

## **Citizens Advice Cymru submission to the Equality and Social Justice Committee: Levels of indebtedness during the pandemic**

### **Summary**

Whilst Covid-19 has caused huge disruption to the work and lives of everyone in Wales, it has had a highly unequal impact on household finances. Though many have seen improvements in their financial situation during the pandemic, some groups have seen a much higher likelihood of being pulled into debt. Research from Citizens Advice and others has found that low-income households and people who experienced negative changes in their employment are most likely to have faced financial difficulties during the crisis, alongside young people, families with children, and disabled people or people with health conditions.<sup>1</sup>

We know that keeping up with living costs is a common problem for households on low incomes and those who have faced income shocks. They have a higher likelihood of falling into multiple different debts, particularly arrears on household bills like rent, Council Tax and energy costs. This can leave people with little room in their budget to make repayments or to pay enforcement costs or bankruptcy fees, making it more difficult to find a route out of debt. With little or no free income, they are also more at risk of severe hardship.

Minimising the harm for people who have been pulled into debt as a result of the pandemic should be a priority for the Welsh Government and local authorities in Wales over the coming year. The Welsh Government must act to maximise the impact that its existing programmes and services have on people in financial difficulty, whilst also recognising and addressing where its policies are exacerbating debt problems for people in Wales.

### **We recommend that the Welsh Government:**

- 1. Identify and implement ways to improve Council Tax collection practices to ensure they do not push people who accrued arrears during the pandemic further into debt.** We would also encourage the Welsh Government to outline how they will support local authorities with irrecoverable Council Tax arrears so that the burden of this debt is not placed on low income households.
- 2. Extend until the end of March 2022 the additional DAF flexibilities which allow those in crisis to access a higher number of Emergency Assistance Payments, and to apply more frequently.** We would also encourage the Welsh Government to continue to build on its success in reaching those facing hardship

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<sup>1</sup> Citizens Advice (2020) [Debt at the close of 2020](#)

during the pandemic, and explore how the removal of the additional flexibilities is likely to affect use and awareness of the DAF.

- 3. Seek to retain the current six-month notice period for evictions in Wales until the Renting Homes Act comes into force**, to provide more security for those who face eviction in the interim period and avoid creating additional confusion over tenants' rights amongst both renters and landlords. It should also monitor the impact that the end of the furlough scheme has in Wales in order to consider whether the eligibility criteria for the Tenancy Hardship Grant should be broadened to include affected households.

### **Debt advice during the pandemic**

Local Citizens Advice offices in Wales helped more than 18,000 people with debt issues last year. The most common issues we saw related to Council Tax arrears (18%), credit and store card debts (18%), fuel debts (14%) and unsecured personal loans (12%). In line with other debt advice charities, the number of people we help with debt issues dropped during the pandemic. Whilst there are likely to be a range of reasons behind this trend, we have outlined some probable factors below.

Firstly, actions taken by both the UK and Welsh governments to protect household finances during this time have played a big role in mitigating the economic impact of the pandemic. Programmes like the Job Retention Scheme, the Self-Employed Income Support Scheme, and the Self Isolation Support Schemes have minimized the potential losses in income and employment as a result of Covid. The £20 increase in the value of the Universal Credit standard allowance and the basic element of Working Tax Credit has provided additional support to those on the lowest incomes, with Citizens Advice data suggesting that it helped stave off a surge in the proportion of people we help with debt who are unable to cover their living costs.<sup>2</sup>

Whilst our offices continue to support people who have faced financial shocks despite the existence of these schemes, these have not materialised at the scale which might have been expected towards the beginning of the pandemic. Alongside the enforced reductions in spending which came about as a result of Covid restrictions, this has meant that many households have seen improvements in their financial situation, being able to pay down debts or build up their savings.<sup>3</sup>

Secondly, measures introduced by government, regulators and individual firms have protected people from the immediate impact of falling behind on bills during the crisis.

