

Agenda – Equality and Social Justice Committee

Meeting Venue:

Committee Room 5

Meeting date: 27 February 2023

Meeting time: 11.00

For further information contact:

Rhys Morgan

Committee Clerk

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Pre-meeting registration (11:00–11:30)

1 Introductions, apologies and substitutions

(11:30)

2 Debt and the cost of living crisis: evidence session four

(11:30–12:00)

(Pages 1 – 33)

Susan Lloyd-Selby – Network Lead Wales, Trussell Trust

Lunch (12:00–12:45)

3 Debt and the cost of living: Ministerial evidence session with the Minister for Social Justice

(12.45 – 13.45)

(Pages 34 – 42)

Jane Hutt, Minister for Social Justice

Paul Neave, Head of Social Welfare, Advice and Department for Work & Pensions Policy

4 Papers to note

(13:45)



**Senedd Cymru
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- 4.1 Correspondence from the Chair of the Legislation, Justice and Constitution Committee regarding agreement between the UK and Italy on the mutual recognition of driving licences for the purposes of exchange**
(Pages 43 – 44)
- 4.2 Correspondence between the First Minister, Trefnydd and the Finance Committee regarding the scrutiny of the financial implications of Bills**
(Pages 45 – 49)
- 5 Motion under SO17.42 (vi) and (ix) to exclude the public for the remainder of the meeting and for the duration of the Committee's meeting on 6 March**
(13:45)
- 6 Debt and the cost of living: consideration of evidence**
(13:45–14:00)
- 7 International responses to cost of living pressures**
(14:00–14:15) (Pages 50 – 68)
- 8 Women's experiences in the criminal justice system: consideration of draft report**
(14:15 – 14:45) (Pages 69 – 117)
- 9 Experiences of young people with speech, language and communication needs in the criminal justice system: consideration of key issues**
(14:45–15:15) (Pages 118 – 137)
- 10 Preventing gender-based violence: Engagement approach paper**
(15:15–15:30) (Pages 138 – 141)

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Senedd Equality and Social Justice Committee inquiry into debt and the impact of the rising cost of living

Written evidence from the Trussell Trust January 2023

Introduction

The Trussell Trust supports a network of over 1,400 food bank centres across the UK and together we provide emergency support and advice to people facing acute financial hardship. While we are exceptionally proud of the work of our food bank network, our vision is to end the need for food banks in the UK.

During April to September 2022, food banks in the Trussell Trust network distributed parcels from 146 locations across Wales.

Our submission will focus on the following points from the inquiry's terms of reference:

- How different groups are experiencing cost of living pressures, and how this is impacting debt issues.
- How effective Welsh and UK government support has been in supporting those most in need with cost of living pressures, and in preventing and managing debt.
- The priorities that need to be reflected in the Welsh Government's Draft Budget 2023-24 relating to the rising cost of living, including preventing and relieving debt.

For further information, please contact public.affairs@trusselltrust.org.

Research from the Trussell Trust shows the impact of rising energy prices and food bills on households with low incomes in Wales

The cost of living crisis is forcing people to make impossible decisions because they simply don't have enough money to cover the essentials.

Research by the Bevan Foundation has found that low income households, renters, disabled people, 25-49 year olds, lone parents and BAME households are all at a heightened risk of being in problem debt. The research found household income to be one of the factors that has the greatest impact on the risk of being in problem debt. Households with an income of less than £40,000 were significantly more likely to be in arrears in May 2021 than higher income households.¹

Our own research suggests debt continues to be a significant risk for low income households during the cost of living crisis. In August 2022, we commissioned YouGov to survey a representative sample of more than 1,800 people in receipt of Universal Credit. We received responses from 108 people in receipt of Universal Credit living in Wales.²

¹ The Bevan Foundation (2021) Debt in the pandemic. Available at: <https://www.bevanfoundation.org/wp-content/uploads/2021/09/Debt-in-the-pandemic.pdf>

² The research is based on an online survey by YouGov of 1,846 adults (18+) currently claiming Universal Credit. Fieldwork was undertaken 10 – 31 August 2022. The figures have been weighted and are representative of all UK adults claiming Universal Credit. Other detailed information on question wording and results available from the Trussell Trust on request.

Table 1.1 Experience of keeping up with bills and credit commitments for people in receipt of Universal Credit in August 2022

	UK	Wales
	<i>Base:</i> 1846	<i>Base:</i> 108
I am keeping up with all bills and credit commitments without any difficulty	13%	13%
I am keeping up with all bills and credit commitments, but it is a struggle from time to time	30%	30%
I am keeping up with all bills and credit commitments, but it is a constant struggle	34%	40%
I am having real financial problems and have fallen behind with many bills or credit commitments	19%	14%
I don't have any bills or credit commitments	2%	-
Don't know	1%	2%
Prefer not to say	1%	1%
Real financial problems or constant struggle	53%	54%

One fifth (19%) of people in receipt of Universal Credit across the UK said they faced real financial problems and had fallen behind with bills and credit commitments. A further 34% said keeping up with bills and credit commitments was a constant struggle. In Wales, 14% said they faced real financial problems and had fallen behind with bills and credit commitments, 40% said keeping up with bills and credit commitments was a constant struggle.

Table 1.2 Percentage of people receiving Universal Credit behind on household bills in August 2022

	UK	Wales
<i>Base: All UK Adults</i>	<i>Base:</i> 1846	<i>Base: 108</i>
Council tax	12%	16%
Council tax, including water and sewage	2%	0%
Your Domestic Rates	0%	0%
Gas or electricity	19%	20%
Water and sewage	12%	15%
Telephone/mobile phone/broadband	6%	3%
TV licence	6%	6%
Rent or mortgage costs	12%	12%
School Meal Payments	-	0%
Other arrears	10%	5%
Not applicable - I am/ we are up-to-date with all payments	55%	48%
Don't know	4%	5%
Prefer not to say	3%	5%

Across the UK, 34% of people in receipt of Universal Credit said they had fallen into debt because they couldn't keep up with essential bills (e.g. rent or utilities) during the previous three months. 19% said they were currently behind on their energy bills, 12% said they were behind on paying their Council Tax, 12% on their water bills and 12% on their rent or mortgage.

