

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

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Citizens Advice Cymru evidence to Finance Committee

Scrutiny of the Draft Budget 2025-26 (November 2024)

1. Introduction:

- 1.1. Citizens Advice in Wales is a network of 19 local offices, all individual charities, offering free, confidential advice online, over the phone and in person.
- 1.2. Since January 2024 we've helped over 123,000 people across Wales with a range of problems, including issues with benefits, debt, crisis support, housing, employment, discrimination, relationships and consumer rights. Often people have more than one issue they need help with.

Consultation questions:

2. What action should the Welsh Government take to help households cope with inflation and cost of living issues?

- 2.1. Hundreds of thousands of people across Wales are still feeling the impact of the deterioration in living standards we've seen over the last decade, made even worse following the pandemic and cost-of-living crisis. Evidence from our clients and commissioned research highlights how many people are constantly struggling to make ends meet, cutting back or going without essentials, going deeper into debt, and/or relying on crisis support to keep their homes warm and put food on the table. Inflation may now be far lower than it was, but the knock on effects of recent peaks in inflation and increased everyday living costs remain.
- 2.2. So far in 2024 local Citizens Advice offices across Wales have generally seen more people coming for advice on household debt, homelessness and crisis support issues than at the same point in the previous five years. During the height of the cost-of-living crisis half of all our debt clients were living on a negative budget, where their income just isn't enough to cover all their essential outgoings. This has dropped slightly since (47% in 2024) but remains much higher than five years ago (40% in 2019).

- 2.3. Our recent [Reaching Crisis Point](#) report confirmed that for thousands of households in Wales crisis interventions are no longer a one-off form of assistance, but a recurring necessity just to stay afloat. Increasingly, crisis payments and support are now being built into people's budgets because without them they cannot afford basic essentials. This illustrates how the nature of being in crisis has changed: what was once an unexpected, short-term event in a person's life has now shifted to an ongoing struggle of not having enough money to meet essential living costs.
- 2.4. Comparing the first 10 months of 2021 (before the start of the energy crisis) with the first 10 months of this year, our local offices have seen a 119% rise in the number of people coming to them in crisis situations¹. So far this year the number of people coming to us for help with Discretionary Assistance Fund (DAF) applications or issues has also risen significantly, reaching 8,307 people by the end of October 2024, up 32% from the same point in 2023. Our data suggests people living with a long-term health condition or disability, single adult households (including those with children), and social renters are needing crisis support more often than others.
- 2.5. To help mitigate the impact of the rising cost of living the Welsh Government has invested in a range of specific crisis support interventions over the last 3 years. This has included substantial investment for the DAF, which has helped to provide vital support to many people when they needed it the most. The evidence gathered for our recent Reaching Crisis Point report, and that gathered by others, including the [Bevan Foundation](#), [Community Housing Cymru](#) and [Trussell](#) confirms **now is not the right time to be reducing such support**.
- 2.6. A failure to maintain levels of DAF funding, at least to the current level, risks greater long-term costs down the line, such as worsening public health and increased homelessness.
- Citizens Advice Cymru is therefore calling for the Welsh Government to protect future funding for the Discretionary Assistance Fund and boost the allocation for the financial year 2025-26 in order to meet the continued and rising need for this vital support.**
- 2.7. Rising household bills in recent years have contributed to the financial struggles many people have been facing, in particular the rising cost of energy. Energy is not a luxury. It is essential for each and every household

¹ It should also be noted that since the pandemic new and/or stronger referral mechanisms have been developed between Citizens Advice and other organisations including Trussell and the DAF, therefore this will have also had an impact on numbers.

to keep their living area to a comfortable temperature, to clean theirs and their children's clothes, to take showers and to power lights and electronics. Last winter, over a quarter of households (26%) in Wales struggled to keep their home warm, with renters, households with children and those with a disability or long-term health condition amongst the hardest hit².

- 2.8. Despite a significant drop from their highest levels, this winter average energy prices remain £500 higher than they were in 2021. Recent research commissioned by Citizens Advice Cymru found that 3 in 5 (59%) households in Wales are worried about affording their energy bills this winter in light of the new price cap (£1,717), which came into effect in October³. With experts predicting a slight increase in the energy price cap once again in January⁴ such worries are well-founded.
- 2.9. Unaffordable energy costs leave households at risk of falling into unmanageable debt or taking drastic actions that mean they cannot meet their basic needs. More than half (55%) of those who say they are worried about paying their energy bills say they would use less or switch off their heating or hot water this winter to manage their bills and 2 in 5 (41%) say they would need to cut back on or skip meals⁵.
- 2.10. Households who prepay for their energy are particularly susceptible to rising prices, including those living off-grid who often have to pay upfront for heating fuel. With winter fast approaching, in recent months **Citizens Advice Cymru has been calling for the Welsh Government to protect emergency style support for prepayment meter users who are at risk of disconnection from an energy supply, and for households living off-grid, as this is an essential part of the support structure in Wales.** This includes funding provided to the Fuel Bank Foundation for fuel vouchers and support for off-grid households via the Heat Fund, both of which are providing critical support to those in need⁶.
- 2.11. We are therefore very pleased to see [confirmation](#) from the Cabinet Secretary for Social Justice that funding has been increased by £700,000 so that this vital crisis support will continue alongside the Discretionary Assistance Fund.