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<sup>2</sup> Citizens Advice (2020) [Life on less than zero](#)

<sup>3</sup> Resolution Foundation (2021) [Living Standards Audit 2021](#)

For a long period, people who struggled to pay their mortgage, rent, and other bills were protected from the worst impacts of debt such as eviction, bailiff enforcement, or being disconnected from essential services.<sup>4</sup> Those in serious arrears were protected from enforcement activity through either a formal pause on proceedings or court restrictions. As a result, people have been less likely to face enforcement action and threats of eviction or disconnection which are often a trigger for people to seek debt advice. The Welsh Government has also sought to expand the support available to help people maximise their income and deal with problem debt, particularly those affected by the pandemic.<sup>5</sup>

Finally, Covid-19 restrictions have affected the way in which people access debt advice. When the pandemic began, Citizens Advice rapidly transitioned its debt services so people could continue getting the help they needed. Staff and volunteers adapted swiftly to expand phone, email and webchat advice channels in order to support people during the lockdown. This shift brought lots of benefits in terms of improving access for people who prefer to use digital channels or who might find it difficult to attend an appointment at a particular location. People told us they found our debt services easier to access compared to 2019-20, and we saw an increase in young people accessing advice.<sup>6</sup> However, it is likely that some people would have been negatively affected by the change. This could be because they struggled to access advice via online or telephone channels, or they had difficulty acting on advice without in-person support. In Wales, Citizens Advice is continuing to work with partners to proactively reach out to people who are new to advice or are in most need of advice.

Currently, our data suggests that demand for debt advice remains slightly below pre-pandemic levels, though local Citizens Advice offices in Wales have helped more people with fuel debts and private sector rent arrears in the first quarter of 2021-22 than during the same period in 2019-20. Given the ongoing uncertainty around the course of the pandemic and its longer-term economic impacts, it is difficult to predict the take-up of debt advice services over the coming years. For example, it is still unclear what impact the ending of the furlough scheme may have on people's employment and incomes.

We anticipate that the planned removal of the £20 increase in the value of Universal Credit and Working Tax Credit will tip more households into financial difficulty, with Citizens Advice research suggesting that 2.3 million people across the UK could be pushed into debt as a result of the cut.<sup>7</sup> In addition, with the energy bill price cap due to

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<sup>4</sup> Citizens Advice (2020) [Near the cliff-edge: how to protect households facing debt during COVID-19](#)

<sup>5</sup> Welsh Government (2020) [Child poverty: income maximisation action plan 2020 to 2021](#)

<sup>6</sup> Citizens Advice (2021) [Debt impact report 2020/21](#)

<sup>7</sup> Citizens Advice, [2.3 million will be pushed into the red by Universal Credit cut](#), 26 August 2021

increase by around £150 a year this winter, many people on benefits - who are more likely to be on default tariffs - will be hit with rising costs at the same time as seeing their incomes cut.<sup>8</sup> However, any increased need for debt advice may take some time to appear given that people do not tend to seek help immediately as they fall into financial difficulties.

In addition, the new Breathing Space and Mental Health Crisis Debt Respite Schemes recently came into effect in England and Wales. Breathing Space gives people temporary protection from most types of debt collection while they take action to get on top of their debts. We believe the scheme is playing an important role in helping people stabilize their situation and take steps to manage their debts, particularly for those facing imminent enforcement action. At the same time, many of the people we help have priority debts, negative budgets, additional vulnerabilities, or are facing very complex situations, and it therefore may not always be possible to move on to a long-term debt solution by the end of the 60-day moratorium period.

### **The financial impact on different groups in Wales**

The pandemic has had a highly unequal impact on household finances. Whilst many have seen improvements in their financial situation during the crisis, some groups have faced a higher likelihood of being pulled into debt.

Low-income households have been much more likely to have run down savings or see their debt levels increase as a result of the pandemic.<sup>9</sup> This group are more likely to have faced additional costs as a result of the pandemic and to have seen a negative change to their employment, both of which are a key factor to increases in debt. An increase in debt problems for people on low incomes is particularly concerning, as they tend to be more likely to face some of the worst impacts of debt (e.g. eviction, bailiff enforcement, or being disconnected from essential services).

Citizens Advice research prior to the pandemic highlighted a growing problem where the people we help with debts simply don't have enough money to meet their key living costs, often as a result of being on a low income.<sup>10</sup> This puts households under considerable pressure, resulting in a higher likelihood of household bill arrears and multiple debts, and leaving little room in their budget to make debt repayments or pay bankruptcy fees. During the pandemic, we found that many of those who have fallen behind on their bills were facing severe hardship. A third (34%) of people with

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<sup>8</sup> Guardian, *Energy firms join charity push for social tariff to offset fuel poverty*, 6 Aug 2021

<sup>9</sup> Resolution Foundation (2021) *Living Standards Audit 2021*

<sup>10</sup> Citizens Advice (2020) *Negative Budgets*

household bill debts reported that they have been unable to afford food or other basic necessities in the period since the outbreak began.<sup>11</sup>

