

Cost of living pressures

July 2022



The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this document can be found on the Senedd website:
www.senedd.wales/SeneddEconomy

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

Tel: **0300 200 6565**

Email: **SeneddEconomy@senedd.wales**

Twitter: **[@SeneddEconomy](https://twitter.com/SeneddEconomy)**

© **Senedd Commission Copyright 2022**

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the Senedd Commission and the title of the document specified.

Cost of living pressures

July 2022



About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddEconomy

Current Committee membership:



Committee Chair:
Paul Davies MS
Welsh Conservatives



Hefin David MS
Welsh Labour



Luke Fletcher MS
Plaid Cymru



Samuel Kurtz MS
Welsh Conservatives



Vikki Howells MS
Welsh Labour



Sarah Murphy MS
Welsh Labour

Contents

Chair’s foreword	5
Recommendations	7
1. Introduction	11
2. Welsh and UK Government Support	12
3. Pressure on households	14
Impact on different groups.....	15
Committee view	16
Views on cost-of-living support.....	16
Better awareness and take-up of support.....	17
Committee view	19
Remaining gaps in Welsh Government Support.....	20
Committee view	21
4. Pressures on the workforce	22
Precarity of employment and workers’ rights	22
Impact on worker well-being	23
Delivering the real Living Wage	24
Understanding the future economy and labour market.....	26
Committee View.....	27
5. Impact on rural communities	29
The Rural Premium: poor infrastructure and fuel poverty.....	29
Places to keep warm.....	30
Research.....	31
Committee view	31
6. Pressures on business	33
Business support.....	33

Business rates relief	35
Committee View.....	36
Annex A: List of oral evidence sessions	38
Annex B: List of written evidence	40
Additional Information	41

Chair's foreword

The escalating cost of living can be felt across Wales and is affecting almost every area of public and private life. With wages and fixed incomes not stretching as far people are having to tighten their belts and often make difficult choices. Businesses are facing a “double whammy” of increased costs and a shrinking customer pool as consumers reduce their discretionary spending. All of these issues are amplified in rural communities which already face a “rural premium” for goods and services.

Whilst Members appreciate the increased support being offered by the Welsh and UK Governments, many households across Wales are still struggling. There are also gaps in provision that some households are falling through. It is important the Welsh Government ensure everyone in Wales receives all the support they are entitled to. Two of our key recommendations are that Welsh Government must work hard to be sure those who are struggling are aware of all the support on offer, and where they control the support, to simplify the process to obtain it.

High rates of inflation hit the lowest paid the hardest, and this presents a real risk to the Welsh Government's fair work agenda. The Committee recommends the Welsh Government uses its considerable ‘soft power’ to improve terms and conditions for the lowest paid, for example by improving sick pay for social care workers. To support future policy making we recommend the Welsh Government undertakes detailed labour market research to better understand issues such as in-work poverty and high economic inactivity in Wales.

The Committee is particularly concerned about the impact of the increased costs of heating fuel. We urge the Welsh Government to act before winter to support people living in rural off-grid properties. We also feel the Welsh Government should support rural communities to address the ‘rural premium’.

Members feel urgent support is needed for businesses most affected by the increased cost of living, similar to that given during the pandemic. Challenges and opportunities often come hand in hand. Inflation of oil and gas prices offers a great opportunity to encourage businesses to reduce their carbon footprint and become more efficient in the long run. We recommend the Welsh Government considers establishing a support scheme to enable this investment.

The cost of living is an extremely cross cutting issue. This report should be considered alongside the breadth of work being undertaken on the cost of living across all Senedd committees.

Paul Davies MS,

Chair of the Economy, Trade and Rural Affairs Committee

Recommendations

Recommendation 1. The Welsh Government should work with external organisations to ensure that robust Wales-level data on key cost of living metrics is regularly collected and published. It should consider innovative ways to make headline data easily accessible to users, for example developing a dashboard or other alternatives.....Page 16

Recommendation 2. The Welsh Government, and in particular its Equalities Data Unit, should ensure that disaggregated cost of living data for Wales is regularly available, in order that the impacts of cost of living pressures on different socio-economic groups and protected characteristics can be understood and factored into policy decisions.....Page 16

Recommendation 3. The Welsh Government should build on its distributional analysis of who will benefit from its cost of living support by publishing analysis of how its schemes are supporting groups with protected characteristics such as gender, disability, and ethnicity.Page 16

Recommendation 4. The Welsh Government should publish data on take-up of the Winter Fuel Support Scheme as soon as possible, broken down by local authority, and by protected characteristic where possible. It should also proactively publish data for other current and future cost of living support measures once this becomes available.....Page 19

Recommendation 5. The Welsh Government should publish a summary of lessons learnt from its early cost of living support schemes such as the Winter Fuel Support Scheme, and set out how this has informed development of subsequent schemes.....Page 19

Recommendation 6. The Welsh Government should build on the success of the Claim What's Yours benefit take-up campaign: It should set out details of planned promotional activity for this campaign, and prioritise funding and resource to reach as many people as possible over the coming months.Page 19

Recommendation 7. The Welsh Government should set out the details and timescales for the work its Income Maximisation Task and Finish Group will undertake, and commit to publishing any outputs.....Page 19

Recommendation 8. The Welsh Government should accelerate work to bring together means-tested support schemes for low-income households through a Welsh benefits system. The new system must ensure greater consistency in local authorities' delivery, and move towards a position where people who need one form of support are automatically passported to other sources of assistance that they are eligible for..... Page 20

Recommendation 9. As part of its work on developing the Welsh benefits system, the Welsh Government should work towards developing a one-stop shop portal through which households across Wales can apply directly to their local authority for the different means-tested schemes that are available. Page 20

Recommendation 10. The Welsh Government should provide an assessment of how successfully local authorities have used the best practice toolkit so far, and consider taking further steps such as developing statutory guidance if there is evidence to do so..... Page 20

Recommendation 11. The Welsh Government should explore the feasibility of extending the eligibility criteria of its means-tested schemes to support low income households with living costs, to support those households who are just missing out. It should report back to the Committee with its findings..... Page 21

Recommendation 12. The Welsh Government should outline how its Discretionary Homelessness Prevention Grant will help to mitigate the reduction in Discretionary Housing Payments (DHP); and whether the amount spent on this programme is sufficient to fully mitigate lower levels of DHP. Page 21

Recommendation 13. The Welsh Government should set out its plans to provide further cost of living related support to households at the start of the 2023-24 financial year, and how it will prioritise support to address the scale of the situation. Page 21

Recommendation 14. Welsh Government should drive the accreditation of all Welsh public sector organisations as real Living Wage employers, in particular delivering this for workers in Welsh local authorities and health boards..... Page 28

Recommendation 15. Welsh Government should consider what lessons can be learnt from voluntary regulation schemes for private sector employers like the Cardiff Bay community jobs compact, and how it could support replicating the benefits of this approach in other parts of Wales..... Page 28

Recommendation 16. Welsh Government should commission labour market research to better understand the reasons behind high rates of economic inactivity; levels of in-work poverty; and the circumstances of those identifying as self-employed. With input from the Ministerial Economic Advisory Board it should then develop a plan of action to address the long-term implications for the Welsh economy..... Page 28