The survey suggests levels of indebtedness are similarly high among people in receipt of Universal Credit in Wales. 37% said they had fallen into debt because they couldn't keep up with essential bills (e.g. rent or utilities) during the previous three months. 20% said they were currently behind on their energy bills, 16% said they were behind on paying their Council Tax, 15% on their water bills and 12% on their rent or mortgage.

The research shows the urgent situation facing millions of people relying on Universal Credit, with a high proportion already unable to cover essential living costs even before the winter months arrived. When surveyed in August last year, people in receipt of Universal Credit were asked about their experiences during the previous three months.

- 40% said they had needed to skip meals to keep up with other essential living costs. In Wales, 38% said this was the case.
- 23% said they had been unable to travel to work or essential appointments (e.g. GP, school run, dentists or hospital appointments) because they couldn't afford to use public transport or the fuel costs to get there (21% in Wales).
- 21% had been unable to cook hot food because they couldn't afford to use the oven or other utilities. (17% in Wales).
- 28% had been unable to afford to heat their home when they needed to (26% in Wales).
- 36% had been unable to pay for essential dental treatment for themselves or a member of their household when it was needed because they couldn't afford to do so (32% in Wales).

Food bank need has accelerated during the cost of living crisis.

Food banks in the Trussell Trust network in Wales distributed 77,000 emergency food parcels between 1 April to 30 September 2022, including 28,000 parcels for children. This represents a 38% increase in the total number of parcels distributed compared to the same period in 2021/22 and a 96% increase since 2017/18. The level of need seen during this period is also 7% higher than the level of need seen in the first six months of the COVID-19 pandemic in 2020/21, making this the busiest April-September period on record in Wales.³

During April-September 2022, over 10,000 families turned to food banks in the Trussell Trust network for the first time.⁴ This represents a 40% increase in the number of families using food banks in the network for the first time compared to the same period in 2021. These families include at least 23,000 individuals.

In 2022/23, food banks across Wales have had to purchase more than three times (a 228% increase) more food than they did in the equivalent period last year. Purchased food now makes up 9% of all food coming in for Welsh food banks in 2022/23 compared to 4% last year. Every day we hear food banks telling us that this is not sustainable.

³ It is important to recognise that data from food banks in the Trussell Trust network is just one part of the picture of need in Wales. There is a wide range of alternative emergency food provision that will be supporting people that is not captured in our parcel data. There are also many people who are severely food insecure who do not receive support from food banks.

⁴ At the Trussell Trust we define any household as a family. This means that when we talk about households here they could be individuals living alone, single parents, or multi-generational households.

Overall, the network in Wales entered the winter period with the highest levels of need that we have ever seen. Food banks in our network are braced for further significant increases in need as families manage the increasing costs that winter brings amid a cost of living crisis.

The UK Government's first Cost of Living Payment⁵ had some positive impact on need for emergency food parcels across Wales, with July seeing a dip in need from previous months.

In July 2022, households received the UK Government's first Cost of Living payment. This correlated with a dip in need seen at food banks. In this month, food banks across Wales distributed 10,500 parcels to people facing financial hardship – significantly lower than any other month during the April-September period (although still 8% higher than the same month in 2021). Food banks in the Trussell Trust network in Wales distributed on average 13,200 parcels in the other five months of this period.

This reduction gives some indication that, through increasing the income of people in receipt of working age benefits, the level of need for emergency food parcels was slightly reduced, with the payment providing temporary respite for some households in the face of increasing costs and inadequate benefit levels.

Following this dip, record levels of food parcels were distributed in August and September 2022 in Wales.

Following the dip in need seen in July 2022, food banks in the Trussell Trust network in Wales recorded their busiest ever August and September months. The number of parcels distributed across Wales in August 2022 was 45% higher than the same month in 2021/22, and 61% higher than the same month in 2020/21 during the COVID-19 pandemic. September 2022 saw even greater increases across Wales, with the number of parcels distributed in this month being 51% higher than last year and 73% higher than the same month in 2020/21.

While we are still analysing our data, we have seen a slight decrease in the total number of parcels distributed by food banks across the whole of our UK network in November compared to the previous month. Whereas in previous years, we have seen a substantive increase from October to November.

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

The Cost of Living payment was spent quickly. Buying food and paying off debt were the most widely reported uses of the payment in Wales.

Our August 2022 survey of people in receipt of Universal Credit across the UK revealed that most (70%) people who had received their first Cost of Living Payment had already spent all of it when surveyed in August, less than a month after receiving it. Almost two in three (64%) who said they had spent some of the payment had used it to buy food. This was the most widely reported use of the payment, followed by buying basic toiletries such as soap, shampoo, toothbrush, toothpaste or sanitary items (38%) and paying off debts or arrears on bills (36%).

⁵ In July 2022, the UK Government provided the first Cost of Living Payment of £326 to people in receipt of means tested benefits owing to low income. A second payment of £324 followed in November 2022.

Half (50%) of people who had received the payment said they were not very, or not at all, likely to be able to manage their household budget over the next three months without having to look for additional help (e.g. using credit/ borrowing from friends or family/ borrowing money from other sources).

In Wales, 77%⁶ said they had already spent all of their July Cost of Living Payment when surveyed in August. Two thirds (66%⁷) said they had used the payment to buy food. This was the most widely reported use of the payment, followed by paying off debts or arrears on bills (44%) and buying basic toiletries such as soap, shampoo, toothbrush, toothpaste or sanitary items (38%).

