

Easing the cost-of-living crisis this Winter

SEFYDLIAD
bevan
FOUNDATION

November 2022



About the Bevan Foundation

The Bevan Foundation is Wales' most influential think tank. We develop lasting solutions to poverty and inequality.

Our vision is for Wales to be a nation where everyone has a decent standard of living, a healthy and fulfilled life, and a voice in the decisions that affect them.

As an independent, registered charity, the Bevan Foundation relies on the generosity of individuals and organisations for its work.

Acknowledgements

This document forms part of a broader project of work developed in collaboration between the Bevan Foundation and the Joseph Rowntree Foundation. The Bevan Foundation would like to thank the Joseph Rowntree Foundation for their ongoing support.

How you can help

Hundreds of people and organisations across Wales enable the Bevan Foundation to speak out against poverty, inequality and injustice. We would not exist without their support.

To make Wales a nation of prosperity for all, where everyone can fulfil their potential no matter who they are or where they live, please join our community of supporters.

Your support and that of others makes a difference to us and a difference to Wales.

Find out more at <https://www.bevanfoundation.org/support-us/individuals/> or email info@bevanfoundation.org to find out what you can do

Cover photo: Stock image by Jack Sparrow from Pexels

Copyright Bevan Foundation
Bevan Foundation, 145a High Street, Merthyr Tydfil CF47 8DP
info@bevanfoundation.org www.bevanfoundation.org

Registered charity no. 1104191 Company registered in Wales no. 4175018

Contents

SUMMARY	1
1. Introduction.....	2
2. Criteria for action.....	3
3. Short term actions.....	5
4. Medium- and longer-term measures.....	9

SUMMARY

There is every sign that some people in Wales will experience severe hardship this winter. With high prices set to continue while wages and benefits fall in real terms, the number of people in acute need and the depth of their financial difficulty are set to continue over the coming years.

The Bevan Foundation welcomes the Welsh Government's interventions to date but unfortunately more needs to be done. It urges the Welsh Government to focus on helping people to meet their needs for food, shelter and warmth, and to use interventions with proven reach and impact which we have called 'best buys'.

We recommend the following short- and medium to long-term actions:

Short term

- Extend eligibility for free school meals to children in years 7 to 11 who live in households that receive Universal Credit, without a cap on earnings – cost £1.3 million per term.
- Uplift EMA by £5 a week (or two £50 payments for autumn and spring terms) to enable 16–18-year-old learners to afford to buy a decent lunch – cost £1.8 million.
- Top up the Discretionary Housing Payment budget by £1 million for the rest of financial year 2022/23 and allocate £4 million top up in 2023/24.
- Extend the Wales Fuel Support Scheme with a further £200 payment to eligible households in January 2023 at a cost of approx. £40 million.

Medium- to long term

- Accelerate the provision of social housing if necessary through acquisition of existing vacant properties as well as new build.
- Bring forward plans for a new Warm Homes programme, with a substantial increase in investment, a focus on insulation measures, broader eligibility criteria and stronger programme management.
- Improve data used to set LHA rates and seek devolution of powers to determine LHA rates in future.
- Phase in free school meals for secondary school pupils beginning with years 7 and 8.
- Apply inflation-linked uplifts to all devolved, means-tested grants and allowances on an annual basis, with effect from April 2023.
- Accelerate implementation of a Welsh Benefits System to be fully operational by April 2025 at the latest.

1. Introduction

Recent high levels of inflation coupled with static social security benefits and lagging wages have put large number of households under very considerable financial strain. This short report sets out the Bevan Foundation's recommendations to the Welsh Government for action to address the immediate challenges and those in the medium to long term.

The problem

It is clear that many households in Wales are facing very real financial difficulties as a result of rapidly increasing prices, particularly of essentials such as food and energy. The inflation experienced by low-income households is even higher than the average rate. The Bevan Foundation's latest survey of households' financial situation¹ identified three broad groups of people in July 2022:

- **Doing OK:** just under half of people in Wales said in July that they had enough for basics and for some extras.
- **Only basics:** A third of people in Wales in July said that they had enough for the basics but they had no spare money for extras.
- **Struggling to get by:** One in eight people (13%) sometimes, often or always cannot afford the basics.

The people who were most likely to be struggling to get by were those on low incomes, including tenants, single parents and disabled people.

Economic conditions have worsened since the survey was held in July, with inflation reaching more than 10 per cent and energy prices nearly doubling compared with a year ago. These changes are likely to have increased the number of people in financial difficulty and increased the depth of their problems. We anticipate the following broad changes.