Recommendation 17. Welsh Government should work with social partners to consider what more can be done to support increasing numbers of workers experiencing mental ill-health as a result of cost-of-living pressures. Page 28

Recommendation 18. Welsh Government should outline how implementing the recommendations of Senedd Committee reports on Fuel Poverty and the future of Hospitality, Tourism and Retail will help address the cost-of-living pressures faced by many Welsh workers, and what mechanisms it will use to evaluate progress..... Page 28

Recommendation 19. The Welsh Government should explore using its levers around public sector pay and conditions to increase fair work in Wales including: by improving sick pay where this is needed for workers delivering public services, starting with longer-term arrangements for social care workers; and supporting those with the lowest earnings via pay settlements. Page 28

Recommendation 20. Welsh Government must ensure its plans to support off-grid households through this winter are robust. This should include either extending the ability for off-grid households to access support via the Discretionary Assistance Fund or the Fuel Voucher scheme..... Page 31

Recommendation 21. Welsh Government must develop a long term scheme to support off-grid households as outlined in the Equality and Social Justice Committee report on Fuel Poverty and the Warm Homes Programme. Page 32

Recommendation 22. Welsh Government should work with third sector partners to scope out and if appropriate deliver a programme similar to Northumberland’s Warm Hubs. Page 32

Recommendation 23. The Welsh Government should commission detailed research around the “rural premium” and the different effects of the increased cost of living in rural and urban communities..... Page 32

Recommendation 24. Welsh Government should consider establishing an emergency support funding programme, using similar mechanisms to the COVID support programmes, to help the businesses most acutely affected through the peak of the cost of living pressures. This could be either in the form of grants, low cost loans or a combination of the two.....Page 36

Recommendation 25. Welsh Government should consider supporting businesses to invest in efficiency savings which will help them lower fuel and energy costs and reduce their carbon footprint.....Page 37

Recommendation 26. The Minister for Economy should keep the Committee updated with progress around the work to identify money expected to be returned as a result of the Welsh Government’s post-completion monitoring of COVID business support funding.Page 37

Recommendation 27. The Welsh Government should consider using business rate relief to support the most affected businesses until inflation returns to a level close to the Bank of England’s target.Page 37

1. Introduction

The Committee gathered views on the economic and rural impact of cost of living pressures. Its inquiry sought to build on work planned or being done by other Senedd Committees around cost of living, including on fuel poverty, decarbonisation of housing, debt, and mental health inequalities.

1. The Committee ran a public consultation between 6 April and 16 May and took oral evidence from witnesses on 26 May 2022, and from the Minister for Rural Affairs and North Wales, and Trefynydd, and the Minister for Economy, on 15 June 2022. A list of written and oral evidence can be found at **Annex A** and **Annex B** of this report.

2. The main questions the Committee asked were:

- What are the likely economic impacts of the cost of living crunch?
- How are cost of living pressures affecting the workforce, and how are different groups within the workforce being affected?
- How are cost of living challenges impacting upon businesses and economic sectors, and how are businesses responding to these?
- How are rural communities being affected by the cost of living crunch, and to what extent are the pressures they face different to urban areas?
- How effective are the support measures that the Welsh and UK governments have put in place, and what further support might be needed over the coming months?

3. The Senedd's Citizen Engagement team organised a number of focus groups across Wales to understand the lived experience of people struggling with cost-of-living pressures. A **separate report of that work is published** on the Committee's website. The Committee is grateful to all those who took the time to contribute to this inquiry and inform its recommendations to Welsh Government.

2. Welsh and UK Government Support

On 26 May, the UK Government announced a number of cost of living support measures for **households**. The Welsh Government has also provided significant additional support.

4. Support from the UK Government includes:

- The Energy Bill Support Scheme will pay every household in Great Britain £400;
- Households in Great Britain who receive qualifying benefits will receive **a payment of £650** in two instalments. The first payment will be made to most people in July 2022, and the second in autumn 2022, although people receiving tax credits will be paid later;
- Pensioners will receive an additional payment of £300 through their **Winter Fuel Payment** in November 2022;
- People who receive a qualifying disability benefit will receive an **additional payment** of £150 from September 2022; and
- The UK Government is providing £500 million to local authorities in England to provide discretionary cost of living support. Wales will receive a 'Barnett consequential' as a result of this funding.

5. This support is on top of pre-existing budgeting loans, the Cold Weather Payment, the Warm Homes Discount Scheme, and the Winter Fuel Payment.

6. Welsh Government has provided further specific support:

- Payments of £200 to low-income households through the **Winter Fuel Support Scheme**, and introducing a **further £200 payment** through the Fuel Support Scheme to be made later this year with wider eligibility criteria;
- A council tax rebate of £150 through the **Cost of Living Support Scheme** for all eligible households living in homes in council tax bands A-D, and all households receiving support through the Council Tax Reduction Scheme;

- Providing local authorities with funding to set up discretionary cost of living support schemes to support households in need of assistance who do not qualify for the main **scheme**;
- Extending flexibilities for emergency assistance provided through the **Discretionary Assistance Fund (DAF)** until March 2023, and continuing to provide support to off-grid households to buy oil or Liquefied Petroleum Gas through the DAF;
- Developing the **Welsh Government Fuel Voucher Scheme**, which will provide support to households with pre-payment meters, and will develop a fund to support off-grid households;
- Temporarily **increasing the Pupil Development Grant Access scheme** to help families with children in receipt of free school meals with cost of living pressures; and
- Providing support to **alleviate food poverty**, to support food partnerships, **and to develop a Discretionary Homelessness Prevention Grant**.

7. These schemes are in addition to long-standing measures to help low-income households, such as free school meals, the Council Tax Reduction Scheme and the Education Maintenance Allowance.

3. Pressure on households

The Committee heard powerful first-hand accounts of the impact on many households across Wales. In particular, escalating costs of energy, food and fuel are causing uncertainty and anxiety, and impacting hugely on everyday life.

"If (food prices) continue to go up, I'm not going to be able to have two meals a day. I'll be on one meal a day if things increase anymore."

Participant in Committee engagement work

8. This year households face **possibly their biggest fall in disposable income since records began** in the 1950s, according to the Office for Budget Responsibility. The Resolution Foundation says that rising energy and food prices, tax increases and falling real wages mean 2022 is likely to be **the 'year of the squeeze'**. Inflation reached 9.4% in June 2022, **the highest for 40 years**, and is **predicted by the Bank of England to reach 11% later this year**.

9. A report published earlier this month by abrdn Financial Fairness Trust found that **22% of households in Wales were in serious financial difficulty in June 2022**, compared to 13% in October 2021. In June 2022, Wales had the highest percentage of households in serious financial difficulty of any of the devolved nations and English regions.

10. The Bevan Foundation pointed to **polling commissioned from YouGov** last winter which showed that 165,000 households across Wales *"sometimes or always struggled to afford the basics"*. It is trying to secure funding for more updated research. Dr Evans **described** a *"quite grim"* picture that was worsening, of a quarter of people cutting back on utilities, a third cutting back on food for adults and higher numbers borrowing and getting into debt.