² Citizens Advice Cymru, [Energy Affordability Autumn 2024](#), September 2024

³ Citizens Advice Cymru, [Energy Affordability Autumn 2024](#), September 2024

⁴ Cornwall Insight, [Cornwall Insight release final January price cap forecast](#), November 2024

⁵ Citizens Advice Cymru, [Energy Affordability Autumn 2024](#), September 2024

⁶ Citizens Advice Cymru, [Reaching crisis point: the story in Wales](#), October 2024

- 2.12. One of the biggest contributors to the current situation has been the erosion of the social security safety net since the early 2010s. Unfortunately, while there was some welcome news for benefit recipients in the UK Government's Autumn Budget, including a reduction in the amount that can be deducted from someone's Universal Credit (UC) payment to repay debts, the Budget offered very little respite for the millions of people reliant on UC who are struggling to cover their essential living costs.
- 2.13. **We recognise the Welsh Government does not have powers over Universal Credit or the wider UK social security system however, we urge them to push the UK Government to implement long overdue reforms, particularly to Universal Credit, to help relieve the financial pressures, and reliance on crisis support, many UC claimants across Wales are currently experiencing.** This includes:
- 2.13.1. ensuring benefit payments are at least enough to cover essential costs. Almost a quarter of clients (24%) who came to local Citizens Advice offices in Wales for advice on UC last year also needed a food bank referral or other charitable support⁷;
 - 2.13.2. addressing the 5 week wait at the start of a UC claim by replacing advance loans with new claim grants that don't need to be repaid;
 - 2.13.3. ensuring LHA rates are annually updated in line with the 30th percentile of local market rents. Last year Citizens Advice Cymru research with private renters in Wales found 3 in 4 of those on UC had a shortfall in the support they receive for housing costs and their rent⁸; and
 - 2.13.4. considering options for removing the 2-child limit and reducing the harms of the benefit cap as part of their long-term objective to reduce child poverty. Around 20,000 households in Wales are affected by the 2-child limit (excluding those who are exempt)⁹, meaning they are losing out on up to £3,455 a year for each additional child.
- 2.14. Until the above, and other broader policy reforms are implemented, there will be **an ongoing need to maintain and strengthen a permanent crisis support scheme in Wales, such as the Discretionary Assistance Fund (DAF), to help people over the coming months and years.**

⁷ Citizens Advice Cymru, [Reaching crisis point: the story in Wales](#), October 2024

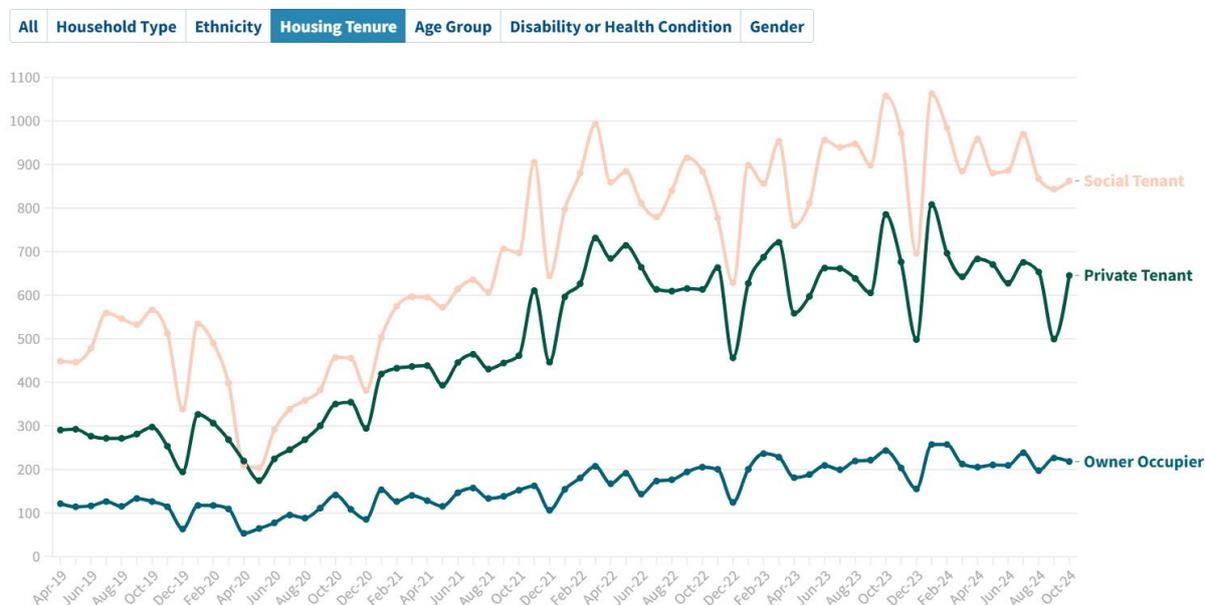
⁸ Citizens Advice Cymru, [On the brink](#), November 2023