First, the number of people who are struggling to afford the basics will have increased, as will the proportion of people who can afford the basics but no more. The numbers of people in these struggling groups had already increased between winter 2021 and summer 2022 as inflation started to bite and will have continued since then.

Second, the range of things people are going without and the frequency with which they cannot afford basics will have increased. Again, the number of people cutting back on heating and food went up in the first half of the year and most likely will have continued since then.

Third, there is a real risk of extreme hardship or destitution amongst the least well-off. People who could not afford to heat their homes or eat regular, healthy meals in July now face potentially catastrophic circumstances. This is all too evident in rising demand for crisis help such as from food banks, emergency payments from the Discretionary Assistance Fund and homelessness services.

Taking action

There is an understandable emphasis on meeting the immediate challenges. Helping households to get through a potentially cold winter when energy and food prices are at unprecedented levels has triggered many cost of living summits and similar events around Wales. The Welsh Government has also announced some emergency steps including another round of the Wales Fuel Support Scheme. While these steps are very welcome, there is an urgent need to do more. The Bevan Foundation's recommendations for short-term action are set out in section three.

However in the Bevan Foundation's view the cost-of-living crisis is not a temporary problem this winter, but is part of a longer-term shift in living standards. There are few signs of household incomes catching up with inflation – indeed there is a real prospect of yet more real-terms cuts to pensions and benefits over the next year whilst most pay awards are below inflation. On prices, inflation is forecast to continue to rise to a peak of 11 per cent in October and then remain at above 10 per cent for a few months. Inflation is expected to stay above 2 per cent until the end of 2024. Crucially, with no forecasts of deflation, the prices of many items are likely to remain at a high level compared with the past.

The prospect that large numbers of Welsh households will be financially squeezed, some very severely, for the foreseeable future demands more than short-term, one-off cash payments. Instead there need to be medium- to long-term actions that meet people's basic needs for shelter, warmth and food. Some proposals for action are set out in section four.

2. Criteria for action

There is no shortage of ideas from many different organisations as well as the public about practical actions that can be taken to help households to cope with rising prices. They range from providing community food hubs and warm welcome centres to distributing free slow cookers and providing 'wood banks' for users of solid fuel to name but a few. Many of these ideas could be a valuable addition to the range of support available locally.

However, there is a real risk that some of these ideas spread resources thinly, do not reach many people, or do not offer the help they need. Many also do not address the underlying causes of hardship: they might provide food for someone on Saturday, but by the following Tuesday the person has run out again.

The Bevan Foundation recommends focusing action on the most important of people's needs and taking account of reach or take up and likely impact in deciding what to do.

Priorities

Our recommendations focus on meeting people's immediate needs and reducing the serious consequences that arise from people being unable to afford the basics of life. They are not aimed at easing the financial pressures that almost everyone is experiencing or preventing cutting back on non-essentials. We therefore focus on three vital areas:

- Enough food to eat
- A decent, secure home
- Warmth and light.

The evidence clearly points to some groups of people being much more likely to experience difficulty in meeting their needs for food, shelter and energy than others. While mostly they are people on low incomes, other groups such as disabled people, large families and lone parents, often have higher costs and are less able to meet their needs.

Principles

Our proposals are underpinned by the following principles. These principles derive from our experience of working with people on low incomes as well as those who administer various programmes. The principles are:

- The scheme targets help on the people who need it most.
- The scheme is delivered through established mechanisms so that there is minimum set up time.
- The scheme has or is likely to have high levels of reach or take up.
- The scheme can be delivered consistently across Wales and is not dependent on local differences in capacity or geography.
- The scheme is effective and delivers direct benefits to the recipient.
- There is no stigma associated with the scheme.

These criteria help to identify which actions are likely to have the greatest impact and reach the people in most need of support – we have called these 'best buys'.

Relationship with UK Government functions

Some of the Bevan Foundation's proposals relate to UK Government functions, in particular the social security system. We are aware that some people consider that it is not the Welsh Government's responsibility to step in where the UK Government has withdrawn support. But while we understand that the Welsh Government's resources are scarce, we think that refusing to mitigate the consequences of some UK Government decisions is not a sustainable position and should be changed.

First, by deciding against mitigating a UK Government decision the Welsh Government may increase its own costs in the longer term. For example not

mitigating cuts to the support with housing costs provided by the UK social security system may push more people into homelessness services.

