative impact on those with variable income and unsecure employment. Conversely those at the higher income end have benefitted by being able to pay down borrowing and increase savings.

[The 3 D's of Covid | The Money and Pensions Service](#)

The Financial Conduct Authority's Financial Lives Survey (February 2021) notes that as at October 2020:

- 20.0 million people said say their overall financial situation is a lot worse
- 9.9 million saw their unsecured debt increase since February
- 9.8 million cut back on essentials like food and clothing
- 3.2 million took a payment deferral on their mortgage
- 5.9 million borrowed from friends or family
- 2.1 million self-employed adults have seen their income fall
- 18.6 million received an unsolicited approach involving Covid-19 that could be a scam

[Financial Lives 2020 survey: the impact of coronavirus \(fca.org.uk\)](#)

The feedback from local authorities has been that the impact of Covid has been very sector and demographic specific with working age, low income deprived areas suffering the greatest.

- **The effectiveness of mechanisms such as the Discretionary Assistance Fund and affordable credit in providing assistance to those most in need during the pandemic, and what changes could improve future delivery**

The Discretionary Assistance Fund (DAF) has been incredibly responsive – scheme changes and covid flexibility were designed and introduced effectively by 1st May 2020.

Significant changes included

1. the introduction of BACS payments (critical for self-isolating/shielding vulnerable groups)
2. cash awards have been vital for anyone on a restricted/religious diet (food bags limited in choice),

3. change of clothing award from love2shop card to BACS,
4. additional winter fuel support,
5. ID & verification changes to overcome accessibility issues,
6. regular partner communications issued to keep the networks informed

It is also worth noting that the partner network expanded in statutory services such as Local authority social services departments and health boards as they maintained service provision throughout the pandemic.

Statistics kindly provided by DAF show:

1. Since May 1st 2020 to end of August 2021 over 200,000 Emergency awards paid due to impact from Covid
2. Additional Expenses: Application awarded due to the impact of additional expenses on the household causing emergency need has been significant and the highest award reason throughout the pandemic. This peaked in March 2021 with 15,184 awards for this reason.
3. Emergency need levels as of August 2021 are still higher than in May 2020 (during the first National lockdown).

Lisa Hayward
14.09.21

Chwarae Teg submission to the Equality and Social Justice Committee:

Level of indebtedness during the pandemic

September 2021

Introduction

Chwarae Teg is Wales' leading gender equality charity. We work to secure a fairer Wales where all women achieve and prosper, ensuring that women enjoy economic equality, are fairly represented in all walks of life and are no longer at risk of poverty, violence and exclusion.

As has been well documented, the Covid-19 pandemic has had a profound impact on the lives of many. The crisis has brought into sharp focus the deep rooted inequalities that continue to shape our society and our economy. These inequalities left many groups, including women, more vulnerable to the health and economic impacts of the pandemic.

Numerous organisations have produced vital evidence on the impact of the pandemic on indebtedness. Some of these have explicitly highlighted the experiences of women, although the full extent of financial hardship is yet to be seen as we continue to navigate the economic impact of the pandemic. We have chosen to highlight how existing inequalities faced by women left them in a precarious financial situation pre-pandemic, leaving them at higher risk of hardship and indebtedness. Financial insecurity is part of the broader issue of poverty, and only by recognising the gendered nature of poverty can we tackle indebtedness.

In response to the Committee, this paper sets out some of the issues faced by women in relation to financial insecurity and indebtedness more generally. It highlights areas where the pandemic has compounded these issues.

It should be noted that it is difficult to get a fully rounded picture of how women in Wales are impacted by indebtedness. This is due to i) the assumption that assets and income are equally shared within households, and ii) the relative lack of data disaggregation for both Wales and gender. Despite the challenge of capturing the full picture of indebtedness amongst women, we know that women generally access debt advice services at a higher rate than men.

Key messages

1. It is difficult ascertain fully how women in Wales are impacted by indebtedness and how this has been compounded by the Covid-19 pandemic due to data challenges. However, from available data and our understanding of women's poverty, we do can say that women are at a higher risk of debt¹.
2. The impact of debt on women can also differ. Many women are responsible for managing household budgets and thus go without when trying to make ends meet². This can lead to negative health impacts and leaves many women in low income households living on a knife-edge, where any life change – loss of income, loss of housing, relationship breakdown, significant unexpected cost – could result in them being pushed into poverty, or into debt.
3. Prior to the pandemic, many women were in a precarious financial position. The Covid-19 pandemic and lockdowns had a larger economic impact on women, exacerbating many underlying issues as well as creating new ones³. As a result women were more vulnerable to the economic impacts of the crisis, leaving them at greater risk of falling into debt.

Detailed Response

1. Understanding indebtedness amongst women

- 1.1. We do not have a complete picture of women's experiences of indebtedness. Despite a number of studies into the issues which will be referenced here, overall it is currently challenging to have a full picture of women's experiences of indebtedness due to:
 - 1.1.1. Lack of data specifically on women and indebtedness
 - 1.1.2. Limited disaggregation in existing data on debt, both by gender and location
 - 1.1.3. Continued assumptions on the pooling of household resources
 - 1.1.4. Research suggests that women are more likely to borrow from family and friends than from formal lenders
- 1.2. Furthermore, it is impossible to have a true picture of debt amongst different groups of women. Given we know disabled women, BAME women, refugee and asylum seeking women, LGBT+ women, older women and women from deprived areas all experience even greater labour market inequality, it is likely that they are also at a higher risk of indebtedness.
- 1.3. Subsequently, most of the evidence on women's experience of indebtedness comes from reports on who is accessing debt advice services and those filing for debt relief and insolvency. In 2019, 60% of people accessing advice from StepChange were

¹ Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

² *ibid*

³ Chwarae Teg (2020) *Covid-19, Women, Work, and Wales*.

women⁴. This data often does not take account of the experiences of different women, yet we know that women experience debt differently, with lone mothers and low-paid women facing indebtedness at higher levels⁵.

- 1.4. Most of the data available is quantitative presenting additional challenges in understanding the lived experiences of women from diverse backgrounds and circumstances in Wales.

2. Women are more likely to experience indebtedness

- 2.1. Utilising existing evidence and data, it is clear that women are at a higher risk of indebtedness⁶. This increased risk to indebtedness is due to a number of factors which present themselves differently for different women. Women's experience of indebtedness is intrinsically linked to poverty which is driven by women's experiences of work and the labour market, the social security system, childcare, access to essential services, household financial arrangements and often, women's relationship status.

2.2. **Poverty**

- 2.3. Poverty remains a particular challenge in Wales. Poverty rates have remained largely static for a number of years, with around 23% of households living in relative income poverty⁷. This varies for different groups - single parent households are at much higher risk of living in poverty, with 42% living in relative income poverty. Wales also has particular challenges with low pay, being among the lowest paid parts of the UK⁸.
- 2.4. From a gender perspective, data on poverty presents a number of challenges. Measured at the household level, an assumption is made that resources are shared equally within that household. It can therefore be challenging to gain a true picture of poverty among women. Looking across a number of key indicators however, we are able to conclude that women are at a slightly higher risk of poverty⁹.
- 2.5. Pre-pandemic, many women had lower level of preparedness to manage an economic shock, increasing further the risk of going into debt to manage household budgets and make ends meet.
- 2.6. For women, work is not always a route out of poverty. We know that women are over-represented in lower-paid roles while also being responsible for the majority of caring responsibilities, limiting their earning potential. Single parents in Wales have the highest in-work poverty rates¹⁰.

⁴ StepChange (2019) *Wales in the Red*

⁵ Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

⁶ *ibid*

⁷ Chwarae Teg (2021) *State of the Nation 2021*

⁸ In Brief "Poverty and supporting low-income households" <https://research.senedd.wales/research-articles/poverty-and-supporting-low-income-households/>

⁹ Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

¹⁰ Joseph Rowntree Foundation (2020) *Briefing: Poverty in Wales 2020*

- 2.7. The gender pay gap demonstrates the extent of income inequality between women and men. Wales' gender pay gap currently stands at 11.6%¹¹ with women being more likely to be employed part-time or working on zero hour contracts¹². This inequality reduces women's ability to be protected from an income shock such as the Covid-19 pandemic.
- 2.8. Research from Chwarae Teg on the pandemic's impact on women in the workforce also showed how women were more likely to work in sectors which were shut down by social distance requirements or be key workers in non-shutdown sectors¹³. Subsequently either reducing incomes or increasing risk of contracting Covid-19.
- 2.9. Relationship status also clearly links to women's experiences of poverty and thus risk of indebtedness. In pre-pandemic research, Chwarae Teg noted:

"Women without a partner were three times as likely as women with a partner to say it was very or fairly difficult to pay their rent or mortgage, and were twice as likely to say that it was fairly or very difficult to afford to pay for heating, council tax, food and toiletries. More than a third of women living without a partner said that they struggled to pay for these basics, with nearly half struggling to afford heating and food. Both groups of women said that transport costs, such as bus fare or running a car, could be very or fairly difficult to afford, as was buying clothes, but women who lived without a partner were much more likely to do so."

- 2.10. The dynamics of household relationships mean that women may not have access to their savings or be responsible for debts accumulated in their name¹⁴. Some women are left with an ex-partners debt if they remain in the family home while their ex-partner avoids creditors¹⁵. In cases of domestic abuse, access to money can be a significant issue, with 43.1% of domestic abuse survivors being in debt as a result of abuse.

2.11. **Single Parents**

- 2.12. Certain groups of women are disproportionately impacted by poverty and thus accrue debt in the process of meeting the cost of living.
- 2.13. Single parents have an increased risk of indebtedness¹⁶. StepChange reported in 2021 that 22% of their clients in were single parents compared to 6% of the UK population

¹¹ Chwarae Teg (2021) *State of the Nation 2021*

¹² Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

¹³ Chwarae Teg (2020) *Covid-19: Women, Work and Wales*

¹⁴ Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

¹⁵ *ibid*

¹⁶ StepChange (2021) *The single parent debt trap*

being single parents¹⁷. While the data is not readily available disaggregated by gender we know that 83% of lone parents in Wales are women¹⁸.

- 2.14. Recent research by the Child Poverty Action Group has shown how many lone parent and low income families experienced a drop in income due to lockdowns while household expenditure had increased due to the closure of schools. 90% reported spending more on essential bills while children were at home¹⁹.
- 2.15. Evidence also notes that when families see an increase in the cost of living it is women who often go without, with women skipping meals or going without basic toiletries to provide for children in the household²⁰.
- 2.16. Women are more likely to incur debt to pay for everyday necessities. According to StepChange, 61% of those getting into debt to purchase everyday necessities are women²¹.

2.17. **Social Security**

- 2.18. Women's experiences of Universal Credit been further compounded by the Covid-19 pandemic. We know that women have seen the brunt of changes to the social security system over the past decade. In Wales, 52% of Universal Credit claimants are women with 43% of women claimants being in work compared to 33% of men claimants.
- 2.19. In the context of indebtedness, the initial five week waiting period to receive payment risks further pushing vulnerable women into indebtedness. In 2019, Chwarae Teg found that women who had issues claiming legacy benefits would borrow from family or friends rather than formal lenders²².
- 2.20. The problems with advances as part of Universal Credit should also be noted. Advance payments are repayable loans which claimants may receive during the initial five-week waiting period. These are then repaid in monthly deductions from ones' Universal Credit payments. These 'debt deductions' were not suspended in April 2020 in line with other types of deductions and have pushed families further into poverty²³.
- 2.21. There are similar issues with the Discretionary Assistance Fund. Although we welcome the current relaxation of rules around the DAF, a permanent change is needed to ensure that people no longer have to exhaust all other options for borrowing before they are eligible for financial support.
- 2.22. The well documented flaws in the current social security system and Universal Credit have further been exacerbated by the pandemic and as has already been highlighted

¹⁷ StepChange (2021) *Debt advice during coronavirus*

¹⁸ Chwarae Teg (2021) *State of Nation 2021*

¹⁹ Child Poverty Action Group (2021) *The Cost of Learning in Lockdown: March 2021 update*

²⁰ Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

²¹ StepChange cited in Women's Budget Group (2020) *Household debt and gender: A pre-budget briefing from the Women's Budget Group*

²² Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

²³ Ruth Patrick and Tom Lee (2021) *Advance to debt: Paying back benefit debt – what happens when deductions are made to benefit payments?* Available at: <https://covidrealities.org/learnings/write-ups/debt-deductions>

women have either been going without, or as evidence from others suggests, experiencing indebtedness as a means to make ends meet.

2.23. The removal of the £20 uplift to Universal Credit risks further compounding the already well known and well established problems with the benefit.

3. Women and household budgets

- 3.1. With the need to understand poverty being central to understanding indebtedness, it should be noted that most measures of poverty assume that household resources are equally distributed, yet we know this to not be the case²⁴.
- 3.2. Research has shown that in some low-income households women were responsible for managing household finances budgeting to within the last penny to live within their means²⁵.
- 3.3. Although pre-pandemic, the research noted how when it came to cutting back on household expenditure, low-income women did not now have haircuts or purchase clothing or toiletries for themselves. In some cases women were cutting back on heating their homes and going without meals in order to feed their partners and children²⁶.
- 3.4. In cases where unexpected events occurred, the meticulous budgeting of women would be hit off course leading them to either have to borrow from friends and family to replace broken white goods or make ends meet²⁷.
- 3.5. In our research with women living in poverty, council tax emerged as an issue and an area of concern²⁸. Over the last decade the number of households in debt to public bodies in Wales has been increasing and now significantly outweighs those who have outstanding consumer debts, such as credit card bills²⁹.
- 3.6. Unlike other elements of the social security system, the Council Tax Reduction Scheme is the responsibility of Welsh Government. Increasing take up of means-tested reliefs such as council tax reduction and discretionary housing payment would ease pressure on families³⁰.
- 3.7. It is worth reiterating comments made by the Joseph Rowntree Foundation, that the reduction in households receiving support with their council tax bills is due to a lack of

²⁴ Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

²⁵ *ibid*

²⁶ *ibid*

²⁷ *ibid*

²⁸ *ibid*

²⁹ WCPP (2019) "Responding to those in difficulty with council tax debt in Wales: what does the evidence show?" <https://www.wcpp.org.uk/commentary/responding-to-those-in-difficulty-with-council-tax-debt-in-wales-what-does-the-evidence-show/> [Accessed 23/09/21]

³⁰ Chwarae Teg (2019) *Trapped: Poverty amongst women in Wales today*

understanding of the Council Tax Reduction Scheme, rather than an improvement in the finances of claimants³¹.

Recommendations

1. **There is a clear need for comprehensive disaggregated evidence on women’s experiences of indebtedness. This evidence should concern the scale and nature of indebtedness, be intersectional and collected on a regular basis.**
2. **To address the issue of indebtedness a gendered approach to debt policy is needed. Full implementation of the recommendations of the Gender Equality Review, set out in *Deeds not Words*, would equip Welsh Government with the skills and expertise to do this.**
3. **Poverty and indebtedness are inextricably linked. We need an effective, cross-government strategy focused on addressing the root causes of poverty, that recognises the different characteristics, circumstances and barriers facing people in poverty.**
4. **Reform existing Welsh benefits, including free school meals, Council Tax Reduction Scheme and the Discretionary Assistance Fund to expand eligibility and improve take-up.**
5. **Given the well documented problems with Universal Credit, Welsh Ministers should request the UK Government devolve administrative powers over Universal Credit to give women choice and flexibility in managing their own finances.**

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³¹ Joseph Rowntree Foundation (2020) *Briefing: Poverty in Wales 2020*

Agenda Item 4



Credit Unions of Wales Evidence to the Equality and Social Justice Committee September 2021

Background

At the start of the Covid 19 pandemic in spring 2020, credit unions anticipated a significant increase in arrears and reduction in loan applications as Wales entered lockdown and restrictions damaged the economy and people's livelihoods.

During the pandemic, latest Bank of England quarterly figures for Quarter 1 of 2021¹ show that arrears among credit union members stayed relatively stable. Following an initial increase of 13% in arrears from £2m reported in Q1 2020 (pre-pandemic) to £2.3m in Q2, the increase in arrears levelled off with quarterly respective increases of 0.1%, 2% and 1% up to Q1 2021 (latest figures available). However, it should also be noted that credit union arrears in Wales are now at the highest levels ever recorded.

