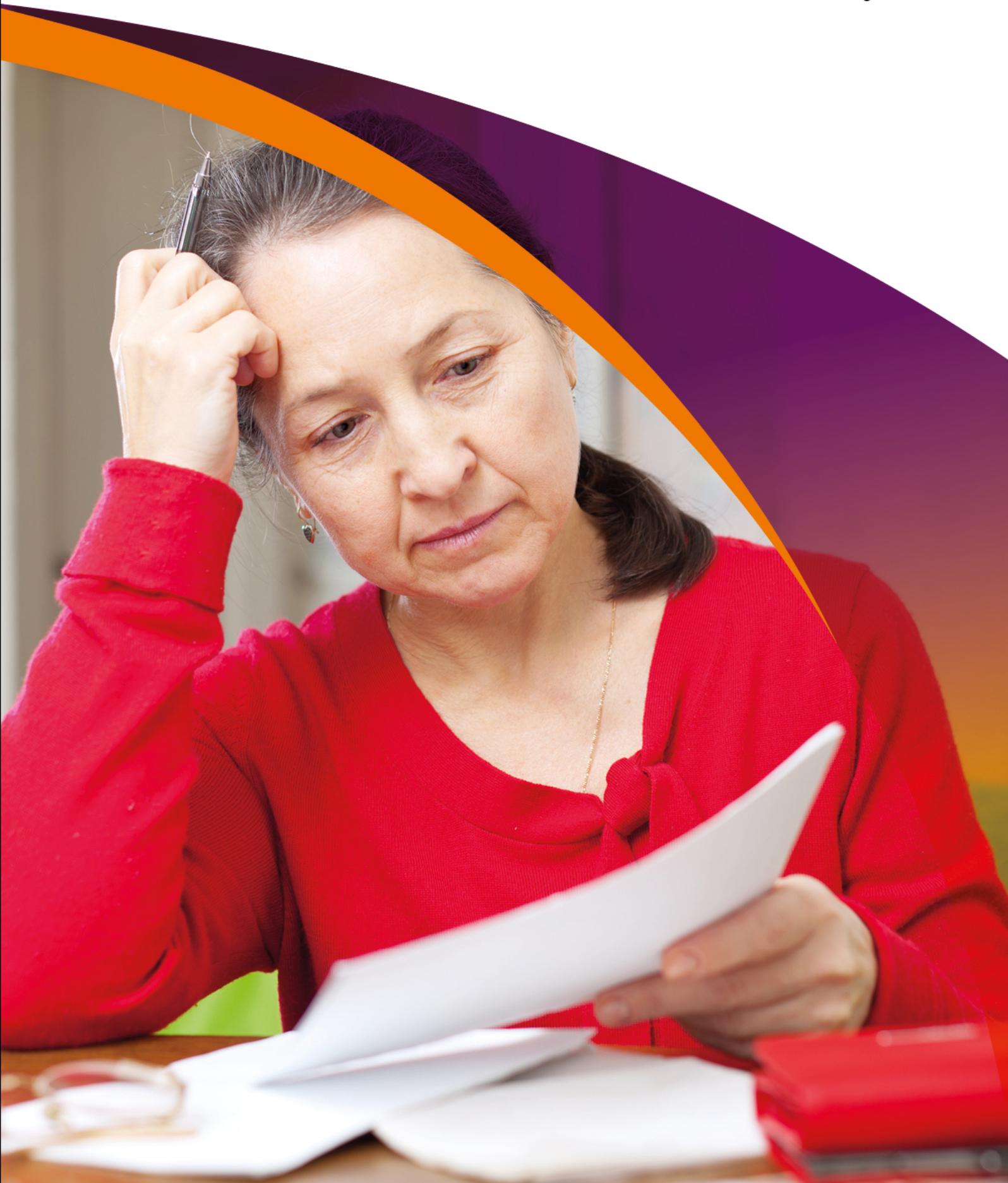


The cost of Living Crisis: a Welsh action plan

SEFYDLIAD
bevan
FOUNDATION

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About the Bevan Foundation

The Bevan Foundation is Wales' most innovative and influential think tank. We generate insights and ideas to end poverty and inequality.