Almost half (48%⁸) of people who had received the payment said they were not very, or not at all, likely to be able to manage their household budget over the next three months without having to look for additional help.

Previous research by the Trussell Trust has shown that insufficient income to afford the essentials (and insufficient income from social security in particular) is the most significant factor driving the need for food banks.⁹ We also know larger families, disabled people and single parent families are particularly at risk of needing support from food banks. Therefore, these groups are also likely to be particularly impacted by cost of living pressures. Our 'State of Hunger' study found:

- 95% of people referred to food banks in the Trussell Trust's UK network in early 2020 were destitute, meaning they were unable to afford to eat or stay warm.
- 62% of working age people referred to food banks in our UK network in early 2020 were disabled - three times the rate in the general working age population.
- 18% of households referred to food banks in our UK network were single parents - twice the rate in the general working age population.¹⁰

Food banks are also reporting more working people needing to turn to food banks for support.

Food banks across the UK network have reported changing opening hours to ensure people who are working can access support outside of working hours. Our research shows that one in five people referred to food banks in the Trussell Trust's UK wide network in mid-2022 were in working (20%) households.¹¹ These figures from our ongoing research project 'Hunger in the UK', conducted by Ipsos, highlight that work does not always protect people from having to use food banks. We know as well that many people who are in receipt of social security will also be working or will have recently been in work.

Nearly half of people at food banks are facing hardship due to government deductions from benefit payments.

Research by the Trussell Trust has found that government deductions from people's benefit payments for the repayment of debts are causing serious hardship. Not only do debt deductions

⁶ The sample size for this question was 98.

⁷ The sample size for this question was 84.

⁸ The sample size for this question was 98.

⁹ The Trussell Trust (2021) State of Hunger. Available at: <https://www.trusselltrust.org/state-of-hunger/>

¹⁰ Ibid

¹¹ Ipsos surveyed 2,364 UK adults aged 18+ who had been referred to food banks within the Trussell Trust network between 01 April and 15 July 2022. Food banks were sampled across the UK, with questionnaires randomly distributed within food parcels. In total, 99 food banks participated in the study. Data are weighted to match the profile of UK adults referred to Trussell Trust food banks.

A working household is defined if the survey respondent describe state any of the following: that their main activity as being in work; they say they have any paid work; they say someone in their household is working.

from benefit payments make it more difficult to afford the essentials, they are also highly likely to increase debt and borrowing.

The UK Government Department for Work and Pensions makes deductions from regular benefit payments for the repayment of various debts which are owed by a claimant. Deductions can also be applied to people's wages via a Direct Earnings Attachment (DEA), however 'DEA only applies to a small proportion of people owing money to DWP'. The claimant can be in debt to Government itself or certain third parties.

New research conducted by Ipsos to be released in full by the Trussell Trust later this year has found that, in mid-2022, 47% of people referred to food banks in our UK network regularly had their benefit income reduced by debt deductions. This figure rises to more than 57% of people who have used food banks who claim Universal Credit.¹²

Among people referred to our UK network of food banks who were facing deductions from their benefits, or their partner's benefits, 55% were repaying an advance payment to cover a specific expense such as a broken washing machine (a budgeting advance), because benefit levels were already too low to get by.

The second most common reason for a deduction, affecting almost a third (31%) of people in the UK referred to food banks and facing deductions, was having to repay an advance payment needed to cover the five-week wait for Universal Credit.

Our August 2022 YouGov survey of people in receipt of Universal Credit shows the broader experiences of people in the UK facing deductions from their benefit payments. The majority (56%) of people claiming Universal Credit who said that their or their partner's benefits were being deducted had more than one day when they didn't eat at all, or had only one meal because they couldn't afford to buy enough food. This is significantly higher than the equivalent figure for people not facing deductions (32%) and for all people claiming Universal Credit (38%).

Of people surveyed across the UK in August 2022 claiming Universal Credit and currently experiencing deductions from their benefits:

- 58% had fallen into debt because they couldn't keep up with essential bills in the previous three months vs. 34% of all people claiming Universal Credit.
- 30% had been unable to cook hot food in the previous three months because they couldn't afford to use the oven or other utilities vs. 21% of all people claiming Universal Credit.
- 28% had been unable to afford medical prescriptions, pain relief or other over the counter medication in the previous three months vs. 18% of all people claiming Universal Credit.

Research by the Joseph Rowntree Foundation in 2022 also found 'some 85% of families with deductions from their benefits are in arrears with household bills, compared to 40% of all low-income families'.¹³ There is clear evidence that debt deductions from benefit payments are driving people into severe hardship, creating new, or enlarging existing, debt spirals.

¹² Ibid

¹³ Katie Schmuecker and Rachelle Earwaker. *Not heating, eating or meeting bills: managing a cost of living crisis on a low income*. Joseph Rowntree Foundation. 2022. Available at: <https://www.jrf.org.uk/report/not-heating-eating-or-meeting-bills-managing-cost-living-crisis-low-income>

Food banks are not the answer. Only a strong social security system can protect people from going without the essentials.

The UK Government has taken welcome action to support people on the lowest incomes as the cost of living crisis continues to bite, including cash support through the Cost of Living Payments and the decision to uprate benefits and raise the benefit cap in line with inflation from April 2023.

Despite the support provided, many families are already in financial crisis and going without the essentials. Food banks are at breaking point. With November's Cost of Living Payment already distributed, families cannot wait until spring for further support.

If we are to prevent even more people facing acute financial hardship, the UK Government should:

- Take further action to close the gap between price rises and incomes this winter.
- Ensure people in receipt of Universal Credit are able to repay debts in a more affordable manner by lowering the cap on deductions from benefit payments.
- Make a permanent commitment that benefit rates will always be enough to afford the essentials.