11. Dr Hann of Citizens Cymru **reported anecdotal evidence** of *families "making really hard decisions about whether they pay their bills this month or feed their children."*

12. Jackie Blackwell from Citizens Advice Ynys Môn **explained** the impacts on the clients of support services:

"For the first five months of 2022, we've seen records broken for all the wrong reasons. So, for example, every 40 seconds, a Welsh bill payer is making a call to us at the Citizen's Advice service helpline about their fuel bill. Energy debt, as you would expect, has spiked and it's become one of our top issues, alongside the deeply worrying trend of more people being referred for crisis support. So, by that I mean needing referral to food banks and charitable support and grants."

- 13.** Action in Caerau and Ely (ACE) made similar points in **written evidence**:

"It is not a case of simply budgeting better, you can't cook with nothing, you can't buy cheap food with nothing. ACE have seen an unprecedented increase in demand for crisis support. In response to the growing and urgent need we have launched a daily crisis hour to cope with the demand that is growing week on week. We are issuing more food bank vouchers and fuel vouchers than ever before. This is not sustainable. Those who historically would have placed a few extra tins in their trollies for the food bank donation box, are now accessing food banks themselves."

- 14.** A member of staff at Barnardo's Cymru **expressed the scale** of the difficulties some households are facing, and the challenges they face in supporting families:

"This is not something families can budget their way out of, it has become a way of life. Even the smallest treats – such as a magazine for children – don't exist anymore. We are trying to help people stretch their money as far as possible, all to cover just the most basic of needs. It isn't good enough."

Impact on different groups

- 15.** A number of witnesses **told the Committee** that cost of living pressures are impacting groups within the population differently. Dr Hann from Citizens Cymru said:

"In terms of the groups that are particularly struggling, it's the lower-middle-income groups, and that is a group that is predominantly female, young workers, ethnic minority workers, those that are subcontracted and on variable jobs. So, really, those who were struggling prior to the pandemic, prior to the cost-of-living crisis, but are increasingly struggling now."

- 16.** The Women's Equality Network (WEN) Wales **noted impacts on particular groups of women**, highlighting the link between caring responsibilities and poverty, and intersectional

impacts, such as for disabled women and women from ethnic minority communities. **Chwarae Teg** said single parents were most likely to live in poverty, the vast majority being women. Both organisations called for more robust and disaggregated data on the impacts of rising living costs on particular groups, calling for Welsh Government to publish data on indicators such as poverty, deprivation and debt broken down by gender.

Committee view

17. It is welcome that organisations such as the Bevan Foundation and Citizens Advice have set out an evidence base on how cost of living pressures are affecting different communities across Wales, but there is a role for government to ensure regular Wales-level data is available. Cost of living data for Wales from **the Office for National Statistics** is relatively limited and based on relatively small sample sizes. Given the differential impacts on different groups, the Committee would like Welsh Government to prioritise regular publication of disaggregated data on cost of living impacts, with the Equalities Data Unit having a key role to play.

18. The Welsh Government's **distributional analysis** of its response to cost of living pressures is a good starting point to illustrate how support is targeted at households from lower income groups. However, it should go further by analysing the impact on particular groups with protected characteristics, to enable greater understanding of how they are being affected.

Recommendation 1. The Welsh Government should work with external organisations to ensure that robust Wales-level data on key cost of living metrics is regularly collected and published. It should consider innovative ways to make headline data easily accessible to users, for example developing a dashboard or other alternatives.

Recommendation 2. The Welsh Government, and in particular its Equalities Data Unit, should ensure that disaggregated cost of living data for Wales is regularly available, in order that the impacts of cost of living pressures on different socio-economic groups and protected characteristics can be understood and factored into policy decisions.

Recommendation 3. The Welsh Government should build on its distributional analysis of who will benefit from its cost of living support by publishing analysis of how its schemes are supporting groups with protected characteristics such as gender, disability, and ethnicity.

Views on cost-of-living support

19. The Committee received much of its evidence before the UK Government announced additional support measures on 26 May. The evidence received before this date was broadly critical of the UK Government's approach to supporting households. Responding to **the**

Chancellor's announcement on 26 May, the Bevan Foundation said that there was "much to welcome", including that support was being targeted at low-income households. However, it also identified gaps, including long-running issues with the benefits system such as the benefit cap and Local Housing Allowance. The Bevan Foundation noted that rising food and housing costs are affecting households as well as energy costs, and there is scope to support households with these pressures.

20. The Minister for Economy told the Committee that the additional support from the UK Government was a "step in the right direction", and that it would help with rising costs. He also **set out areas** where he would have liked the UK Government to have gone further or taken a more focussed approach to providing support:

"... we still think they can go further with the Warm Home Discount Scheme, and, as we have said repeatedly... the way that the direct funding for households has been provided means that money that should be there for the stated purpose of helping people with fuel poverty and rising costs is going to be wasted. If you can have a second or a third home, you don't need money from the UK Government."

21. Reaction to Welsh Government's approach to supporting those households most in need was generally positive. Participants **in the focus groups** the Committee held were pleased to receive Winter Fuel Support Scheme payments, £150 payments through the Cost of Living Support Scheme, and support to pay for oil and Liquefied Petroleum Gas (LPG) through the Discretionary Assistance Fund. Shavanah Taj from Wales TUC **said the** £380 million support package from Welsh Government was "a very significant amount to invest", even though she went on to describe it as "a sticking plaster in real terms." Dr Evans from the Bevan Foundation **said** the support had been "well targeted".

22. The Minister for Economy **pointed out** to the Committee that Welsh Government's spending power was reduced as the value of Welsh Government's budget has been eroded by inflation, and that the UK Government had not announced further funding to address this.

Better awareness and take-up of support

23. Delivering Welsh Government schemes was cited as a challenge, and many raised concern around low take-up of support and wanted more done to address this.

24. Jackie Blackwell from Citizens Advice Ynys Môn **urged action** from Welsh Government to boost take-up of the Winter Fuel Support Scheme:

"we should use all routes...this should include reaching out to those on social tariffs for their water or energy who may be eligible for the winter fuel support scheme, and, I think, working with local authorities to better target support where take-up for the last winter fuel support scheme has been low."

25. Lack of awareness of support available was a big problem according to several witnesses. ACE **said** *"it is only of any benefit, if you know about it"*, and pointed out how many people were digitally excluded from accessing support. Dr Hann of Citizens Cymru **described** *"an awful lot of complex, form-filling, red tape to get through"*, and was concerned for those people not lucky enough to have family, friends or a community member to help them apply. Dr Evans of the Bevan Foundation said local authorities were stretched, which may be contributing to insufficient promotion of schemes.

26. Dr Evans **said** a more coherent 'Welsh benefits system' for the different means-tested support schemes for low-income households, such as council tax support and free school meals, could help address the problem of people with the least resources being asked to fill in multiple forms:

"If you're a family in Wales on a low income and you're eligible for the various schemes, and you've got a child aged two and a child aged seven, there are about five or six different support schemes that you are eligible for just from Welsh Government, and there could be another two or three discretionary schemes that you could be eligible for. So, that's potentially eight or nine different application forms that, in some parts of Wales, you might have to be filling in just to get everything you're entitled to. And there's a wealth of evidence that shows that the more people have to fill in forms, the more people have to do that sort of stuff, the less likely they are to claim all of it."