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<https://www.bevanfoundation.org/support-us/organisations/>



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THE COST OF LIVING CRISIS: A WELSH ACTION PLAN

Key points

This short report sets out the Bevan Foundation's proposals for action in the next 6-12 months that will ease the pressure of the cost-of-living crisis for the least well-off.

It recommends action on the three areas that are the biggest pinch-points in households' budgets: housing, energy and food.

It focuses on action that is deliverable in the short term, using existing devolved grants and allowances and by working with community organisations, and makes recommendations about using them effectively.

Housing

We urge the Welsh Government to:

- maximise Discretionary Housing Payments;
- extend the Tenancy Hardship Grant;
- provide more help with Council Tax through the Council Tax Reduction Scheme.

Energy costs

We urge the Welsh Government to:

- extend the Fuel Support Scheme over the next year and include low-income pensioners;
- fund local keep-warm initiatives.

Food

We urge the Welsh Government to:

- bring forward provision of Free School Meals for primary schools and top up secondary pupils' lunch allowances;
- increase take up of Healthy Start by mothers of young children;
- extend Discretionary Assistance Fund flexibilities;
- support local action to increase food security.

Delivery

We urge the Welsh Government and local authorities to:

- streamline and simplify application processes;
- remove barriers rapid delivery e.g. so that information is only requested once;
- increase public awareness of help available;
- support community-based activities that provide advice and essential services.

1. Introduction

The cost of living is already taking a heavy toll on households and the effects are expected to worsen over the next year. While everyone is squeezed by rising prices, people on the lowest incomes are hardest hit.

Many of the levers to reduce the pressure rest with the UK Government, although devolved grants and allowances make an important contribution. The Welsh Government has demonstrated in the pandemic that it could use its devolved powers creatively and progressively to top up incomes and reduce costs. These tools can now be used to ease the effects of the cost-of-living crisis.

This short report sets out the Bevan Foundation's proposals for action by the Welsh Government and local authorities in the next six to twelve months.

We have focused our recommendations on action that is deliverable in the short term. This means that our proposals are based on enhancing and extending the scope of current devolved grants and allowances, for which the legislative powers and delivery mechanisms are already in place, rather than introducing new schemes.

We have also focused our recommendations on the three areas that are the biggest pinch-points in households' budgets: housing, energy and food. We have also included proposals to ensure efficient and effective delivery to the people who are struggling most.

There are many other areas and actions that could be taken, but we consider that the Welsh Government will have greatest impact through a relatively small number of interventions, delivered at scale and with meaningful budgets.

The cost-of-living crisis

The last year has seen unprecedented increases in the cost of living. The Consumer Price Index shows that prices have risen by 5.4 per cent in the 12 months to December 2021, up from 5.1 per cent to November. This is the highest CPI 12-month increase since the early 1990s. The largest contributions to the increases have been in essentials: housing, food and energy costs.¹

These price rises have put households under significant pressure. In November 2021, our *A snapshot of poverty in winter 2021* report found that 39 per cent of Welsh households found it difficult to afford anything beyond everyday essentials in November 2021, with 12 per cent not having enough money to cover the basics either sometimes or often.²