In common with many in the financial services sector, lending decreased during the pandemic among credit unions in Wales. Latest Bank of England quarterly figures show credit union lending in Wales stood at £25.9m in Q1 2020 which reduced by 8.9% to £23.6m in Q1 2021. Our internal surveys showed among Credit Unions of Wales, there was an uplift of loans by value of 9.4% from 2018-19, which was followed by a reduction in the value of loans by 10.5% during 2019-2020.

Credit Unions of Wales surveys also showed that lockdowns result in a significant decrease in loan requests, however this was followed by an uplift, due to suppressed demand, as restrictions lifted.

Savings have increased across credit unions in Wales during the pandemic. Latest Bank of England quarterly figures show that credit unions held £51.1m in shares/ member savings in Q1 2021, up 14% from £44.7m in Q1 2020. This is the highest ever level of savings held by credit unions in Wales.

As financial cooperatives, credit unions loan the money that is saved with them, so this in turn means that credit unions in Wales have record levels of money available to lend to members.

¹ [Bank of England Quarterly Statistics, Q1, 2020](#) published 31 August 2021

In response to the four questions asked, Credit Unions of Wales would like to respond to the following two topics:

- 1. How different groups have experienced debt issues throughout the pandemic, and whether Welsh Government policy interventions have met the needs of particular groups.**

Credit unions traditionally have a significant proportion of low-to-medium income members both in work and on benefits.

Measures such as the furlough scheme, support for the self-employed, uplift in Universal Credit, increase in Local Housing Allowance and Discretionary Housing Payments have provided vital assistance to members in the economic emergency caused by the pandemic.

In turn we are in no doubt that the measures above have contributed to lower arrears levels than we initially expected at the start of the pandemic in spring 2020. The general support schemes, together with some cost savings for those in work e.g. working from home, has meant that savings have risen in the pandemic. There is some evidence that those who have managed to save have also taken time to look at other aspects of their finances and clear debts or arrears.

With the furlough scheme due to end this month and the impending reversal of the uplift in Universal Credit, combined with inflation rising at its highest level since 2012² and anticipated rising costs of fuel this winter, credit unions anticipate an increase in arrears and the use of formal debt remedies to address wider financial burdens in the coming 12 months. Of particular concern is an expectation that high volume credit management companies specialising in Individual Voluntary Agreements (IVAs) for large fees will capitalise on these pressures and encourage more people in debt into IVAs when other resolutions such as Debt Management Plans would be more beneficial for many financially vulnerable households.

Those members who depend on their credit union to access affordable credit lose this benefit when credit union loans are included in IVA applications and are not always aware of the significant long-term damage to their credit rating and access to affordable credit in future of entering an IVA. While this remedy is appropriate for some individuals, there is anecdotal evidence in Wales and the wider UK of sharp practices of among some private sector IVA management companies, to the detriment of our collective members, and the credit union sector has lobbied for such companies to be regulated by the FCA.

Credit Unions of Wales are already reporting higher levels of indebtedness among members applying for loans. While there has been support for many, the pandemic has had an impact on those on lower incomes as shown in the recent report from the Bevan Foundation, *Debt in the Pandemic*.³

² Inflation: [Price rises see record jump as food costs soar in August](#), BBC, 15 September 2021

³ Bevan Foundation, [Debt in the Pandemic](#), September 2021

Credit unions are also reporting that the pandemic has led to changes in shopping and spending habits. As part of their loan application process, many credit unions now offer Open Banking services, which allows real time access to a member's bank statement and therefore enhanced visibility of spending habits compared to what would be available through a traditional application process.

Many credit unions are reporting worrying levels of debt caused by Buy Now Pay Later schemes such as Klarna, Clearpay and Laybuy etc. These schemes sit on most big brand websites offering the option of 'spreading the cost' over 3 or 6 monthly repayments (usually at 0% interest).

However, credit unions are finding that the ease and attractiveness of the Buy Now Pay Later online purchases can mean that people have several commitments, adding up to a significant monthly outlay. Failure to meet payments usually leads to a charge, which in turn increases the customer's debt, damages their credit score and can lead to formal debt collection agencies.⁴

The open banking process has also revealed a worrying increase in online gambling among members. This is borne out by a report by the Gambling Commission, which found that online gambling increased 24% in the year to June 2021⁵ Meanwhile a Gambling Commission report in September 2021 noted that while online gambling levels had 'stabilised': *"It is likely some have picked up new gambling routines and habits during lockdown that may be hard to change as things return to normal, even as normal spending on other things resumes."*

2. The effectiveness of mechanisms such as the Discretionary Assistance Fund and affordable credit in providing assistance to those most in need during the pandemic, and what changes could improve future delivery.

While Credit Unions of Wales cannot comment directly on the Discretionary Assistance Fund, we do note it is one of the forms of support provided during the pandemic that helped mitigate some the negative impacts of the financial fallout of Covid-19.

As affordable credit providers, Credit Unions of Wales have adapted to the changing needs of members and our communities during the pandemic as follows:

Supporting existing members: Credit unions were the only social lenders to continue lending throughout the pandemic. The sector moved quickly at the start of the first lockdown to confirm the status of credit union staff as key workers in order to keep offices open (where safe to do so) and maintain services for its members. Credit Unions of Wales credit unions worked quickly to create safe, remote access for staff, allowing some staff to work from home where possible, to reduce the risk of Covid infection for staff and visiting members.

⁴ Klarna: [What happens if I don't pay for my order](#)

⁵ [Statistics on participation and problem gambling for the year to June 2021](#), Gambling Commission

Improving accessibility online: In recognition of the restrictions on travel, safety of staff and members, and changing behaviours of members, many credit unions worked quickly to improve online access to their services for members and those wanting to join a credit union. This included easier options to join and faster decisioning processes for loan requests.

Reaching new members: To support the improved online services, and reach out to those in need of 'a bit extra' i.e. small, short term loans, Credit Unions of Wales also repurposed its marketing budget to improve signposting to credit union services. We set up a new webpage on the existing Credit Unions of Wales website (www.creditunionsofwales.co.uk), with a loan calculator, allowing members to apply for a loan with their nearest credit union from one all-Wales central hub. This was supported by a series of Google and Facebook Ads to ensure that people needing 'a bit extra' could access fair, ethical and affordable support from their nearest credit union.

Addressing the risk of loan sharks: During the pandemic, a number of payday lenders closed along with doorstep lender Provident's withdrawal of new lending. The Snapshot of Poverty in spring 2021 report by the Bevan Foundation⁶ showed an increase in the number of people on lower incomes borrowing from family and friends. In recognition that 'family and friends' can sometimes be a catch all term that can include loan sharks, the increased risk of loan shark activity due to the economic downturn and the habitual behaviour of doorstep lending, Credit Unions of Wales is working with the Wales Illegal Money Lending Unit to increase awareness of small loans and credit union services. This work has included PR⁷ and advertising.

Pilot of underwritten loans: A pilot project with the Wales Illegal Money Lending Unit, using capital from proceeds of crime fund, is underway with one credit union (Cambrian Credit Union). This pilot underwrites loans to people who would not normally meet affordability criteria for Cambrian Credit Union loans. There was a £20,000 fund of which £19,700 had been allocated across 28 loans as of 17th September 2021.

Supporting Welsh workers: The pandemic has highlighted the need for people to build their financial resilience. Credit Unions of Wales wanted to make it easier for employees in Wales to create a financial buffer and access fair and affordable credit when they need it. Credit Unions of Wales have collaborated on national payroll project – Moneyworks Wales. This enhances the existing payroll deduction savings and loans partnerships that individual credit unions had in place. Moneyworks Wales includes a website (www.moneyworkswales.com), with easy access to joining and saving or borrowing, plus interactive tools and planners provided by the Money and Pensions Service, which help members manage their money and budget for life events, from a new car to expanding their family or buying a new home. The launch of Moneyworks Wales⁸ has had support from Welsh Government, Wales TUC, Money and Pensions Service, the Finance Innovation Lab and 150 employers of all sizes and across all sectors across Wales.

⁶ [A snapshot of poverty in spring 2021](#), Bevan Foundation, May 2021

⁷ [Online loans: 'I went from loaning £150 to owing £6,000 in months'](#), BBC Wales, August 2021

⁸ [Moneyworks Wales](#), a collaborative project across 10 credit unions in Wales, launched September 2021

Tenancy Saver Loans: Credit Unions of Wales moved at pace to deliver the Tenancy Saver Loan scheme across Wales. During the lifetime of the scheme Credit Unions of Wales worked closely with Welsh Government and its stakeholder partners to feedback on uptake and the nature of applications.

Future digital accessibility: The pandemic has accelerated the shift to online services and the expectations of members about how those services should work. Credit Unions of Wales have formed an IT group that is actively assessing back office and frontend IT systems that will improve efficiency, member experience and accessibility.

Recommendations

- Plans for a No Interest Loan Scheme⁹ pilot aimed at those people unable to access most other forms of credit have been drawn up by Fair4All Finance and have the backing of Welsh Government. In order that this pilot true pan-Wales coverage and creates lasting, long-term relationships between the borrowers and fair, affordable social lending providers, we would urge that a collaboration of credit unions is considered to run the pilot.
- To build upon the initial pilot between Cambrian Credit Union and the Wales Illegal Money Lending Unit, we would suggest an analysis of its findings to see if this could lead to a wider all-Wales roll-out. Depending on the results of this analysis, the scheme could include low interest, underwritten loans for debt consolidation coupled with budgeting advice and financial education provided by expert external partners within the credit union setting.
- Credit unions need capital funding to help them to level up digitally. The pandemic has increased expectations of online services and the digital journey. Credit Unions of Wales digital advertising during the pandemic has shown that younger (under 25-years-old) people can be attracted to credit union services. However, credit unions need improved digital services to compete with high interest lenders, and as financial cooperatives with affordable interest rates and limited methods of creating revenue beyond making loans, this level of financial outlay is a stretch for most. The difficulty of making this financial outlay is exacerbated with indications of difficult trading conditions predicted in the near future. Capital funding to improve the fintech capabilities of credit unions will be vital to serving the changing needs of our members and helping attract new members.
- To improve longer-term financial wellbeing and habits, Credit Unions of Wales would recommend a financial education pilot to provide greater access to budgeting advice and coaching (through credit unions but working with partners) to help prevent those at risk of unmanageable debt before it becomes a crisis. This form of

⁹ [Plans announced for new UK wide No Interest Loan Scheme pilot](#), Fair4All Finance

education could mitigate the risk of uptake of formal debt remedies in instances where there are options with better outcomes for those struggling with debt. This could be more efficient if integrated into existing schemes such as the [Moneyworks Wales](#) payroll savings and loans scheme, which already has 150 employer partners, to ensure wider coverage and access.

About Credit Unions of Wales

Credit Unions of Wales are a collaborative group of 10 credit unions including:

- Brecon Credit Union
- Bridgend Lifesavers
- Cambrian Credit Union
- Cardiff & Vale Credit Union
- Dragonsavers Credit Union
- Gateway Credit Union
- Merthyr Tydfil Credit Union
- Newport Credit Union
- Red Kite Credit Union
- SaveEasy Credit Union



Response to some of your questions:

1. I know nothing about Welsh Government's approach so I cannot comment on this.
2. It appears that public sector bodies are sometimes draconian in their approach to people in debt. Where we see a CCJ destroying a client's credit record, in most cases this has been put there by a local authority (admittedly sometimes also a water authority or a mobile phone company – these three are the most common). It seems that the private sector takes a softer approach! A person in debt responds badly to the sort of officious communications they receive from public organizations. They need to understand that they can negotiate. The officious approaches often push them to take an insolvency option (IVA, DRO) and then nobody wins.
3. The worrying thing here, which I know the FCA are aware of but have not as yet succeeded in preventing, is that people in debt fall prey to predatory debt recovery agencies. These will put people into unnecessary DROs and IVAs for their own profit. The good debt advice providers (Stepchange, Christians Against Poverty) are not well known and should be supported to expand their services.
4. Our own client group – unemployed or socially isolated, self-employed but coming out of difficult circumstances – have struggled financially, especially the self-employed who have not qualified for ANY of the Government or Welsh Government schemes. This has led to extreme hardship for many (including our organization which has been the only one to help and has been stretched as a result.) These clients are unaware (as am I) of any support available from Welsh Government – if it exists it is not well promoted to this group.
5. Discretionary Assistance Fund was not well promoted and completely unknown to anyone I came across. I told those I could about it. I don't know if anyone succeeded in getting it.

Affordable credit can make a big difference – if I may say so, especially ours because in providing finance to enable people to move into self-employment at an affordable rate, they can create their own income and thus a long-term, sustainable future which moves them away from the need to borrow. Good affordable credit providers such as Credit Unions providing funds for emergencies are also excellent – but I don't come across many in my client group who have loans from any of them. This is partly because they may not meet their criteria for lending but more likely that they don't know about credit unions or the Responsible Finance personal lenders. The vast majority that I see have loans with the bad high cost providers which compound the difficulties they are in. These are not because they are profligate spenders – they simply cannot make ends meet. The benefits system traps people in poverty. Affordable credit needs scaling up across Wales.



2.

Agenda Item 5

Debt in the pandemic

September 2021



About the Bevan Foundation

The Bevan Foundation is Wales' most innovative and influential think tank. We develop lasting solutions to poverty and inequality.

Our vision is for Wales to be a nation where everyone has a decent standard of living, a healthy and fulfilled life, and a voice in the decisions that affect them.

As an independent, registered charity, the Bevan Foundation relies on the generosity of individuals and organisations for its work.

Acknowledgements

This document forms part of a broader project of work developed in collaboration between the Bevan Foundation and the Joseph Rowntree Foundation. The Bevan Foundation would like to thank the Joseph Rowntree Foundation for their ongoing support.

How you can help

Hundreds of people and organisations across Wales enable the Bevan Foundation to speak out against poverty, inequality and injustice. We would not exist without their support.

To make Wales a nation of prosperity for all, where everyone can fulfil their potential no matter who they are or where they live, please join our community of supporters.

Your support and that of others makes a difference to us and a difference to Wales.

Find out more at <https://www.bevanfoundation.org/support-us/individuals/> or email info@bevanfoundation.org to find out what you can do

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Summary

Thousands of people across Wales were living in problem debt long before the pandemic. The economic impact of Covid-19 has seen the financial position of many Welsh families deteriorate, pushing some into problem debt for the first time and deepening the amount of debt owed by some of those already struggling. Across Wales 130,000 households, 10 per cent of all households, had fallen behind on a bill between January and May 2021. Over the same period 230,000 households, 17 per cent of all households had borrowed money.

The impact of the pandemic on debt has been very uneven. Home working and reduced opportunities to spend due to Covid-19 restrictions have enabled some households to pay down debt. The actions of both the UK and Welsh Governments has also provided some protection, preventing the escalation of over-indebtedness amongst many households. Some households have seen their economic position worsen as a result of the pandemic, however.

Low-income households, renters, disabled people, 25 – 49-year-olds, lone parents and BAME households were all at a heightened risk of being in problem debt prior to the pandemic. The evidence suggests that the situation for these at risk groups has deteriorated over the course of the pandemic.

There are concerns that the situation may worsen over the coming months. Many of the support schemes that have protected households have either recently come to an end or are due to come to an end soon. Living costs are set to increase further whilst there are still concerns about the health of the economy.

Given the significant consequences of problem debt and the concerns that the number of people affected could be set to increase over the autumn it is vital to take action. This report argues that the time is right for the Welsh Government to adopt a new approach to personal and household debt with a clearer focus on debt prevention and relief.

1. Introduction

The economic impact of Covid-19 has affected thousands of people across Wales. Its full extent was recently set out in the Bevan Foundation's *A snapshot of poverty in spring 2021* report.¹ It revealed that over 110,000 households, about the same as the number of households in Swansea, struggle to cover the cost of everyday essentials, whilst thousands more have seen their incomes fall and their living costs increase over the course of the pandemic.²

Among the findings set out in that report was that personal and household debt is a major problem in Wales. It revealed that between January and May 2021, 10 per cent of Welsh households have fallen behind on a bill whilst 17 per cent have borrowed money to pay a bill.³ The evidence of a growing debt problem is reflected in the experiences of people living on low incomes.

Since January 2021 the Bevan Foundation has been working with two partner organisations: Action in Caerau and Ely (ACE) and Trefnu Cymunedol Cymru/ Together Creating Communities (TCC) to gain a better understanding of people's lived experience of poverty. During a discussion we held in May, debt was an issue that was raised multiple times.

We are pretty sure that the debt in Caia Park will be millions... tenancy support workers are saying it is through the roof... they have never seen this level of debt.

