

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](#).

WGDB\_26-27 19: Ymateb gan: Cyngor ar Bopeth Cymru | Response from: Citizens Advice Cymru

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## **Citizens Advice Cymru evidence to Finance Committee**

### **Scrutiny of the Draft Budget 2026-27 (September 2025)**

#### **1. Introduction:**

- 1.1. Citizens Advice in Wales is a network of 18 local offices, all individual charities, offering free, confidential advice online, over the phone and in person.
- 1.2. Since January 2025 we've helped over 101,000 people across Wales with a range of problems, including issues with benefits, debt, crisis support, housing, employment, discrimination, relationships and consumer rights. Over the last year on average people seeking our advice needed help on 7 different issues, reflecting both the complexity of people's situations, and the holistic way we provide support.
- 1.3. We have responded to questions with most relevance to our work and the people we support.

#### **Consultation questions:**

#### **2. What action should the Welsh Government take to help households: cope with cost of living issues?**

- 2.1. The Welsh Government has demonstrated a consistent commitment to tackling poverty in Wales since the start of devolution. However, despite funding multiple important programmes and interventions, costing [billions of pounds](#), levels of poverty in Wales remain persistent. In fact, recent [analysis](#) shows poverty levels are only becoming deeper and more entrenched.
- 2.2. Almost a year ago Citizens Advice Cymru published [Reaching Crisis Point: the story in Wales](#), highlighting the scale of hardship facing Welsh households. Since then we have seen an increase in the National Minimum Wage and a small 1.7% increase in working-age benefits. However, while welcome, these developments do not compensate for years of high inflation, benefit freezes and cuts, and insecure employment. Tens of thousands of people across Wales still can't afford to heat their homes or pay their bills at the end of each month.

- 2.3. Our client evidence confirms the worrying daily reality for many households. [During 2025](#) local Citizens Advice offices across Wales have continued to help near record numbers of people with energy debt, crisis support and homelessness related issues. Thousands of people are also seeking help with other household debts, such as council tax, water and rent. Many of these households include children and people with long-term health conditions or disabilities. Around half of our debt clients are still living in a negative budget, where their income just isn't enough to cover all their essential outgoings.
- 2.4. **Citizens Advice believes there needs to be a renewed focus on raising living standards and improving the economic security of lower income households in Wales, with more ambition to change peoples' lives for the better.** While much of the responsibility for tax and social security decisions sits with the UK Government, the Welsh Government does have important economic, social and cultural levers which must be maximised if more people living in poverty are to benefit.
- 2.5. **Investing in the Welsh benefits system so it provides the right support to people when they need it is vital.** We welcome the Welsh and local governments' continued commitment to ensuring over 200,000 households in Wales receive maximum entitlements to a council tax reduction, so they don't pay any council tax at all; continued investment in the Discretionary Assistance Fund (DAF); and the introduction of Universal Free School Meals for all primary school children. These interventions, along with others, provide essential support to many struggling households. We also urge the programme of work to streamline and simplify the Welsh benefits system to continue. However, **if living standards are really going to improve in the coming years we believe more needs to be done to help boost income.**
- 2.6. **We are therefore calling on the next Welsh Government to:**
- **Introduce a weekly Wales Child Payment**, similar to the Scottish Child Payment. This should be introduced gradually. For example, starting with smaller payments to households with children under school age
  - Ensure **Welsh benefits, entitlements and income thresholds** are **routinely uprated and/or increased in line with inflation**, and
  - **Introduce Free School Meals** for **all secondary school children living in households in receipt of Universal Credit**, regardless of income.