27. Dr Evans **wanted to see** Welsh Government accelerate its work on this issue, and develop statutory guidance for local authorities, and a right for those in need of support to have recourse if local authorities are not following best practice.

28. In March the Scrutiny of the First Minister Committee **were told** that some local authorities were better than others at "passporting" of benefits – qualifying for one form of help would automatically qualify for other forms – but IT capabilities could be an issue.

29. The Minister for Social Justice has also **stated** that addressing take-up, including of the Winter Fuel Support Scheme, is a priority, and that eligibility criteria would be reviewed and lessons would be learnt from the previous scheme. After the last Cost-of-Living Summit on 11

July she **highlighted** that the Welsh Government's **Claim What's Yours** campaign has led to over 8,000 households contacting the Advicelink Cymru helpline and being supported to claim an additional £2.1 million. The Welsh Government has also established an Income Maximisation Task and Finish Group to explore further ways to help people access all the financial support they are entitled to.

Committee view

30. The Committee welcomes confirmation that data on the take-up of the first round of the Winter Fuel Support Scheme will be published. It is important that data is published for each local authority to understand the extent to which there are challenges in achieving take-up across different areas. The Committee is also pleased that Welsh Government says it will build on the lessons learned in its initial Winter Fuel Support Scheme, and would urge transparency in publishing details of that, and how it will inform the delivery of future schemes.

31. The Committee believes there is an opportunity to accelerate progress in simplifying application processes and developing greater consistency in how local authorities deliver the range of support. The best practice toolkit has been in place for over a year, so there should be emerging evidence of whether it is making it easier for low-income households to apply for support.

Recommendation 4. The Welsh Government should publish data on take-up of the Winter Fuel Support Scheme as soon as possible, broken down by local authority, and by protected characteristic where possible. It should also proactively publish data for other current and future cost of living support measures once this becomes available.

Recommendation 5. The Welsh Government should publish a summary of lessons learnt from its early cost of living support schemes such as the Winter Fuel Support Scheme, and set out how this has informed development of subsequent schemes.

Recommendation 6. The Welsh Government should build on the success of the Claim What's Yours benefit take-up campaign: It should set out details of planned promotional activity for this campaign, and prioritise funding and resource to reach as many people as possible over the coming months.

Recommendation 7. The Welsh Government should set out the details and timescales for the work its Income Maximisation Task and Finish Group will undertake, and commit to publishing any outputs.

Recommendation 8. The Welsh Government should accelerate work to bring together means-tested support schemes for low-income households through a Welsh benefits system. The new system must ensure greater consistency in local authorities' delivery, and move towards a position where people who need one form of support are automatically passported to other sources of assistance that they are eligible for.

Recommendation 9. As part of its work on developing the Welsh benefits system, the Welsh Government should work towards developing a one-stop shop portal through which households across Wales can apply directly to their local authority for the different means-tested schemes that are available.

Recommendation 10. The Welsh Government should provide an assessment of how successfully local authorities have used the best practice toolkit so far, and consider taking further steps such as developing statutory guidance if there is evidence to do so.

Remaining gaps in Welsh Government Support

32. While Members were told that Welsh Government's support was relatively well-targeted at those in greatest need, there was evidence from a number of sources that the scale of cost of living pressures require eligibility criteria for support to be extended. ACE said that eligibility criteria needed to ensure that working families and those previously coping could also access support if they needed it, not just those currently on a qualifying benefit.

33. The Bevan Foundation **called for** topping up Discretionary Housing Payments (DHP) and widening eligibility criteria for free school meals. In primary schools this would be until all primary schoolchildren are eligible to receive these in September 2023. Dr Evans also noted that households with secondary school-age children who earn more than £7,400 per year through work are not eligible for free school meals.

34. After the July Cost-of-Living Summit the Minister for Social Justice **outlined** where Welsh Government has provided additional support, including £3 million for food partnerships and £6 million for a Discretionary Homelessness Prevention Fund to provide immediate support to prevent homelessness and mitigate the reduction in DHP funding. The Minister for Climate Change has previously **said that Welsh Government topped up funding for Discretionary Housing Payments by £4.1 million during the pandemic**, to mitigate UK Government funding reductions, and called for reinstatement of the funding reduction of £2.3 million in 2022-23.

Committee view

35. The evidence we received illustrates the scale of the challenge many households currently face. For many this is the latest in a series of challenges, as those hit hardest by the pandemic are now among those most impacted by cost of living pressures.

36. The Welsh Government has provided over £380 million in cost of living support to households, a significant sum. The Committee understands the budgetary challenges the Welsh Government faces in providing support, and that the real value of its budget has reduced by £600 million since last autumn due to inflation. However given the seriousness of the current situation Members urge it to use the approach taken to widening eligibility criteria for fuel support as a basis for extending criteria more widely across its support measures for low-income households, as far as possible given the financial constraints.

37. While it is hoped that the additional support announced by the UK Government will mitigate some impacts of the cost of living crunch, there will still be gaps in support for Welsh Government to address within its budgetary constraints. It also needs to plan for what support might be needed beyond this financial year, given that inflation is expected to still be higher than normal for much of 2023, before currently being predicted to be around 2% by the middle of 2024.

Recommendation 11. The Welsh Government should explore the feasibility of extending the eligibility criteria of its means-tested schemes to support low income households with living costs, to support those households who are just missing out. It should report back to the Committee with its findings.

Recommendation 12. The Welsh Government should outline how its Discretionary Homelessness Prevention Grant will help to mitigate the reduction in Discretionary Housing Payments (DHP); and whether the amount spent on this programme is sufficient to fully mitigate lower levels of DHP.

Recommendation 13. The Welsh Government should set out its plans to provide further cost of living related support to households at the start of the 2023-24 financial year, and how it will prioritise support to address the scale of the situation.

4. Pressures on the workforce

Increased in-work poverty, low pay and insecure employment are adding to the pressures on Welsh workers.

Well, the difficulty is in is having to budget, isn't it? You're trying to recognize all of your outgoings. But if you put all of your outgoings down, whether it be in the spreadsheet or on paper, you suddenly find that your income doesn't cover all of the outgoings that need to be covered.

Participant in Committee engagement work

38. Publishing its 2022 **Audit of Living Standards** in July, the Resolution Foundation states that “productivity, pay and incomes generally move in lockstep with each other”, and calls for strong, progressive income growth to better protect low-to-middle income families in tougher economic times. The Bevan Foundation **told the Committee**:

“Low pay, irregular working hours and unfair terms and conditions are all factors that have contributed to high numbers of people living in poverty despite being in work. When these factors combine with an inadequate social security system and high housing and childcare costs, it is little wonder that so many households were already finding life difficult. It is these workers that are being hardest hit by cost-of-living pressures.”