⁹ UK Government, [UC and CTC claimants: statistics related to the policy to provide support for a maximum of two children](#), April 2024, July 2024

3. What action should the Welsh Government take to address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?

3.1. We know that access to adequate and affordable housing allows people to put down roots and thrive in communities however, since the start of 2024 alone our local Citizens Advice offices in Wales have helped almost 29,000 people with an issue related to [housing affordability](#)¹⁰, an 89% increase compared to the same period in 2019. As Figure 1 shows renters are particularly struggling.

Figure 1: Number of people helped with housing affordability issues



3.2. Most worryingly, the number of people seeking our help on homelessness issues has increased by 7% since this time last year, and 133% since 2019.

3.3. Low availability of properties to rent, both socially and in the private sector, leave more households reliant on the private sector competing over available housing. This is helping to push up market rents, leaving many lower income households behind. Latest figures show the average private rent in Wales was £766 in October (up 7.9% from a year earlier)¹¹.

¹⁰ This includes rent and mortgage arrears, homelessness issues, rent/mortgage increases, Local Housing Allowance restrictions, Discretionary Housing Payments, and lack of affordable/suitable accommodation in the local area.

¹¹ ONS, [Private rent and housing prices, UK](#), November 2024

Last year Citizens Advice Cymru research with private renters in Wales found 1 in 4 (24%) often or always struggle to pay their rent, with three-quarters of those struggling (74%) saying they have had to go without at least one essential item in order to pay their rent¹².

- 3.4. This can all have a significant impact on people's financial well-being, sense of security and physical and mental health. **We therefore believe ensuring access to decent, affordable homes for all renters needs to be a priority for the Welsh Government in the immediate future as well as the longer term.**

4. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget: Do you have any specific comments on any of the areas identified below?

Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

- 4.1. Predictions that wholesale energy prices are likely to remain higher than pre-crisis levels for the rest of the decade¹³ helps to emphasise the need for much more to be done to ensure bills are more affordable for those on low incomes, particularly those with the highest energy needs.
- 4.2. The situation in Wales is exacerbated by the fact we have some of the least efficient housing in England and Wales¹⁴, making homes expensive and difficult to heat, as well as more prone to damp and mould.
- 4.3. Our analysis of energy consumption by EPC in December 2022, showed that the average home pays an 'inefficiency penalty' of almost £350 a year compared to a home with an EPC C, with the worst insulated homes wasting more than £900 a year.¹⁵

¹² Citizens Advice Cymru, [On the brink](#), November 2023

¹³ Cornwall Insight, [New forecast warns power prices to remain elevated until late 2030s](#), July 2023

¹⁴ The median efficiency score in Wales is 66 which is joint lowest out of the regions in England and Wales, with Yorkshire and Humber.

¹⁵ Citizens Advice, [Grinding to a halt? Removing the roadblocks to increased energy efficiency and decarbonisation of private housing in Wales](#), December 2022

