

## Written evidence submitted by Citizens Advice (BSW0018)

### Summary

Citizens Advice provides free, confidential and independent advice to help people overcome their problems. In 2019-20, we helped 150,000 people in Wales with a wide range of issues including benefits, debt, housing, employment and consumer problems. Our network of charities offers confidential advice online, over the phone, and in person, for free.

The Covid-19 outbreak had a drastic impact on the work and income of households across Wales. As Covid restrictions were introduced, our local offices saw a significant rise in the number of people coming to us for help with employment issues and Universal Credit claims. Whilst measures from both the UK and Welsh governments to adapt services and protect people's incomes during the crisis have gone a long way to mitigating its impact on household finances, the growth in people relying on the benefits system has also highlighted some long-standing problems.

The UK Government must continue to invest in targeted support for people on low incomes in order to ensure a strong recovery for people and communities in Wales. One urgent change is to make the additional £20 per week in Universal Credit and Working Tax Credit permanent, and extend it to legacy benefits such as Employment and Support Allowance, Jobseeker's Allowance and Income Support. Addressing long-standing problems within the benefits system which make it difficult for people to manage their money, prevent people from finding or staying in work, and create barriers for disabled people to access the right financial support should also be a priority.

Our research has also highlighted the important role that grants and allowances funded by the Welsh Government play in supporting low-income households. The Welsh Government should build on achievements during the pandemic which have increased awareness and widened access to the Discretionary Assistance Fund for people in crisis, and maximise the support provided to low-income households through the Council Tax Reduction Scheme.

### **What are the key challenges for the benefits system in Wales and how do they differ from the other nations and regions of the UK?**

The Covid-19 pandemic has introduced new challenges for the benefits system in Wales. The seismic economic impact of the crisis is likely to have a longer-term impact on the number of people in Wales who are out of work and the type of support they need through the benefits system. Whilst it is difficult to predict how the economic impacts will unfold, experiences from previous recessions suggest that alongside the short-term need for help with employment and income-replacement benefits, we are likely to see longer-term effects on people who have been affected by unemployment.<sup>1</sup> This could include long periods out of work, a need to retrain or relocate for work, and issues like debt, health problems or strain on relationships that come alongside job losses.<sup>2</sup> Recent data indicates that long-term unemployment is increasing at the fastest rate since 2010.<sup>3</sup>

Alongside other regions and nations in the UK, Wales has seen a significant reduction in economic activity during the course of the pandemic alongside a decline in employment levels. Some

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<sup>1</sup> SSAC (2021) [Jobs and benefits: the COVID-19 challenge](#)

<sup>2</sup> Samaritans (2017) [Dying from inequality](#)

<sup>3</sup> Citizens Advice (2021) [Roadblock to recovery](#)

projections suggest that recovery could be particularly slow in Wales, in part because of the impact on manufacturing and public service sectors which make up a greater proportion of the Welsh economy.<sup>4</sup>

Whilst the employment rate has recovered as Covid-19 restrictions have lifted, we may see further impacts when the Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme (SEISS) come to an end later this year. Around 88,000 people remain on furlough in Wales, whilst around 77,000 people are being supported through the SEISS.<sup>5</sup> The need to provide flexible support for households affected by the economic downturn, particularly those who face additional barriers to work, will be a key challenge for the benefits system in Wales over the coming months and years.

At the same time, there are pre-existing challenges for the benefits system which we believe will continue to present problems for the people who come to us for advice. Our previous research has revealed three key problems which have particular relevance in Wales:

1. *An increase in the number of people struggling to cover essential living costs.* Since 2017, the proportion of people Citizens Advice helps with debt in Wales who have negative budgets - meaning they have £0 or less after accounting for spending on key living costs - has grown from 30% to nearly 2 in 5 (37%). Whilst the causes of negative budgets can be complex, we know that being on a low income is a key driver and that the loss in the value of benefits over recent years has been having a direct impact on the ability of the people we help to cover their costs.
2. *Insecure or precarious financial situations.* Our research previously found that more than 1 in 10 (13%) UK adults said their income changes significantly from month to month.<sup>6</sup> While the growth of forms of insecure or non-traditional work in Wales (including self-employment) may be making people's incomes more volatile,<sup>7</sup> we also know that major life events such as having children or a period of poor health drive changes in income. These challenges are exacerbated when someone has little or no financial buffer to manage income changes, for example because of low levels of savings or lack of flexibility in their budget. Around 1 in 10 (9%) adults in Wales would not be able to cover their essential costs for more than a week if they lost their main source of income.<sup>8</sup>
3. *Additional barriers for disabled people and people with health conditions.* Disabled people and people with health conditions that limit the amount or type of work they can do face particular barriers to increasing their income through work.<sup>9</sup> This can be because their health conditions or impairments make paid work impossible, or because they face greater obstacles to obtaining or staying in employment. Whilst health and disability benefits are vital to giving people a secure income and meeting additional costs, we previously found that the design and administration of the assessments, evidence collection and decision making process for some of these benefits are not consistently effective in ensuring people get the financial support