Second, the view that the Welsh Government should not step in has not been applied consistently. There are numerous devolved schemes that plug gaps left by the UK Government. For example, the Discretionary Assistance Fund explicitly provides emergency payments if someone has 'applied for benefits and [is] waiting for [their] first payment'.²

And third, we would hope that the Welsh Government takes a rounded overview of how best to achieve its aim of a 'more prosperous, equal and greener Wales', using all means at its disposal to achieve this goal without demarking no-go areas simply because they were once or should be the UK Government's responsibility.

3. Short term actions

This winter threatens to bring severe hardship to many households across Wales. The Welsh Government and local authorities have shown that they can make rapid and effective interventions to help people through difficult times during the Covid-19 pandemic and we urge them to take similar, large-scale and targeted interventions during the cost-of-living crisis.

Action on food

Food prices have increased by 14 per cent in the last year, with low-cost food prices rising by an average of 17 per cent. The effect has been to add £5.24 to weekly spending on food by the poorest fifth of households. The additional costs hit people living in 'food deserts' where there is limited availability and choice of food especially hard.

We have welcomed the Welsh Government's action to ensure that younger children have access to a decent meal. For primary school-aged children, free school meals are being rolled out over the next year. Pupils of all ages who are currently eligible also receive free meals in the holidays until after February half term 2023. Healthy Start offers £4.25 a week towards the cost of certain foods to low-income pregnant women and families with children aged under 4 years.

However, many children aged 11 - 18 years are living in poverty but do not have access to a free school meal because their household earns more than £7,400 a year. This threshold excludes any child with a parent working for more than 15 hours a week at the minimum wage. Yet these families are undoubtedly being hit very hard by rising prices.

The position facing low-income post-16 learners is similarly challenging. Learners with a household income of less than £20,817 a year can claim Education

Maintenance Allowance of £30 a week. EMA has not been updated for more than 15 years and rising prices in the last two years alone have knocked a further £4.15 a week off the value of EMA. Learners are inevitably cutting back on lunch.

Enabling 11–18-year-old learners to access a decent midday meal is a ‘best buy’ because:

- It meets an urgent need which, if not met, can have long-term consequences for young people’s educational attainment, health and wellbeing.
- Free School Meals directly provide a healthy, nutritious meal in term time.
- EMA goes into the pocket of the young learner themselves to be used for food and other expenses.
- Arrangements for Free School Meals and EMA payments are already in place.
- Free School Meals have a high level of public awareness.
- Free School Meals and EMA have relatively high take up rates.
- Providing healthy food saves public money on managing the consequences of low educational attainment and a poor diet in due course.
- There could be economic benefits through effective public procurement of food.

We recommend:

- extending eligibility for free school meals to children in years 7 to 11 who live in households that receive Universal Credit, without a cap on earnings.
- an uplift of EMA of £5 a week (or two £50 payments for autumn and spring terms) to enable 16-18 year old learners to afford to buy a decent lunch.

Our modelling³ shows that these steps would benefit around 8,300 low-income pupils in years 7 to 11 at an estimated cost of £3.8 million for a full year (approximately £1.3 million per term). They would also benefit 18,000 EMA recipients at an additional cost of £1.8 million.

Housing

The cost-of-living crisis is putting huge pressure on housing. Private and social rents have all increased (Rightmove estimates that asking rents are up 15.2 per cent year on year)⁴ while mortgage repayments are also rising for households on variable rates or whose low fixed rates are ending. The Bevan Foundation’s survey found that 25 per cent of private tenants and 17 per cent of social tenants were worried about losing their home in July 2022, as were 10 per cent of owner-occupiers.⁵

The Bevan Foundation has welcomed the Welsh Government’s consultation on capping rent increases in social housing, and its actions to give private sector

tenants greater security. It has also welcomed its £4.1 million top up of Discretionary Housing Payments in 2021/22 which enabled local authorities to spend £11.4 million on meeting housing needs, for example providing deposits or covering shortfalls between housing support and actual rental costs. In 2022/23, the UK Government reduced Welsh local authorities' allocation to £6.3 million and the Welsh Government did not provide any top up.

In the Bevan Foundation's view topping up DHP allocations by the Welsh Government is a 'best buy' because:

- It directly helps people to maintain their home or access a home if they are homeless.
- Not having secure housing has significant long-term consequences for people's physical and mental health.
- By covering shortfalls between housing support and actual rents it puts cash in tenants' pockets.
- DHPs save public money on homelessness services and on managing the health impacts of homelessness in due course.
- Arrangements for awarding DHPs to people in housing need are already in place.
- DHPs can 'buy time' while an individual and support services find a sustainable housing solution.