- 2.7. The Discretionary Assistance Fund (DAF) remains a critical source of support for thousands of people across Wales. We strongly welcome the Welsh Government's recognition of this with continued boosted funding over the last year (at nearly £40m), an increase in the value of off-grid support, and improvements which ensure better tailored support is now available under the Individual Assistance Payment element.
- 2.8. However, the ongoing financial pressures on many households in Wales is likely to continue for the foreseeable future. Household bills, such as energy, rent (especially in the private rented sector), water, council tax, and food costs remain high, while income levels remain fairly static, putting people at increasing risk of financial hardship.
- 2.9. As noted in our Reaching Crisis Point report, crisis support in any form, whether that's DAF Emergency Assistance Payments, food parcels or fuel vouchers, is not designed to solve systemic poverty. Much broader policy changes are needed, not all of which are within the powers of the Welsh Government.
- 2.10. People in Wales with disabilities or long-term health conditions continue to face disproportionately high levels of hardship. They are nearly three times as likely to experience material deprivation compared to non-disabled people<sup>1</sup>. Over recent months Citizens Advice and others have called for the UK Government to urgently rethink some of their disability benefit reforms. While we welcomed the removal of cuts to Personal Independence Payment (PIP) from the Universal Credit Bill during its passage through parliament, pending a review of the PIP assessment, **the final Universal Credit Act 2025 contains [harmful cuts](#)** to the health element of Universal Credit for new claimants from April 2026. This will leave affected claimants **around £3,000 a year worse off** on average, compared to current claimants. The uplift to the standard allowance (also in the Act) is too small to make a meaningful difference. And despite assurances to the contrary, as it stands, the Act is likely to leave many seriously disabled people without protection or support.
- 2.11. We recognise the Welsh Government does not have powers over the UK social security system however, we urge them to push the UK Government to rethink reforms to the UC health element. **Citizens Advice is calling for the cuts to UC health to be delayed until a real assessment of the policy and its potential impacts has taken place.** We are also calling for greater clarity and legal protections within the severe conditions criteria to ensure that it won't exclude people with

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<sup>1</sup> Scope, Disability Price Tag 2023: the extra cost of disability, 2023

fluctuating conditions or those who may struggle to get a formal NHS diagnosis.

- 2.12. In addition, we are urging the UK Government to implement other long overdue reforms to help relieve the financial pressures, and reliance on crisis support, many UC claimants across Wales are currently experiencing. This includes
- ensuring **benefit payments are at least enough to cover essential costs**
  - ensuring LHA rates are **annually uprated in line with the 30th percentile of local market rents**, and
  - **removing the 2-child limit and benefit cap.**
- 2.13. Until broader policy changes such as these are implemented, the need for crisis support, often vital lifelines, will remain, **particularly given the aforementioned disability benefit changes** and ongoing increases to essential living costs.
- 2.14. **Citizens Advice also believes that giving people the option of additional support (where a need has been identified) as close to that point of crisis as possible, should be more routinely embedded into crisis interventions, such as the DAF.** There are proven benefits of formally integrating wider support. Evidence gathered during the evaluation of the Standard and Enhanced DAF Project Pilots<sup>2</sup> 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 annual income gain of £251), as well as enhanced mental and general health.
- 2.15. Citizens Advice is therefore calling on the next Welsh Government to:
- **Protect future funding of the Discretionary Assistance Fund** to at least the allocated budget for 2025-26
  - Incorporate **a more preventative approach** into the Fund's design through **an adequately resourced integrated partner network**
  - **Protect and expand emergency financial support for households at risk of disconnection or living off-grid.**

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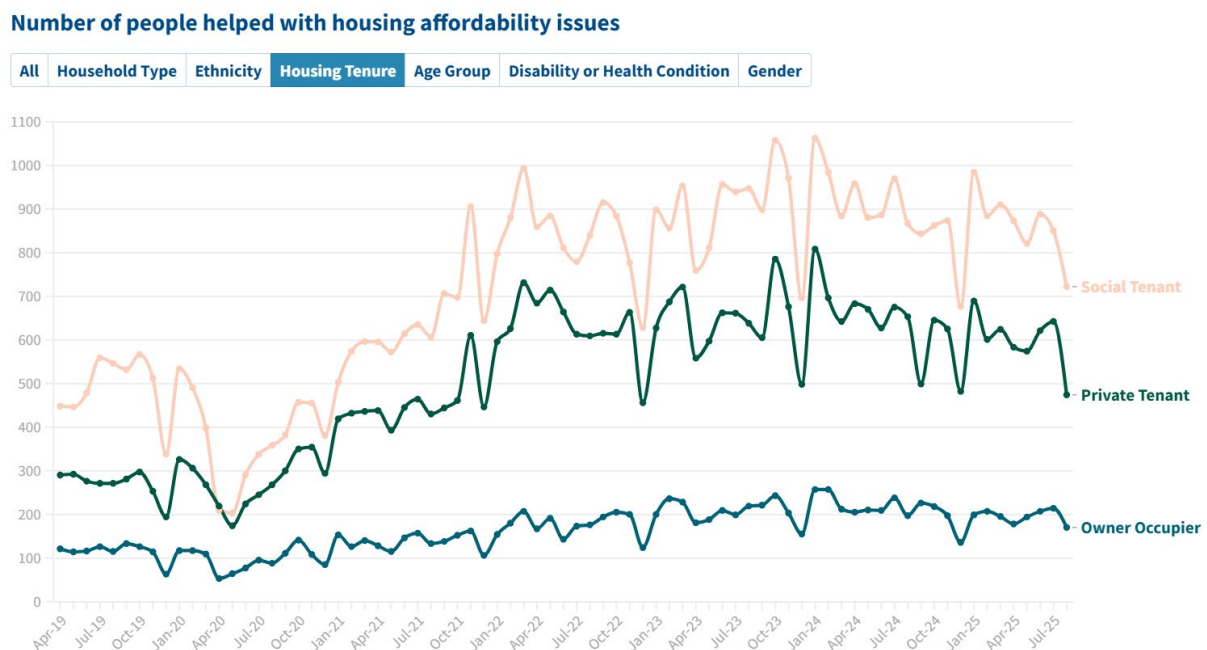
<sup>2</sup> Citizens Advice, Evaluation of Welsh Government Enhanced DAF Project Pilot, 2022 (unpublished)