The Welsh Government can also do more to support people facing financial hardship.

Over £400m is spent in Wales on a range of means tested schemes that are largely devolved, complementing the support offered by the UK system.

We welcome the steps taken by the Welsh Government to support people on low incomes during the cost of living crisis, including the fuel support scheme, the continued provision of support in lieu of free school meals for eligible families during the school holidays (including cash payments), the national benefit take up campaign and the adaptations to the Discretionary Assistance Fund (DAF) to help ensure more people receive emergency financial support when they need it.

The Welsh Government should ensure that the short-term measures put in place to help protect households from the worst impacts of the rising cost of living are established on a longer-term basis. This includes the establishment of a new Welsh Emergency Fund with clear access criteria, replacing the existing Discretionary Assistance Fund.

We are also calling on the Welsh Government to:

- Publish a national plan to reduce and prevent the need for emergency food aid.
- Reform Welsh benefits to create a single point of access and alignment of access criteria for UK and Welsh Benefits.
- Ensure solutions are developed with people with lived experience.
- Continue efforts to ensure national and local services work better together.

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

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Agenda Item 3

Equality and Social Justice Committee: Follow-up work on debt and the impact of the rising cost of living

Introduction

The current cost of living crisis should not be seen in isolation. For many people living with debt, this current crisis is the culmination of years of disadvantage brought about by 10 years of austerity measures which depleted the provision of support services for vulnerable people; the UK Government's programme of welfare reforms which, the Equality and Human Rights Commission reported¹, had the most detrimental impact on those with protected characteristics; the financial impacts of the pandemic which saw the jobs of those with protected characteristics and young people far more likely to be affected²; the financial impact of our exit from the European Union and now the cost of living crisis.

For low income households, their ability to weather the financial storm is hampered on a number of fronts:

- A key driver of inflation is the increased cost of energy, which lower income households spend more of their household budgets on compared to higher income households³.
- The capacity of low income households to trade down when buying their groceries is limited as, often, they are already buying value products. This has meant that inflation has had a significantly greater impact than for others who can make the change to cheaper brands.
- Low income households also spend a greater proportion of their income on essential goods such as food⁴, meaning their ability to cut back is significantly limited. In addition, food is currently one of the main drivers of inflation, rising prices are hitting the poorest households the hardest.

It is rare that debt is the only problem a person will have. It makes no sense to tackle a person's debt, if they also have a welfare benefit problem, or a housing problem that is left unresolved. This is why debt advice is delivered through the integrated Single Advice Fund, where a person will get advice to resolve their debt problems, together with support and help to resolve other social welfare problems. This ensures any underlying causes of debts are tackled, enabling people to take more control of their finances. In 2023 –24, £11m grant funding will be made available to Single Advice Fund services. This will fund the provision of a framework of generalist and specialist advice services that are accessible to the most vulnerable members of our society.

The importance of our holistic income maximisation services for people struggling with their financial commitments cannot be overstated. However, as the demand for access to these services continues to increase (in part the result of successful Welsh Government publicity campaigns, such as Here to Help/Claim What's Yours) some of the demand will have to be met by people being channelled to online self-help resources. Guiding the people to online resources where they can self-serve their own problems will need careful

¹ [The effect of tax and welfare reforms | Equality and Human Rights Commission \(equalityhumanrights.com\)](https://equalityhumanrights.com/)

² <https://phw.nhs.wales/publications/publications1/covid-19-and-employment-changes-in-wales-what-we-know-about-current-and-future-impacts/>

³ IFS – [The long squeeze: rising inflation and the current government support package](#)

⁴ ONS – [Family Spending in the UK: April 2020 to March 2021](#) Dataset can be access [here](#).

management and we need to be confident that people are accessing quality assured resources.

The Office of National Statistics (ONS) reports⁵ that median disposable income for the poorest fifth of the population decreased by 3.8% to £14,500 in financial year ending (FYE) 2022. This compares with an increase in median disposable income of 1.6% to £66,000 for the richest fifth of people. Median household disposable income in the UK was £32,300 in the FYE 2022, a decrease of 0.6%.

The Joseph Rowntree Foundation has reported⁶ that pensioners and benefits claimants have seen the value of payments fall in real terms in eight out of the last 10 years.

A report⁷ by the Lloyds Bank Foundation has found that the UK Government policy of making deductions from people's Universal Credit payments to claw back overpayments or advances is "driving impoverishment and further debt, particularly hitting the most vulnerable."

UC payments can be cut by up to 25% under the policy, with the most frequent deduction being recovery of advances. These are given to cover expenses during the five weeks claimants must wait before the first Universal Credit payment is made. 44% of those receiving Universal Credit have money automatically deducted.

We continue to call on the UK Government to put a stop to this arbitrary five week wait for Universal Credit payments which is the root cause of severe financial hardship and distress for many people, with a number turning to our Discretionary Assistance Fund for urgent financial assistance because of the difficulties this policy causes for them.

The [House of Commons' Work and Pensions Committee](#)⁸ has called for deductions to recover debts to be paused to give struggling households breathing space during the cost-of-living crisis.

ONS data (for Great Britain) from the Opinions and Lifestyle Survey looks specifically at the experiences of different groups of the population in having difficulty affording or being behind on their energy, rent or mortgage payments⁹. This shows in the period 22 June to 11 September 2022:

- Over half (55%) of disabled adults reported finding it difficult to afford their energy bills, and around a third (36%) found it difficult to afford their rent or mortgage payments compared with 40% and 27% of non-disabled people, respectively.
- Around 4 in 10 (44%) White adults reported finding it difficult to afford their energy bills, compared with around two-thirds (69%) for Black or Black British adults and around 6 in 10 (59%) Asian or Asian British adults.
- Around 6 in 10 (60%) renters reported finding it difficult to afford their energy bills, and around 4 in 10 (39%) found it difficult to afford their rent payments compared with 43% and 23% of those with a mortgage, respectively.

