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Y Gweinidog Cyfiawnder Cymdeithasol
Minister for Social Justice



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/JH/4337/21

Jenny Rathbone MS
Chair
Equality and Social Justice Committee

05 January 2022

Dear Jenny,

Thank you for the Debt and the Pandemic report, recently published by the Equality and Social Justice Committee. I welcome the report and its insightful recommendations and recognise the significant contribution and hard work of the members of the Committee during their timely inquiry.

The evidence is clear that the impact of problem debt upon the well-being of individuals and their families can be negative and long-lasting. I agree with the concerns of the Committee around the urgent need to tackle the growing debt burden that is being faced by some of our most vulnerable households in Wales.

The pandemic has exacerbated the inequalities in our society and the financial pressures it placed upon households will now be intensifying due to the combined impact of the UK Government policy decision to end the £20pw Universal Credit uplift payment and the cost of living increases.

The Welsh Government will continue to use all its available levers to help households who find themselves in a precarious financial situation and I acknowledge that implementing several of the report's recommendations will support the efforts to help households find a sustainable pathway out of debt.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I have set out my response to the report's fourteen recommendations in Annex 1 below and I will provide reports to the Committee on the progress to implement appropriate recommendations.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jane". The signature is written in a cursive style with a long horizontal stroke above the first letter.

Jane Hutt AS/MS

Y Gweinidog Cyfiawnder Cymdeithasol
Minister for Social Justice

Annex A: ESJC Report – Debt and the Pandemic - Recommendations

Recommendation 1. The Welsh Government's equalities data unit should work with organisations in the sector to collate and publish annual data on debt in Wales starting in the next financial year 2022-23, broken down by protected characteristics.

Accept in Principle

The Welsh Government's Equalities Data Unit will work with external organisations to collate data on a range of topics in Wales. The aim for the Unit will be to assess what existing data can be broken down by protected characteristics. From early 2022 we will begin to develop our Strategic Evidence Plan and will undertake initial data and evidence mapping. Following this we will have a clearer idea of the priorities and feasibility of different topics. At which point we will be better placed to advise where data on debt will fall compared to other priorities for the Units.

Administrative Data Research Unit (ADRU) will play a key role in helping the Equalities Data Unit to obtain data into SAIL. At this stage ADRU have advised debt data may be particularly challenging given the sensitivities with sharing data on financial information and that many government agencies do not collect information on debt. There are additional challenges when collating admin data from third sector organisations, such as additional governance and data quality issues which may require a significant amount of additional work before analysis is possible.

Recommendation 2. The Welsh Government should commission expert research into the relationship between addiction and debt and report back to this Committee on progress. This research should cover addiction in all its forms including gambling, alcohol and other substance addictions and the Welsh Government should write to the Committee with an update on progress and timescales for completion and publication before the end of March 2022.

Accept

The links between addiction and an individual experiencing problem debt is considerable and the providers delivering specialist debt advice services through the Single Advice Fund have an established Action on Gambling Harm project that is improving advisor training helping them to identify people who show possible signs of gambling harm.

The importance of the undertaking research of all forms of addiction that serve as an underlying cause of debt is acknowledged. Health and Social Services research team will collaborate with relevant policy colleagues in order to determine how long the research would take; what budget there is available to undertake it; if there is sufficient Knowledge Analytic Service resource to manage it; and how it fits with other priorities and commitments in evidence plans.

An update will be provided to the Committee before the end of March 2022.

Recommendation 3. The Welsh Government should set out in its response what additional measures it will put in place to promote debt advice services to vulnerable groups who are at heightened risk of debt, so they can make informed choices about the options available to them.

Accept

The Welsh Government introduced the Single Advice Fund in January 2020 to ensure that it is grant funding integrated advice services that are well known, accessible, and can offer early access to all the help and support a person requires to sustainably address their social welfare problems. The Single Advice Fund service delivery model, comprising of Advice and Access Partners, has proven to be an extremely successful means of incorporating and using the expertise of national and local organisations that specialise in reaching out to vulnerable groups. However, we know there is more we can do to ensure advice services continue to reach vulnerable people before their problems escalate to a crisis, especially those in need of debt advice who tend not to seek advice until trigger points are hit, such as creditors taking legal enforcement action.

In 2022, officials will support Single Advice Fund providers to expand their Access Partner networks to include more community based organisations who can target accessible messages at key population groups encouraging them to access debt (and other) advice services. Building on communication model used within the 'Claim What's Yours' national welfare benefit take-up campaign, officials will develop positive communications that diminish the stigma associated with 'being in debt' and encourage people to seek advice to deal with financial problems generated by the pandemic.