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<sup>4</sup> NIESR (2021) [National Institute UK Economic Outlook](#)

<sup>5</sup> Welsh Government (2021) [Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme statistics: 1 July 2021](#)

<sup>6</sup> Citizens Advice (2018) [Walking on thin ice](#)

<sup>7</sup> Fair Work Commission (2019) [Fair Work Wales](#)

<sup>8</sup> FCA (2020) [Financial Lives 2020](#)

<sup>9</sup> Citizens Advice (2016) [Working with a health condition or disability](#)

they need.<sup>10</sup> In Wales, nearly 12% of the population is claiming PIP, DLA or Attendance Allowance, compared to 8% in England and 10% in Scotland.<sup>11</sup>

### **Pre-pandemic, how effectively did the UK benefits system tackle poverty and socio-economic inequalities in Wales as compared to England and Scotland?**

Our benefits system exists to provide a financial safety net for people during times of need - whether to support those in low-paid work or who are unemployed, parents who need additional help with bringing up children, or disabled people who may face higher living costs. Our research prior to the pandemic found several ways in which existing benefits were falling short on this objective.

We have focused here on issues relating to Universal Credit (UC) and disability benefits, including Personal Independence Payments (PIP), Employment Support Allowance and Limited Capability for Work elements within UC, as these are issues we most commonly see amongst people in Wales.

#### *Universal Credit*

Since the rollout of Universal Credit began, Citizens Advice has helped more than 80,000 people in Wales with the new benefit, including through our Help to Claim service. We support the principles of Universal Credit (UC) to simplify the benefits system, ensure that work pays and reduce in-work poverty. However, our evidence shows that in the run up to the Covid-19 pandemic, Universal Credit was not delivering on these aims for many people.

Firstly, pre-pandemic we saw an increase in the proportion of people claiming benefits that we help who are having difficulty covering their basic costs. Before the additional £20 in Universal Credit and Working Tax Credit was introduced during the pandemic, the value of most income-related benefits had been frozen for some years.<sup>12</sup> Combined with rising prices, this had resulted in a 6.5% drop in real-terms support through these benefits.<sup>13</sup> Between 2016-17 and 2019-20, it resulted in average reduction in support of £420 a year for families claiming benefits over this period.<sup>14</sup>

In 2019, our UK-wide research found that nearly half (49%) of people claiming frozen working-age benefits had struggled to pay essential bills in the previous 12 months.<sup>15</sup> Prior to the pandemic, we also found that the proportion of our debt clients across England and Wales who did not have enough money to cover costs rose from 32% in 2016-17 to 40% in 2019 amongst those claiming income-related benefits, whilst remaining largely unchanged for households who don't claim these benefits.<sup>16</sup> We have seen the same trend in Wales, where the proportion of debt clients receiving income-related benefits who have £0 or less in their monthly budget has risen from 38% in 2017-18 to 44% in 2019-20. This suggests that the loss in the value of benefits over recent years has been having a direct impact on the people we help and their ability to pay for essentials.

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<sup>10</sup> Citizens Advice, [Response to the Work and Pensions Select Committee inquiry into disability benefit assessments \(2017\)](#)

<sup>11</sup> DWP (2021) Stat-Xplore - [Benefit combinations](#) dataset

<sup>12</sup> HM Treasury (2015) Summer Budget 2015

<sup>13</sup> House of Commons Library (2019) [Benefits Upgrading 2019](#)

<sup>14</sup> IFS (2019) [Spring Statement 2019](#)

<sup>15</sup> Citizens Advice (2019) [Achieving income security for all](#)

<sup>16</sup> Citizens Advice (2020) [Negative Budgets](#)

Secondly, Citizens Advice research has previously explored aspects of Universal Credit that are making it more difficult for people to manage their money.<sup>17</sup> These include the 5 week wait for a first payment, monthly assessment and payment cycles, and levels of deductions from benefits. These aspects are causing particular challenges for claimants who are in debt or are struggling financially and those in non-traditional employment, as well as self-employed people and those not paid on a monthly basis.

In Wales, there is evidence to suggest that people moving onto Universal Credit were facing new or increased challenges to paying their basic costs prior to the pandemic. Research commissioned by the Welsh Government found that council tax arrears were more common and more severe under Universal Credit than legacy benefits.<sup>18</sup> 28% of people claiming Universal Credit were in arrears at some point, compared to 12% for legacy). It found that rent arrears were less prevalent among UC claimants but levels of debt were higher, with average arrears of £495 for Universal Credit claimants compared to £206 for legacy benefit claimants. The most cited reason for arrears was the 5 week wait.