⁵ [Average household income, UK - Office for National Statistics \(ons.gov.uk\)](#)

⁶ [Main out-of-work benefit sees its biggest drop in value in fifty years | JRF](#)

⁷ [Deductions: Driver of Poverty | Lloyds Bank Foundation for England and Wales](#)

⁸ [The cost of living \(parliament.uk\)](#)

⁹ ONS - [Impact of increased cost of living on adults across Great Britain: June to September 2022](#)

- Around half of those with a personal income of less than £20,000 per year said they found it difficult to afford their energy bills; this proportion decreased as personal income increased, with around a quarter (23%) of those earning £50,000 or more reporting this.
- The Resolution Foundation has also highlighted concerns around severe food insecurity (where people more regularly run out of food or have gone for multiple days in the month without eating sufficiently because they cannot afford food) particularly for single parent families, families with three or more children, those receiving means-tested or disability benefits, and certain non-white ethnic groups¹⁰.

Citizens Advice has reported the number of people the organisation has helped with debt issues is on an upward trend, increasing in every month for the last 5 months.¹¹ It highlighted its concerns that, as an increasing number of people struggle with their bills, more people are getting into debt and the levels of their debt are growing. They have found that the average energy debt of disabled people or people with a long-term health condition has increased by over 25% between 2019 and 2022 compared to just under 10% for people without a disability or long-term health condition.

The evidence demonstrates it is the most vulnerable people who are facing the toughest financial struggles and the impact of problem debt upon the well-being of individuals and their families can be negative and long-lasting. Targeting advice and support to those in most need is the key aim of the Single Advice Fund, and its collaborative delivery model is proving effective. For example, in the last year, 83% of people accessing Single Advice Fund services identified themselves as coming from a population group who are being hardest hit by the cost of living crisis, including older people, disabled people, and people from Black, Asian Minority Ethnic Communities. By maintaining the grant funding for the Single Advice Fund in 2023-24, the Welsh Government can be confident that its advice and support services will reach vulnerable people who are in the greatest need.

Stakeholders have noted a worrying trend amongst people seeking debt advice. There has been a significant increase in the number of people who have a deficit budget (household income does not cover essential expenditure). For example, StepChange Debt Charity, reported in October 2022 that one in three new clients had a deficit budget¹². Citizens Advice Cymru's Cost of Living Review 2022¹³ highlights the proportion of people seeking advice with negative budgets has grown from 39% in 2019-20 to nearly 50% in 2022. Those more likely to have a negative budget include 'single people (including single parents), private renters and people with a disability or long-term health condition.' The debt solutions available to people with a deficit budget are those that involve a debt being wrote off possibly through the use of a Debt Relief Order (DRO). Whilst resolving a person's immediate debt problems, a DRO will not address underlying issues, therefore new debts may accrue, and people awarded a DRO may face struggles to access affordable credit. Deficit budgets are impacting households across the UK and sustainable solutions will need collaborative input from UK and Devolved Governments.

Debt has the effect of perpetuating the impact of economic shocks such as those brought about by the pandemic and the cost of living crisis. While others are able to recover financially, those in debt continue to struggle.

¹⁰ Resolution Foundation - [The Living Standards Outlook 2023](#)

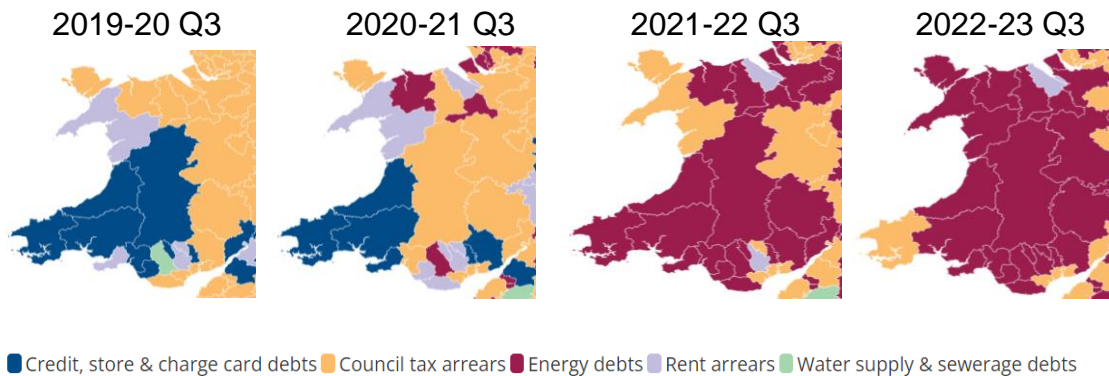
¹¹ [The cost-of-living support won't prevent a bleak Christmas for many | by Jonny Tatam-Hall | Dec, 2022 | We are Citizens Advice](#)

¹² [Making Ends Meet. Our Client Research. StepChange](#)

¹³ [2022 in review: Citizens Advice Cymru cost of living dashboard | Flourish](#)

Citizens Advice has mapped the top debt issues faced by people in each local authority area in Wales by financial quarter. Figure 1 shows that the most common form of debt has changed from being credit, store and charge card debts in 2019-20 Q3 to energy debts in 2022-23 Q3 as energy costs rise.

Figure 1 - The most common types of debt issues Citizens Advice helped people with by local authority area in Wales



Source: [Citizens Advice - Cost of living dashboard](#)

Citizens Advice Cymru report¹⁴ that while the level of demand, particularly on consumer credit debts remains below pre-pandemic levels, during 2022 they have seen sharp rises in the demand for advice on household debt, such as energy bills and rent arrears.