39. Shavanah Taj of Wales TUC **said** that although unions already knew lower income workers would be hit the hardest, they were now seeing a lot of public sector workers ‘in-between’ being squeezed. She said people were working longer hours and taking on multiple jobs, saying that teaching staff are “taking on additional jobs in the evenings, working extra hours in the hospitality sector, taking on additional shifts in retail as well, in supermarkets...” Shavanah also said unions expected more pensioners to be forced to return to work because their pensions were not worth as much.

Precarity of employment and workers’ rights

40. Wales TUC **stressed** the precarity of employment for many people struggling with cost-of-living pressures – no collective bargaining in sectors such as hospitality, zero-hours contracts, no written contracts, working hours being confirmed or cancelled by text message. Shavanah

Taj did not think there was sufficient understanding of this precarity and the implications for providing proof of needing support – mechanisms to deliver support need to be much more flexible to take account of this. She also called for “*a decent sick pay system*”, and stressed that Wales must stick to the trajectory of becoming a fair work nation and not fall backwards on that.

41. In the absence of a UK Employment Bill on workers’ rights coming forward, Dr Hann also **pointed to** voluntary schemes like the Cardiff-based community jobs compact, bringing together responsible local employers to guarantee contract conditions such as minimum working hours:

“I think there are opportunities for the Welsh Government to work in conjunction with those kinds of voluntary regulation schemes when we don't have the capacity to come at the problem any other way.”

42. The Minister for Economy **said** he and Ministerial colleagues recognised and were supportive of these initiatives as a ‘soft power’ lever.

Impact on worker well-being

43. There was huge concern expressed by Wales TUC and others about rising levels of debt and the impact on mental wellbeing, with **some union members** even turning to gambling to pay off bills:

“we've been hearing from people who are saying they are dealing with personal cases from their members who've begun gambling as a means to try and pay off a gas or electricity bill.”

44. The WLGA also **highlighted** the risk of increased ‘cuckooing’ or criminal exploitation as those most affected by cost of living pressures look for financial relief. ACE **stated** that ‘*families will become desperate and resort to extreme measures to cope*’.

45. People **told the Committee** they are spending more time on budgeting each month, but one said they have stopped putting everything into the outgoings on their spreadsheet, such as car maintenance or birthdays, “*because to be honest it would be too scary to put them all in and find out that you haven't got enough income to cover all your outgoings.*”

46. **FSB Wales** and **Home-Start Cymru** highlighted that many workers (including small business owners and frontline workers) were already experiencing mental health difficulties due to pressures from the pandemic, with personal cost of living pressures expected to exacerbate this.

47. The Committee **heard directly** from workers whose mental health has been seriously affected. One person said he was suffering from anxiety and depression due to his circumstances and finding he was isolating himself from his family. However, he found that accessing mental health support was “*virtually impossible*”.

Me and my partner both work full time and we still struggle. I get massive anxiety. I feel sick and can't eat. I haven't even done my electric bill properly because it's filling me with dread. I literally haven't given a reading since January. We earn a good wage but can't cope with the bills, and we're strict with what we spend.

48. Third-sector organisations such as **Welsh Women's Aid** say services are already stretched, with **Barnardo's Cymru** highlighting that some staff are experiencing high emotional impact from their work as they provide support to people struggling. Stakeholders told the Committee that wellbeing support schemes by employers are really important. Third sector bodies also emphasise the impact of funding on organisations' ability to continue providing support. Many of these also referenced the impact of low wages for social care workers. Welsh Women's Aid expressed particular concern about recruitment and retention of staff within the sector.

49. Responses to consultation also raised concerns about the impact of cost of living pressures on children and young people, with **Public Health Wales** highlighting that workers' health and wellbeing directly affects the health and wellbeing of those reliant on them (e.g. children, elderly, and those with disabilities).

Delivering the real Living Wage

50. Dr Hann **urged** Welsh Government to use the levers available to deliver the real Living Wage to more Welsh workers:

“It is the only wage level that is calculated to take into consideration the cost of living. It is 40p an hour higher than the national living wage, which is not technically a living wage.”

51. Dr Hann **said** the gap between the National Living Wage and real Living Wage for a low-income worker could be £700-800 a year and “*that gap reflects a lack of ability to just meet basic costs.*”

52. A number of participants in the Committee's **engagement work** felt that wages in rural parts of Wales were lower than in other areas:

"Everyone around here seems to want to pay the minimum wage instead of the living wage. And I don't think even the living wage is a living wage. You know, it's not very realistic."

53. Dr Hann **pointed to** success in higher education institutions being accredited as living wage employers, with over 2,000 people's pay increasing to a 'cost of living wage', and Bridgend local authority, where 1,000 workers have been lifted above that gap. She said similar increases across local authorities would be easy to deliver and lift wages of approximately 14-15,000 people in Wales to a level that would help them address cost-of-living issues.

54. The Welsh Local Government Association (WLGA)'s **written evidence** said within local government, trade unions are pressing for higher wages and also for an increased mileage rate to compensate staff who use their cars for work purposes, for example domiciliary care workers.

55. Dr Evans of the Bevan Foundation also **pointed** to the health and social care sectors where workers particularly struggle on low pay and increasing fuel costs. Wales TUC **said** the Social Care Forum was a good mechanism for making the real Living Wage possible and trying to get alignment on terms and conditions, but that:

"with the cost-of-living crisis, real pay has fallen by at least £16 a week between March 2021 and March 2022. There are 139,000 more workers on zero-hours contracts, mainly women, as well."

56. The Bevan Foundation and Wales TUC acknowledged that Welsh Government was "stuck between a rock and a hard place" with tension between lifting salaries and maintaining services without additional funding. Dr Evans **suggested** that procurement from larger companies was an area where Welsh Government could put pressure on private sector providers to match salaries, to avoid losing workers to the public sector.

57. The Minister **told the Committee** that Welsh Government was leading the way as a real Living Wage employer, and working closely with Cynnal Cymru as the Living Wage Foundation accreditation partner in Wales:

"We are supporting the work they do in promoting the Real Living Wage and have helped them build capacity in their ability to engage employers on this agenda. According to the Living Wage Foundation, in 2021, the proportion of employee jobs in Wales paid at least the Real Living Wage was 82.1%. This has grown from 74.70% in 2015, narrowing the gap with the equivalent figure for the UK as a whole (82.9%)."

58. He **said** NHS Wales was also a real Living Wage employer, and implementing it in the social care sector would affect over 100,000 workers, which would be good for them and for care standards. He also said that Welsh Ministers did consider company average earnings when making investment choices.

59. However he was clear, as it had been clear in responding to the pandemic, that Welsh Ministers were not in a position to provide a wage subsidy, and the levers to put more money directly into workers' pockets were realistically with the UK Government. Where public sector pay settlements are devolved to Welsh Ministers, he **said** honest but difficult conversations would be needed. He stressed: *"What I wouldn't want to see is we sacrifice headcount and the number of jobs to move the pay line forward."*

Understanding the future economy and labour market

60. The one-day inquiry highlighted uncertainties around the possibility of increased unemployment or recession, availability of funding, and the opportunities for economic growth. Creating high-quality 'green' jobs has **already been identified** in the field of energy efficiency, and the Minister said he intended to publish a Net Zero Skills Plan.