### *Disability benefits*

In 2019-20, Citizens Advice helped around 29,000 people in Wales with disability benefits like PIP or DLA. The most common benefits issues we help people with are understanding eligibility and entitlement, and making a claim. This might include advice on understanding the assessment process and help with collecting and submitting supporting evidence.

However, we have seen a growing number of people who need advice on challenging the outcome of their assessment - either through Mandatory Reconsideration or Appeal - has been increasing over time. Before the pandemic, around a third (33%) of people we helped with PIP and a fifth (19%) of people we helped with ESA in Wales needed this type of advice.

In 2017, research conducted with our advisers in England and Wales suggested that the administration of PIP and ESA assessments were failing a significant number of the people we help.<sup>19</sup> Many advisers noted that the process for evidence collection was poor, with clients not always sufficiently assisted to navigate the process or understand what evidence they need to provide. Advisers felt that assessment reports could be contentious, with 92% and 81% of advisors reporting seeing inaccuracies in PIP assessments and Work Capability Assessments (WCAs) respectively. Assessment of mental health conditions was felt to be particularly challenging, alongside other less visible or fluctuating conditions. Whilst advisers did see people who went through the process without issue and viewed it positively, for many of the people we helped the experience could be confusing, burdensome and stressful.

## **How has the COVID-19 pandemic changed the type and amount of support needed by people in Wales?**

While the long-term economic impact of the pandemic is not yet clear, we know that the Covid-19 outbreak had a drastic impact on the work and income of households across Wales.<sup>20</sup> In 2020-21, the

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<sup>17</sup> Citizens Advice (2019) [Managing Money on Universal Credit](#)

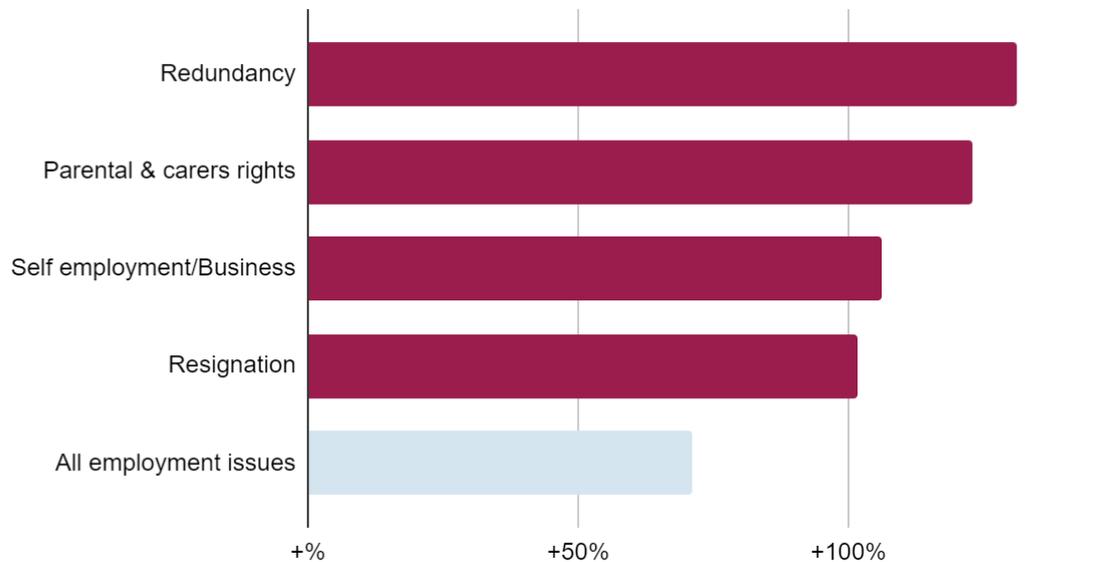
<sup>18</sup> Welsh Government (2020) [Understanding the Impact of Universal Credit on the Council Tax Reduction Scheme and Rent Arrears in Wales: Final Report](#)

<sup>19</sup> Citizens Advice (2017) [PIP and ESA Assessments Inquiry: Evidence from Citizens Advice](#)

<sup>20</sup> Citizens Advice Cymru (2020) [Facing the cliff edge](#)

number of people seeking advice on employment issues from Citizens Advice offices in Wales more than doubled compared to the previous year.