The 2022 Money and Pensions Service annual debt need survey¹⁵ estimates 15% of the adult population in Wales demonstrated characteristics that indicate they have a strong need for debt advice, in 2021 it was 14.5%.

The Bevan Foundation Snapshot of Poverty in Winter 2023¹⁶ results show that 13% of people in Wales had been in arrears on a bill for more than one month in January. This figure shows no significant increase in the number of people reporting that they are in debt from the Autumn 2022 report. The Bevan Foundation caution that, *‘whilst the headline figures as to the number of people in debt has remained broadly similar, the amount owed by those in debt has increased’*.

With the uncertain economic climate that lies ahead we predict the demand for access to advice services, especially debt advice and income maximisation services will continue to increase in the next financial year. Whilst the Single Advice Fund - with its wraparound support which ensures underlying causes of debts are tackled - will help to meet some of the increased demand by reducing the need for people to keep returning for advice, it cannot be expected to meet all the demand.

¹⁴ [2022 in review: Citizens Advice Cymru cost of living dashboard](#)

¹⁵ [Need for debt advice and how households are reacting to changes in the cost of living | The Money and Pensions Service \(maps.org.uk\)](#)

¹⁶ <https://www.bevanfoundation.org/wp-content/uploads/2023/02/Snapshot-of-poverty-in-winter-2023.pdf>

Welsh Government Support

This year we have provided support worth £1.6 billion, through programmes which protect disadvantaged households and initiatives which help deliver the social wage in Wales, keeping money in people's pockets. We are targeting support at where it is needed most.

Help with Energy Costs

The latest fuel poverty figures for Wales, published on 13 April 2022, show in October 2021, 196,000 households in Wales were estimated to be living in fuel poverty – equivalent to 14% of households. If we use these figures to model the impact of the April 2022 price cap, it is estimated up to **45% (614,000)** of all households could be in fuel poverty and 8% (115,000) in severe fuel poverty.

We have repeatedly raised concerns the prepayment system is currently failing the most vulnerable people in society. To date this year the Minister for Social Justice has met energy suppliers on 23 January and Ofgem officials on 30 January expressing grave concerns surrounding the large volume of court warrants issued from magistrates' court and seeking assurance Ofgem have the sufficient powers to protect households. We wrote to the Secretary of State for Business, Energy and Industrial Strategy on 27 January highlighting a clear safety and social justice risk that vulnerable households, including those with medical conditions are being forced onto prepayment meters against their will or knowledge. A further letter was sent 2 February urging the UK Government, who hold the levers, to take urgent action.

We will continue to urge the UK Government to end the abhorrent practice of forced installation of prepayment meters and strengthen the rules and obligations of suppliers to ensure they support, rather than punish their customers.

We have provided £90 million to run second Welsh Government Fuel Support Scheme in 2022-23. This scheme launched on 26 September and we extended eligibility to support more households. The new criteria for 2022-23 means that around 400,000 households are eligible. To date, local authorities have supported over 307,000 households with a £200 payment towards their fuel costs. The 2021-22 scheme saw £166,000 households benefit.

£4m funding has also supported the introduction of a Fuel Voucher and Heat Fund scheme to help households on prepayment meters and those not connected to the mains gas network who are struggling to prepay for their fuel and are at risk of self-disconnection. Up to the end of December the Fuel Bank Foundation had issued 5500 vouchers to support those who are not able to afford to top up their pre-payment meters – supporting over 14377 people.

Financial help is also available through our Discretionary Assistance Fund for off-grid households, which are unable to afford their next delivery of oil or LPG due to extreme financial hardship until the end of March 2023. This will help those households with up to £250 for a one-off oil payment or up to three payments of £70.

We have also allocated £1 million to local authorities to support their development of warm hubs.

Tackling Food Poverty

The Trussell Trust has reported that food banks in its network in Wales distributed 77,000 emergency food parcels between 1 April to 30 September 2022, including 28,000 parcels for children. This represents a 38% increase in the total number of parcels distributed across to compared to the same period in 2021/22 and a 96% increase since 2017/18. In 2022/23, its food banks across Wales had to purchase three times more food than they did in the equivalent period in 2021/22 (228% increase). Purchased food made up 9% of all food coming in for Welsh food banks in 2022/23 compared to 4% in 2021/22.

The Welsh Government has provided £15.9 million to tackling food poverty since 2019. In 2022-23, £4.9m has been allocated to tackling food poverty. This includes £2.5m to support and bolster foodbanks, community food partnerships and community hubs, supporting them to tackle food poverty, address food insecurity and provide a wider range of services to help individuals and households maximise their income. A further £2.4m has been allocated to support the development of food partnerships in each local authority are in Wales which will help tackle the root causes of food poverty.

We also continue to support parents of children eligible for free school meals to make sure they don't go hungry during the school holidays. This brings our total investment in the scheme to over £100 million.

Help with Living Costs

We provided a £150 cost-of-living payment for all households in properties in council tax bands A to D and to all households, which receive support from the Council Tax Reduction Scheme in all council tax bands. The payment supported 96% of eligible households across Wales to meet rising costs. £146.6m was paid out to 977,483 eligible households before the main scheme closed on 30 October.

A further £25m was allocated to local authorities in the form of a discretionary fund. Local authorities have until the end of March 2023 to deliver this additional funding which they are targeting to help households that are struggling.

In addition, there are a range of Welsh Government policies which help to keep money in people's pockets – we call this the social wage. These include:

- Childcare Offer – 30 hours of early education and childcare a week, for up to 48 weeks of the year.
- Free school meals (being extended to primary schools from September 2022) and free school breakfasts
- Free prescriptions
- Help with Health Costs
- Council Tax Reduction Scheme
- The PDG Access scheme

Income maximisation

We have launched a third benefits take up campaign [Here to Help](#). Our two previous campaigns saw over 8,000 people respond to campaign's call to action to contact Advicelink Cymru and were helped to claim over £2.7m of additional income.