Recommendation 4. The Welsh Government should publish revised plans within the next three months to tackle fuel poverty, to ensure that these are in place well ahead of the next rise to the energy price cap due to come into force from April 2022.

Accept in Principle

Action to address energy costs through measures like the price cap sit outside of devolved competence. The Welsh Government will continue to make strong and urgent representations to the UK Government on this issue, which we agree puts many households at greater risk of fuel poverty. Within our competence, we have already taken more immediate steps to support those on lower incomes this winter by making available payments through the Discretionary Assistance fund and the one off Winter Fuel Support Scheme providing a payment of £100 to eligible households.

The Welsh Government also agree the need to ensure its plans are appropriate to the current context. We published our plan to tackle fuel poverty in March 2021, which included actions to ensure no household will be in severe or persistent fuel poverty, and not more than 5% of households in fuel poverty by 2035. We also committed to review the Plan every two years, with work already underway to inform the next update in spring 2023. This review provides an opportunity to assess the progress being made to deliver actions to fulfil our targets and as appropriate, revise existing actions or make new actions.

Recommendation 5. The Welsh Government should provide clarity in its Draft Budget on how it will allocate sufficient funds up until 2024-25 to accelerate plans to bring all social homes up to Energy Rating A to mitigate increased fuel poverty as a result of rising energy costs.

Accept in Principle

The Welsh Government is investing in decarbonisation of homes, improving their energy efficiency and programmes to directly address more immediate issues of fuel poverty. Alongside the measures to directly address fuel poverty, set out at Recommendation 4, the Welsh Government has already committed almost £70million pounds to decarbonising social homes in Wales, and has recently announced a further £150 million of funding over the next three years. This money will be allocated via the Optimised Retrofit Programme, which provides grant funding to projects which seek innovative new approaches to efficiently and effectively decarbonise social homes in Wales. The learning from these projects will inform the future direction of travel for social homes, and for those in the private rented and owner occupied sectors. Welsh housing stock is diverse, and no single solution will be applicable to all properties. It is important that the right interventions are made in the right way, at the right time, using a robust evidence base. Decarbonising social homes is complex, and we will be working closely with stakeholders across the sector to make sure that our approach is appropriate, effective and achievable, and does not impact negatively on tenants. This includes through the forthcoming review of the Welsh Government's plan to tackle fuel poverty to ensure that decarbonisation is considered in that context.

In Spring 2022, the Welsh Government will consult publically on the next iteration of the Welsh Housing Quality Standard (WHQS), which sets the standard for existing social homes in Wales. This consultation will include the detail of decarbonisation standards to be included into WHQS2, which is currently expected to be launched in 2023.

Recommendation 6. The Welsh Government review of the Council Tax Protocol for Wales should include an assessment of whether the Protocol should be strengthened including whether it should be placed on a statutory footing. This review should be progressed urgently and be completed by no later than June 2022.

Accept

We have already begun work on a review and evaluation of the Welsh Government and local authority actions which took place over the fifth Senedd Term to alleviate pressure on vulnerable people in relation to council tax. This includes a review of the implementation of *The Council Tax Protocol for Wales: Good Practice in the Collection of Council Tax* launched in January 2019.

The review will look at the implementation of the protocol in terms of its design and delivery and examine the extent to which it has successfully provided appropriate support to vulnerable debtors, particularly people in council tax arrears, and other vulnerable people and households. The findings from the review will be used to identify

examples of good practice that can be shared and ways to overcome any barriers to implementation.

Recommendation 7. The Welsh Government should explore the feasibility of introducing ‘debt bonfires’ in relation to aspects of public sector debt, drawing on evidence from Wales and beyond, and should write to the Committee with its conclusions by the end of June 2022.

Accept

Knowledge and Analytical Services and relevant policy colleagues across government will collaborate in order to scope out the research on the feasibility of implementing public sector debt bonfires. The scoping will include what resource is available to accommodate the research, how long the research would take and what budget there is available to undertake it etc.

A particular focus for this recommendation will be the consideration of the Universal Credit, Council Tax Reduction Scheme and Rent Arrears in Wales research report series, in order to see if there is any relevant evidence; along with the planned Evaluation of Interventions to support vulnerable people to meet council tax liability. It is important that the research includes an examination of the effectiveness of the range of debt solutions that are already accessible to people who are unable to maintain their financial commitments to public sector (and other) creditors, which do include debts being written off.

Recommendation 8. The Welsh Government should set out in its response to this report what further action it has taken to improve awareness of Welsh housing law among frontline police officers.