- 4.4. With 3 in 4 privately owned homes failing to reach the EPC C target, Wales has a long way to go to reach the 2035 fuel poverty targets¹⁶. This means over a half a million households are wasting money on heat that escapes through leaky buildings.
- 4.5. The key objective of the Welsh Government's Warm Homes Programme (WHP) is to tackle fuel poverty in Wales, whilst also progressing energy efficiency of poorly insulated homes. We, along with other members of the Fuel Poverty Coalition Cymru, have a long-held concern that the level of funding currently allocated to 'Part One' of the Warm Homes Programme falls far short of the total funding needed to meet its goals. For example, estimates suggest there is an 89% shortfall to reach EPC goals for privately rented housing.¹⁷
- 4.6. **Citizens Advice Cymru therefore believe that the Welsh Government should progress plans to assess the overall level of funding needed to achieve their 2035 fuel poverty targets to identify both funding gaps and opportunities.** This could include, for example, utilising future Barnett consequential from the UK Government's Warm Homes Plan, and facilitating the best use of private sector funding.
- 4.7. Much of our response has focussed on the need to maintain and strengthen crisis support. While we believe this is vital, we also believe **more needs to be done to formally integrate wider support into crisis interventions, the benefits of which have been long proven.**
- 4.8. The Discretionary Assistance Fund mainly operates through an approved partner network. On the positive side, this enables the majority of people to have support in applying to the Fund, and helps to reach those in the most need. However, it also places an over-reliance on third-sector partners to handle complex cases, without providing them with sufficient resources to do so. As a result, the ability of these organisations to work with other clients is depleted and frontline staff are increasingly stretched.
- 4.9. Evidence gathered during the evaluation of the Standard and Enhanced DAF Project Pilots¹⁸ showed that being referred into Citizens Advice services resulted in a number of positive outcomes for DAF clients, including improvements in their financial circumstances (with an average

¹⁶ Ibid

¹⁷ Chartered Institute of Housing, [Decarbonising Wales' Private Rented Sector](#), July 2022

¹⁸ Citizens Advice, Evaluation of Welsh Government Enhanced DAF Project Pilot, 2022 (unpublished)

annual income gain of £251), as well as enhanced mental and general health.

- 4.10. Interestingly, whilst priority is given to providing direct support to people in need of help with bills, food and other essentials, in recent allocations of the Household Support Fund local authorities across England have also been able to use the Fund to supplement provision with signposting, advice and preventative support¹⁹.
- 4.11. Citizens Advice Cymru is currently calling for the Welsh Government to undertake a full review of the Discretionary Assistance Fund design, eligibility criteria and the value of awards to assess whether it is still meeting the needs of people in crisis and/or experiencing particular financial hardship. **We believe this review should include exploring how a more preventative approach could be incorporated into the Fund's design through an adequately resourced integrated partner system.** It is our goal to strengthen the Discretionary Assistance Fund.

5. Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

- 5.1. The increasing financial hardship experienced by individuals and families across Wales is placing immense pressure on our local Citizens Advice offices, as well as other third sector organisations. This is likely to get even worse following the changes to Employer National Insurance contributions (NICs) announced in the UK Government Budget. While the increase to the Employment Allowance provides some protection for the smallest of our local Citizens Advice offices, most will struggle to meet the increased cost from already stretched and often declining budgets. For the largest offices the additional costs will be between £150,000 to £200,000. This can only lead to detriment for the people and communities that we serve at a time when our services are already under severe strain.
- 5.2. The third sector employs a greater percentage of part-time staff than either the private or public sectors. Our local offices are also concerned these changes may act as a disincentive to employ part-time workers and put jobs at risk. This could have a disproportionate impact on disabled people or those with long-term health conditions, carers, and women - all of whom are more likely to work part-time.

¹⁹ DWP, [1 October 2024 to 31 March 2025: Household Support Fund guidance for county councils and unitary authorities in England](#), September 2024

- 5.3. The Chief Executive of Citizens Advice has written to the Chancellor urging her to recognise the vital role civil society plays in delivering essential public services **by extending the public sector exemption from increased Employer NICs to voluntary organisations. We believe the Welsh Government must consider how to support third sector organisations who will be placed under additional financial strain.**
- 5.4. Charities such as us are often the first port of call in crisis situations and in recent years, as demand for this type of support has increased, organisations are having to meet growing needs with limited resources. Evidence gathered during the research for our Reaching Crisis Point report²⁰ reveals the worrying picture that the safety net provided by the third sector is beginning to fray. We heard from organisations whose funding has been reduced, as well as overstretched staff dealing with an overwhelming number of clients.
- 5.5. Our advisers are experts at what they do, and advice can be, and often is, life changing. However increasingly, in more and more cases our advisers are faced with an impossible task. Despite doing everything they can to help someone, by boosting their income or reducing their costs, many clients are still unable to afford the basics. Not only does this situation negatively impact the clients concerned, it also places additional strain on our advisers' own mental health.
- 5.6. In previous budget scrutiny sessions we have highlighted the pressure that flat budgets have put on the **delivery** of headline Welsh Government programmes such as the Single Advice Fund. We would reiterate this point and urge the Welsh Government to consider the forward needs of delivery partners when setting the final budget.

²⁰ Citizens Advice Cymru, [Reaching crisis point: the story in Wales](#), October 2024