Resident and community worker, Caia Park, Wrexham, Bevan Foundation and TCC online discussion group, 4 May 2021

Debt is, in itself, not necessarily a problem. The majority of the population borrow money at some point in their life. Being in problem debt, however, does negatively affect people's lives.⁴ A household is said to be in problem debt if they are struggling to make payments, view their debt as a burden or have very high credit in relation to their income.⁵ This can create significant stress and hardship, affecting people's health and wellbeing and resulting in people going without everyday essentials.⁶ Being over-indebted can also affect people's medium- to long-term prospects, as historic debts, a poor credit score or a record of court proceedings can prevent people from renting a home, accessing services and limiting opportunities.

This report will explore the impact of the pandemic on problem debt in three parts, each based on three key findings:

- Problem debt has become a greater issue for those who were already at a heightened risk of being in problem debt pre-pandemic.
- Problem debt has not become as significant a problem for the population as a whole as many may have feared at the outbreak of the pandemic.
- We are yet to see the full impact of the pandemic on problem debt and the situation may deteriorate further this autumn.

To conclude, the report will explore possible solutions to problem debt in the context of the pandemic and beyond.

2. Methodology

The findings set out in this report are based on a mixed methods approach, including both qualitative and quantitative approaches, and a literature review.

The primary quantitative method was two polls that were conducted by YouGov on behalf of the Bevan Foundation. The fieldwork for the first of these was undertaken between 7th and 11th December 2020, with a total sample size of 1,031 adults. The fieldwork for the second poll was undertaken between 20th and 24th May 2021, with a total sample size of 1,035 adults. Both surveys were carried out online and all figures quoted have been weighted (unless specified otherwise) and are representative of all Welsh adults (the first survey aged 18+ and the second aged 16+). In addition, the Bevan Foundation has undertaken quantitative analysis of a range of official statistics accessible via Nomis and Stat Xplore.

The qualitative methods used in the formation of this report can be split in two approaches. The first approach involved interviews with key stakeholders working on issues related to debt, undertaken over summer 2021. These were supplemented by a stakeholder roundtable discussion on 26th August 2021.

The second approach involved workshops or group discussions with people with lived experience of poverty, in partnership with TCC and ACE. We held additional discussions organised with South Riverside Community Development Centre (SRCDC) to ensure the input of migrants' and BAME people's views.

3. The impact of the pandemic on problem debt

Prior to the pandemic some 193,000 people in Wales, eight per cent of all adults, were estimated to be in problem debt.⁷ On top of this, 412,000 people (16 per cent of the population) were showing signs of financial distress.⁸

By November 2020, Citizens Advice estimated that 280,000 people in Wales had fallen behind on payments up to the start of that month.⁹ These arrears were estimated to be worth around £73 million with approximately half of these arrears being new debts that had built up a result of the pandemic.¹⁰

By June 2021, there were signs that the number of households (rather than individuals) in financial difficulty was increasing further. Our research estimated that 130,000 households, 10 per cent of all households in Wales, had fallen behind on a bill between January and May 2021.¹¹ Over the same period 230,000 households, 17 per cent of all households had borrowed money.¹²

The rest of this section considers household arrears and borrowing over the course of the pandemic.

3.1 Arrears

Being in arrears on a bill is a strong indicator that a household is trapped in problem debt, and there is evidence that payment arrears have steadily grown during the pandemic. The debt advice charity StepChange estimated in January 2021 that the average arrears among those that had fallen behind on a bill was £1,076 across the UK.¹³ Among people who had fallen into arrears a significant proportion (six out of ten) had faced financial hardship since the onset of the pandemic.¹⁴ In the autumn, Citizens Advice estimated that as many as a third of people with household bills debt had been unable to afford food or other basics.¹⁵

In Wales, approximately 10 per cent of all Welsh households were found to have fallen behind on at least one bill between January and May 2021.¹⁶ Household debt can be to a number of creditors - our survey focused on four types of bills: utility bills, Council Tax, credit/ loan/ hire purchase repayments and rent/ mortgage.

Utility bills

By May 2021, households were more likely to report that they were in arrears with utility payments than with any other type of household bills. Six per cent of all households in Wales (equivalent to 80,000 households) reported that they had fallen into arrears on gas, electricity, oil, water, mobile phone or internet bills.¹⁷ This is slightly higher than the number of households Citizens Advice had found to be in arrears on their energy bills during the autumn of 2020, but this is likely to be a result of the fact that phone and internet bills were classified as utility bills in the Bevan Foundation survey but were classified separately in the Citizens Advice survey.¹⁸ The total value of energy debt in Wales (excluding telecoms) is estimated to be in excess of £10 million.¹⁹

StepChange's data allows us to explore which utility bills households have fallen into arrears on in more detail. Of those who were in arrears in January 2021 at a UK level StepChange estimate that 35 per cent were in arrears on their electricity bills, 31 per cent

were in arrears on their water bills, 25 per cent were in arrears on their gas bills and 21 per cent were in arrears on their telecoms bills.²⁰

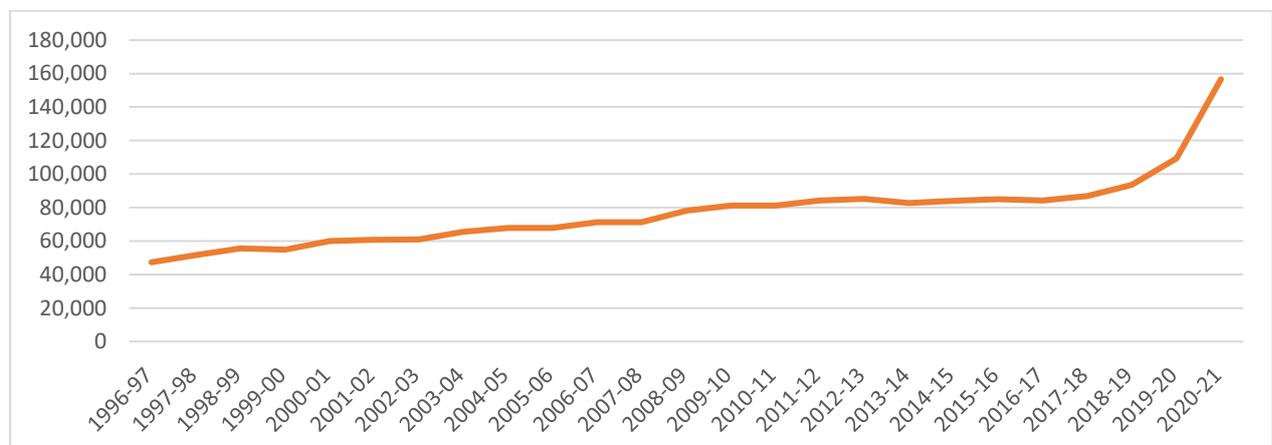
The fact that so many households are in arrears with utility payments is not surprising given that lockdown and rising fuel prices forced many to increase their expenditure on heating and internet use. More than four in ten households reported seeing an increase in the cost of their heating, electricity and or water between January and May 2021 on top of significant increases they experienced in the previous nine months.²¹

Utility bills are considered a priority debt by support agencies because failure to pay can lead to services being stopped.²² Even with the extra protections afforded to people through the pandemic thousands of households saw their gas and electricity supply cut off last year,²³ whilst thousands more are likely to have rationed their use as they simply could not afford the cost of heating their home.

Council Tax

Council Tax arrears have increased significantly during the pandemic. Approximately four per cent of Welsh households, nearly 55,000 Welsh households, were in arrears on their Council Tax between January and May 2021.²⁴ The available data unfortunately only indicates the number of households in arrears and the total outstanding amounts, rather than the numbers falling into debt during a year (or repaying debt).

Chart 1 – Total Council Tax Arrears (£ thousand)



Stats Wales, *Arrears of council tax, by billing authority (£ thousand)* available at - <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Council-Tax/Collection/arrearsofcounciltax-by-billingauthority>

Chart 1 shows that Council Tax arrears had been increasing even before the pandemic, with the value of arrears accelerating in recent years. In 2018/19 total Council Tax arrears increased by seven per cent, before increasing by 15.2 per cent in 2019/20. The situation worsened significantly in 2020/21 with total Council Tax arrears rising by 42.1 per cent to £160 million.²⁵

Research undertaken by Citizens Advice found that as many as one in seven people reported struggling to pay their Council Tax pre-pandemic.²⁶ In addition, seven in ten people who have fallen behind on their Council Tax report that they have fallen behind on another bill, whilst one in three report not having enough money to afford to buy food and other day-to-day essentials.²⁷

The challenges faced by households in Council Tax arrears could be exacerbated by the regulations that govern how local authorities are permitted to collect arrears, which some consider encourage local authorities to use collection methods that deepen people's debt.²⁸ Of particular concern is that people who miss a single Council Tax payment can be liable for the full annual bill.²⁹ This can substantially increase a household's debt when they are already struggling to make payments. A further concern is that local authorities have limited avenues to pursue outstanding Council Tax without obtaining a court order.³⁰ This coupled with many local authorities use of bailiffs to enforce court orders does not only cause stress and anxiety for those in arrears but can also lead to the amount that people have outstanding increasing as they become liable for legal and bailiff fees.³¹

Credit repayments

Households in Wales borrow from a wide variety of sources. These include a mortgage on their home, finance on their car or household appliance, a personal loan, money on a credit card or catalogue debt. For most people, repaying this debt is not a challenge. However, our survey found four per cent of Welsh households, around 55,000 in total, were in arrears on credit, loan or hire purchase payments between January and May 2021, a major indicator of problem debt.³² This figure excludes households who were in arrears with their mortgage repayments.

Rent or mortgage repayments

Rent and mortgage arrears are arguably the arrears of greatest concern. A household that falls behind in meeting their housing costs risks eviction or having their home repossessed, and ultimately faces a risk of homelessness.

Our survey found that in June 2021 some 80,000 households, six per cent of all households in Wales had already been notified that they would lose their home, with a further five per cent being worried about the prospect of eviction or repossession.³³ One of the key reasons why so many households were facing insecurity is rent and mortgage arrears.³⁴

Across Wales three per cent of households report they are in arrears on their rent or mortgage repayments. The figure is even higher if households which have no housing costs, for example because they own their house outright, are excluded from the estimate. Chart 2 shows that people who rent are more likely to be in arrears than owner occupiers with a mortgage, with social renters being more like to be behind than private renters.

Chart 2 Proportion of households in arrears on rent/ mortgage by tenure type (%)



Survey undertaken by YouGov on behalf of the Bevan Foundation in May 2021

Although the number of households in arrears appear high, it has not risen as much as many expected. Indeed research undertaken by the Joseph Rowntree Foundation found that levels of rent arrears in the private rental sector and levels of mortgage arrears had returned to near pre-pandemic levels in May 2021.³⁵ Similarly, some social landlords report that whilst rent arrears have increased within the social rented sector, the increase has been lower than feared at the start of the pandemic.³⁶ It is likely that a number of measures adopted during the pandemic limited the increase in rent and mortgage arrears.

Nevertheless, arrears amongst more than one in twenty renters and one in 25 mortgagees remains a significant challenge. We heard from one community organiser that the number of people seeking advice from tenancy support officers in their community had increased sharply, with officers also seeing a record number of mortgage holders coming to them seeking support.

3.2 Borrowing

Over 230,000 households, 17 per cent of all Welsh households, borrowed money between January and May 2021 to cover essentials.³⁷ In November 2020, StepChange estimated that, at a UK level, those who had borrowed money to make ends meet as a result of the pandemic had, on average, borrowed £1,577.³⁸ This was a sharp increase from the position in May 2020 when the average amount borrowed was £997.³⁹ Across the UK the total amount borrowed by households who had been negatively affected by the pandemic at the end of 2020 stood at £6.5 billion.⁴⁰

Households which borrowed during the pandemic are not necessarily in problem debt – some which borrowed may have paid back or be repaying the sum due as their economic position recovered. However, there is strong evidence that households which use credit as a coping strategy face a significantly heightened risk of falling into problem debt than households who are able to manage without.⁴¹

Households have borrowed money from a variety of different sources and the next section will provide an overview of each in turn.

Friends and family

Friends and family are the most common source of funding for households who have had to borrow money. We found that eight per cent of Welsh households borrowed money from their friends and family between January and May 2021.⁴²

Low-income households are especially reliant on borrowing from friends and family, and for households with an income of less than £20,000 friends and family were their primary source of borrowing.⁴³ The amounts involved can often be relatively small. We heard from a mother in Cardiff who had borrowed £100 from her mother to ensure that she had enough money to feed her children at the end of the month. Having the ability to borrow the money was vital in enabling her to make ends meet. Others have been forced to borrow more substantial sums:

I owe my mother loads. I've managed to pay back my partner's family, but I still owe my mother loads.

Mother, Cardiff, workshop with Action in Caerau and Ely, 6 July 2021

There were serious concerns raised by stakeholders that whilst many respondents to our survey had borrowed money from genuine friends or from family members, others may have selected this option when they had borrowed money from illegal lenders or loan sharks. These concerns were echoed by people in our workshops:

We've got people who have been using loan sharks. It's not just money owed, other things too. I've heard conversations about explicit activities to pay that money back. We have had to deal with some of that and it's been horrible. Seeing some of the nasty side of debt, loan sharking and pay day loans.

Resident and Community worker, Caia Park, Wrexham 24 June 2021

Credit cards and overdrafts

Credit cards and overdrafts are by far the most popular formal source of borrowing for households in Wales when it comes to day-to-day borrowing. Six per cent of Welsh households, over 80,000, borrowed money through their credit card between January and May 2021 with five per cent going into their overdrafts.⁴⁴

Overdrafts and credit cards are used by thousands of households on a monthly basis. It can be a useful way to manage resources, especially for those who are paid monthly and who may be running short at the end of the month. Whilst many households manage this process with no problem, over time regular credit card borrowing can pull households into problem debt.

Before the pandemic, 62 per cent of new clients who approached StepChange for support in Wales owed money on at least one credit card, whilst 46 per cent were in their overdraft.⁴⁵ The value of this debt was often significant with the average credit card debt of a new client being over £5,500 and the average overdraft being in excess of £1,200.⁴⁶

More recent data gathered at a UK level suggests that there has been a shift in the source of borrowing over the pandemic. In June 2020 66 per cent of StepChange's new clients had credit card debts, slightly up on the position pre-pandemic (62 per cent).⁴⁷ The number of new clients who were in their overdrafts has reduced markedly across the UK.

Pre-pandemic, on average 47 per cent of Step Change's new clients were in their overdrafts, this has reduced to 35 per cent.⁴⁸ The reason for this is unclear but one possibility is that rule changes and new guidance issued by the Finance Conduct Authority have made using current account overdrafts more difficult and expensive.⁴⁹ This may have led to people who are financially struggling to borrow money from elsewhere.

Personal bank loans and other formal lending sources

Some households have turned to personal bank loans whilst others have borrowed from Credit Unions or Community Development Finance Institutions (CDFIs). These forms of borrowing are relatively uncommon sources of funding for households struggling with their bills. Just two per cent of households took out a personal loan between January and May 2021 whilst the number of people who borrow from credit unions was too small to show up on our survey.⁵⁰ It is still important to keep these sources of funding in mind when exploring the impact of the pandemic on problem debt for several reasons.

Personal loans are often the single largest debt owed by households in problem debt. Before the pandemic the average value of a personal loan owed by a new StepChange client was £6,743.⁵¹ Not only does the value of the loans tend to be larger than other forms of debt, but they are also a form of debt owed by a large number of people who are in problem debt. Over half of StepChange's new clients in Wales before the pandemic had a personal loan.⁵² Across the UK the proportion of new clients requesting support from StepChange who have a personal loan has remained stable at 49 per cent throughout the pandemic.⁵³

Even though the number of households who turn to personal loans as a source of finance when facing financial difficulties may be low, the repayment of a personal loan can trigger problem debt. It is perhaps not surprising that stakeholders were concerned that some small business owners or self-employed workers who had borrowed funds to invest in their business may have been at a particular risk of being in problem debt.

Whilst the number of people borrowing from Credit Unions and CDFIs may not be significant enough to show up on our data, insights gained from stakeholders remain important given that they are predominantly used by people on low incomes.⁵⁴ It is therefore extremely concerning that both Credit Unions and CDFIs are reporting an increase in the complexity of the debt of clients approaching them for financial support and an increase in the number of people who are falling behind on payments owed to them.

Pay day loans and catalogue debt

Pay day loans are another form of borrowing that is used by some households. As with personal loans, the number of households who have turned to pay day loans as a result of the pandemic has been small.