We urge the Welsh Government to top up the DHP budget by £1 million for the rest of financial year 2022/23 and to allocate £4 million top up in 2023/24.

Energy

One of the major pressures on household finances is the doubling in energy costs in the last year. The increase hits people in Wales especially hard because of the lower energy efficiency of Wales' housing stock and the higher energy prices facing people in off-gas homes or who live in north Wales.

The Wales Fuel Support Scheme was introduced in 2021/22. The scheme makes one-off payments (currently £200) to eligible households which are responsible for paying energy bills. The eligibility criteria have been expanded since 2021/22 and now include households in receipt of a long list of benefits.

The scheme has many features of a 'best buy':

- It meets an urgent need which, if not met, can have long-term consequences.
- The name of the scheme encourages it to be spent on energy costs.
- Mechanisms for payment are already in place and can be linked to other local authority schemes such as the Council Tax Reduction Scheme.

- It saves public money on managing the immediate and long-term health consequences of living in a cold, damp home.
- It has a higher level of public awareness than other devolved grants or allowances.
- It has had relatively high take up – by April 2022 the first tranche of payments had been received by 166,049 households.

We recommend that the Welsh Government extend the scheme with a further £200 payment to eligible households in January 2023.

An additional £200 payment to a total of 200,000 households would cost £40 million.

Emergency payments

Even with help with food, energy and housing costs, households may nevertheless find that they are in severe financial difficulty. The Discretionary Assistance Fund can provide emergency payments to people in acute need. The Welsh Government introduced flexibility that enabled people to receive more payments at greater frequency during the pandemic and then as Universal Credit changed. The current flexibilities are to be retained until March 2023. Since March 2020 the Fund has made nearly 365,000 payments worth more than £25 million.

Recent unpublished research by the Bevan Foundation has found that there is some confusion about the criteria for additional and more frequent emergency payments. It also found that the Discretionary Assistance Fund can be difficult for people to access on their own initiative, without help from a DAF partner.

Despite some difficulties, many people describe DAF as a lifeline, and it is without question a 'best buy' for the following reasons:

- The scheme meets urgent and severe need
- The scheme can be flexible, being tailored to the specific circumstances of the applicant e.g. for food, electricity or travel costs
- The scheme is responsive, providing payments in 24 to 48 hours Monday to Thursday
- The delivery mechanisms are in place
- Emergency payments may save other public expenditure e.g. by preventing physical or mental health crises.

We urge the Welsh Government to strengthen and clarify the flexibilities in use of the Discretionary Assistance Fund as follows:

- To allow up to five emergency grants in twelve months for **all** applicants (not just for applicants in receipt of Universal Credit or impacted by coronavirus).
- To allow emergency grants to be paid 7 days apart for all applicants (not just for applicants in receipt of Universal Credit or impacted by coronavirus).

- To exclude Independence Assistance Payments when counting grants.
- To extend and publish the list of DAF partners who are able to help with applications.

4. Medium- and longer-term measures

Sadly, the Bevan Foundation anticipates that financial hardship will continue to affect a substantial proportion of the Welsh population for some time to come, with growing numbers experiencing severe hardship. There is little prospect of a significant increase in earnings or social security benefits while high prices for many essentials seem likely to become permanent.

People will continue to experience urgent needs for shelter, food and warmth and are increasingly unlikely to be able to meet them from the open market. We therefore urge the Welsh Government and local authorities to put in place the minimum requirements of a warm, decent home and adequate food as a matter of urgency.

Accelerate social housing provision

The Welsh Government's ambition of building 20,000 new homes and investing additional sums to deliver them is welcome. Unfortunately the number of new social housing completions has yet to reach the step-change required with just 810 properties completed in 2021-22.

Construction of new homes can not only provide urgently needed, good quality accommodation it can also boost the local economy and provide decent jobs – Wales TUC estimate that up to 12,000 jobs could be created by building social housing to meet needs.

We therefore urge the Welsh Government to accelerate its provision of social housing, if necessary through acquisition of existing vacant properties (either voluntarily or compulsory) as well as new build.

Ramp up retro-fitting of energy efficiency measures

The Warm Homes programme provides energy efficiency advice and improvements to eligible households. Unfortunately, it has supported small numbers of households with energy measures – typically fewer than 5,000 a year⁶ – and has also been criticised for focusing on boiler replacement rather than home insulation.⁷ A Welsh Government response to a consultation on the programme's future in April 2022 is awaited.