People who saw negative changes in their employment have also been particularly at risk of financial problems during the pandemic. Experiences tend to have been shaped by the extent of the support available to them through Covid-19 protection schemes or the benefits system. Those who were ineligible or whose income was only partially protected through schemes like the furlough or the Self-Employed Income Support grant were more likely to be facing financial difficulties.<sup>12</sup> This includes people who were laid off or made redundant towards the beginning of the pandemic, as well as the self-employed and people in non-traditional work. Citizens Advice research found that disabled people, people with caring responsibilities and families with children were more likely to be facing redundancy in the first few months of the pandemic.<sup>13</sup>

Citizens Advice research conducted in November 2020 highlighted other groups who are particularly at risk of financial problems. It found that families with young children were more likely to be behind on bills, with 60% of parents reporting they had cut back on spending during the pandemic to make sure their children don't go without.<sup>14</sup> Young people, renters and Black and Minority Ethnic people were also shown to be particularly likely to be affected.

In Wales we found that people with mental health problems were twice as likely to have fallen behind on household bills since the Coronavirus outbreak.<sup>15</sup> We know from previous research that periods of financial difficulty can contribute to mental distress, both because of increased stress or worry associated with money and debt problems, and more indirectly by limiting the options that people have to take part in activities which support good mental health.<sup>16</sup> This in turn can make it more difficult to deal with debt-related issues.

## **Welsh Government's role in tackling debt-related issues during the pandemic**

Measures brought in by the Welsh Government during the pandemic have played a significant role in reducing financial hardship for households in Wales and protecting households from the immediate impact of household bill debt.

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<sup>11</sup> Citizens Advice Cymru (2020) [Coronavirus debts: Estimating the size of lockdown arrears in Wales](#)

<sup>12</sup> Standard Life foundation (2020) [Emerging from lockdown](#)

<sup>13</sup> Citizens Advice (2020) [An unequal crisis](#)

<sup>14</sup> Citizens Advice (2020) [Debt at the close of 2020](#)

<sup>15</sup> Citizens Advice Cymru (2021) [Mental health and Covid-19 in Wales](#)

<sup>16</sup> Money and Mental Health Policy Institute, [Money on your mind](#), June 2016

Whilst the social distancing measures have currently ended, the economic impact of the crisis will be ongoing. Our research has shown that many of the households worst affected financially during the crisis were those already on low incomes or whose jobs were affected by the pandemic.<sup>17</sup> Without ongoing support, households with debt to essential services and public bodies are at greater risk of severe financial hardship. The Welsh Government needs to consider how to build on successes during the pandemic to protect low income households in particular.

### ***Rent arrears***

In 2020-21, 1 in 6 of the people who came to Citizens Advice for help with debt had rent arrears. The number of people our advisers helped with rent arrears has followed the wider trend seen amongst our debt clients, with generally fewer people coming for advice initially, but with current numbers rising to slightly more than pre-pandemic levels. Around 180,000 households in Wales live in the private rented sector.<sup>18</sup> Our research conducted in November last year indicated that over 44,000 households had fallen behind on their rent, with an estimated total of £44 million in rent arrears.<sup>19</sup>

Whilst people in all tenures have seen their employment and income negatively affected, renters are more likely to have been furloughed or lost a job.<sup>20</sup> This means that many saw significant reductions in their income, whilst their housing costs remained fixed. Renters also typically have lower levels of savings, and are therefore less able to cope with income shocks or cover living costs for extended periods of time.<sup>21</sup>

### *Pause to evictions*

At the start of the crisis, we expressed our concern that if people fell behind on rent payments, they could face eviction during the pandemic. Loss of rented or tied accommodation is the single biggest reason for people being threatened with homelessness (32%).<sup>22</sup> The second biggest is rent arrears (15%). This would have increased the risk of homelessness for many people in Wales and put pressure on local homelessness services.<sup>23</sup> Instead, the pause to evictions protected renters who had fallen behind on their rent payments until June 2021, giving them time to get back on

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<sup>17</sup> Citizens Advice, [Coronavirus debts](#), November 2020

<sup>18</sup> ONS, [UK private rented sector](#), January 2019

<sup>19</sup> Citizens Advice, [Coronavirus debts](#), November 2020

<sup>20</sup> Resolution Foundation, [Coping with housing costs during the coronavirus crisis](#), May 2020

<sup>21</sup> Citizens Advice Cymru, [Protecting renters in Wales from eviction during Covid-19](#), June 2020

<sup>22</sup> StatsWales, [Households found to be threatened with homelessness during the year. Main reason for being threatened with homelessness](#), 2018-19

<sup>23</sup> Citizens Advice Cymru, [Protecting renters in Wales from eviction during Covid-19](#), June 2020

their feet or to find other more affordable accommodation whilst remaining in their homes.