Just one per cent of Welsh households took out a pay day loan between January and May 2021.⁵⁵ Not only are the number of people who have turned to pay day loans small they also account for a small proportion of problem debt. Prior to the pandemic only one in ten of StepChange's new clients in Wales had a pay day loan, with very little change evident in the most recent UK-wide data.⁵⁶

A form of borrowing that has a greater impact on problem debt is catalogue debt. More than four in ten of Step Change's clients in Wales were in catalogue debt, prior to the pandemic, with it remaining an issue throughout.⁵⁷ We did hear some concerns from communities that catalogue debt and new app-based platforms such as Klarna are causing difficulties to some households.

Klarna, is more accessible because you can use it without credit checks. I know it's interest free, but people often spend beyond their means and then get caught by late payment fees etc.

Resident, Plas Madoc, Wrexham, 6 July 2021

Loans from Government for Universal Credit or legacy benefit claimants

A final source of borrowing for some households who are in receipt of Universal Credit or legacy benefits has been the UK Government, for example through a budgeting advance. This is another form of borrowing that is not widely used across the Welsh population. Only one per cent of respondents in our most recent *Snapshot* survey reported that they had borrowed money in this way.⁵⁸

The eligibility criteria for these loans restrict support to low-income households. The Department for Work and Pensions (DWP) provide low-income households with access to two types of loan.

New Universal Credit claimants must wait a minimum of five weeks to receive their first payment. Any claimant who is faced with financial hardship as a result of this wait may apply for an advance payment from the DWP within a week of submitting their application.⁵⁹ This advance payment is, in essence, a loan with claimants being required to repay it either through deductions from future Universal Credit payments, or through contributions from any salary they may earn.⁶⁰

A second form of support provided by the DWP is Budgeting Advances. Budgeting Advances are made available to claimants who are already in receipt of Universal Credit or legacy benefits and who are on a very low income.⁶¹ They are intended to cover specific costs including the replacing a broken appliance, costs incurred whilst trying to get a new job or keeping a job, and funeral costs.⁶² The amount that claimants can borrow through Budgeting Advances is modest, and is capped depending on the number of people living in a household and their ages.⁶³

The fact that the number of Universal Credit claimants in Wales doubled over the course of the pandemic means that it likely that borrowing money through either of these schemes is likely to be significant. Between 1st March 2020 and 23rd June 2020 alone over 1.3 million advances were paid across the UK.⁶⁴ Whilst these advances do provide short term relief there is a broad body of evidence that highlights that repaying these advances as well as other deductions from Universal Credit payments⁶⁵ places significant financial stress on households, pushing some into problem debt.⁶⁶

4. The unequal impact of the pandemic on problem debt

The risk of being in problem debt was unequal across the population prior to the pandemic and the gap has widened over its course. This section will look at the experiences of those groups and consider why they have been more likely to fall into problem debt.

4.1 The groups at greatest risk of problem debt

Before the Coronavirus outbreak the groups of people at heightened risk of being in problem included:

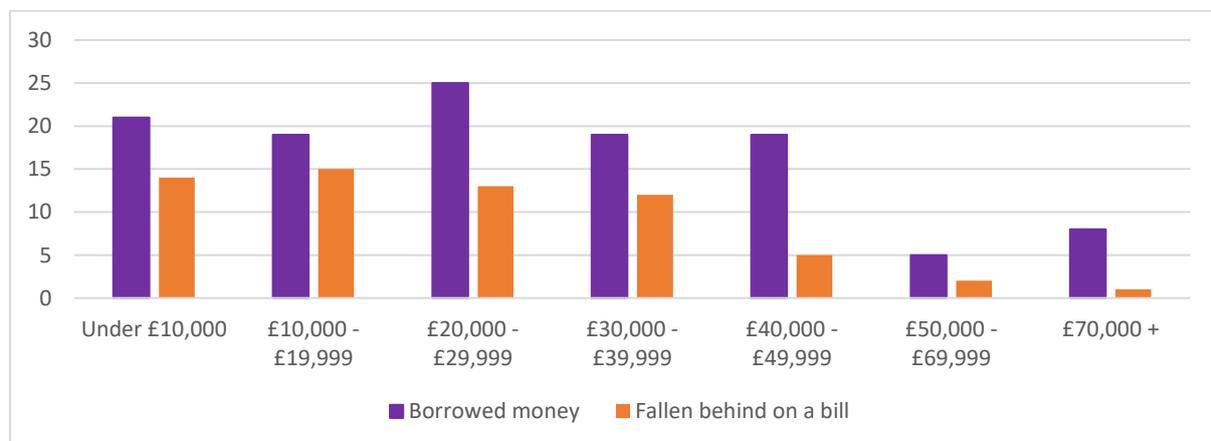
- low-income households
- renters
- disabled people
- 25 – 49-year-olds
- lone parents
- BAME households.⁶⁷

These groups remain at a higher risk of facing problem debt, with evidence suggesting that the situation has deteriorated over the course of the pandemic.

Household income

Household income is one of the factors that has the greatest impact on the risk of being in problem debt. Arrears are overwhelmingly concentrated in lower-income households: those with an income of less than £40,000 were significantly more likely to be in arrears in May 2021 than higher income households. Similarly households with an income of less than £50,000 had been significantly more likely to have borrowed money than better-off households.⁶⁸

Chart 3 – Proportion of households which have fallen into debt by gross household income between January and May 2021 (%)

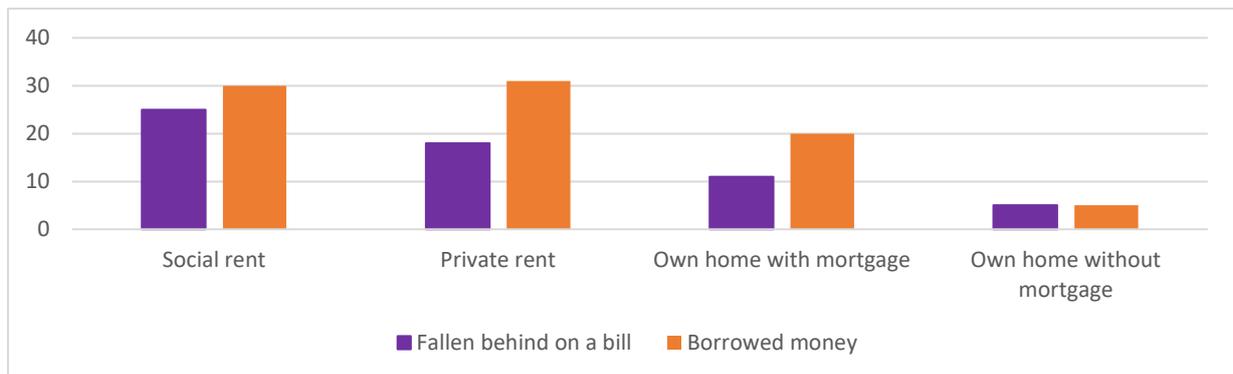


Survey undertaken by YouGov on behalf of the Bevan Foundation in May 2021

Housing tenure

Renters have been significantly more likely to fall into debt during the pandemic than owner occupiers. Social renters have been especially badly affected when it comes to arrears, with social renters being more likely to report being arrears on every major bill, than any other group.

Chart 4 – Proportion of households which have fallen into rent arrears by housing tenure between January and May 2021 (%)

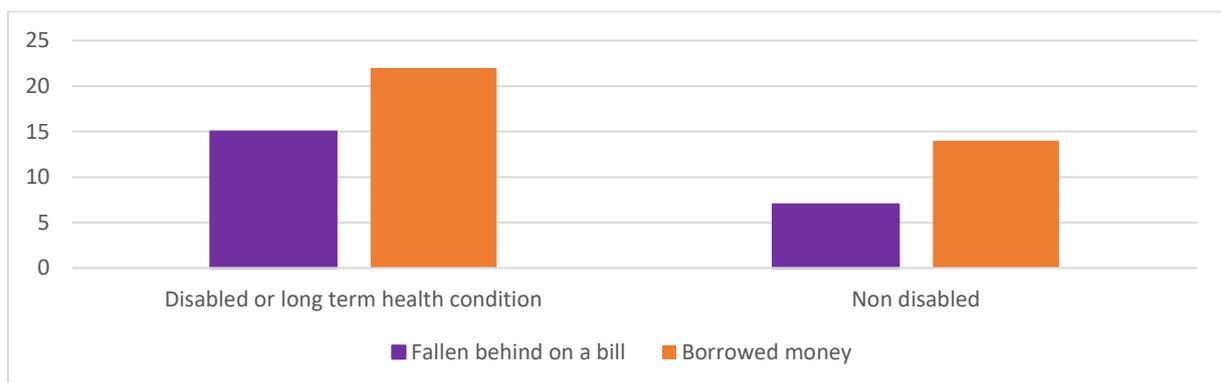


Survey undertaken by YouGov on behalf of the Bevan Foundation in May 2021

Disability

Disabled people have been twice as likely to be in arrears over the course of the pandemic as non-disabled people and have faced a significantly heightened risk of having to borrow money to make ends meet. Disabled people or people with long-term health conditions whose activities are limited “a lot” have been even more heavily affected with 21 per cent being in arrears between January and May 2021 and 24 per cent borrowing money.

Chart 5 – Proportion of households which have fallen into rent arrears by disability status between January and May 2021 (%)



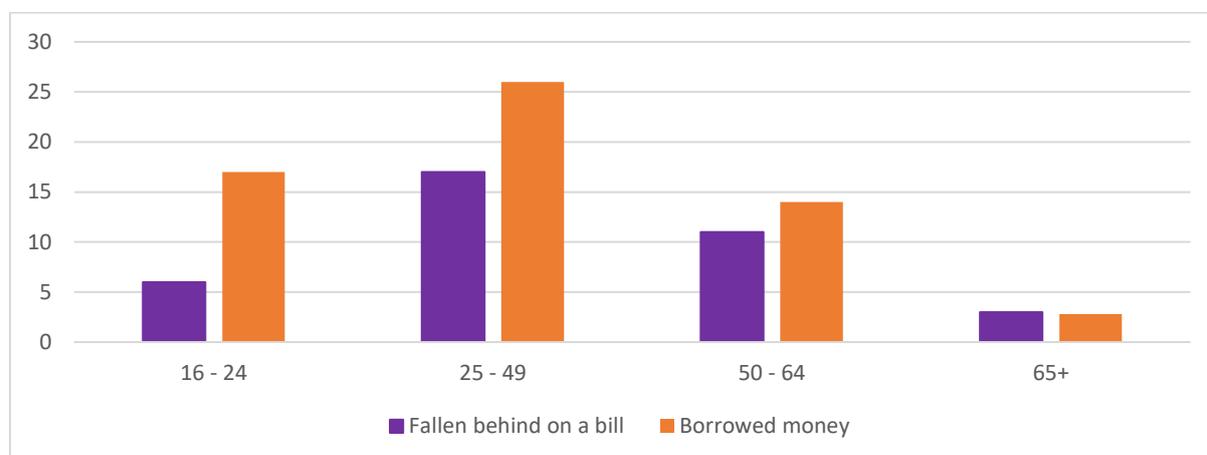
Survey undertaken by YouGov on behalf of the Bevan Foundation in May 2021

Age and household composition

Working age adults aged 25 to 49 are the age group who have faced the greatest risk of falling into debt during the pandemic. This is likely to be driven, at least in part, by the fact

that adults within this age group are more likely to be responsible for a child than older or younger households, putting more pressure on living costs.

Chart 6 – Proportion of households who have fallen into debt by age between January and May 2021 (%)



Survey undertaken by YouGov on behalf of Bevan Foundation in May 2021

The challenges of meeting the cost of raising children is likely to be a major factor in problem debt amongst lone parents. The sample size of our two YouGov polls was too small to draw definitive conclusions but both suggest that lone parents have been amongst the most affected groups. Data gathered by StepChange supports this finding. Between March and May 2021 lone parents accounted for 22 per cent of people who approached Step Change for support despite constituting only six per cent of the broader UK population.⁶⁹

Ethnicity

Some minority ethnic groups have been at a heightened risk of adverse economic impact during the pandemic. People from BAME groups in Wales have been more likely to work in sectors that have been shut down as a result of lockdown than white people.⁷⁰ Given that Black and Asian groups were more likely to live in poverty before the Coronavirus outbreak and that low-income households have been more likely to fall into debt, it is reasonable to assume that BAME households been more likely to experience problem debt during the pandemic than others.⁷¹

4.2 The causes of problem debt during the pandemic

There are multiple reasons why people are pushed into problem debt. Major life events, income shocks, high living costs, a lack of financial skills and weaknesses within the social security system are all factors that affect people's financial position.⁷² The pandemic has exacerbated the impact of these factors whilst also presenting some new challenges. As ever, the groups of people that were already at greater risk of living in problem debt have been most affected.

The impact of the pandemic on incomes

The pandemic has seen the incomes of thousands of households across Wales fall. Between January and May 2021 one in five Welsh households saw their incomes

decrease.⁷³ This follows nearly a quarter of households reporting a drop in their incomes between March and December 2020.⁷⁴ For some of these households, the fall in income since January will be on top of decreases in income experienced earlier in the pandemic, others will have seen their incomes drop for the first time. There have been several factors that have led to households seeing their incomes fall:

- A rise in unemployment.⁷⁵
- Workers receiving reduced pay due to being furloughed.⁷⁶
- Workers receiving reduced pay due to working reduced hours.⁷⁷
- Workers being unable to work due to shielding guidance/ self isolation rules.⁷⁸
- The impact of the pandemic on people's health and wellbeing.⁷⁹

These five factors have disproportionately affected people who were already at greatest risk of being in problem debt. For example, workers in low-paid roles were less able to work from home than higher paid workers.⁸⁰

Any reduction in income can place a strain on household finances. For those that were already struggling to make ends meet, the additional pressure can push some households into problem debt and deepen the debt of those with existing problems.

Some of the families lost their job, especially zero hours workers so there is huge financial difficulty in the area...

Some of people have struggled, especially the taxi drivers, they have arrears with their housing. The Government did give help with a grant or something like that, but, I know, my friends have a problem with rent arrears and are behind on their bills. It was terrible during the first lockdown.

Resident, Riverside, Cardiff, Bevan Foundation, TCC and SRCDC discussion group 19 August 2021

The impact of the pandemic on costs and services

Many households across Wales have seen their living costs increase over the last 18 months, especially utilities, food and internet:

- 43 per cent of households are spending more on heating, electricity and/or water.
- 38 per cent of households are spending more on food.
- 20 per cent of households are spending more on internet costs or devices to access the internet.⁸¹

Households who have experienced a drop in income or which were already struggling have faced the difficult decision of whether to cut back, borrow or go into arrears.

This process can quickly become cyclical. We heard from one mother in Cardiff who did have some modest savings prior to the pandemic but who no longer had any left and had to start borrowing money to make ends meet:

After I pay my bills I have to borrow money to cover the rest of the month which means by the time I pay that back from my next pay I'm short again which puts me back in the same problem.

Mother, Cardiff, workshop with Action in Caerau and Ely, 6 July 2021

Additional pressures on households come from ongoing financial commitments from which they cannot simply withdraw. These include commitments such as internet contracts or car finance. The terms of agreements often mean that contracts cannot be cancelled without significant penalty. The lack of flexibility means that households cannot rapidly reduce their living costs in line with any reduction in their income, giving households very little room to manoeuvre and pushing some into problem debt.

Many families with two full-time workers have been put on furlough, it's meant a 40 per cent reduction in income – and that was their disposable income, e.g. for paying off a car. So they're now going to the food banks.

Resident and worker, Caia Park, Wrexham, Bevan Foundation and TCC online discussion group, 4 May 2021

The closure of key public services and private business during lockdown is also likely to have affected households' ability to cope. On the one hand closures have increased living costs, for example the reduction in the availability of public transport meant that people were forced to pay for taxis or to shop in local convenience stores, rather than in supermarkets, increasing their expenditure. On the other, the closure of such services has made it much harder for people to pay their bills or to get support to maximise their income.

It doesn't help that estate offices are closed, if you don't have internet access you can't pay bills over the internet and then you then get into more debt...

Resident, Plas Madoc, Wrexham 6 July 2021

These problems were even greater for people for whom English or Welsh are not their first language.

That was the main barrier, because these people don't speak the language clearly so they don't know what support is available and if we send them a form they cannot fill it...