61. A number of consultation responses acknowledged the risk of increased unemployment and business closures due to reduced spending and economic loss, which could then trigger further reductions in spending. **Sport Wales** also expressed concern that economic pressures might deter volunteering, with volunteers making up 11% of sport-related employment in Wales.

62. The Bevan Foundation and Dr Hann both **said** Welsh Government needs to do more to understand the high levels of economic inactivity underlying current low unemployment rates since the pandemic, as well as levels of in-work poverty and the real status of those identifying as 'self-employed'. Dr Hann **said**:

*"there needs to be a really nuanced understanding of the data that's surrounding what's happening in the labour market at the minute, because I think there are other groups that need support and consideration as well."*¹

63. The Minister for Economy **set out** some of the post-pandemic labour market challenges as he saw them, including EU workers and experienced older workers leaving the market and not being replaced, people reducing their hours, and a shortage of entry level posts in some areas. He cited work-life-balance issues post-Covid, with anecdotal evidence that more women than men had left the job market. He said people must be given opportunities to re-train and

¹ Paragraph 77, Economy, Trade and Rural Affairs Committee, 26 May 2022

return, and the Department for Work and Pensions must maintain its activity helping those who were almost job-ready, and “not vacate that space.”

64. The Minister said Welsh Government would need to keep its policy response under review, but was “trying to put our money where our mouth is” to meet current challenges. He pointed to the Young Persons’ Guarantee, apprenticeship pledge, Personal Learning Accounts and ReAct+ scheme, saying the government’s new Plan for Employability and Skills was critical:

“For those furthest from the labour market and amongst the hardest hit by the cost of living crisis the Plan will help navigate and respond to the work related challenges they will face throughout their lives, whether that is through training, retraining, upskilling, changing career or starting a business.”

65. The pandemic also exposed the sectors most vulnerable to a reduction in people’s discretionary spending – such as hospitality – and as the Committee recommended in its recent report Raising the Bar, Welsh Government needs to ensure support is targeted at ensuring the resilience of those sectors in the face of cost-of-living pressures.

Committee View

66. Cost of living pressures are having a disproportionate impact on the poorest, and on specific types of workers, including those with protected characteristics. But it is not just those on very low incomes who are struggling, and whose health and wellbeing is adversely affected. Certain economic sectors are also under more pressure than others, with an increased risk of cost-of-living pressures on employers being passed onto employees. The Minister for Economy has described the impact of energy costs on businesses as *“just as eye-watering and just as consequential as those for consumers.”*

67. The Committee shares concerns about the dangers of rising debt, a significant proportion of which is being driven by rising energy costs, and impacts on health and well-being. Members urge Welsh Government to move forward with the recommendations for priority actions made the Senedd’s Equality and Social Justice Committee in its report Fuel Poverty and the Warm Homes Programme published on 18 May.

68. Although many of the fiscal support mechanisms and employment rights are reserved to the UK Government, the inquiry identified significant opportunities for Welsh Government to influence worker pay and conditions, and to efficiently promote and deliver support to those on low-to-middle incomes. In its recent report on the future of hospitality, tourism and retail – Raising the Bar – the Committee has already made recommendations to Welsh Government

on engaging with the private sector, through social partnership arrangements, to progress fair work outcomes in sectors where employment can be precarious and wages low. The Committee welcomes efforts to lift more Welsh workers onto a real Living Wage, and to support economic sectors and workers who are particularly vulnerable to the impact of escalating living costs.

69. This Committee looks forward to regular updates from Welsh Government on progress around all these Senedd Committee recommendations.

Recommendation 14. Welsh Government should drive the accreditation of all Welsh public sector organisations as real Living Wage employers, in particular delivering this for workers in Welsh local authorities and health boards.

Recommendation 15. Welsh Government should consider what lessons can be learnt from voluntary regulation schemes for private sector employers like the Cardiff Bay community jobs compact, and how it could support replicating the benefits of this approach in other parts of Wales.

Recommendation 16. Welsh Government should commission labour market research to better understand the reasons behind high rates of economic inactivity; levels of in-work poverty; and the circumstances of those identifying as self-employed. With input from the Ministerial Economic Advisory Board it should then develop a plan of action to address the long-term implications for the Welsh economy.

Recommendation 17. Welsh Government should work with social partners to consider what more can be done to support increasing numbers of workers experiencing mental ill-health as a result of cost-of-living pressures.

Recommendation 18. Welsh Government should outline how implementing the recommendations of Senedd Committee reports on Fuel Poverty and the future of Hospitality, Tourism and Retail will help address the cost-of-living pressures faced by many Welsh workers, and what mechanisms it will use to evaluate progress.

Recommendation 19. The Welsh Government should explore using its levers around public sector pay and conditions to increase fair work in Wales including: by improving sick pay where this is needed for workers delivering public services, starting with longer-term arrangements for social care workers; and supporting those with the lowest earnings via pay settlements.

5. Impact on rural communities

Rural Wales has always faced connectivity challenges, both physically with transport and technologically with poor communications infrastructure. Combined with older, colder, housing stock and many off-grid households these pre-existing issues compound the effects of escalating cost-of-living.

"There's always been that rural premium, which we like to refer to it as and on, you know, the fact that you've got to pay more to heat your home, you have to use your car probably more."

Participant in Committee engagement work

The Rural Premium: poor infrastructure and fuel poverty

70. The escalation in cost of living is being **felt even more acutely** in Wales' rural communities. There are several reasons for this. NFU Cymru **highlighted that** *"Rural housing stock is often less energy efficient than urban housing stock and may prove difficult and costly to improve in terms of energy efficiency particularly when it comes to retrofitting with new energy efficient technologies."* In their **written evidence** the WLGA highlighted that there was a *"rural premium"* caused by the distance goods have to travel to get to rural areas, and for consumers to travel to access goods and services.

71. **FSB Wales** echoed the WLGA's comments on transport, highlighting that higher fuel costs will be a particular challenge for rural communities. They also said it is more difficult for rural businesses to adapt to reduce costs, illustrating this with some examples:

"there would be less by way of EV charging points if this was a way to lower costs either in personal car use, or in terms of freight and deliveries.

Broadband and 5G infrastructure may make it more difficult to lower travel costs through tools such as remote working."

72. The Committee received a lot of evidence regarding the premium rural Wales' 275,000 'off-grid' households have to pay for heating. NFU Cymru **summed this up** saying *"The off-grid nature of many rural areas means that there is an increased reliance on oil and LPG fired central*

heating which is more expensive than networked energy supplies and not subject to energy price caps."