We continue to support a programme of training for frontline workers which is delivering increased advice and support on welfare benefits for service users.

This year over £11m has been made available for Welsh Government's Single Advice Fund services. These services are a lifeline for people struggling with the cost of living, helping them to maximising their income and deal with their debts. Since January 2020, SAF services have helped 144,000 people deal with over 660,000 social welfare problems. Those helped were supported to claim additional income of £83 million and had debts totalling £23 million written off.

Many affordable lenders including Credit Unions of Wales have embedded benefits calculators into their online lending pages. It is important that we take every opportunity to help people claim what they are entitled to and will shortly embed a calculator into the Welsh Government website, so that everyone looking for financial support through the Discretionary Assistance Fund and the Here to Help campaign are nudged towards self checking and taking steps to improve their financial situations.

We are taking steps to raise awareness of credit union services particularly among vulnerable and at risk groups. Analytics reveal the success of the campaign with significant increases in new and returning users resulting in 4,414 enquiries through the Credit Union of Wales website to the Credit Unions loan application pages.

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

£1m has also been allocated to run a No Interest Loan Scheme pilot in 2022-23 which is being led by Fair for All Finance. The partnership between Purple Shoots, Robert Owen Community Bank and the online lender Plend are now delivering the No Interest Loans in Wales. This pilot is now in the test and learn phase, with further work planned to scale up the lending in the next few months. Referrals are being made into the scheme through an existing lending channel offered by Plend, meaning that people who fail affordability checks with this responsible lender may be suitable for a No Interest Loan if they can afford to repay a loan with the interest removed. This pilot will test over the next couple of years whether a no interest loan product is a sustainable product, and it will complement the work that credit unions are carrying out to support people access affordable credit.

We are keen to explore how the not for profit advice sector, credit unions and other relevant partners can work together to support the best interests of their clients when experiencing debt.

Research¹⁷ highlights that financially vulnerable people are at risk of being driven to borrow from illegal money lenders in the current financial climate. We are working with Stop Loan Sharks Wales to identify the scale of illegal lending in Wales as people navigate the cost of living crisis.

¹⁷ [Illegal Loan Sharks Cash-In On Cost-Of-Living Pressures - Stop Loan Sharks Wales : Stop Loan Sharks Wales](#)

We are supporting Stop Loan Sharks Wales to raise awareness of illegal lending in our communities and raising awareness of alternative options instead, including affordable and responsible lenders such as credit unions.

Analysis of Impact

Analysis of Welsh Government support shows it is targeted at those who need help the most. Around 75% of households are expected to be supported in some way, but nearly twice as much will go to households in the bottom half of the income distribution compared to those in the top half and three times as much to those in the bottom fifth compared to those in the top fifth¹⁸.

Research into the ongoing impact of our exit from the EU and the Cost-of-Living crisis on people with protected and associated characteristics has been identified as a key priority for the Equality Evidence Units. Some initial scoping work has been undertaken and further discussions with stakeholders have been planned for early 2023.

The cost-of-living support packages are having an impact. For example, in November 2022, local Citizens Advice Services in Wales reported a 15% decrease in people seeking advice on energy debt and a 12% decrease in people seeking food bank vouchers. (There were similar decreases when the first cost of living payment for people getting benefits such as Universal Credit were paid in June 2022). The impact was unfortunately short-lived as Citizens Advice Services reported their busiest period ever in December 2022 in regard to supporting people in Wales to access crisis support.

The Cabinet Sub-Committee on the Cost-of-Living is bringing together people with lived experiences, experts, service providers and organisations supporting people struggling with rising costs to help give strategic direction and inform our response to the crisis. This is supporting a joined-up approach across portfolios to ensure that help is reaching the people that need it most.

Welsh Government Budget 2023/24

The Draft Budget has been made in hard times for hard times. It reflects the constraints of our funding settlement but not the lack of our ambition. Difficult decisions have had to be made and the unfortunate reality was that we could not meet all the pressures identified to support cost of living interventions within the funding available.

Despite this we undertook action to maximise the impact of our available resources, balancing the short-term needs associated with the ongoing cost-of-living crisis while continuing to make longer-term change and deliver on our Programme for Government ambitions, including tackling poverty.

The Draft Budget for 2023-24 includes an additional £18.8m to continue the support for the Discretionary Assistance Fund in 2023-24. This ensures we are able to continue to provide this vital assistance, ensuring more people receive emergency financial support when they need it. It also includes additional funding to pay the Real Living Wage to social care workers plus additional support for our care leavers Basic Income pilot.

¹⁸ [Response to the cost of living crisis: distributional analysis \[HTML\] | GOV.WALES](#)

Jenny Rathbone MS
Chair, Equality and Social Justice Committee

20 February 2023

Dear Jenny

Agreement between the UK and Italy on the mutual recognition of driving licences for the purposes of exchange

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.

During our meeting on 13 February 2023 we considered the agreement between the UK and Italy on the mutual recognition of driving licences for the purposes of exchange.

The agreement provides for UK license holders who are already resident in Italy, or who become resident in future, the right to exchange their UK driving licence without the need to take further practical or theory driving tests. Under the agreement, the same treatment would apply to Italian license holders who are already resident in the UK, or who become resident in future. Mutual recognition of driving licences with Italy was previously provided for by EU law, which ceased to apply when the UK left the EU.

During our consideration we agreed to draw the agreement to your attention, to inform your Committee's monitoring of the rights of EU citizens living in Wales after the UK's exit from the EU.

Our report on the agreement was laid today.