Resident and community worker, Wrexham, Bevan Foundation, TCC and SRCDC discussion group 19 August 2021

Other factors

There have been other developments over recent months which have affected low-income households' financial position. One example is the decision by Provident Loans to stop doorstep lending.⁸² Provident Loans had provided high-interest doorstep loans, often to people with poor credit history for over a century. Whilst the high-interest loans often trapped people in a cycle of debt, we heard from stakeholders that the fact that the lender had been operating for more than a century meant that generations of some families had grown reliant on the credit provided by Provident. Whilst the company's business practices were criticised by all stakeholders there were concerns that the

company's withdrawal from the market would leave many Welsh households without access to credit. The Credit Unions of Wales and Moneyline both reported seeing some former Provident customers using their services for the first time, but there are concerns that many may have turned to loan sharks.

The impact of the pandemic on the labour market may also have pushed some households into problem debt for reasons other than a fall in their income. We heard concerns that workers from low-income households who lost their jobs as a result of the pandemic have had to borrow money to re-enter the labour market. For example, we heard that there are a number of jobs available in the construction and logistics industry where workers require certificates to prove that they are capable of using equipment safely. Many workers who have lost jobs have the skills to take on these roles but lack up to date certification and do not have funds to get the necessary documentation. We heard of some workers borrowing money to cover the cost of testing and certification, including using loan sharks.

We also heard that many migrants to Wales have families in other parts of the world which they have been unable to visit for many months due to international travel restrictions, or the high costs of Covid testing and quarantine. Some migrants who had travelled for major family events such as funerals have borrowed money to allow them to do so, placing them at risk of problem debt.

Linked to this we heard that the closure of international travel led to financial hardship for some migrants as people became stuck in different countries.

I have a couple that were stranded in Portugal for almost a year. That bought many financial difficulties because they had to carry on paying the rent and everything here and one of the partners lost his work as there was no way to return, and there have been lots of these strange, complicated, cases.

Resident and community worker, Wrexham, Bevan Foundation, TCC and SRCDC discussion group 19 August 2021

5. Mitigating the impact of the pandemic on debt

The pandemic has unquestionably had a negative impact on the financial position of thousands of Welsh households although overall it has not been as severe as many feared.

Many stakeholders that provide people with direct support to manage debt reported seeing a reduction in the number of people using their services. Furthermore, the total value of unsecured debt to individuals has actually fallen since the start of the pandemic.⁸³ Credit scores have also improved on average.⁸⁴ There is also some evidence to suggest that rent arrears have returned to pre-pandemic levels,⁸⁵ whilst other forms of arrears have not increased as dramatically as may have been expected given the scale of the economic crisis.⁸⁶

The unique circumstances of the pandemic are in part responsible for this. Home working and social distancing rules meant that many households experienced a sharp fall in their expenditure whilst their incomes remained stable,⁸⁷ creating surplus income that was used to pay off some or all debts. Middle- and higher-income households have been significantly more likely to be able to work from home than lower-income households, making them more likely to have been able to pay off debts.⁸⁸ This is likely to explain, at least in part, why the overall picture on debt has appears to be improving whilst problem debt in low-income households appear to be worsening.

In addition, there has been significant support provided to households, especially low-income households, which has helped to prevent problem debt increasing. This section will explore the role of this support looking at five categories:

- supporting incomes
- payment relief
- emergency help
- limits on debt recovery
- debt relief.

5.1 Supporting incomes

The UK Government has taken significant action over the past eighteen months to safeguard the incomes of households affected by Covid-19. Perhaps the most significant of these measures was the furlough scheme. At its peak nearly one in three employments in Wales were furloughed, with a further 110,000 self-employed workers claiming support through SEISS.⁸⁹ There is consensus that both schemes played an important role in maintaining both jobs and incomes.⁹⁰

The actions taken by the UK Government to temporarily increase elements of the social security system has also helped to protect incomes. The decision to increase Universal Credit by £20 a week boosted the income of the least well-off households, whilst the increase to the Local Housing Allowance provided private sector renters with more support towards their housing costs. These measures have meant that many households on the very lowest incomes have actually seen their incomes increase over the course of the pandemic.⁹¹

The Welsh Government also took action to protect the income of workers. Its self-isolation support scheme provides low-paid workers who were required to isolate either

as a result of being contacted by track and trace or as a result of testing positive for Covid-19 with a one-off payment.⁹² Initially this payment stood at £500 but has subsequently increased to £750. The Welsh Government has also provided support to self-employed workers to supplement the support provided by the UK Government.

These measures have undoubtedly played an important role in protecting household incomes and preventing more households from falling into problem debt. Despite this there were some gaps in provision – across the UK 2.5 million self-employed workers and company owner-managers were unable to access either the furlough scheme or SEISS⁹³ while some households could not receive the £20 a week UC uplift as they claimed legacy benefits or were affected by the benefit cap.

5.2 Payment relief

Both the Welsh Government and private sector have offered support to either offset increased costs during the pandemic or to help with payments. These measures have allowed people to access essential services without having to go into arrears in the short term.

The Welsh Government's support in lieu of Free School Meals (FSM) provided children who were eligible for FSM with support equivalent to £19.50 a week per child in lieu of the meals provided in schools.⁹⁴ The fact that most Welsh local authorities chose to provide this support as direct cash payments⁹⁵ and that the support continued to be available over the holidays has ensured that many low-income households have been able to afford to provide a good quality diet to their children. This support was described by parents at our discussion groups as a "God send," a "massive help" and "absolutely fantastic".

Private businesses have also supported households. Most banks provided mortgage holders with an opportunity to take a payment holiday to enable them to rearrange their finances without falling into arrears on their repayments and made it easier for households to cover other living costs. Similarly utility companies developed schemes help households manage their finances. We heard that local Citizens Advice Bureaux had been provided with vouchers from British Gas that allowed people to top up their meter for free. Other providers offered credit to put on meters (as loans) to allow people to continue to have heating and electricity even if they were struggling financially.

Stakeholders were concerned that some of this support could lead to households falling into problem debt in the medium- to long-term, particularly as a result of utility companies' loans to top up meters. Residents told us that the repayment terms were steep:

When the pandemic first started energy suppliers said they would give credit on account, they gave £50 or so but people had to pay it back, so are now topping up £10 but only get £5 of heating. It's a vicious cycle of debt now, everyone would say yes to keeping their house warm.

Resident, Plas Madoc, Wrexham, 6 July 2021

Long-standing issues with Free School Meal eligibility criteria also meant that many low-income working families missed out on the additional support provided by the Welsh Government.⁹⁶

5.3 Emergency help

UK and Welsh Government emergency schemes such as Discretionary Housing Payments (DHP) and the Discretionary Assistance Fund (DAF) already played an important role in helping households to avoid problem debt by providing a grant to households struggling to make ends meet.⁹⁷ Both these schemes have been strengthened over the course of the pandemic.

DHPs are administered by local authorities with a pot of money being allocated to each from the UK Government. Local authorities are entitled to spend two and a half times their allocation, using their own resources to fund the increase. In response to the pandemic the Welsh Government has provided local authorities with additional funds to allow them to provide extra support beyond the funds provided by UK Government for 2021/22.⁹⁸ To maximise the value of this support it is important that all local authorities spend their allocation in full. Some authorities did not do so in 2020/21.⁹⁹

In March 2020 the Welsh Government increased the DAF's budget, allowed more frequent payments and introduced new flexibilities into the qualifying criteria. The impact was immediate, with almost 220,000 Covid-related Emergency Assistance Payments made via the DAF since then, with the average award being £67.¹⁰⁰ Whilst this was invaluable to those who received it, it is worth noting that in excess of 100,000 DAF applications have been rejected, in part as a result of difficulties proving that an application for support met the scheme's eligibility criteria.¹⁰¹ One of the challenges faced by households has been that proving that any increase in expenditure or reduction in cost has been as a direct result of the pandemic rather than broader economic pressure.

5.4 Limits on debt recovery

The UK and Welsh Governments put limits on how debts could be recovered. These measures have protected households, at least temporarily, from facing significant hardship and may have prevented some households from falling into problem debt in the first place.

Perhaps the most important of these measures was the eviction ban, which saw most evictions in Wales being prohibited until 30 June 2021.¹⁰² After this date landlords are now required to provide tenants with six months' notice in most eviction cases.¹⁰³ Insights provided by stakeholders suggests that this measure has supported households in two ways. First, for those who are in arrears, it reduced their immediate risk of homelessness during the height of the pandemic and second it may have also prevented some tenants being pushed into arrears in the first place.

We heard from Community Housing Cymru that the social landlords that had already developed more progressive approaches to housing management such as adopting 'no evictions into homelessness' policies appear to have seen their levels of rent arrears increase less significantly than other landlords. The eviction ban encouraged other social landlords to adopt similar approaches with Community Housing Cymru believing that this, at least in part, explained why arrears had not increased as dramatically within the sector as had been feared.

A similar process was thought to have taken place in the private rented sector (PRS). Stakeholders believed that given that there was little prospect of landlords finding new tenants during lockdown and they would not have been able to evict a tenant in rent

arrears in any case, many landlords and tenants came to arrangements to manage their rent so reducing arrears.

Other limitations have also had a positive impact. We heard from stakeholders in our roundtable discussion that the suspension of face-to-face debt enforcement had reduced some of the pressures felt by households and that the decision to halt Council Tax enforcement had had a similar benefit. There are still concerns that these measures may only provide a temporary reprieve.

5.5 Debt relief

Some measures have been taken by the Welsh Government to assist households who have fallen into debt to clear what they owe. Perhaps the best example of this is the introduction of the Tenancy Hardship Grant.

The Tenancy Hardship Grant was introduced over the summer of 2021 as a replacement for the Tenancy Saver Loan Scheme.¹⁰⁴ The grant makes support available for tenants in the private rental sector who are in arrears by allowing them to write off some or all of their housing debts. The scheme complements the support already in place for those in receipt of Housing Benefit or the housing element of Universal Credit through DHPs which are permitted to be used to clear arrears.

There are fewer examples of other types of debt relief. Every year, local authorities write off some Council Tax debt but this is done on a case by case basis. Some private businesses provide customers in debt with support, with many energy companies providing customers with grants to clear any arrears they have built up.¹⁰⁵ The availability of such support is dependent on the energy provider, however.

There was significant concern among the stakeholders that households that have fallen into problem debt as a result of the pandemic may have to rely on other forms of debt relief such as bankruptcy, individual voluntary arrangements (IVA) and debt relief orders (DRO). Whilst these forms of debt relief can be useful for households who are in significant problem debt, the cost of accessing them can often be prohibitive and they have an impact on a person's credit score. This raises the risk that if other forms of debt relief are not developed, the pandemic may have a lasting scarring effect on indebted individuals.

6. Problem debt and the months ahead

There are good reasons to think that the number of people in problem debt may increase over the coming months. Many of the support schemes that have protected households have either recently come to an end or are due to come to an end soon. With living costs increasing and concerns about the health of the economy persisting, many households could see their financial position deteriorate.

6.1 The end of Covid support schemes

Recent months have seen the UK and Welsh Governments begin the process of winding down many of Covid-related schemes. The UK Government's contribution towards the employers' costs in the furlough scheme has been reduced, and it has re-frozen the Local Housing Allowance rate at 2020/21 levels.¹⁰⁶ The Welsh Government has reduced the provisions of the Discretionary Assistance Fund,¹⁰⁷ ended the eviction ban and enabled bailiff enforcement action in line with relevant Covid 19 workplace safety regulations.¹⁰⁸

The removal of these protections is already having an impact on some Welsh communities.

Debt collecting was paused during Covid but they are back on the estate and they are going to want their pound of flesh – well the whole cow!

Resident and community worker, Caia Park, Wrexham, Bevan Foundation and TCC online discussion group, 4 May 2021

It is later in 2021 that the most significant changes to support will come into effect. On 30th September 2021 the furlough scheme will end.¹⁰⁹ With thousands of Welsh workers still on furlough there are concerns that many of these workers will lose their jobs. Also, on 30th September the flexibilities to the Welsh Government's DAF scheme will be removed, meaning that a claimant will only be entitled to emergency cash support in more restricted circumstances.¹¹⁰ On 6th October 2021 Universal Credit will be cut by £20 a week, meaning the last payment at the higher rate will be in late September.¹¹¹

Each of these development by themselves could have a detrimental impact on financial resilience and problem debt. Recent research by the Joseph Rowntree Foundation has revealed that more than a third of families with children will be affected by the cut to Universal Credit in all bar three Welsh constituencies.¹¹² Stakeholders feared that taken together the cumulative impact of these changes could be devastating.

6.2 The timing on the decision

The timing of the loss of support is likely to increase its effects on problem debt. Living costs are expected to continue to increase. Ofgem have already confirmed that the price cap on domestic energy will increase by £139 from October.¹¹³ Food costs are also projected to continue to rise. The effect of the surge in house prices on rents is still unclear, but any significant increases will further stretch household resources.

On top of these pressures, we heard from parents during our discussion groups who were worried about managing increased costs on a reduced income, during a time of year that they had historically found to be expensive.

It's coming at a time when school uniforms need to be bought, people are losing the extra £20 from Universal Credit, even before people on legacy benefits weren't getting the additional money. If you think things are improving, in my opinion that is a complete falsehood as on top of all that food prices are going up and it's going to be a crisis.

Resident, Caia Park, Wrexham, Bevan Foundation and TCC online discussion group, 4 May 2021

6.3 Trigger events

The combination of loss of support and rising costs may push more people into problem debt and act as a trigger that will allow us to see the full impact of the pandemic on problem debt for the first time.

We heard from stakeholders that provide front line support that eviction notices, enforcement letters or visits by bailiffs often act as trigger points for seeking advice. Some of the temporary protections removed those triggers, meaning that the true scale of the impact of the pandemic on problem debt may not yet have come to light. They are therefore braced for a surge in requests for help with problem debt this autumn.

7. Findings and next steps

The pandemic has had a very uneven impact on debt. It has provided some households with an opportunity to pay down debt, whilst the actions of both the UK and Welsh Governments has prevented over-indebtedness has helped to prevent an escalation of problem debt amongst many households. However, the situation has deteriorated for households that were already at a significant risk of being in problem debt.

In the short term, households in problem debt are likely to find the coming autumn and winter difficult. In the medium- to long-term, households in problem debt face multiple challenges. Repaying debt accrued over the course of the pandemic will leave many households with less disposable income, creating everyday shortfalls in income. Accumulated debt will also make it difficult for households to access some services, and they may find it more difficult or expensive to borrow money in future.

Given these significant consequences and concerns that the number of people affected could be set to increase over the autumn it is vital we develop measures to remedy the weaknesses within existing support schemes and to address some of the new issues that have been raised by this report. We therefore believe that the time is right for a new approach to solving problem debt, with a clearer focus on relief and prevention.

7.1 Emergency debt relief

Exiting problem debt is a significant challenge for many. The process of paying off historic debts often leaves households short, leading to households having to cut back on essentials or accrue new debt. Whilst there are some avenues available to establish arrangements with creditors to manage repayment or write off debt in its entirety, there are barriers to using IVAs, DROs and other forms of relief.¹¹⁴

The Welsh Government's decision to introduce the Tenancy Hardship Grant provides another possible model. In providing a route for tenants to clear their rent arrears, the Grant helps recipients to rearrange their finances and to become free of arrears, benefitting them in both the short- and long-term. This Grant complements the support already provided through DHPs.

There are examples of similar schemes in the private sector, with some energy companies offer grants to customers in significant arrears. The availability of schemes depends on which energy provider is used by a household, however.

With pressure on low-income households increasing, it is timely to consider a more progressive approach to debt relief in Wales. The levers to put such an approach into practice are to be found at Westminster and at Cardiff Bay.

At a Welsh level, the Welsh Government should work with local authorities to clear some of the significant Council Tax arrears that have been built up over the course of the pandemic. The Tenancy Hardship Grant itself should be revised so that the Grant is put on a demand-led footing and extended so that social housing tenants who are not eligible for DHPs can access the scheme.

With powers over fuel poverty devolved to Wales but with powers over energy regulation retained as Westminster, the Welsh and UK Governments should work together to

establish a consistent baseline of support by energy suppliers for indebted customers. The UK Government should take similar measures with regards to internet and phone bills, and work with stakeholders to explore how current mechanisms can be improved for those who have borrowed money.