Whilst the suspension of evictions seems to have been largely successful, our advisers still heard from clients whose landlords ordered them to leave their homes despite this. Advisers heard from clients who had been told to leave their home during the no-eviction period, some who had been verbally harassed by their landlord and a case where a client had belongings forcibly removed from the property by the landlord.

#### *Extension to the eviction notice*

We also welcomed the extension to the notice period for ending tenancies from two months to six months, announced by the Welsh Government in March 2021. We believe this extension helped to give additional time to households that needed to stabilise their financial situation or make adjustments to their living arrangements.

This extension is due to end on September 30th 2021. As part of the Renting Homes Wales (Act) 2016, the long-term extension to 'no fault' eviction notice periods from two to six months is due to come into force in spring 2022. In light of the continued economic uncertainty as a result of the crisis, we are concerned that temporarily returning the notice period to two months between September 2021 and spring 2022 risks causing confusion over tenants' rights amongst both renters and landlords and leaves more people at risk of being evicted at short notice.

#### *Tenancy Saver Loan*

We also welcomed the introduction of the Tenancy Saver Loan in October 2020 to help renters manage their rent arrears. The measure showed a commitment to keeping people in their homes and protecting households from the wider impacts of debt.

Whilst evidence shows that large numbers of renters fell behind on their bills as a result of the pandemic,<sup>24,25</sup> initial figures suggest that the number of loans allocated was significantly lower than expected. We do not know why take-up of the scheme was low, but we believe that the lending requirements and a reluctance to take on new debt are likely to have been a barrier for some renters. It is also possible that there were fewer renters who were at a crisis point when the loan was introduced given that the eviction ban was still in place, or that the number of people in arrears who were not eligible for benefits was lower than anticipated.

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<sup>24</sup> Citizens Advice Cymru, [Coronavirus Debts: Estimating the size of lockdown arrears in Wales](#), November 2020

<sup>25</sup> Resolution Foundation, [Covid-19 crisis has seen 450,000 additional families fall behind on their housing payments](#), February 2021

Looking ahead, some households are likely to face further financial difficulty in the coming months. It is likely that the cut to Universal Credit at the end of September will leave many unable to afford essentials, pushing them further into debt.<sup>26</sup> There is additional uncertainty over the impact that the end of the furlough scheme will have on household finances in Wales.

Given this uncertainty, we are pleased that the Tenancy Hardship Grant remains in place to support the households that need it. Offering this support as a grant rather than as a loan will remove many of the possible barriers to accessing support, such as a poor credit history, affordability of repayments or reluctance to take on new forms of debt. Improved and targeted campaigning will also be important to increase awareness of the grant so that it is accessible to those who need it.

**We recommend that the Welsh Government seek to retain the current six-month notice period for evictions in Wales until the Renting Homes Act comes into force,** to provide more security for those who face eviction in the interim period and avoid creating additional confusion over tenant's rights amongst both renters and landlords. It should also monitor the impact that the end of the furlough scheme has in Wales in order to consider whether the eligibility criteria for the Tenancy Hardship Grant should be broadened to include affected households.

### ***Council Tax arrears***

Some households have been hit hard by the Covid-19 crisis, leaving many people in Wales struggling to pay their Council Tax bills. We estimated in November that 64,000 households in Wales had fallen behind on Council Tax payments. More recently, figures published by the Welsh Government show that the total amount of Council Tax arrears has risen by £46.4 million. This represents a 42% increase in the total level of arrears compared to 2019-20, and is the biggest rise in arrears in more than 20 years.<sup>27</sup>

Citizens Advice research has previously shown that many people in Council Tax arrears are unable to afford their bills, rather than willfully avoiding payment.<sup>28</sup> Whilst we know that the people we help with Council Tax arrears are often experiencing wider financial difficulty, the pandemic has worsened the circumstances of many households - pushing many more into hardship and debt.