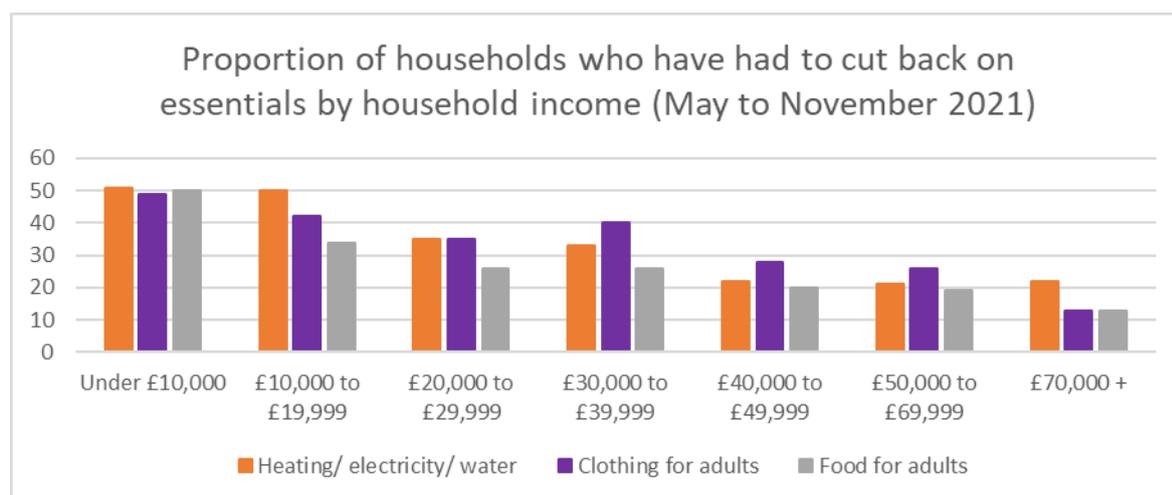
The outlook is challenging. Ofgem announced on 3rd February an increase in average energy costs of over 50 per cent with further increases in energy costs anticipated at its next review in October 2022. The Bank of England forecasts that inflation will hit more

¹ Office for National Statistics (2022) Consumer Price Inflation: December <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2021>

² Bevan Foundation (2021) *A Snapshot of Poverty in Winter 2021* <https://www.bevanfoundation.org/resources/poverty-in-winter-2021/>

than 7 per cent by April. Although it expects that inflation will fall after the peak, it could be 2024 before it returns to the Bank's target of 2 per cent.³

All households in Wales are likely to be feeling the pinch. However, the impact of the current crisis is greatest on low-income households because they spend proportionally more on essential items than high-income households.⁴ They have very little wiggle room within their budget. It is not surprising that the Bevan Foundation's *Snapshot* report found a close relationship between household income and cutting back on essentials as the graph below shows.



Source: Bevan Foundation (2021) *A Snapshot of Poverty in Winter 2021*
<https://www.bevanfoundation.org/resources/poverty-in-winter-2021/>

2. Action on housing costs

Rising rents in private and social housing are putting households under huge financial pressure, increasing rent arrears and putting tenants at risk of homelessness. The position is aggravated by the value of Local Housing Allowance being frozen in 2022/23, so it does not cover many rents in full.

The Welsh Government has supported tenants during the pandemic. It is now time to extend those interventions to support people during the cost-of-living crisis.

Maximise Discretionary Housing Payments

Discretionary Housing Payments (DHP) can help tenants receiving Housing Benefit or the housing element of Universal Credit with one-off or ongoing payments towards their housing costs. As spending on essentials soars, the gap between rent and tenants' ability to pay is growing.

³ Bank of England (2022) Will inflation in the UK keep rising? 3rd February
<https://www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising#:~:text=Prices%20have%20risen%20sharply%20in,to%20come%20down%20after%20that.>

⁴ *ibid*

The Welsh Government's decision to top up local authority DHP pots in 2021/22 was a welcome measure. Some local authorities have shown DHP can be used in innovative ways, within the guidelines, with scope for their approach to be rolled out further.⁵

We call on the Welsh Government to top up local authorities' DHP allocations in 2022/23 to the maximum permitted and to encourage its full and effective use by local authorities.

Extend the Tenancy Hardship Grant

The Tenancy Hardship Grant has helped social and private tenants with rent arrears accrued up to 31st December 2021 due to Covid-19. The scheme has been a lifeline for people who are not eligible for Discretionary Housing Payments.

With restrictions on some sectors of the economy being reintroduced in December 2021 and January 2022, some tenants may face arrears beyond the scheme's cut-off date. The current cost of living crisis is arguably Covid-19 related and is likely to be as damaging to many households' finances as the pandemic itself.