7.2 Debt prevention

Debt relief is only one part of the answer to problem debt. It is also important that action is taken to prevent people falling into debt in the first place. We therefore recommend exploring the possibility of legislation that would place a duty on all public bodies,¹¹⁵ including schools and colleges, to prevent debt. There is precedent to take such action, with the Welsh Government having already placed such a duty on local authorities to prevent homelessness.¹¹⁶

Such a duty could have a number of benefits. It would ensure that all public bodies in Wales adopted a progressive approach to debt management. For example, we have highlighted evidence from Community Housing Cymru that suggests that rent arrears within the social housing sector may have been minimised due to more landlords developing progressive approaches to rent arrears. Enacting a prevention duty could ensure that similar practices are adopted across other sectors.

A prevention duty could also prohibit public bodies adopting practices that deepen debt. Council Tax collection practices, for example, can often deepen problem debt by making those who are in arrears liable for their outstanding bill in full or by charging additional fees.¹¹⁷ Prohibiting such practices could ease some of the debt problems faced by over indebted households.

The UK Government could adopt a similar duty for bodies within its remit. The approach taken by DWP to Universal Credit deductions, for example often exacerbates problem debt. Adopting a prevention duty could lead to such practices being amended and improved, reducing people's risk of being pushed into problem debt.

Alongside introducing a new legislative duty to prevent debt the Welsh Government should increase its investment in debt advice and education. The success of the Welsh Government's Income Maximisation Programme has demonstrated that investing in advice services can improve people's financial situation.¹¹⁸ It is important that the Welsh Government draws on these lessons and rolls out the piloted approaches more broadly.

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15 September 2021

Dear Members of the Equality and Social Justice Committee,

I am writing to you on behalf of the Gender Network, a policy forum that brings together 34 third sector organizations as well as activists and academics in Wales. As a network that aims to strengthen women's rights and gender equality for all women and girls in Wales, we were delighted to see that the Sixth Senedd has a dedicated Committee working on the equality and social justice portfolio. The need for this Committee is more urgent than ever. As Dame Louise Casey put it, "what were cracks before Covid are now chasms." If we do not act now, we will undo decades of progress on gender equality and push millions more into poverty.

As the Equality and Social Justice Committee is not undertaking a public consultation on its priorities for the Sixth Senedd, we would like to take this opportunity to highlight five areas that we believe should be key priorities for the Committee to consider during the Sixth Senedd and particularly the next 12 months.

1. Legally binding diversity and gender quotas

In line with the recommendations of the Expert Panel on Electoral Reform, we believe that *now* is the time to establish diversity and gender quotas as part of increasing the size of the Senedd and establishing an STV voting system. However, we were disappointed not to see any commitments on this in the Programme for Government announced earlier this year. We believe the Equality and Social Justice Committee needs to hold the Welsh Labour Government to account to deliver on its manifesto, which promised to "*build on the work of the Senedd Committee on Electoral Reform and develop proposals to improve the representation of the people of Wales in their Parliament.*" Legally binding quotas are absolutely necessary to achieve a Senedd that reflects the population it serves and makes decisions that are thoroughly informed by the perspectives and lived experience of MSs from a diverse range of backgrounds to produce better policy outcomes for all of us.

Despite the extensive work that has already been produced around quotas, there are two aspects that urgently need further clarification to ensure Wales' quota legislation is as robust and effective as it can be. These are a) ascertaining Wales' legislative competence around introducing quota legislation together with suitable incentive/sanction mechanisms, and b) developing a model of diversity quotas that reflects international best practice and works for Wales. We believe that the Equality and Social Justice Committee can play a key role by conducting an inquiry into these issues, thereby helping Wales to be a pioneer in diversity and gender quotas just as it was with the Well-Being for Future Generations Act. We understand that the Committee responsible for electoral reform is yet to be ascertained, but believe that the issue of diversity and gender quotas sits firmly within the portfolio and expertise of the Equality and Social Justice Committee. We believe the Committee can and should play a key role in progressing this crucial aspect of the electoral reform process.

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Info

Charity Number:
1145706
Company Number:
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2. A green and caring recovery from the pandemic

We believe that rebuilding the economy must be inclusive and to achieve that we need a major focus on the value of care. Across Wales and the UK, women have been more likely than men to struggle financially and experience poor mental health as a result of the pandemic. We know that financial and mental health disparities are linked to women's roles in unpaid and low paid care work. Data shows that school closures during the pandemic have hit women on low incomes particularly hard, with those on incomes less than £20,000 almost five times more likely to lose their jobs or working hours due to childcare responsibilities in comparison to women on higher incomes. While there has been much talk of a Green Recovery, we must ensure that it is a Green and Caring Recovery or we will not be living up to our values of a more equal Wales. Other countries, such as Canada, are already leading the way on this though committing to major investments into childcare as part of a plan to rebuild the economy with care, inclusivity, and women at its heart. We believe that a key priority for the Equality and Social Justice Committee should be to scrutinise the Welsh Government's recovery plan to ensure caring is at the heart of building back better.

3. Poverty

Poverty rates in Wales remain stubbornly high. Women have a higher risk of relative income poverty than men and experience and impact of poverty can be very different for women, partly as a result of their different positions in the labour market and within households. Despite these challenges there is limited discussion of tackling poverty in the Programme for Government. Many organisations, and the ELGC Committee from the previous Senedd, have called for a greater focus on tackling poverty, including a comprehensive tackling poverty strategy that takes account of the different characteristics, circumstances and barriers facing people in poverty, devolution of administrative powers over social security and work to create a coherent Welsh benefits system based on principles of equality, dignity and fairness. In the context of Covid, the removal of the £20 uplift to Universal Credit and discussions about UBI, it seems timely for the Committee to revisit the issue of poverty to ensure that every opportunity to tackle the root causes of poverty is seized this Senedd term.

4. Gender Equality Review implementation

In accepting the recommendations set out in the Gender Equality Review, and specifically the report Deeds not Words, Welsh Ministers took an important step towards implementing equalities mainstreaming. This is essential if we are to address structural inequality as if we do not change how decisions are taken we will keep developing policy that fails to account for the gendered nature of our economy and society and will therefore keep reinforcing and recreating inequality. The initial steps that Welsh Government intended to take to implement the recommendations from the Review were outlined in the Advancing Gender Equality: Action Plan. While it is understandable that the pandemic resulted in slower progress than initially intended, we do think it is timely for the ESJ Committee to carry out an inquiry to understand how implementation of this ambitious programme of change is going. To implement equalities

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mainstreaming, to ensure that policy and programme design and budgetary decisions actively contribute to the achievement of equality ambitions, would mark Wales as a leader within in the UK, and would bring us in-line with world leaders such as the Nordic nations.

5. Support for women and girls with no recourse to public funds (NRPF)

We have concerns around the safety for women with NRPF fleeing abusive relationships. The Domestic Abuse Act (2021) has fallen short in its potential to protect and support all survivors, regardless of immigration status. We strongly advocate that it is time for Wales to develop its own solution to supporting survivors with no recourse to public funds and make good on its claims of being a nation of sanctuary. This needs to include safe and secure accommodation, provision in refuge with local authorities working with specialist services to enable support for survivors with NRPF. The committee should prioritise holding Welsh Government to account on whether it is effectively utilising its policy and powers to provide clear instruction on responsibilities under the Social Services and Well-Being (Wales) Act and consider the effectiveness of any future legislative change / updated guidance if existing legislation is not being fully utilised. We propose that the committee also call on the Minister for Social Justice to provide evidence to the committee on the above and to hear from specialist services and survivors as to whether this is the reality.

NRPF is a condition imposed on individuals under various immigration control conditions, such as EEA nationals who do not meet eligibility criteria, individuals on student and work visa, visa overstayers or illegal entrants. Women with insecure immigration status, or whose immigration status is dependent on a spouse or employer are at particular risk of violence and exploitation. They face a hostile environment of immigration checks in healthcare, maternity, education and housing settings, are prevented from accessing protection and support due to their NRPF status and they face a real risk of being detained and deported rather than assisted if they report abuse. This hostile environment is exploited by abusers to control them and scare them into not seeking help.

We would be delighted to meet you to talk about how we can support the Equality and Social Justice Committee in scrutinizing and holding the Welsh Government to account in the areas outlined above. We would be grateful if your office could contact Jessica Laimann at WEN Wales to arrange a suitable date for a meeting on jessica@wenwales.org.uk and look forward to your response.

Yours sincerely,

Jessica Laimann (on behalf of the Gender Network)
Policy and Public Affairs Officer, WEN Wales

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**Legislation, Justice and
Constitution Committee**

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Jenny Rathbone MS
Chair, Equality and Social Justice Committee

21 September 2021

Dear Jenny

Protection of Classified Information: agreements UK/Estonia, UK/Latvia, UK/Belgium and UK/Italy

You will be aware that the Legislation, Justice and Constitution Committee is responsible for monitoring the implementation of non-trade international agreements in the Sixth Senedd.

At our meeting on **13 September 2021** we considered four international agreements between the UK and individual EU Member States (UK/Estonia, UK/Latvia, UK/Belgium and UK/Italy) on the protection of classified information.

These agreements will provide a legal basis for the protection for any classified information exchanged between the UK and Estonia, Latvia, Belgium and Italy, which could include subjects such as defence, law enforcement, counter-terrorism and security.

During our consideration we agreed to draw the agreements to the attention of the Equality and Social Justice Committee, in relation to their implications, if any, for criminal justice agencies in Wales.

Yours sincerely,



Huw Irranca-Davies
Chair

Jane Hutt MS
Minister for Social Justice

22 September 2021

Dear Jane

Legislative Consent Memorandum: Police, Crime, Sentencing and Courts Bill

At our meeting on Monday, 20 September, we considered the Welsh Government's Legislative Consent Memorandum on the UK Government's Police, Crime, Sentencing and Courts Bill. There are a number of issues on which the Committee requires further information. Given our reporting deadline of 14 October 2021, we would be grateful to receive a response from you by noon on 30 September 2021.

Question 1: Justification for seeking the consent of the Senedd in respect of the following clauses is provided briefly in paragraphs 9 and 10 of the Memorandum:

- Clause 1 (Police Covenant);
- Clause 2 (Increase in penalty for assaults on emergency workers);
- Clauses 7-8, 10-16, 19-22 (Functions relating to serious violence); and
- Clauses 23-35 (Offensive weapons homicide review).

Please could you provide additional detail to explain and clarify why the Senedd's consent should be sought for these provisions?

Question 2 Paragraphs 13 and 14 of the Memorandum state that the Welsh Government will recommend that the Senedd refuses to give consent to clauses 9, 17 and 18 of the Bill. This is due to a concern that the provisions would allow the Secretary of State to issue directions for the purposes of enforcing the serious violence duty, which could potentially include issuing directions on devolved

matters which fall within the remit of devolved Welsh authorities. Please can you clarify which devolved matters you are referring to?

Question 3: Please can you explain why the Welsh Government believes the following clauses are within the legislative competence of the Senedd and, in addition, explain why the Senedd should give its consent to these clauses:

Clauses 36-37 and 40-41 (Extraction of information from electronic devices); and
Clause 43 (Pre-charge bail).

Question 4: Please can you explain why clauses 38 and 39 are not mentioned in the Memorandum, given that they are part of the suite of provisions that deal with extraction of information from electronic devices (which the Welsh Government consider require consent)?

Question 5: Please can you explain why the Welsh Government believes clause 42 (authorised persons) is within the legislative competence of the Senedd and clarify whether it considers that the Senedd should give its consent to that clause?

Question 6: Please can you explain why the Welsh Government considers the effect of clause 46 (Criminal damage to memorials: mode of trial) would be to increase the potential sentence for criminal damage to life imprisonment in circumstances where the defendant intended or was reckless as to danger to life? The Committee has received advice that this offence is indictable only and already therefore attracts a maximum penalty of life imprisonment under section 4(1) of the *Criminal Damage Act 1971*.

Question 7: In the Memorandum, the Welsh Government recommends that the Senedd *grant* consent to clause 59 (Causing public nuisance), and *withhold* consent to clauses 61 to 63 (Unauthorised encampments). Please can you explain why the Welsh Government believes all four clauses require consent?

I am copying this letter to Jenny Rathbone MS, Chair of the Equality and Social Justice Committee.

I look forward to receiving your response by 30 September.

Yours sincerely,



Huw Irranca-Davies
Chair



Canolfan
Llywodraethiant Cymru
Wales Governance
Centre

Culture, Communications, Welsh Language, Sport and International Relations: Priorities for the Sixth Senedd

Consultation response by Wales Council for Voluntary Action (WCVA) and the Wales Governance Centre (WGC).

For any enquiries, please email Lilla Farkas (lfarkas@wcva.cymru) and Charles Whitmore (whitmorecd@cardiff.ac.uk).

Introduction

1. We would like to thank the Culture, Communications, Welsh Language, Sport and International Relations Committee for the opportunity to feed into the setting of its priorities for the Sixth Senedd. This response has been written in collaboration by WCVA and the WGC in the context of the Wales Civil Society Forum on Brexit – a partnership project to support the voluntary sector in Wales with the UK's withdrawal from the EU and relates to the International relations part of the committee's remit, most notably in relation to Brexit. Co-ops & Mutuals Wales and Cytûn have also contributed input.
2. **WCVA** is the national membership organisation for the voluntary sector in Wales. Its vision is for a future where the third sector and volunteering thrive across Wales, improving wellbeing for all. Its purpose is to enable voluntary organisations to make a bigger difference together.
3. The **WGC** is a research unit sponsored and supported in the School of Law and Politics, Cardiff University. It undertakes innovative research into all aspects of the law, politics, government and political economy of Wales, as well the wider UK and European contexts of territorial governance.
4. This response is based on our work in relation to the UK's withdrawal from the European Union and is specific to the committee's international relations remit, including Wales' relationship with European and global partners as well.

What issues should the committee prioritise in planning our work programme for the immediate and longer term?

1. In the field of international relations, the EU-UK Trade and Cooperation Agreement (TCA) creates a complex institutional structure to oversee and review the UK/EU relationship. This includes Specialised Committees, Working Groups, the Trade Partnership Committee and the Partnership Council. It also requires both parties to consult with civil society on the implementation of the Agreement. Domestically this is to take place through Domestic Advisory Group(s) (DAG) and transnationally through the Civil Society Forum (CSF).¹ Given the intersections between the TCA and devolved competence, it is important that UK representation in these structures is inclusive of perspectives from Wales. However it is unclear at the moment how this will take place or how the Welsh Government is to be involved in the other governance bodies. We recommend that the Committee scrutinise the Welsh Government's efforts to secure meaningful, structured and timely input. This will also facilitate coordination and engagement with civil society in Wales ahead of key TCA meetings.
2. The TCA's provisions on parliamentary cooperation include the optional establishment of a Parliamentary Partnership Assembly, to exchange views between Members of the European Parliament and the UK Parliament on the implementation of the Agreement. We recommend that the Senedd, with its counterparts across the UK, consider how devolved input will also be facilitated into this structure.
3. We welcomed the launch of the International Strategy for Wales last year and the Welsh Government's commitment to establish Wales as an outward looking and globally responsible nation. Although there is no dedicated ministerial portfolio for international relations currently, the ambitions and visions set out in the strategy remain relevant. In the context of Brexit having a negative impact on the underlying conditions for civic society cross-border cooperation, the Welsh Government will need to foster an environment that empowers organisations to identify and seize opportunities to collaborate both with the EU and globally.
 - 3.1 The desire to maintain existing links and build new connections with European partners after the UK's withdrawal from the EU, and for Wales to retain its international outlook has been highlighted as one of the top post-Brexit priorities for our sector. These relationships provide a valuable opportunity for organisations to share learning and best practice, and to collaborate on shared interests and concerns. The UK's withdrawal from the EU, and from most EU programmes may inhibit momentum in this area and will create gap in the provision of cross-border cooperation activities.

¹ UK / EU Trade and Cooperation Agreement, articles 12-14. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/982648/TS_8.2021_UK_EU_EAEC_Trade_and_Cooperation_Agreement.pdf

3.2 In response to these concerns, we welcomed the Welsh Government's efforts to support cross-border cooperation via the recent SCoRE Cymru call which aims to facilitate access to Horizon Europe and to increase Irish Sea cooperation thus mitigating the eventual cessation of the Wales Ireland ETC programme. We are also aware that the Welsh Government has sought to address these concerns under the Framework for Regional Investment. This contains a dedicated international and cross-border working section which discusses an 'Agile Fund' to invest in small-scale cross-border and international opportunities and an 'Agile Fund Plus' to invest in larger scale opportunities. We suspect these plans may have been hindered by the passage of the UK Internal Market Act which it appears is facilitating a centralisation of replacements for EU Funding that bypasses the Welsh Government. We recommend that the Committee scrutinise the Welsh Government's continued efforts to ensure that the landscape in Wales is supportive of cross-border opportunities despite these challenges.