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<sup>26</sup> Citizens Advice, [Budget 2021 representation from Citizens Advice on the Universal Credit Uplift](#), January 2021

<sup>27</sup> Welsh Government (2021) [Council Tax collection rates: April 2020 to March 2021](#)

<sup>28</sup> Citizens Advice, [The Costs of Collection](#), April 2019



Our research found that 7 in 10 people who have fallen into Council Tax arrears during the crisis have also fallen behind on other household bills, like rent or utilities and 1 in 3 people in Council Tax arrears say they haven't been able to afford food or other necessities.<sup>29</sup> Our research found that people who saw a negative change to their employment were 2.5 times more likely to say they had fallen behind on Council Tax bills.<sup>30</sup>

### *Council Tax Reduction Scheme*

As Council Tax is one of the largest fixed costs that households pay after housing costs, the CTRS is a crucial lever to relieve financial pressures on low-income households. We strongly support the Welsh Government's continued funding of the Council Tax Reduction Scheme in Wales and the additional funding provided to local authorities to support the scheme during the pandemic. Research has found that councils with more generous Council Tax Reduction schemes tend to also have better Council Tax collection rates, as households that are less able to pay are required to pay less.<sup>31</sup> This means that local authorities spend less time and fewer resources seeking to collect arrears that are likely to be unaffordable for the individual to repay.<sup>32</sup> It also protects families on low incomes from incurring additional fees or costs that often come alongside debt enforcement.<sup>33</sup>

Whilst the Council Tax Reduction Scheme is a crucial source of support for people who are struggling to pay their Council Tax bills, there's a risk that many people who fell behind on Council Tax payments during the crisis may not have accessed the scheme.<sup>34</sup>

Firstly, awareness of the scheme is low and not everyone who is entitled to a Council Tax reduction is accessing it. We previously found that only half of people in Wales believed that someone claiming Universal Credit would be entitled to a reduction on their Council Tax bill.<sup>35</sup> Secondly, some people are losing out on support as a result of moving onto Universal Credit. Our advisers report that the people they help are not always aware they need to make a separate application for CTRS, and are therefore falling into Council Tax arrears without knowing it.

Between March 2020 and January 2021, there was an 80% increase in the number of UC claimants in Wales. Many of these new claimants may not have known their eligibility

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<sup>29</sup> Citizens Advice Cymru, [Helping to ensure a fairer Council Tax system in Wales](#), March 2021

<sup>30</sup> Citizens Advice Cymru, [Helping to ensure a fairer Council Tax system in Wales](#), March 2021

<sup>31</sup> Policy In Practice (2020) [Council Tax debt collection and low-income Londoners](#), December 2020

<sup>32</sup> Money Advice Trust (2021) [Council Tax after Covid](#)

<sup>33</sup> Citizens Advice Cymru (2021) [Helping to ensure a fairer Council Tax system in Wales](#)

<sup>34</sup> Citizens Advice Cymru (2021) [Helping to ensure a fairer Council Tax system in Wales](#)

<sup>35</sup> Citizens Advice Cymru (2021) [Helping to ensure a fairer Council Tax system in Wales](#)

for Council Tax reduction or that they needed to make a separate application.<sup>36</sup> Most local authorities allow backdated applications for Council Tax bills for up to 3 months before the application, however some households may have fallen into debt without knowing they could apply for CTRS and may now be unable to access this support.

It is important to recognise that some people who do claim CTRS may still not be able to afford their Council Tax bills. Council Tax payments can place a disproportionate cost burden on low-income households as they tend to pay more as a proportion of their income, meaning that families who are not eligible for the full amount of CTRS may still struggle to afford their bills.<sup>37</sup>

Additionally, eligibility for Council Tax reduction may fluctuate for some households each month, depending on income. This was more evident amongst some of our clients during the pandemic. Factors such as claiming benefits for the first time, workplaces closing and reopening and access to additional payments or grants such as self-isolation support or the bonus payments given to NHS and social care staff have made it harder for some people to keep track of their changing eligibility and to keep up with bills.

#### *Pause on the use of bailiffs*

Citizens Advice strongly welcomed the pause to the use of enforcement agents for Council Tax collection during the pandemic, having highlighted problems within current collection practices in previous research, including the ways that bailiff use can escalate debts and cause distress.<sup>38</sup> The pause to bailiff use for arrears collections meant that people experiencing financial difficulty as a result of public health measures did not experience rapid escalation to court procedures or the threat of enforcement action. It also helped to protect people in crisis from some of the negative mental health impacts associated with debt collection.<sup>39</sup>

Whilst the use of bailiffs to collect Council Tax arrears has been decreasing in Wales in recent years, in the most recent year for which figures are available there were still over 50,000 Council Tax debts being referred to bailiffs by local authorities in Wales.<sup>40</sup> With many more households in arrears, we are deeply concerned that more people will be subject to harm caused by collection practices.