We call on the Welsh Government to continue the Tenancy Hardship Grant into 2022/23 and:

- **Extend the scheme to cover rent arrears accrued until the economy fully recovers.**
- **Extend eligibility for a grant to households in financial difficulty, either by removing the Covid-19 criterion or interpreting the cost-of-living crisis as a Covid-related factor.**

More help with Council Tax

The Council Tax Reduction Scheme (CTRS) covers the costs in full of claimants of some benefits but means-tests the incomes of other people including those eligible for Universal Credit. Many low-income households therefore pay a contribution to their Council Tax, or do not apply to the scheme (especially single person households who are also eligible for Council Tax Discount).

We urge the Welsh Government to reduce the Council Tax liabilities of people on low incomes. The mechanisms are complex but could include:

- **Reducing the taper rate from 20 per cent to nil for households eligible for Universal Credit, effectively providing full relief.**
- **Reducing the taper rate for other households from 20 per cent to per cent, providing a greater reduction in Council Tax liability and benefiting more low-income households.**

⁵ Cwmbran Life (2021) **£4 a week increase for discretionary housing payment claimants in Torfaen**. 27th October. <https://www.cwmbranlife.co.uk/4-a-week-increase-for-discretionary-housing-payment-claimants-in-torfaen/>

3. Action to keep warm

NEA Cymru estimate that heating costs have doubled in 18 months, pulling 100,000 more people into fuel poverty. With further increases in energy prices likely in October 2022 (if not before) many households will be unable to heat their homes or risk being disconnected because of arrears.

The Welsh Government has already supported thousands of low-income households with their energy costs through its Winter Fuel Support Scheme as well as the Warm Homes Programme. As bills are set to increase, it is time to extend and enhance schemes.

Extend the Fuel Support Scheme

The Winter Fuel Support Scheme has provided £200 cash payment to low-income households, but there are gaps in eligibility and take up.

The scheme should be extended to provide continued support as energy prices spike, and more low-income groups should be eligible for help. For example, it could include households which receive the guarantee element of Pension Credit and payment in kind to people with no recourse to public funds.

We call on the Welsh Government to commit to:

- An additional £100 payment in April / May 2022 to previous applicants
- A payment of £250 to new applicants in April / May 2022
- £250 payment in October 2022
- Extending eligibility to Pension Credit claimants and people with no recourse to public funds.

Step up community action

Community organisations can help people who are struggling to pay their bills with advice and support to access the plethora of energy company schemes, managing arrears and basic energy-saving measures. They can also provide warm clothing and bedding, spaces where people can keep warm and charging points for devices such as phones and laptops.

We call on the Welsh Government to provide funding to community organisations to step up their activities that help to keep people warm.

4. Action on food

Food costs, especially the cost of basics, have increased by 4.5 per cent over the last year. A quarter of households reported cutting back on food between May and November 2021, and more than one in twenty households with two children were cutting back on children's food.⁶

The Welsh Government has made several welcome announcements that will reduce food costs faced by Welsh households, including the payment of cash in lieu of Free School Meals over the holidays and the commitment to introducing universal free school meals

⁶ Bevan Foundation (2021) *op. cit.*

for all primary school pupils over the next three years. But there is scope to go further to ensure children and families do not go hungry in the coming months.

Accelerate the provision of Free School Meals

The introduction of Free School Meals for primary pupils is welcome but it will have little impact on the current crisis as older primary children will not benefit for three years and secondary pupils do not benefit at all.

We urge the Welsh Government to:

- Allow primary schools to provide a free midday meal to their pupils from Easter 2022, if they have capacity to do so, even if they cannot provide a hot meal for all children.
- Top-up the weekly allowance of secondary school pupils eligible for Free School Meals by £1 a day to allow them to buy breakfast or a mid-morning snack.
- Ensure provision of meals in the school holidays by:
 - increasing the number of schools and children participating in the School Holiday Enrichment Programme (SHEP);
 - paying cash in lieu of Free School Meals to children whose schools decline to participate in SHEP.
- Provide financial support for community-based activity that improves access to healthy food for low-income households.