Yours sincerely,

Huw

Huw Irranca-Davies

Huw Irranca-Davies

Chair



Peredur Owen Griffiths MS
Chair of the Finance Committee

15 February 2023

Dear Peredur,

Scrutiny of the financial implications of Bills

Further to your letter of 19 December 2022 to the First Minister regarding the scrutiny of the financial implications of Government Bills, I have considered the Finance Committee's further request.

I will give a commitment that all Welsh Ministers will endeavour to respond to the Finance Committee's Stage 1 report for Senedd Bills in advance of the General Principles debate on that Bill.

However, Finance Committee will wish to note in giving this commitment, there will be occasions where the detail the Committee is asking for will not be readily available within the timeframe.

The Government continues to follow the requirements of the Senedd's Standing Orders where the financial resolution seeks agreement to the financial implications of a Bill not as introduced, but as amended, after completing its scrutiny journey. In addition, Welsh Ministers will continue to provide the Finance and the policy scrutiny committees with details of where there have been developments or amendments that have significant changes to the financial implications of each Bill.

I have asked my officials to consider further the implications of moving the financial resolution debate to a week after the General Principles debate and the impact this will have going forward on the legislative programme.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Your letter along with this reply has been copied to all Welsh Ministers. This reply will also be issued to the Business Committee and the Chairs of Policy Committees.

Yours sincerely,

A handwritten signature in black ink, reading 'Lesley Griffiths'. The signature is written in a cursive style with a large 'L' and 'G'.

Lesley Griffiths AS/MS

**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd
Minister for Rural Affairs and North Wales, and Trefnydd**

Mark Drakeford MS
First Minister

19 December 2022

Dear First Minister

Scrutiny of the financial implications of Bills



Thank you for your letter of 7 December, in response to the Finance Committee's request for the Welsh Government to revert back to the practice of providing a written response to Committee Stage 1 reports prior to the Stage 1 debate taking place.

It is disappointing that you are not able to give a commitment to this modest request. Your letter suggests that "it is during the Stage 1 debate that Ministers provide an explanation of the Government's response to the recommendations in each Committee report". However, we believe that this should not be considered common practice as it is not always possible for Ministers to provide a full and thorough response to each recommendation given the limited time available during the debate itself. As highlighted in my initial letter, it is standard practice that the Financial Resolution motion is taken immediately after the Stage 1 motion has been agreed. The Senedd therefore has very little time to consider the Government's response, before having to make a decision to commit resources.



You also state that there may be circumstances where more time is required to consider certain recommendations or where the detail needed to provide an informed response is not available in advance of the Stage 1 debate. Given that the timetables for Government Bills are proposed by the Welsh Government, with the Business Committee agreeing the deadlines for Stages 1 and 2, consideration should be given to moving away from the practice of voting on the Financial Resolution motion on the same day as the Stage 1 debate takes place. A similar decision was taken in the Fourth Assembly, reversing the default position to delaying voting on the Stage 4 motion until a week after Stage 3 proceedings had concluded, to allow Members the opportunity to consider the



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final version of a Bill prior to the Senedd being asked to approve it. We believe the same principle should apply to the Financial Resolution motion. This would allow time for Members to reflect on the Welsh Government's response to the Finance Committee's report. We consider this to be particularly important given that there is no further opportunity for the Senedd to formally consider the financial implications of Bills after the motion has been agreed.

Finally, you state that legislation "may be novel" and that there may be "situations where multiple varying factors mean precise costings are not achievable until the provision is tested and assessed". The Committee acknowledges these challenges, however, it is not acceptable for the Welsh Government to simply not attempt to calculate the potential costs of legislation. The Regulatory Impact Assessment (RIA) is a key tool to critically assess a range of methods explored in relation to the development of a legislative proposal and to provide an evidence based approach to policy making-decisions. We recognise that "precise costings" may not always be possible but it is imperative that RIAs contain the best estimate possible for costs and benefits to enable us to fully scrutinise the overall financial implications of a Bill, a point we have made as a Committee on a number of occasions.

We find it regrettable that the RIAs that have accompanied Bills introduced so far this Senedd seem to be more of a "by-product" of the decision-making process, rather than the tool driving it. The latest Bill we considered, the Agricultural (Wales) Bill, is a framework Bill where a significant proportion of costs relate to a future Sustainable Land Management scheme that will not be finalised until next year. In these situations, the Senedd may end up agreeing a Financial Resolution to a Bill based on the information contained in the RIA on introduction that subsequently could escalate significantly. This lack of clarity makes our role as a Finance Committee very challenging and significantly hampers our ability to take a decision on whether or not costs are reasonable.

Should the Welsh Government continue to provide RIAs where information is incomplete or insufficient, it will leave the Committee with little choice but to compel Ministers to reappear before the Committee once the information requested is available to ensure the financial information provided by the Welsh Government stands up to robust scrutiny.

As you are aware, a number of Senedd Committee have raised similar concerns regarding the timeliness of Welsh Government responses ahead of Stage 1 debates. This paints an unfortunate picture and calls into question the spirit in which the Welsh Government engages with the Senedd on legislative matters. I therefore ask you to reflect on the issues above and reconsider the Welsh Government's position of providing a written response to the Finance Committee's reports prior to the Stage 1 debate and to give consideration to tabling the Financial Resolution motion at least a week after Stage 1 has been



agreed. Given the current pressures on public finances it is more important than ever that the Welsh Government provides as much clarity and assurance as possible before Members are required to authorise spending arising from a Bill.

As these issues cut across Committee remits, a copy of this letter has been sent to the Chairs of all Senedd Committees.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peredur Owen Griffiths', with a stylized, flowing script.

Peredur Owen Griffiths MS
Chair of the Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Agenda Item 7

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

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Agenda Item 9

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

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Agenda Item 10

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

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