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<sup>36</sup> Department for Work and Pensions, [Universal Credit statistics, 29 April 2013 to 8 July 2021](#), (2021)

<sup>37</sup> Citizens Advice Cymru (2021) [Helping to ensure a fairer Council Tax system in Wales](#)

<sup>38</sup> Citizens Advice Cymru, [Helping to ensure a fairer Council Tax system in Wales](#), March 2021

<sup>39</sup> Citizens Advice (2018) [A law unto themselves: How bailiffs are breaking the rules](#)

<sup>40</sup> Money Advice Trust (2019) [Stop the Knock: An update on local authority debt collection practices in England and Wales](#)

We have previously highlighted several aspects of Council Tax collection which can worsen debt problems rather than helping people get their finances on track:<sup>41</sup>

- People can be made liable for the full annual bill after missing a single Council Tax payment. This means one missed payment can increase someone's debt significantly, and leave them more at risk of being subject to bailiff action.
- Councils have limited powers to recover debt without getting a court order. This pushes councils to use the court process very quickly and often leads to people incur extra charges.
- Pressure to collect arrears quickly means councils regularly refer debt to bailiffs. This process adds extra fees to people's debts and can cause significant distress.<sup>42</sup>

Our advisers are already beginning to see issues arising from the collection of Council Tax arrears as enforcement has resumed. We have seen several clients who are struggling to agree affordable repayments plans with enforcement agents and are worried about how they will repay their arrears. Earlier this summer, a client in South Wales had an affordable repayment offer refused by the enforcement agency dealing with his arrears. He felt pushed into accepting a repayment plan that he could not afford but felt he had no choice but to accept. He then defaulted on repayments and had his vehicle clamped by the bailiffs. The client had existing health problems and felt that dealing with his Council Tax debts had a severe impact on his mental health.

We have also heard from clients that have been subject to aggressive or humiliating behaviour by bailiffs, despite being unable to make repayments or displaying signs of vulnerability. Advisers heard from one client who complained that bailiffs had clamped their neighbour's vehicle thinking it was theirs, then refused to unclamp it unless they paid over £2200 in full. This caused embarrassment and panic for the client. In another case, a client who had recently lost their mother to the coronavirus, had an affordable repayment offer refused and was visited multiple times by bailiffs trying to enter their home.

### *Next steps*

Local authorities have a responsibility to try to collect unpaid Council Tax, and it is likely that there will be households in arrears who are unaware that they have fallen behind or have seen their financial situation improve enough to repay the amount owed. But

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<sup>41</sup> Citizens Advice Cymru, [Helping to ensure a fairer Council Tax system in Wales](#), March 2021

<sup>42</sup> Citizens Advice Cymru, [Helping to ensure a fairer Council Tax system in Wales](#), March 2021

passing Council Tax debts to bailiffs to enforce is currently causing harm to people who have already borne the brunt of the economic downturn.

Given that some local authorities have managed to maintain their collection rates despite bailiff action being severely restricted, local authorities should consider again whether the frequent use of heavy handed debt collection is necessary. Instead, the Welsh Government should take the opportunity to learn from how local authority services have adapted during the pandemic, and commit to fixing the issues within Council Tax collections that are currently exacerbating debt problems for people in Wales.

We are pleased to see that the Welsh Government committed to seek reform for a fairer Council Tax system in its Programme for Government.<sup>43</sup> However, urgent action is needed to improve collections for people who have fallen behind during the pandemic, so that there is not a disproportionate burden placed on low-income households, further deepening the unequal impact of the pandemic.

We believe that the Welsh Government needs to prioritise improving Council Tax collections in Wales, learning from successes during the pandemic and aiming to drastically reduce the number of low-income households that face court action as a result of falling behind on Council Tax bills. We recommend that the Welsh Government:

- 1. Identify examples of good practice in Council Tax collection amongst local authorities during the pandemic.** Many local authorities have found ways to support people struggling with Council Tax arrears during the pandemic whilst bailiff action was severely restricted, including awareness raising campaigns for CTRS and offering deferments of payments for clients struggling at the start of the pandemic. Any learnings from this exercise should be used to develop better collection practices that do not encourage the frequent use of bailiffs.
- 2. Evaluate the impact of the Council Tax Protocol for Wales and commit to placing the voluntary measures it contains on a statutory footing if needed.** Whilst the Council Tax Protocol was a welcome recognition of the need for a fairer Council Tax arrears collections process, the experiences of Citizens Advice clients suggest that many people continue to face problems because of the way that Council Tax is collected. If there is evidence that Local Authorities are not implementing the protocol in a way which ensures that Council Tax collection is fair and protects people in vulnerable circumstances, the Welsh Government should explore making some aspects statutory.