Increase take-up of Healthy Start

Healthy Start provides £4.25 a week for low-income pregnant women and children up to the age of three⁷ towards the cost of milk, fruit and vegetables and pulses. Yet in most of Wales take-up is less than 70 per cent.

We urge the Welsh Government to increase the take-up of Healthy Start by actively promoting the scheme and encouraging health boards, local authorities and voluntary sector organisations in contact with pregnant women and the parents / carers of under-4s to do so.

Extend Discretionary Assistance Fund flexibilities

The Discretionary Assistance Fund (DAF) provides grants to help people in extreme financial hardship to pay for essential costs, such as food, gas, electricity, clothing or emergency travel. Flexibilities introduced to the scheme have enabled it to adapt to the pressures of the pandemic and were invaluable in helping households to cope.

Applications to the DAF hit record levels in January 2022, demonstrating both the increase in need and greater awareness of the scheme.⁸ As households face pressures from the cost of living, the flexibilities introduced in the pandemic should be continued.

⁷ £8.50 a week for babies from birth to 1 year old

We urge the Welsh Government to:

- allow households to make up to five applications rather than three;
- allow new claims after 7 days rather than 28.

Provide affordable food for adults

Already food banks and food pantries report unprecedented demand, with some pantries having long waiting lists. The position is likely to get worse as inflation continues. Long term, food aid is not a solution but in a crisis can play a key role in providing food for people in severe difficulty.

We call on the Welsh Government to provide funding to community organisations to address food insecurity through initiatives such as pantries and community cafes.

5. Action on delivery

These actions will only make a difference if they reach their target groups and reflect their circumstances. This does not happen automatically. Building on existing schemes means it is more likely that people will have heard of them.

Welsh Government and local authorities

There is now a large number of different devolved grants and allowances targeted at low-income households. Some, such as Discretionary Housing Payment and Council Tax Reduction, are long-standing. Others are new, such as the Tenancy Hardship Scheme. All face some common challenges:

- low levels of awareness of the schemes amongst target groups;
- separate application processes to different local authority departments or to Welsh Government;
- reliance on already-stretched local authority revenues and benefits teams;
- low take-up rates and concerning levels of rejection.

The Bevan Foundation has previously called for many devolved grants and allowances to be streamlined into a Welsh Benefits System. This involves a 'no wrong door' approach and a single and simplified application process for multiple schemes. Since then, even more schemes have emerged making the case for streamlining more compelling than ever.

The best practice toolkit to simplify application processes for local authority administered benefits⁹ is very welcome but appears to have had very limited impact. While some changes require investment in new systems, there is nevertheless much more that could be done.

We call on the Welsh Government and local authorities to:

- **Work together to accelerate streamlining and simplification of application processes.**

⁹ <https://gov.wales/sites/default/files/pdf-versions/2021/5/4/1622104897/simplifying-application-processes-local-authority-administered-benefits-best-practice-toolkit.pdf>

- Explore with local authorities how to remove barriers to rapid delivery, including additional staffing requirements and guidance on audit requirements.
- Increase public awareness through marketing campaigns and public bodies and charities including schools, childcare providers and other frontline service providers and advice organisations.
- Encourage signposting and early intervention, so that arrears or debt (e.g. for school meals) are seen as an indicator of need.

Reaching to the heart of communities

As demonstrated in the pandemic, voluntary and community groups understand local needs well and can deliver tailored services to people that statutory bodies often cannot reach. They are also able to provide trusted advice and signposting to other local services. They can contribute to easing the pressure of the cost-of-living crisis by, for example, delivering local food projects such as food pantries, community cafes and cookery classes; by advising people on energy use and offering a warm place to be; and by supporting people with their housing options from applying for DHP to managing rent arrears.

Managing on a very tight budget or falling into debt can be very stressful. Community groups can also help people to improve their health and wellbeing by providing respite from everyday pressures, whether through sports or arts activities or through specific wellbeing activities.