### 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 good quality, accessible and affordable housing is the foundation of a healthy fulfilling life however, rising rents (especially in the private rented sector), record numbers in temporary accommodation, widespread issues with damp/mould, and growing demand for support with housing costs highlights the extent this is out of reach for thousands of people across Wales.

3.2. During 2024 local Citizens Advice offices across Wales helped over 27,000 people with housing affordability issues<sup>3</sup>, predominantly supporting renters including 4,650 people with rent arrears. Although there has been a decrease in recent months as Figure 1 shows, the overall trend since 2019 has been upward.

**Figure 1: Number of people helped with housing affordability issues (by housing tenure)**



<sup>3</sup> This includes rent and mortgage arrears, homelessness issues, rent/mortgage increases, LHA restrictions, discretionary housing payments, and lack of affordable/suitable accommodation in the local area.

- 3.3. The number of people seeking our help on homelessness issues has decreased by 20% since this time last year, but remains 65% higher than August 2019.
- 3.4. Long waiting lists for social housing and high mortgage costs have left more people relying on an increasingly unaffordable private sector. Latest figures show the average private rent in Wales was £811 in August 2025 (up 7.8% from a year earlier)<sup>4</sup>. Our previous [research](#) with private tenants highlights how the ongoing struggle to afford rent can negatively impact people's health, employment prospects and relationships. While our more recent research found that **more than half (54%) of private renters in Wales are currently experiencing damp, mould or excessive cold** in their rented home.<sup>5</sup>
- 3.5. This can all have a significant impact on people's financial well-being, sense of security and physical and mental health. **We are therefore calling on the next Welsh Government to:**
- **Increase protections for private renters** by:
    - exploring options that would limit rent increases in the private sector and help stabilise the market, and
    - banning no-fault evictions completely.
  - **Commit to action that will increase supply of social housing** across Wales by at least 30,000 by 2030.
  - Take decisive action by **incorporating the right to adequate housing into law**. Enshrining this right would hold governments accountable and embed long-term solutions to the housing crisis.

**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).**

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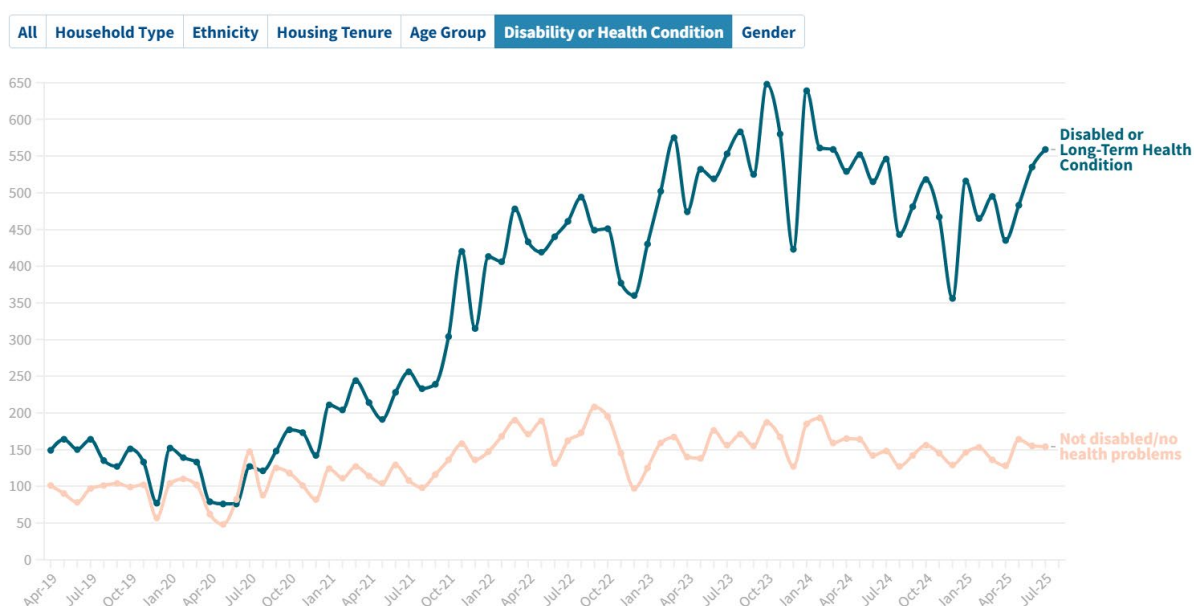
<sup>4</sup> ONS, [Private rent and housing prices, UK](#), September 2025