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<sup>43</sup> Welsh Government, [Welsh Government - Programme for Government](#), 2021

3. **Outline the actions the Welsh Government will take to support local authorities with irrecoverable Council Tax arrears.** The UK government announced they would be launching a new guarantee scheme for 75% of 2020-21 irrecoverable local tax losses and to give them three years (rather than one) to repay collection fund deficits.<sup>44</sup> We would like to hear more information on how the Welsh Government will support local authorities with irrecoverable arrears, so that the burden of this debt is not placed on low income households.
4. **Change the regulations governing the collection of Council Tax to ensure they do not push people further into debt.** It should make changes to ensure that Council Tax debts are not enforced in a way that exacerbates financial difficulties brought on by the pandemic. This should include:
  - Helping to prevent Council Tax debts from escalating by stopping people becoming liable for their annual bill when they miss one payment
  - Making it easier for councils to improve collection by giving them more powers to collect debt in a fair way without getting a liability order first.
5. **Maximise the support provided to low-income households through the Council Tax Reduction Scheme.** It should seek to increase take up of the scheme and guarantee that people eligible for the scheme do not lose out as a result of moving onto Universal Credit.

### **Emergency financial support**

We strongly welcomed the changes the Welsh Government introduced to the Discretionary Assistance Fund (DAF) in response to the Covid-19 crisis, with the aim of helping families and individuals facing financial challenges. These included:

1. *Extra funding* - around £11m extra was allocated to DAF at the beginning of the pandemic, effectively doubling the available budget compared to 2019-20.<sup>45</sup> Between March and December 2020, £16.4m was allocated through DAF, compared to £10.57m in 2019-20 (and £7.49m in 2018-19).<sup>46</sup>
2. *Additional flexibilities* - including allowing those facing hardship as a result of the pandemic to make 5 rather than 3 claims for an Emergency Assistance Payment

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<sup>44</sup> Ministry of Housing, Communities & Local Government, [December 2020: COVID-19 funding for local government in 2021 to 2022 - consultative policy paper](#), (July 2021)

<sup>45</sup> Welsh Government, [Discretionary Assistance Fund receives £11m boost in Wales](#), May 2020.

<sup>46</sup> Senedd, [Written Question WQ82085\(e\)](#), answered 17/02/2021

(EAP) in a 12 month period, and to claim once every 7 days rather than every 28 days.

3. *Off-gas fuel support pilot*- Adding new support for fuel payments to those off-the gas grid (typically in rural areas) who heat their homes with LPG or oil.

Early in the pandemic, we estimated that 4 in 10 (42%) people had seen their household income drop because of the crisis, with nearly 1 in 14 (7%) losing 80% or more.<sup>47</sup> Our frontline advisers suggest that the Discretionary Assistance Fund (DAF) has been crucial during the pandemic and, as a result of increased funding and flexibility, was able to provide a much needed safety net for more households in need, particularly for those who are most vulnerable.

Demand for the DAF reflects the severe financial hardship experienced by many people in Wales during the crisis. Data published by the Welsh Government shows £15m has been granted to people in Wales through Emergency Assistance Payments.<sup>48</sup> It also suggests that the proportion of successful applications has increased, with 58% of applications leading to an award in 2020-21, compared to 42% the previous year.<sup>49</sup>

The number of individual clients coming for help with Localised Social Welfare (including DAF applications) in 2020-21 was more than 2.5 times the number of people who came in the year before. Demand for support through DAF was often coming from people who faced gaps in income, either because of changes in employment or whilst waiting for a benefits payment, or who were in severe financial hardship and were struggling to pay for basics like food or heating.

Amongst people who came to us for help with the DAF and other forms of localised social welfare between March and October 2020, 1 in 3 (34%) also needed advice on accessing a foodbank and 1 in 6 (17%) needed advice on making an initial claim for Universal Credit. Demand for support with DAF applications also reflects the unequal nature of the impact of the pandemic. People who come to us for advice on DAF were disproportionately likely to be in rented accommodation, to have a disability or a health condition, and to be unemployed or unable to work. People in these groups were also more likely to face employment or income loss as a result of the pandemic.<sup>50, 51</sup>

### *Insights into off-gas fuel support*

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<sup>47</sup> Citizens Advice Cymru, [Facing the cliff edge](#), April 2020

<sup>48</sup> Welsh Government (May 2021) [Summary data about coronavirus \(COVID-19\) and the response to it](#)

<sup>49</sup> Senedd, [Written Question WQ82085\(e\)](#), answered 17/02/2021

<sup>50</sup> Citizens Advice Cymru, [Facing the cliff edge](#), April 2020

<sup>51</sup> Citizens Advice, [An unequal crisis](#), August 2020

The pandemic and its impact on household finances heightened the need for emergency support and we strongly supported the development and introduction of a pilot to provide DAF grants for off-gas fuel support in late 2020. The pilot enabled the DAF to make single payments to households using oil and up to three smaller payments to those using LPG.