Retro-fitting new homes can also be a vital stimulus to the local economy. Retro-fitting social housing alone is estimated to create around 10,000 jobs⁸ and

increasing installation in private sector rentals and owner-occupied homes would at least double that number.

There must be a rapid and dramatic increase in the quantity and quality of energy efficiency measures provided through the Warm Homes programme to enable people to cope with the high costs of energy.

We urge the Welsh Government to bring forward plans for a new programme ready for implementation from April 2023, with a substantial increase in investment, a focus on insulation measures, broader eligibility criteria and stronger programme management.

Urgently reform Local Housing Allowance

Local Housing Allowance underpins the low-income private rental sector, providing approximately £1 billion a year towards rents in Wales. The Bevan Foundation has demonstrated that the data on which it is based do not necessarily reflect the local rental market while freezing LHA by the UK Government has resulted in large gaps between actual rents and LHA.⁹

Fair LHA rates that reflect Wales' housing market would allow closer alignment between the Welsh Government's housing policies and the support with rents that people receive.

We urge the Welsh Government to make representations to the UK Government to improve its data and to seek devolution of powers to determine LHA rates.

Provide universal free school meals for year 7 – 11 pupils

With the precedent of universal school meals for primary pupils, the next step is to provide nutritious meals for all secondary pupils. This would ensure that pupils who are on low incomes but who are currently ineligible for a free meal to have enough to eat, and also avoid the stigma of free dinners, the burden of dinner debt and administrative costs.

Free meal provision comes with costs, but they will be offset in the longer term by a stimulus to the local economy and savings on health and dental costs in later life.

We urge the Welsh Government to phase in free school meals for all secondary school pupils beginning with years 7 and 8 in September 2023.

Uprate all 'Welsh benefits' by inflation annually

The Welsh Government has urged the UK Government to uprate social security benefits by at least inflation. The same principle should be applied to the value of various means-tested grants and allowances administered by the Welsh Government itself, and to the income thresholds that determine eligibility. This

includes Education Maintenance Allowance, Welsh Government Learning Grant and Healthy Start payments.

We urge the Welsh Government to apply inflation-linked uplifts to all its means-tested benefits on an annual basis, with effect from April 2023.

Implement its commitment to a Welsh Benefits System

The Welsh Government and many others have accepted the principle of streamlining many means-tested devolved grants and allowances into a single, coherent system with common eligibility criteria and a single, simple access point. Yet there is a long way to go. There is differing information about schemes on local authority websites, multiple different application forms are required and eligibility for help varies between schemes without obvious rationale. As a result, take up remains relatively low and households miss out on vital cash.

We urge the Welsh Government to accelerate implementation so that a fully operational system of common eligibility criteria, single application forms and sharing of data between Universal Credit and devolved schemes is fully in place by April 2025 at the latest.

References

¹ Bevan Foundation (2022) A snapshot of poverty Summer 2022. At:

<https://www.bevanfoundation.org/resources/a-snapshot-of-poverty-in-summer-2022/>

² Welsh Government, Discretionary Assistance Fund website, <https://gov.wales/discretionary-assistance-fund-daf/how-apply> accessed 7th November 2022

³ Bevan Foundation (2021) Expanding the provision of Free School Meals in Wales

<https://www.bevanfoundation.org/resources/expanding-the-provision-of-free-school-meals-in-wales/>

⁴ Rightmove (2022) Rightmove Rental Trends Tracker <https://www.rightmove.co.uk/news/rental-price-tracker/>

⁵ Bevan Foundation (2022) A snapshot of poverty Summer 2022. At:

<https://www.bevanfoundation.org/resources/a-snapshot-of-poverty-in-summer-2022/>

⁶ NEST annual report, 2020-21 <https://nest.gov.wales/about-nest/>

⁷ Audit Wales (2021) The Welsh Government's Warm Homes Programme <https://audit.wales/news/welsh-governments-warm-homes-programme-needs-be-greener-clearer-and-more-tightly-managed>

⁸ Transition Economics for Wales TUC (2020) Job creation in Wales from a Covid recovery infrastructure stimulus <https://www.tuc.org.uk/research-analysis/reports/job-creation-wales-infrastructure-investment>

⁹ Bevan Foundation (2022) Wales' Housing Crisis: an update on the private rental market in summer 2022

<https://www.bevanfoundation.org/resources/wales-housing-crisis-summer-2022/>