<sup>5</sup> Data is based on a nationally representative online survey of 2,430 private renters in England and Wales, conducted by Yonder Consulting between 13th- 26th February 2025. This included a 'boost' sample for Wales of 509 renters in Wales.

- 4.1. Four years on from the start of the energy crisis, more than a quarter of homes in Wales are still struggling with unaffordable energy bills - and prices aren't expected to drop anytime soon with the [price cap](#) set to rise again (by 2%) between October and December 2025. While bills have come down from their peak, average bills are still around £600 a year more than they were pre-crisis. In 2024, energy debt was the second most common debt issue we helped with, rising by 144% since 2019.

**Figure 2: Number of people helped with energy debt issues (by disability/health condition)**

**Number of people helped with energy debt in Wales**



- 4.2. Recent changes to the Winter Fuel Payment and Warm Homes Discount by the UK Government go some way to supporting those who need it most, but they still fall short of [adequate targeted support](#) that make energy prices genuinely affordable to those on lower incomes with high energy needs.
- 4.3. Some groups have been hit harder by high costs including households with children and, as Figure 2 shows, those with a long-term health condition or disability. This means that energy prices are not just a cost-of-living issue, they're a public health risk, placing additional strain, and [costs](#), on an already overstretched health service.
- 4.4. The situation in Wales is exacerbated by the fact we have some of the least efficient housing in England and Wales<sup>6</sup>, making homes expensive

<sup>6</sup> The median efficiency score in Wales is 66 which is joint lowest out of the regions in England and Wales, with Yorkshire and Humber.



and difficult to heat, as well as more prone to damp and mould - as referred to earlier in our response.

- 4.5. Citizens Advice believes we need a bold plan to retrofit homes, expand support, and make the transition to low-carbon heating fair and inclusive.

**We are therefore calling on the next Welsh Government to:**

- **Accelerate the retrofit of poorly insulated homes to shield households from energy price shocks and reduce fuel poverty by:**

- Committing to **invest consequential from the UK Government Warm Homes Plan** to make Welsh homes warmer, healthier, and more energy efficient - prioritising those in greatest need
- **Expanding funding for the Nest scheme** to ensure the transition to low-carbon heating is accessible to all - continuing to provide trusted advice as well as fully funded upgrades for low income homeowners and renters in inefficient homes.

**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 additional costs following increases to National Insurance Contributions, sufficient?**

- 5.1. The financial hardship experienced by individuals and families across Wales continues to place immense pressure on our local Citizens Advice offices, as well as other third sector organisations. Demand for our services considerably outstrips supply, with the Welsh Government's own [needs analysis](#) showing the potential scale of the unmet need for advice services in Wales, particularly for advice on welfare benefits, housing and debt.
- 5.2. Advice services provide a vital intervention when people are in need of support. They also act as a preventative measure. By helping to stop problems occurring or escalating, advice has been [proven to reduce pressure on public services](#), improve people's mental and physical health, and boost household income. In 2024-25 our Wales-wide services achieved income gains of **£155 million** and debt write offs of **£22 million**.
- 5.3. 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 are therefore calling on the next Welsh Government to:**

- **Support and increase funding** for free, independent and quality assured bilingual advice services in light of rising demand from people across Wales.
- Recognise and **meet the full costs of the delivery** of essential Welsh Government programmes such as the Single Advice Fund (SAF) and ensure that additional funding for the SAF is a central part of the new Government's strategic approach to delivery of preventative services.