Evidence from our advisers had long indicated that there was a gap in the emergency support available to households, particularly in rural areas, who use LPG or oil for heating. LPG and oil typically have minimum order values for deliveries. Where households are in emergency financial situations and can not afford the minimum value of fuel, they are at risk of living in a cold home, especially in cold weather.

The DAF had been unable to support them in the same way that it was able to support households who, for example, may be on prepayment meters and use a mains gas boiler for heat, but cannot afford to top up.

When the pilot began, advisers immediately indicated that the payments were making a significant difference in helping households in fuel poverty to heat their homes by enabling them to top up their fuels.

With the debts that households will continue to experience, there is an ongoing need for the DAF to continue being able to provide emergency financial payments for fuel to households off the gas grid. It is important that this is available all year round to provide equity with other energy consumers and to ensure that specific groups, such as the Gypsy and Traveller community who are more likely to use LPG for heat, have equitable access. Such support remains essential to address the needs of rural households in Wales and until such time as households are supported to move to low carbon heating technologies.

#### *Upcoming changes to DAF*

Our data indicates that demand for the DAF remains high. In the first quarter of 2021-22, we helped three times as many people with issues relating to Localised Social Welfare (including the Discretionary Assistance Fund) than during the same period the previous year.

However, the extra flexibilities which allow people to access more than 3 EAPs and to apply multiple times in a shorter period are due to come to an end on 30 September. The additional criteria which has allowed people to claim if they incurred pandemic-related costs has already been removed. Since the additional criteria were removed, the number of EAPs being granted has significantly reduced.

Given the challenges facing low-income households as we move into the autumn, we are concerned the removal of the additional flexibilities will mean that households who are still required to self isolate and those facing income shocks when the furlough scheme ends will be disadvantaged. As outlined above, those who have been pulled into debt as a result of this crisis are particularly likely to be on low incomes and therefore at risk of severe hardship. This group are among those who are more likely to need multiple grants to support them whilst they try to improve their financial situation.

Looking further ahead, we believe there is an opportunity for the Welsh Government to build on its successes in providing emergency financial support through DAF during the pandemic as we move into the next financial year. Use and awareness of the DAF has significantly increased, which is in part due to the more flexible approach and a higher profile amongst frontline workers, as well as the increased budget.

It has been recognised as an important lever for supporting disadvantaged groups, as evidenced by the steps the Welsh Government has taken to ensure DAF is used by people with No Recourse to Public Funds status, EU migrants, and people in fuel poverty. It is also being recognised as a way of reaching the people in Wales who are in most need and may be less likely to engage with other types of support, through the development of referrals into the Single Advice Fund.<sup>52</sup>

We believe all of these steps have helped to remove barriers which might previously have prevented people eligible for support from accessing DAF, and to target financial support towards addressing some of the most harmful impacts of poverty and financial insecurity. However, there is more that could be done to ensure that the support provided through DAF is reaching those in need and results in a lasting improvement to people's circumstances.

There is an urgent risk that these positive developments will be undermined or lost if use and awareness of the fund declines as we move out of the pandemic. If the removal of the additional flexibilities results in applications being declined for people who are in genuine need of support, there is a risk this will eventually result in people being less likely to think they might be eligible or frontline workers being less likely to recommend it as an option for the people they are helping. Although demand is unlikely to remain as high as it was during the initial months of the pandemic, reducing the level of funding to pre-pandemic levels could also lead to unintentional 'gatekeeping' if there is a perception that resources are limited and someone's case is not sufficiently severe.

**We recommend that the Welsh Government extend until the end of March 2022 the additional DAF flexibilities which allow those in crisis to access a higher number of Emergency Assistance Payments, and to apply more frequently. We**

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<sup>52</sup> Welsh Government (2020) [Child poverty: income maximisation action plan 2020 to 2021](#)



would also encourage the Welsh Government to continue to build on its success in reaching those facing hardship during the pandemic, and explore how the removal of the additional flexibilities is likely to affect use and awareness of the DAF.