73. Jackie Blackwell from Ynys Môn Citizens Advice **told Members** *"Clients have reported that the cost of heating oil has more than doubled over the past two months".* She illustrated this with her own experience buying fuel, telling Members *"A delivery of 500 litres that cost around £340, now costs around £750".* She went on to explain that, depending on the household, that would last from three to six months. Jackie Blackwell suggested *"with DAF [Discretionary Assistance Fund] and LPG, where there is now the ability to get help through DAF for people on LPG and oil, it's currently temporary, and we'd like to suggest that's made more permanent".*

74. Ceri Cunnington from Cwmni Bro Ffestiniog **described** an estate, Hafan Deg, which had 46 per cent fuel poverty before the current rapid inflation. He described some of the community efforts underway to support people in fuel poverty but warned *"in October, it's going to get even more scary"* and that the local old housing stock *"needs to be upgraded."* He went on to suggest *"we need local energy district heating networks, if you like, and local heating"*, noting how much energy is produced locally but exported out of the community.

75. In December the Equality and Social Justice Committee published a report **"Fuel poverty and the Warm Homes Programme"**. Recommendation 21 of the report states the Welsh Government should create an energy efficiency scheme to tackle rural fuel poverty which should, amongst other things, address the higher proportion of off-grid, "harder-to-treat", properties.

76. The Minister for Rural Affairs, North Wales and Trefnydd **told** Members *"For the off-grid properties, we are looking at what further we can do to support. You'll be aware the Minister for Social Justice made an announcement last week on fuel vouchers. Also, we're looking obviously within ... the discretionary assistance fund. There is support that can be included there for off-grid homes particularly, for rural households, with costs of both fuel and if they need a boiler repair, for instance. They could access funding through there."*

Places to keep warm

77. Professor Mark Shucksmith **told Members** about a successful programme in Northumberland called Warm Hubs which created places *"where people have a warm place to go and get a hot meal and stay in the warm, and talk together"*. He explained that they also address social isolation and can be a gateway to other support as advisers on energy, home insulation or benefits can be brought into the hub.

78. Jackie Blackwell **described** a similar project in Ynys Môn. Citizens Advice and Môn Communities Forward had worked together to create Caffi Cwtch, a place for people who could not afford to put the heating on to go in the evening to keep warm and have a hot meal.

Research

79. Mark Shucksmith also took Members through a variety of **research in England and particularly Scotland** that has been undertaken on the cost of living. He told members that, as a result the analysis in Scotland, the Scottish Government was able to identify that being in remote rural Scotland typically adds 15 to 30 per cent to a household budget, compared with urban areas of the UK.

Committee view

80. Members are extremely concerned by the pace of inflation for heating fuel and feel this must be a priority for the Welsh Government. The Committee welcomes the Welsh Government's interventions via vouchers and the DAF, and is pleased to hear they are considering how to support households this winter. However Members are worried that winter will see a surge in need. Currently the voucher scheme only covers 2,000 of the 275,000 off-grid properties. Members believe the Welsh Government must ensure robust support is available for off-grid consumers ahead of winter and support the Equality and Social Justice Committee's call for a longer term scheme to support off-grid, harder-to-treat, properties.

81. Members were very interested in the Warm Hubs project. The Committee feels this may be a good opportunity for the Welsh Government and third sector partners to work together and support vulnerable citizens to stay warm. It also has the potential added bonus of helping people using the service to access advice and the opportunity to socialise.

82. The Committee was very interested to hear about the research undertaken in Scotland and England around the "rural premium" – the difference in the cost of living between urban communities and their rural neighbours. Members would like to see similar research undertaken in Wales as they believe a deeper understanding would help policy development.

Recommendation 20. Welsh Government must ensure its plans to support off-grid households through this winter are robust. This should include either extending the ability for off-grid households to access support via the Discretionary Assistance Fund or the Fuel Voucher scheme.

Recommendation 21. Welsh Government must develop a long term scheme to support off-grid households as outlined in the Equality and Social Justice Committee report on Fuel Poverty and the Warm Homes Programme.

Recommendation 22. Welsh Government should work with third sector partners to scope out and if appropriate deliver a programme similar to Northumberland's Warm Hubs.

Recommendation 23. The Welsh Government should commission detailed research around the "rural premium" and the different effects of the increased cost of living in rural and urban communities.

6. Pressures on business

An escalation in the cost of doing business and a reduction in consumers' discretionary spend are creating a double whammy of challenges for business. To compound the issue, these pressures come at a particularly delicate time for many businesses who still haven't fully recovered from the pandemic.

"Rising inflation has left small businesses with little option but to increase prices: the rising cost of living starts with a cost of doing business crisis, and so it is imperative to take all measures to address the financial barriers of doing business and support our SMEs. Many small businesses rely on discretionary spending. If households have constrained income, it will be these businesses that are likely to suffer first and may be less able to pass the price increases on. The cost of doing business is rising, which in turn will continue to have an impact on the cost of living."

Federation of Small Businesses (FSB) Wales

Business support

83. Dramatic utility bill inflation is a major driver of the escalating cost of doing business. Llŷr ap Gareth from FSB Wales **told** Members there had been a "250 per cent gas bill hike in the last year for small businesses." Leighton Jenkins from CBI Wales shared these concerns **saying** "Energy bills for firms are four times what they were a year ago, and I think that's a particular concern for energy-intensive industries, who are particularly struggling because they did a lot to mitigate their costs on energy prior to the pandemic."

84. In their **written evidence** FSB Wales urged Welsh Government to utilise any unspent COVID business support funding to support businesses with escalating energy costs. Llŷr ap Gareth **expanded on this** when giving evidence to the Committee, telling Members "we can repurpose it, possibly using the same sorts of grant-funding mechanisms through local authorities in order to support the businesses that need it most." He explained this was a starting point and that the amount of unspent funding was "a little unclear".

85. Business representatives told the Committee their members would welcome support for investments to improve energy efficiency or for local renewable production e.g. solar panels. Chris Noice from the Association of Convenience Stores **said** *"grant funding for energy-efficient measures is absolutely welcome and would be snapped up immediately."*

86. Llŷr ap Gareth **told Members** *"Clearly, when we're looking at energy prices, looking at what kind of green energy we can push, providing greater resilience in that respect for the future is surely something we should be looking at doing."*

87. Leighton Jenkins supported the idea, however he told Members the needs would be significant and encouraged creative thinking, **saying** *"I think it would be good to think innovatively about this, whether there's private sector provision, because the Welsh Government is under significant pressure with funding, or whether we can utilise the shared prosperity fund. So, I think the Government would do it if they could afford it, but how do we find the way that we meet the needs that are out there, which are significant?"*

88. In November 2021 the Welsh Government launched a **£45m scheme** to help SMEs grow. One aim of the scheme was to support businesses to decarbonise. However the scheme **was withdrawn** and the money reallocated to cover Omicron support.

89. Sioned Evans **told the Committee** the Welsh Government was in the process of looking at how much COVID recovery money they were expecting to be unspent and returned. The Minister for Economy **told Members** any unspent funding would go back to *"the Welsh Treasury, and we then have to make a case for how that money is spent, because there are pressures across the whole Government"*.