3.3 As reflected in the International Strategy as well, building relationships with partners outside the UK is not limited to the EU and Europe, for example Wales already has well established programmes in Africa. It is important to note that civic society makes a significant contribution to building these links, which often happens outside the formal structures as relationships develop irrespective of the government but these operate in a climate clearly supported by Ministers and should not be neglected. For example, Co-ops & Mutuals Wales reflected to us that during 2021-2022 they plan to explore important opportunities for peer-to-peer learning between Welsh and Malaysian High Schools. They also noted wider interest amongst schools in developing international links, with one head teacher highlighting the value of existing links their school has with a School in Lesotho. Cytun have also noted in discussions on Brexit, that opportunities like twinning remain possible and should be encouraged.

3.4 We welcome the Welsh Government's plan to launch a new International Learning Exchange programme which will include staff mobility and strategic partnership as well, however, it is unclear whether international volunteering will be an eligible activity under this programme. The loss of access to the European Solidarity Corps is a significant blow for these volunteering opportunities in Wales, and we hope that the Welsh Government will address this gap in the programme.

How does Brexit and the new UK-EU relationship affect you or your organisation?

Systemic effects on landscape the voluntary sector operates within

1. WCVA and the WGC have been engaging the voluntary sector in discussions on the impact of Brexit prior to and after the end of transition. Since the end of the transition period several themes have emerged from these conversations. Brexit is fundamentally altering the landscape and territorial governance within which our sector operates, leading to systemic changes. How the sector prioritises which policy levels it monitors and engages with to influence is likely to also need reconsidering for some. The UK Government is centralising the control of post-EU funding streams and establishing new teams in Cardiff (including from MHCLG, BEIS and DIT). The sector will need to understand these changing patterns and build relationships where necessary with, for example: MPs who will have a new role to play in funding, the UK Government itself in Cardiff and Whitehall and new bodies being established like the Office for Environmental Protection and the Independent Monitoring Authority on EU citizens' rights. Crucially this new balance includes changes in how organisations work across European, UK and Welsh levels.
2. Brexit continues to be a source of uncertainty as we have yet to feel the full effect of many changes:
 - 2.1 EU funding does not fully end until 2023 and some impacts have been delayed or masked by Covid-19 (limits on international mobility for example)
 - 2.2 Not all expected changes have been implemented (the governance mechanisms of the TCA for example)
 - 2.3 and potential changes to the domestic legal landscape at the UK level are ongoing
3. There are several defining features of this new policy landscape contributing to this uncertainty and which place new demands on our sector's already very limited capacity. These include potentially complex interactions between the novelty of the TCA's level playing field provisions and new opportunities for changes resulting from competencies returning to the devolved and UK levels. There are also shifting patterns of devolution flowing from the UK Internal Market Act, the full effects of which are not yet understood but which are commonly believed to inhibit Wales' ability to effectively implement devolved policy, including responding to Brexit related changes. As an example of this, we note that the Welsh Government's efforts to include support for cross-border cooperation initiatives in its Framework for Regional Investment, are likely to be undermined if replacements for EU funding continue to be centralised by the UK Government.
4. Organisations have highlighted capacity challenges in monitoring and scrutinising these changes domestically and transnationally. Yet monitoring the EU landscape for changes that communities in Wales would otherwise have benefited from is viewed as important

in informing the formulation of domestic policy. Early examples of this might include upcoming changes like the EU Accessibility Act² and improvements around equal pay.³ There is also wider interest in monitoring the effects over time of potential active and passive policy divergence. This might include the impact of no longer being within the remit of the EU's mainstreaming of rights. This has improved policy for disabled people for example and we note that the EU is soon to ratify the Istanbul Convention – something the UK has been delaying. Further examples are starting to emerge, with early signs being highlighted by environmental organisations in the area of chemicals regulations.⁴

5. Continued cross-border cooperation with EU civil society organisations is seen as more important than ever to facilitate this scrutiny and to continue learning from each other's policy innovations. However, fewer resources will be available to do so due to the loss of EU funding, the absence of cross-border cooperation as a priority in UK level replacement funding, the need to redirect more sector resources to UK level engagement and responding to the institutional requirements of the TCA.
6. Our sector has expressed a particular interest in the governance of the TCA and the formal structures it creates for civil society: the CSF and DAG. We are currently in conversation with partners across the UK on how the voluntary sector, potentially in partnership with the trade union and private sectors, can mobilise themselves in and around these new opportunities for cross-border civic society deliberation. These structures have become common practice in EU trade agreements since the 2011 EU / South Korea agreement, though their application in practice varies from trading partner to trading partner. Given the pre-existing relationship between the UK and EU, and between their civil societies, our sector is keen for these to provide an ambitious platform for civil society in Wales and the UK to have a role in deliberating, monitoring, sharing information on, and influencing the development of the UK / EU relationship. Based on previous EU experience in this area, we anticipate several challenges however.

6.1 Except for the environmental sector, the voluntary sector in Wales has very little awareness of the role it can play in the democratic governance of international relations, and as a result, has little capacity and expertise. The UK Government has had to invest heavily in upskilling staff in this area – this will also likely be required for our sector as well, though resourcing it will be a challenge.

6.2 External relations and trade are a reserved matter, and these new bodies represent the UK as a whole, but implementation of the TCA cuts across devolved interests. We therefore recommend that the Committee monitors the Welsh Government's efforts

² European Commission, 'The European Accessibility Act', Available at: <https://ec.europa.eu/social/main.jsp?catId=1202>

³ European Commission, 'Questions and Answers – Equal pay: Commission proposes measures on pay transparency to ensure equal pay for equal work', available at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_961

⁴ Chemtrust, 'UK Reach Restrictions: First Signs of UK Regulatory Divergence on Chemicals', Available at: <https://chemtrust.org/uk-reach-divergence/>; see also

to ensure that these mechanisms include formal procedures to allow for structured devolved input. We believe we have the structures and practices in place in Wales to mobilise sector discussion with the Welsh Government in and around these civic society mechanism meetings, and around higher-level meetings like the Partnership Council and Trade Partnership Committee. However, being able to do so is dependent on significant change in how the UK Government engages with the Welsh Government and our sector. Indeed, domestic government willingness to work with its civil society is a common issue in the EU's other trading relationships. We require sufficient notice of upcoming meetings and agendas, as well as the transparent publication of minutes and other organisational matters to consult the sector in a timely fashion and to ensure that these exercises are useful to the UK and the EU. The UK Government's current consultation on this does not suggest this level of ambition however. We note that Lord Frost recently stated that: *'it is the nature of civil society that it does not need the Government's permission to develop such links and to work effectively with fora established under the treaties. We certainly hope that that would happen.'*⁵ However, in the EU's experience, the effectiveness of the civil society mechanisms in its trade agreements is to a large extent preconditioned on the willingness of the domestic government to engage continuously and in a structured fashion with civil society and to set these procedures up and resource them (in particular a secretariat) in such a way as to facilitate this.

- 6.3 The TCA calls for wider than usual civil society organisation representation – including for example human rights groups. We are concerned that a representativeness gap may emerge if the Welsh and UK Governments do not take proactive steps to ensure that a wide range of organisations are able to feed into this process. This includes both within and outside the formal structures. We have specific questions around the UK Government's negotiating down of the remit of the CSF to part two of the TCA (trade) because other parts of the treaty are clearly relevant to civic society interests (EU Programmes and law enforcement / judicial cooperation for example as these have human rights implications). We also note that the UK Government negotiated the removal of the requirement that civic society representation on the CSF be 'balanced', as this is a common feature of EU trade agreements. We are concerned this will unduly prioritise the private and trade union sectors to the detriment of the voluntary sector. To mitigate this, we hope to work with the Welsh Government to build more representative channels in Wales to feed into the TCA's governance.
7. The Common frameworks and the review of intergovernmental relations are also changing the way the Welsh and UK Governments work. Concerns have been highlighted initially around the transparency of the common frameworks process, and it is still unclear how these reforms fit within the wider context of intergovernmental work, for example on devolved input into the TCA bodies.

⁵ House of Lords, 'Civil Society Forum: UK Delegation', 24 June 2021, available at: <https://hansard.parliament.uk/lords/2021-06-24/debates/DA278476-A591-4655-A19F-D352E29D2461/CivilSocietyForumUKDelegation>

Specific and thematic effects

8. Organisations are also highlighting specific thematic concerns. In our engagement with the sector since the end of transition, the most frequently mentioned issue is the loss of the European Structural and Investment Funds and the considerable impact this will have on the voluntary sector in Wales.

8.1 The sector has secured over £190million directly from the Welsh European Funding Office (under the current 2014-2020 Programmes) with more funding drawn down through contracts. The impact of the loss of the ESIFs is not restricted to the amount of funding withdrawn but also the leverage the funding has enabled.

8.2 The viability of some voluntary organisations in receipt of ESIF funding is uncertain. *“We’ve been able to grow partly because of the role our major [ESIF funded] projects [have played in] supporting our core activities. If a number of these projects are lost, the effect could be catastrophic for the organisation”.*⁶

8.3 Some anticipate the economic impact of the pandemic, the withdrawal of the ESIFs, in conjunction with the existing pressures presented by austerity, will push local authorities towards self-preservation - at the expense of the voluntary sector. *“If Local Authorities and Welsh Government batten down the hatches and pull delivery in house, [voluntary sector] organisations will go”.*⁷

8.4 Brexit, the withdrawal of the ESIFs and the transition to their replacements has forced the voluntary sector to re-evaluate its relationship with the UK Government. Over the last 20 years, many of the sector’s points of influence have centred on the Welsh Government and the European Commission. Through the partnership principle, the voluntary sector has been an active, equal partner in the design, delivery and management of the ESIFs in Wales. The financial assistance powers within the UK Internal Market Act are having a significant impact on Wales and, in many ways, it’s transported us back to pre-devolution days. As a sector we need to rebuild and refocus our engagement and influencing, to secure the voluntary sector’s participation in the replacement programmes.

9. The second most cited effect by organisations in our early post-transition engagement relates to a series of impacts flowing from the loss of freedom of movement.

9.1 Stakeholders are considering the long-term needs of EU citizens in Wales now the deadline for EUSS has passed. The Welsh and UK Governments currently fund organisations to provide support. However, it is unclear how long this will last and the most vulnerable people will still need support in the years to come. Further needs are expected to emerge in due course as EU citizens must evidence a valid

⁶ Welsh Government and WCVA. (2019) *Empowering Communities in the Context of Brexit: Research findings, analysis and recommendations for support to third sector organisations in Wales*. Available at: <https://wcva.cymru/wp-content/uploads/2020/04/Empowering-Communities-Brexit-Final-report.pdf>

⁷ Ibid.

reason for missing the deadline and those who have secured pre-settled status will face personal deadlines to transition over to fully settled status.

9.2 Mobility generally has been highlighted as a significant concern for the Arts and Culture sector which faces the triple burden of reduced cross-border cooperation initiatives (Creative Europe), loss of EU structural funds and significant new barriers to international mobility. This is also a concern for disabled people's organisations,⁸ which have highlighted challenges for the social care sector and the recruitment of European personal assistants due to new immigration rules. There are further ramifications for the future of international volunteering in Wales which now faces a funding vacuum resulting from the UK's withdrawal from the European Solidarity Corps. There is a considerable risk that increased barriers and costs (such as visas, the healthcare surcharge, passport requirements for EU citizens wishing to volunteer in Wales, translation of documents for the visa process) will prevent young people from disadvantaged backgrounds from being able to access these opportunities.

9.3 New requirements on European travel have also been highlighted to us as having a disproportional impact on certain groups, particularly people travelling with disabilities. For example the landscape for using UK blue badges in the EU is disparate,⁹ and Guide Dogs UK have highlighted increased costs with taking assistance dogs abroad.¹⁰

10. The third most commonly cited Brexit related concern to us in our engagement with the sector is a desire to deepen and build new international connections (including for example strengthening Wales' involvement in the Council of Europe) and for the sector to be supported to explore opportunities for cross-border and transnational collaboration with the EU and globally.

10.1 The lack of resources and capacity is a significant barrier for many in this area. Capacity has become even more limited due to the pandemic which has put a huge pressure on voluntary organisations to meet the increased demand on their services while struggling with financial sustainability. The loss of EU programmes fostering cross-border and international cooperation (e.g. Interreg, Erasmus+, European Solidarity Corps) which the sector has been involved with, will add further barriers.

10.2 In addition to the participation in territorial cooperation programmes, the voluntary sector has also been actively involved in Erasmus+ and the European Solidarity Corps programme. Although the UK Government has launched the Turing Scheme to replace Erasmus+, participation in this new programme is limited to student mobility,

⁸ <https://dpac.uk.net/2021/01/pas-and-care-workers-in-uk-after-brexite-please-sign-our-letter/>

⁹ <https://www.gov.uk/government/publications/blue-badge-using-it-in-the-eu/using-a-blue-badge-in-the-european-union>

¹⁰ https://e-activist.com/page/73938/action/1?ea.tracking.id=website&_ga=2.53875048.1750904895.1629994417-558010977.1628608772

excluding staff exchanges and international volunteering opportunities. Activities under two further strands of Erasmus+ have also been omitted from the Turing Scheme: strategic partnership projects enabling organisations to collaborate with international partners to foster innovation and exchange of good practices (Erasmus+ Key Action 2 projects) and strategic activities supporting policy reform across the EU in education, training and youth (Erasmus+ Key Action 3 projects).

11. Finally, organisations have also highlighted questions around potential post-Brexit changes to the VAT regime and ongoing changes to procurement. In the latter case the landscape is seen as increasingly complex due to new TCA rules, as well as reforms at the UK and Welsh levels and a new common framework. Questions are also being raised in relation to wider potential changes to the UK Human Rights framework, as well as labour and environmental standards.

What support have you received to respond to the changes?

Support from the Welsh Government

1. The Welsh Government has supported the sector with regular engagement which has:
 - 1.1 helped to inform our development of information for the sector throughout the Brexit process
 - 1.2 facilitated coordination specifically around the EU Settlement Scheme
 - 1.3 and enabled us to help target the financial support the Welsh Government has also provided to the sector via the EU Transition Fund.
2. WCVA obtained funding from the Welsh Government's EU Transition Fund for the Empowering Communities in the Context of Brexit project. The funding enabled WCVA to undertake research on the effects of the loss of the ESIFs and the impact this could have on the Welsh voluntary sector's sustainability and service delivery.
3. The project also funded a networking visit to Brussels for a group of voluntary sector representatives, aiming to explore how the Welsh voluntary sector can develop and strengthen its links with European partners post Brexit. During the visit the delegation engaged in conversations on a wide range of issues with various European organisations, networks and institutions.
4. WCVA also received £430k from the EU Transition Fund to support the initial development and subsequent upgrade of the Third Sector Support Wales (TSSW) Knowledge Hub. The Hub is a Wales wide resource bank with information, guidance, networking and learning, enabling the voluntary sector to grow, build resilience and enhance their impact in communities, creating a long-term legacy post Brexit.
5. Disability Wales in partnership with WCVA's and the WGC's Brexit Forum Project received £72k funding from the EU Transition Fund to help disabled people prepare for the implications of Brexit on their lives, by providing accessible engagement

opportunities, information and signposting material. The Welsh Government also provided funding to Wales Arts International for its Infopoint UK project which we supported the establishment of.¹¹ This project aims to enhance artists' mobility in the post-Brexit landscape.

Support from the UK Government

6. Apart from the statement confirming the continuation of operations approved under the European Structural and Investment Funds programmes, the UK Government initially offered very little information about what might come next. This lack of transparency meant an inability to plan ahead and has left many voluntary organisations unprepared to deal with the end of the ESIFs.
7. While, to the best of our knowledge, the UK Government took its approach to planning and developing its replacement funding policies 'in-house', the Welsh Government openly consulted on its Framework for Regional Investment and established cross-sector steering groups to guide the development of its replacement funding policies.
8. Over recent months and with the release of its Levelling Up, Community Renewal and Community Ownership Funds, the UK Government's engagement with the sector has somewhat improved. For example, we recently requested the UK Government to deliver a session specifically for the Welsh voluntary sector on the Community Ownership Fund in partnership with WCVA – notifying groups of the opportunity, the application process and with an opportunity to address the sector's questions – the UK Government responded quickly and positively to this request. More collaborative working is needed in this way.
9. We anticipate this improved engagement will continue, following the recent establishment of the joint MHCLG and BEIS Wales team. So far, this team has proved accessible and receptive to engaging with the voluntary sector. Although we are mindful of the size of this team and the limitations this may present.