Accept

We work closely with our police forces in Wales. The Minister for Social Justice meets regularly with the Lead Police and Crime Commissioner and uses this opportunity to raise emerging issues, including the reports of illegal evictions. The First Minister or the Minister for Social Justice chairs the Policing and Partnership Board for Wales. This Board provides opportunity for strategic discussions regarding matters of importance to both Policing in Wales and the Welsh Government. Officials have also asked the Police Liaison Unit to raise awareness with police forces directly. Advice on the Welsh Government’s website also stresses that a court order is required before an eviction (e.g. see <https://gov.wales/eviction-during-coronavirus-pandemic>)

Recommendation 9. The Welsh Government should set out how it will ensure that it uses the legislative or policy levers at its disposal so that tenants across all tenures do not lose their homes because of debt accrued as a result of the pandemic.

Accept

The Housing Support Grant (HSG) is distributed to local authorities to plan and commission housing related support services in their local area to prevent homelessness and support people to have the capability, independence, skills and confidence to access and/or maintain a stable and suitable home. In 2021-22 the HSG was given a £40m increase, taking total funding from £126.7 million to £166.7 million. The increased funding has been maintained in the latest Draft Budget 2022-23, published on 20 December 2021. This will help deliver the transformational change required to achieve our long term goal of ending homelessness in Wales.

The HSG supports people to address the sometimes multiple problems they face, including sustaining and managing a tenancy. Tenancy support may include the provision of advice to manage their finances and debt, mediation with landlords, activities which build a person's understanding of their housing and welfare rights, and small sums for innovative projects where they are used with the person to enhance their ability to live more independently.

Support is tenure neutral and can be provided via floating support services to individuals in their own home, as part of a wrap-around service in temporary or permanent accommodation.

Recommendation 10. The Welsh Government should also ensure that the notice period for no-fault evictions remains at 6 months until the Renting Homes (Wales) Act 2016 comes into force.

Accept in Principle

The Minister for Climate Change laid Regulations under paragraphs 1(2) and 14(1) of Schedule 29 to the Coronavirus Act 2020 on 17 December 2021. These Regulations extended, until 24 March 2022, which is when the Coronavirus Act 2020 expires, the six-month notice requirement when ending a tenancy, other than in relation to anti-social behaviour and domestic violence. A ministerial written statement on the regulations is available at: <https://gov.wales/written-statement-use-powers-under-coronavirus-act-2020-residential-tenancies-extension-period-0>. The purpose of the Regulations extending the Section 21 'no fault' eviction notice period is to ensure that, at a time when coronavirus remains a serious threat to public health, landlords will continue to be required to give increased notice to tenants before they can issue proceedings for possession.

The regulations have to be justified on the basis of powers under the Coronavirus Act 2020. Therefore it would be inappropriate for the Minister to pre-judge the health situation prevailing at the next review point.

The implementation of the Renting Homes (Wales) Act 2016, as recently amended by the Renting Homes (Amendment) (Wales) Act 2021 to increase security of tenure, will happen before the Senedd's 2022 summer recess. We have also committed to ensuring that landlords and tenants of existing tenancies, which will convert to the appropriate Renting Homes occupation contract, will have six months to prepare for implementation.

Recommendation 11. The Welsh Government should explore the possibility of extending the Tenancy Hardship Grant scheme to include low-income tenants in social housing who are not eligible for Discretionary Housing Payments.

Accept

The Tenancy Hardship Grant (THG) launched in July provides financial support for tenants who are in serious rent arrears as a result of Covid-19 and who are not in receipt of benefits. Given that the objective is to prevent immediate risk of homelessness, the grant provides support for Private Rented Sector (PRS) tenants as a priority; the exception is social tenants, not in receipt of housing-related benefits who pay rent at a market rate.

PRS tenants have less protection and, in most cases, higher rents than social housing tenants and there are a number of safeguards provided for social housing tenants. Social housing providers have agreed to a protocol of no evictions on rent arrears grounds during the pandemic and to agreeing realistic repayment plans with their tenants. Housing associations and local authorities can, and do, absorb some bad debt within their financial plans. Officials are discussing with stakeholders how the grant scheme might be further developed to reach those at risk of homelessness and will explore the possibility of extending the Grant scheme to include low-income tenants in social housing who are not eligible for Discretionary Housing Payments.

Recommendation 12. The Welsh Government should set out in its response to this report how it intends to promote affordable credit sources among those at heightened risk of debt over the next six months.

Accept

£60,000 has been made available this winter to promote affordable lending through credit unions. This is in response to the acute pressures on household incomes which will force struggling families to look for credit at whatever cost, in order to try to balance household budgets. £40,000 of this funding is supporting an affordable credit digital marketing campaign which is running from December 2021 until March 2022. This intensive campaign is raising awareness of affordable lending through Credit Unions of Wales, promoting their digital loan application page for loans up to £1,000 using various media platforms to reach more people including Facebook, Instagram, to attract younger members, and Google. Alongside this we have made available £20,000 for all credit unions to carry out marketing within their communities to advertise affordable lending. This funding has already been allocated.