90. He went on to say that, as Minister for Economy, he would *"want to see money being spent to support businesses"* however due to the other pressures *"as a member of the whole Government, there's got to be a whole-Government sense of priority with how that money comes back in."*

91. Subsequently the Minister for Economy **wrote** to the Committee stating *"The funding that the Welsh Government received from the UK Government in relation to Covid was not ring-fenced for any particular purpose. Welsh Ministers decided how, and where, all funding in Wales would be prioritised and spent."* He went on to say that the Welsh Government had spent £200m to support the Welsh economy through the pandemic in 2021/22 and *"to date no funding in relation to business recovery has been returned to Welsh Treasury or HM Treasury for reallocation."*

Business rates relief

92. Members heard calls to lower or freeze business rates. Chris Noice **told** Members:

"we're potentially heading into a really problematic business rates environment in the next year. So, with the multiplier looking like it could be 10 per cent or higher come September for the following year's business rates increase, that's particularly problematic and we'd like to see that either frozen or capped, or dealt with in some way to give businesses a bit more certainty."

93. In their **written evidence** FSB Wales urged "Welsh Government to revisit whether there is a means to lower the cost of business". Llyr ap Gareth **elaborated on this** telling Members that the end of business rate relief was part of a set of spiralling costs including increasing energy and fuel rates, VAT returning to 20% and the National Insurance increase.

94. Both **CBI Wales** and **FSB Wales** also highlighted perverse incentives that exist in the current business rates system. Leighton Jenkins told Members "one firm that we know was planning to invest substantially in solar panels stopped because their business rates would go up and their headquarters said that, in order to sign off the investment, they would need to find a cost-saving equivalent to the business rates increase."

95. In the Committee's recent report **Raising the Bar securing the future of Hospitality, Tourism and Retail** Members recommended "Welsh Government should take the disproportionate impact of the pandemic and cost of living pressures on the hospitality, tourism and retail sectors into account with regard to the non-domestic rates re-valuation to take effect in April 2023" and continue discussions with UK Treasury on possible future changes to the level of VAT to support those sectors.

96. The Minister for Economy **told Members** that the Welsh Government had reduced business rates for the first half of this year: "any choice to provide that further support would be welcome, I'm sure, for those businesses, but there's got to be a direct conversation with the Finance Minister about the ability to fund those as well, and as ever we come back to the levers that we've got and the available resources." He told Members he knows "this is a really challenging time. We fully expect that businesses will ask for more help" and went on to say Welsh Government face "really difficult choices to make, and they'll be more difficult if we don't see a UK Government response ahead of those challenges being real. I'd much rather see action taken now to help save jobs and businesses, rather than doing something in an emergency way if more jobs and businesses are being lost."

97. Llyr ap Gareth **highlighted**:

"there's a need to ease the pressure brought by that constricted bank lending, by looking at low-interest emergency loans funding through, perhaps, the Development Bank of Wales, and looking to see what can be done in that regard, following similar ideas again. For example, DBW had a £100 million pot to use during COVID, and whether it's possible to look at doing that, with the idea that that would, of course, be access to finance rather than grants, so maybe a bit easier to get to."

Committee View

98. The Committee is extremely concerned about the effects of the escalating cost of living on businesses. Members are strongly of the view that, despite the current cost of living challenges, Welsh Government must continue its efforts towards net zero carbon. The Committee feel that escalating fuel costs present a good opportunity for encouraging businesses to invest in energy efficiency and on site renewable power generation as well as other cost and carbon saving measures. The Committee urges the Welsh Government to consider how it could incentivize and support these sort of interventions which will both help alleviate the current pressures and support businesses to be more sustainable in the long run.

99. Whilst Members understand there are competing priorities for Government budgets they believe the Welsh Government needs to intervene financially to help businesses weather the current cost of living pressures in order to protect high quality jobs. This could either be in the forms of grants payments to the worst affected businesses or as low cost loans to support efficiency and sustainability projects.

100. The Committee reiterates its call that Welsh Government should take the disproportionate impact of the pandemic and cost of living pressures on the hospitality, tourism and retail sectors into account as part of the forthcoming non-domestic rates re-valuation. Members believe the Welsh Government should consider retaining or introducing further business rate relief for the most affected businesses while inflation remains substantially higher than the Bank of England's target rate.

Recommendation 24. Welsh Government should consider establishing an emergency support funding programme, using similar mechanisms to the COVID support programmes, to help the businesses most acutely affected through the peak of the cost of living pressures. This could be either in the form of grants, low cost loans or a combination of the two.

Recommendation 25. Welsh Government should consider supporting businesses to invest in efficiency savings which will help them lower fuel and energy costs and reduce their carbon footprint.

Recommendation 26. The Minister for Economy should keep the Committee updated with progress around the work to identify money expected to be returned as a result of the Welsh Government's post-completion monitoring of COVID business support funding.

Recommendation 27. The Welsh Government should consider using business rate relief to support the most affected businesses until inflation returns to a level close to the Bank of England's target.

Annex A: List of oral evidence sessions

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the Committee's website.

Date	Name and Organisation
26 May 2022	<p>Ceri Cunningham, Cymni Bro Ffestiniog</p> <p>Chris Noice, Association of Convenience Stores</p> <p>Dr Deborah Hann, Citizens Cymru Wales</p> <p>Dr Steffan Evans, Bevan Foundation</p> <p>Dr Llyr ap Gareth, Federation of Small Businesses Wales</p> <p>Jackie Blackwell, Ynys Môn Citizens Advice</p> <p>Leighton Jenkins, Confederation of British Industry Wales</p> <p>Professor Mark Shucksmith, Newcastle University</p> <p>Shavanah Taj, Wales Trades Union Congress</p>
15 June 2022	<p>Vaughan Gething MS, Minister for Economy, Welsh Government</p> <p>Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd, Welsh Government</p> <p>Sioned Evans, Director Business and Regions, Welsh Government</p> <p>Andrew Gwatkin, Director International Relations and Trade, Welsh Government</p>

Date	Name and Organisation
	<p>Steffan Roberts, Deputy Director Tourism Development and Sport, Welsh Government</p> <p>Victoria Jones, Head of Agriculture, Sustainable Development Division, Welsh Government</p>

Annex B: List of written evidence

The following people and organisations provided written evidence to the Committee. All Consultation responses and additional written information can be viewed on the Committee's website.

Reference	Organisation
CoL 01	The Chartered Institute of Building
CoL 02	Federation Small Businesses Wales
CoL 03	National Energy Action Cymru
CoL 04	National Farmers Union Cymru
CoL 05	Welsh Local Government Association
CoL 06	Public Health Wales
CoL 07	Chwarae Teg
CoL 08	The Bevan Foundation
CoL 09	Womens Equality Network (WEN) Wales
CoL 10	Barnardo's Cymru
CoL 11	ACE (Action in Caerau and Ely)
CoL 12	Home Start Cymru
CoL 13	Welsh Women's Aid
CoL 14	Royal Institute of Chartered Surveyors (RICS)
CoL 15	Age Cymru
CoL 16	Sport Wales
CoL 17	Diabetes UK
CoL 18	Royal College of Nursing Wales

Additional Information

Title	Date
Cost of Living Engagement Findings	July 2022
Additional Information from Citizens Cymru Wales	June 2022
Article from Citizens Cymru Wales	June 2022
Additional Information from Citizens Advice Anglesey	June 2022
Additional Information from Cymni Bro Ffestiniog	June 2022