What further support, if any, is needed from Welsh and UK Governments?

1. This regular engagement we have had with the Welsh Government throughout the Brexit process will be essential to supporting the voluntary sector to navigate the administrative, legal and constitutional changes resulting from Brexit as they begin to take shape. This is particularly the case given that there are many new governance structures tied to the TCA that will benefit from devolved input from the Welsh Government and the voluntary sector. We believe that a high level of coordination of discussions around the ongoing impacts of the UK / EU relationship between the sector and the Welsh Government will facilitate this input at the UK level.

¹¹ See Wales Arts International's website for further information: <https://wai.org.uk/news-jobs-opportunities/arts-infopoint-uk>

2. With the replacement funds operating UK wide using the financial assistance powers in the UK Internal Market Act, we're aware that the Welsh Government's role in the shaping of these funds, to the advantage of the sector in Wales, is limited.
3. All ESIF delivery will end in 2023, with no comparable funding stream to replace it. It will leave sizeable holes in the Welsh Government's budgets and inevitably cause the voluntary sector to lose capacity and expertise. The Welsh Government will need to make difficult decisions about future services and the voluntary sector must be engaged in these discussions, as the sector closest to Wales' most disadvantaged individuals and communities. The Welsh Government and the voluntary sector must work in partnership to ensure those services funded by the ESIFs do not just stop in 2023, leaving those already vulnerable without a lifeline.
4. Ministerial departments within the UK Government are encouraging stakeholders to suggest recommendations to improve future funding rounds of the Community Ownership and Levelling Up Funds and the intended Shared Prosperity Fund. WCVA has submitted formal and informal feedback, following extensive consultation with the voluntary sector in Wales. The recommendations suggested must be listened to and actioned. These are suggestions informed by many years of delivering European, UK and Welsh Government and multiple other funding provider's projects and services. The principles outlined will enable the sector to access the funding streams and deliver effective outcomes for the betterment of our communities. The levelling up agenda's ambition cannot be achieved without full participation from the voluntary sector.

Agenda Item 9

LEGISLATIVE CONSENT MEMORANDUM

ARMED FORCES BILL

1. This legislative consent memorandum is laid under Standing Order (“SO”) 29.2. SO29 prescribes that a legislative consent memorandum must be laid, and a legislative consent motion may be tabled, before Senedd Cymru if a UK Parliamentary Bill makes provision in relation to Wales for any purpose within, or which modifies the legislative competence of the Senedd.
2. The Armed Forces Bill (“the Bill”) was introduced in the House of Commons on 26 January 2021 and reintroduced on 12 May following Select Committee consideration. The Bill can be found at: [Armed Forces Bill 2019-21 — UK Parliament](#)

Policy Objectives

3. The UK Government’s stated policy objectives are:
 - To renew the Armed Forces Act 2006 (“AFA 2006”) and, in so doing, continue in force the primary legislation governing the Armed Forces;
 - To maintain the effectiveness of the service justice system so that it continues to meet the needs of the Armed Forces; and
 - To further incorporate the Armed Forces Covenant into law.

Summary of the Bill

4. The Bill is sponsored by the Ministry of Defence (MOD).
5. The Bill makes provisions in relation to the following matters:
 - Continuation of the AFA 2006;
 - Service courts, summary hearings and jurisdiction;
 - Service in the Armed Forces;
 - Service police: complaints, misconduct etc;
 - Sentencing and rehabilitation; and
 - Posthumous pardons

Provisions in the Bill for which consent is required

6. The Senedd's consent is required for the provisions relating to the Armed Forces Covenant (Clause 8 in the Bill as introduced).
7. Clause 8 of the Bill is entitled 'Armed Forces Covenant'. This clause inserts new sections 343AA to 343AF to Part 16A of the Armed Forces Act 2006, which place a duty on specified bodies and persons exercising relevant housing, education and healthcare functions in England, Wales, Scotland and Northern Ireland to have due regard to the Armed Forces Covenant.
8. The sections inserted by Clause 8 of the Bill, insofar as they apply to Wales, are as follows:
 - a. **Section 343AB(1)** imposes a duty on specified persons and bodies in Wales which exercise a relevant function to have 'due regard' to the principles of the Armed Forces Covenant, namely:
 - the unique obligations and sacrifices made by the Armed Forces;
 - to the principle that it is desirable to remove disadvantages from Service in, or former Service in the Armed Forces and
 - to the principle that special provision may be justified for the effect that Service in the forces may have had on individuals.
 - b. **Section 343AB(2)** defines a "relevant function" as a relevant housing, education and healthcare function. These are devolved policy areas and provisions relating to them are therefore within the legislative competence of the Senedd.
 - c. **Section 343AB(3)** sets out the public bodies in Wales to which the due regard duty will apply. These are:
 - Local authorities
 - Governing bodies of maintained schools
 - Local Health Boards
 - Special Health Authorities
 - NHS Trusts
 - d. **Sections 343AB(4) to (6)** sets out the meaning of relevant housing, education and healthcare functions with reference to relevant legislation.
 - e. **Section 343AE** describes how guidance supporting the legislation will work. The Secretary of State may issue guidance in relation to the due regard duty and the relevant public bodies must have regard to that guidance. The Secretary of State must consult with Welsh Ministers prior to issuing guidance so far as the guidance relates to devolved Welsh functions (i.e. executive functions and those within the Senedd's legislative competence). However, if the Secretary of State considers the revisions to the guidance are insubstantial, the Secretary of State has the power to publish revised guidance without consulting the Welsh Ministers in the first instance.

- f. **Section 343AF** provides the Secretary of State with a regulation-making power to extend the due regard duty to additional persons and bodies in Wales, or to specify additional relevant functions that are to be caught by the duty. However before doing so, the Secretary of State must consult the Welsh Ministers, insofar that the regulations contain provisions that are within ‘Welsh devolved competence’. This is defined as being a provision which would fall within the Senedd’s legislative competence or one which could be made in subordinate legislation by the Welsh Ministers acting alone. The regulations will be subject to the affirmative procedure.
9. Consent is required for these provisions because their purpose is about how Welsh public services carry out their functions. They impose functions on a number of Devolved Welsh Authorities and they have regard to, and impact upon devolved matters (i.e. the functions of public bodies exercising devolved functions in the devolved areas of housing, education and healthcare). Further, the Secretary of State’s regulation making power in Section 343AF could result in the due regard duty being conferred in more devolved areas, or on other Devolved Welsh Authorities. Accordingly this power has potential to impact on more devolved areas.
10. In the Bill as introduced on 26 January 2021, the UK Government indicated in the published Explanatory Notes to the Bill that they considered Clause 8 to fall within the Senedd’s legislative competence, and therefore would be seeking a legislative consent motion in respect of this Clause. However, the position of the UK Government has now changed and they no longer consider that any of the clauses in the Bill are within the legislative competence of the Senedd. The Explanatory notes as re-introduced on 12 May have been amended and now confirm the change in the UK Government’s assessment:

In the view of the Government, none of the matters to which the Bill relates are within the legislative competence of the Scottish Parliament, Senedd Cymru or the Northern Ireland Assembly.

Reasons for making these provisions for Wales in the Armed Forces Bill

11. The provisions inserted by Clause 8 of the Bill will help improve overall delivery of public services in relation to the Armed Forces Community in Wales. The Covenant, in its current form, has been in operation for nearly ten years, and while good procedures and initiatives have been put in place by service providers, there is legitimate concern that some members of the Armed Forces Community still face disadvantage when accessing public services. This is often caused by a lack of awareness of the Covenant and the unique nature of service in the Armed Forces.
12. The provisions should increase awareness among service deliverers and policy makers of the unique obligations and circumstances facing the

Armed Forces Community, and to build understanding of how these can affect their requirements of, and ability to access key public services.

13. By embedding this understanding in public sector decision-making via a new statutory duty to have due regard to the Covenant, this legislation will help improve overall delivery of public services in relation to the Armed Forces Community in Wales.
14. The provisions inserted by Clause 8 of the Bill will impact upon the delivery of public services within the devolved areas of housing, education and healthcare in Wales.
15. Therefore it is reasonable to utilise the UK Bill to make these provisions, ensuring a level of consistency across the UK with regard to implementation of the Covenant, whilst still allowing devolved services and provision to implement additional policy to support the Armed Forces community.

Financial implications

16. There are no financial implications for Wales in relation to the UK Government's Armed Forces Bill.

Conclusion

17. I recommend that Senedd Cymru consents to Clause 8 being included in the UK Government's Armed Forces Bill. It is my view that it is appropriate to deal with these provisions in this UK Bill as:
 - It will improve overall delivery of public services in relation to the Armed Forces Community in Wales and across the UK.
 - It will allow provisions to come into force at the same time across the UK.
 - A UK-wide Bill is the most effective and proportionate legislative vehicle for raising awareness among service deliverers and policy makers of the unique obligations and circumstances facing the Armed Forces Community.
 - It will build understanding of how the circumstances facing the Armed Forces community can affect their requirements of, and ability to access, key public services.
 - The provisions cover both devolved and non-devolved matters.

Hannah Blythyn MS
Deputy Minister for Social Partnership
May 2021

SUPPLEMENTARY LEGISLATIVE CONSENT MEMORANDUM (MEMORANDUM NO 2)

ARMED FORCES BILL

1. This supplementary legislative consent memorandum is laid under Standing Order (“SO”) 29.2. SO29 prescribes that a legislative consent memorandum must be laid, and a legislative consent motion may be tabled, before Senedd Cymru if a UK Parliamentary Bill makes provision in relation to Wales for any purpose within, or which modifies the legislative competence of the Senedd.
2. The Armed Forces Bill (“the Bill”) was introduced in the House of Commons on 26 January 2021. The Bill was made subject to a carry-over motion on 8 February and reintroduced on 12 May. On 16 June the UK Government tabled thirty one amendments in total and two of these make provision which fall within the legislative competence of the Senedd (Section 13 below). Commons Committee stage took place on 23 June 2021 and. The Bill can be found at:
[Armed Forces Bill - Parliamentary Bills - UK Parliament](#)

Policy Objectives

3. The UK Government’s stated policy objectives are:
 - To renew the Armed Forces Act 2006 (“AFA 2006”) and, in so doing, continue in force the primary legislation governing the Armed Forces;
 - To maintain the effectiveness of the service justice system so that it continues to meet the needs of the Armed Forces; and
 - To further incorporate the Armed Forces Covenant into law.

Summary of the Bill

4. The Bill is sponsored by the Ministry of Defence (MOD).
5. The Bill makes provisions in relation to the following matters:
 - Continuation of the AFA 2006;
 - Service courts, summary hearings and jurisdiction;
 - Service in the Armed Forces;
 - Service police: complaints, misconduct etc;
 - Sentencing and rehabilitation; and
 - Posthumous pardons

Update on position since the publication of the first Legislative Consent Memorandum

6. The Welsh Government laid a Legislative Consent Memoranda on 18 February 2021, based on the Bill as introduced into Parliament on 26 January 2021. Following the 2021 Senedd elections and the reintroduction of the Bill on 12 May following the commencement of the new Parliamentary session, a new LCM was laid by the Deputy Minister for Social Partnership on 28 May.
7. The memoranda confirmed the Welsh Government is supportive of the Bill as introduced.
8. The Welsh Government sought amendments to the Bill in order to ensure that the health bodies that will be subject to the due regard duty in Wales reflect the policy intention. We therefore welcome the inclusion of Amendments 1 and 2 which address these issues and ensure a consistent policy approach.
9. The previous drafting would apply the due regard duty to those special health authorities (“SHAs”) that have been established under section 22 of the NHS (Wales) Act 2006. This would include the NHS Business Services Authority and NHS Blood and Transplant which were established in relation to Wales under that section, but which are England and Wales bodies, having been established jointly with the Secretary of State in the exercise of his equivalent powers.
10. Our policy position is that only SHAs established by the Welsh Ministers and exercising only functions in Wales (i.e. Health Education and Improvement Wales and Digital Health and Care Wales) should be captured by the duty. It is not intended that any jointly established SHAs - including the NHS BSA and NHS Blood and Transplant should be within scope of the duty.
11. We understand that the policy intention in England is not to include any SHAs within scope of the duty, including those jointly established with the Welsh Ministers. The provisions of the Bill relating to the duty as it will apply in England reflect this.
12. In order to ensure that those jointly established SHAs are not brought within scope of the duty in relation to Wales, the technical amendments outlined below have been agreed with the UK Government. The effect of the amendments is that SHAs established under section 22 of the NHS (Wales) Act 2006 remain subject to the due regard duty in Wales, other than “cross-border” SHAs – i.e. those which have been established by the Welsh Ministers under that provision jointly with the Secretary of State in the exercise of equivalent statutory powers.

Changes to the Bill since the publication of the first Legislative Consent Memorandum for which consent is required.

13. The following amendments which make provision in relation to Wales and are within the legislative competence of the Senedd, have been made to the Bill during Commons Committee stage:

- **“Amendment 1** - Clause 8, page 11, line 23, at end insert *“other than a cross-border Special Health Authority”*

This amendment and amendment 2 exclude cross-border Special Health Authorities from the scope of section 343AB of the Armed Forces Act 2006.

- **Amendment 2** - Clause 8, page 12, line 10, at end insert—

““cross-border Special Health Authority” means a Special Health Authority which is established under the National Health Service Act 2006 and the National Health Service (Wales) Act 2006 by virtue of—

*(a) paragraph 1(2) of Schedule 2 to the National Health Service (Consequential Provisions) Act 2006, or
(b) the power under section 28 of the National Health Service Act 2006 and the power under section 22 of the National Health Service (Wales) Act 2006 being exercised together;”*

This amendment and amendment 1 exclude cross-border Special Health Authorities from the scope of section 343AB of the Armed Forces Act 2006.”

These amendments were agreed and now form part of the Bill.

Welsh Government position on the Bill as amended

14. The Welsh Government acknowledges all of the amendments laid at the Commons Committee stage.

15. I requested amendments 1 and 2 in order to ensure that the health bodies that will be subject to the due regard duty in Wales reflect the policy intention as outlined above.

16. Additionally, I wrote to the Minister for Defence People and Veterans requesting an amendment that would require the **consent** of Welsh Ministers to be obtained by the Secretary of State for Defence prior to any changes to the scope of the bodies or functions subject to the due regard duty. The UK Government have rejected that request on the basis that there is an existing commitment to **consult** on any changes to broaden the scope of the due regard duty to include other bodies and functions in the future. The UK Government also state that any such changes ‘*would only*

happen where this is benefit in doing so after consultation with key stakeholders, such as the Welsh Government, and after due Parliamentary process had been conducted’.

17. The remaining amendments relate to areas outside of the devolved competence of the Senedd such as the operation of the Defence Council, Service Complaints Ombudsman and provisions in relation to the other devolved nations. An opposition amendment to widen the scope of the due regard duty to Government departments was defeated.

Statutory guidance

18. The UK Government are now consulting with the Armed Forces sector in Wales on the content of the statutory guidance that will accompany the Bill. Welsh Government officials are participating in this process.

Follow up from fifth Senedd Committees reports on the Legislative Consent Memorandum on the Bill

19. Further to the scrutiny of the Legislative Consent Memorandum laid on 8 February by the former Legislation, Justice and Constitution Committee and its recommendation that I should pursue amendments to the effect that the Secretary of State is required to obtain the consent of the Welsh Ministers before issuing or revising guidance or broadening the scope of the due regard duty, I wrote to the Minister for Defence People and Veterans on the issue. As stated above, this request has been rejected.

Financial implications

20. There are no financial implications for Wales in relation to the UK Government’s Armed Forces Bill.

Conclusion

21. We remain committed to the UK-wide approach of the Armed Forces Bill to improve overall delivery of public services in relation to the Armed Forces Community in Wales and across the UK.
22. I remain of the view that the Bill will allow provisions to come into force at the same time across the UK and that a UK-wide Bill is the most effective and proportionate legislative vehicle for raising awareness among service deliverers and policy makers of the unique obligations and circumstances facing the Armed Forces Community.
23. I support these UK Government amendments to the Bill.

Hannah Blythyn MS
Deputy Minister for Social Partnership
30 June 2021

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By virtue of paragraph(s) vi of Standing Order 17.42

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