Borrowing money can be a positive thing if it is done responsibly and this is the message we want to promote to agencies working with people who are financially vulnerable. We need to work with affordable lenders, raising awareness and signposting to them to ensure borrowing is manageable. Without this, there is a significant risk that people in desperation will turn to high cost lenders or illegal lenders. We know that borrowing responsibly and affordably can help to break the cycle of spiralling

unmanageable debt. The intensive digital marketing campaign will help to promote this message.

Recommendation 13. The Welsh Government should make flexibilities introduced to the Discretionary Assistance Fund as a result of the pandemic a permanent feature of the fund.

Accept in Principle

The budget for the fund has increased year on year with extra funding being provided as a result of the Covid-19 pandemic. The flexibilities introduced in May 2020 were intended as a temporary measure to support people impacted by the pandemic and it was agreed they will remain in place until March 2022 to support people as they adjust to the withdrawal of the £20 uplift to Universal Credit. The Draft Budget published on the 20 December confirmed that the budget for the fund for 2022/23 onwards will be £19.7m. Although less than the previous two financial years, this is still higher than the pre-pandemic budget level, reflecting the financial impact the last two years have had on individuals and their families. Although the budget will be less, I am seeking to maximise the impact of the fund by building in triage and referrals to other support in order to have a longer term impact on the financial wellbeing of those applying to the DAF, and to make the fund more sustainable. The DAF is intended as a fund of last resort, a safety net until other support mechanisms kick in. I want to see as many as possible repeat DAF clients accessing wider support to address underlying financial vulnerabilities and improve their longer term outcomes.

We will continue to assess the effects of the DAF and its delivery in light of the ongoing pandemic and the ongoing cost of living crisis. This will also be subject to the continual review of available funds and we will continue to call on the UKG to address the crises being faced as this is where the competency for welfare support lies.

Recommendation 14. To inform preparation work for the new DAF contract from April 2023 the Welsh Government should undertake a review of the current DAF to include:

- **a review of eligibility criteria;**
- **options for streamlining the application process; and**
- **a review of the guidance associated with applications to ensure that it is sufficiently easy to understand and written in plain English and Welsh.**

Accept

As part of the procurement process for the new contract to deliver the Discretionary Assistance Fund from 1 April 2023, the eligibility criteria, application process and guidance will all be reviewed. However, it is important to note that although we want the application process to be as streamlined and as simple as possible, there is certain information we will need to collect with regard to individuals' current financial situation in order to help us provide support which is efficient and effective. The DAF will always be able to provide the emergency grant support to help individuals in a crisis situation, but we will need to collect enough information to ensure we are able to provide a more

holistic support package which will have a longer term impact on applicants' financial wellbeing.

Along with the above recommendations the Committee made the following three conclusions,

- 1. We will keep a watching brief on the extent and sustainability of financial support for debt advice services as part of our scrutiny of the Draft Budget 2022-23, expected to be laid before the Senedd on 20 December 2021.**

No response required.

- 2. We would welcome more detail from the Minister for Social Justice setting out the case for the UK Government increasing the amount of funding available to the UK nations through the debt advice levy, of which Wales would receive a proportionate share.**

We know that Covid-19 has had unprecedented impacts on household finances. The Money and Pensions Service developed a comprehensive model to forecast the need for debt advice across all UK nations over the coming three years (to guide the decision making on the future annual financial levy to be collected). The modelling is based upon a range of macroeconomic forecasts of key unemployment and income related impacts and micro modelling of individual financial circumstances, e.g., people with any arrears. Through their membership of the UK Debt Covid Taskforce officials have contributed to this work and are content that the characteristics and assumptions behind the forecasting are accurate and have been corroborated using a variety of external sources. The decision of the UK Government to request the Financial Conduct Authority collect an additional levy payment in 2020/21, as a response to the impacts of Covid-19, was a welcomed response.

The share of the total UK levy received by Welsh Government is based upon a calculation that reflects percentage of over indebted adults in Wales. The calculation to determine over indebtedness had not previously been used as a means of allocating funding and Welsh Government queried its robustness. In response, UK Government agreed that the Money and Pensions Service, through collaboration with colleagues in the devolved administrations, would devise a more robust method of calculating over-indebtedness. During the last 12 months work has been on-going and a revised methodology to determine over indebtedness is being finalised. Officials are satisfied the methodology will offer an accurate representation of the over-indebted population in Wales.

- 3. We will also be writing to all four police forces enclosing a copy of this report and asking them to respond to our concerns regarding police involvement in evictions.**

No response required.