*Increase in employment issues amongst Citizens Advice clients in Wales in 2020-21 (compared to 2019-20)*



*Source: Citizens Advice client data*

Although interventions from both UK and Welsh Governments have gone a long way to protect jobs and incomes, our service has been supporting many people who have seen their hours cut, been laid off, or been made redundant as a result of the outbreak. The economic impact has not been equally felt, with our UK-wide research indicating that disabled people, people who are clinically vulnerable to the coronavirus and those with caring responsibilities have been more likely to face redundancy.<sup>21</sup> We also found that workers on insecure contracts were 7 times more likely to have had informal redundancy discussions by November 2020.<sup>22</sup>

As a result of this, more people in Wales have been relying on the benefits system for support during the crisis. There were over 280,000 people claiming Universal Credit in Wales in June 2021, an increase of 81% compared to March 2020.

Whilst local Citizens Advice offices in Wales helped roughly the same number of people in 2020-21 compared to the previous year, the type of benefit issues that people came to us for help changed during the crisis. We saw more people with issues relating to Universal Credit, Jobseekers Allowance (including New-Style JSA) and Localised Social Welfare (including the Discretionary Assistance Fund).<sup>23</sup> By contrast, there were fewer people coming to us for advice on PIP and DLA, which is likely to be at least in part due to the suspension of reviews and reassessments for sickness and disability benefits.<sup>24</sup>

<sup>21</sup> Citizens Advice (2020) [An unequal crisis](#)

<sup>22</sup> Citizens Advice (2020) [On the edge: Insecure work in the pandemic](#)

<sup>23</sup> Citizens Advice Cymru (2021) [Benefits issues in Wales during the Covid-19 crisis](#)

<sup>24</sup> DWP, [Coronavirus update - benefit reviews and reassessments suspended](#), 23 March 2020

Insights from frontline advisers in Wales gathered during the pandemic suggest that people are struggling with three main issues when applying for benefits:

1. *Lack of awareness or understanding* - Many of the people we helped during lockdown were new to the benefits system, and were typically looking for help to understand their options and what they might be entitled to.
2. *Barriers to access* - Some people faced particular barriers when applying for benefits, including people with little or no access to the internet and those for whom Welsh or English is not their first language.
3. *Financial difficulties* - Many of the people we helped with benefits issues were facing financial difficulties, either because of delays in completing their claim, gaps in income whilst waiting for their first payment, or because the amount they were receiving was not sufficient to cover their costs.

We have also seen some groups slipping through the safety net. One issue which became particularly prominent during the pandemic was the lack of benefits and support available to migrants to enable them to meet their essential costs during the Coronavirus outbreak. Migrants have been disproportionately affected by the economic crisis, being more likely to work in sectors affected by the lockdown and to be in low-paid or insecure work or self-employment than UK-born people.<sup>25</sup> While some migrants were able to access the Job Retention Scheme or the Self Employment Income Support Scheme, others were not covered by these schemes and struggled to access support from the benefits system. For those who cannot access welfare support, this leaves individuals and families without enough money to live on.

The economic impact of the pandemic has had a knock-on effect for household finances in Wales, meaning some have been struggling to keep up with day to day costs. Last year, we estimated that over 280,000 people in Wales had fallen behind on household bills, with £73 million in arrears having built up since the outbreak.<sup>26</sup> People who experienced a negative change in their work as a result of coronavirus and families with three or more children were particularly likely to have fallen behind on bills. The most common household bills that people have struggled to pay are energy and council tax, whilst rent arrears represented the largest amount of arrears due to much higher monthly costs. As arrears for rent, energy and council tax can be deducted from benefits, some households may face a reduction in the amount they get through benefits like Universal Credit if they are required to pay debts back in this way.

### **How effectively has the UK benefits system responded to these needs, and what else should the UK Government do to deliver the right support in Wales?**

The Department for Work and Pensions made a number of changes to the benefits system in response to the pandemic, to adapt to a sudden influx of claimants and the required social distancing measures. These measures have gone a long way to protect claimants and mitigate the impact of the crisis in people's incomes, though we have also seen some knock-on effects for particular groups of claimants.

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<sup>25</sup> Citizens Advice (2020) [Lockdown Lifeline](#)

<sup>26</sup> Citizens Advice Cymru (2020) [Coronavirus debts](#)

Looking ahead, we believe continued investment in targeted support for people on low incomes is urgently needed in order to ensure a strong recovery for people and communities in Wales. In the medium to long term, there are rules within Universal Credit that prevent some people from finding and sustaining employment which must be addressed in order to provide the right support for people in Wales who are looking for work.

### *Response to the pandemic*

At the start of April 2020 in response to the coronavirus pandemic, the Chancellor took the welcome step of increasing the value of the Universal Credit standard allowance and the basic element of Working Tax Credit by £20 a week, or roughly £1,040 over the course of a year.

The temporary uplift to Universal Credit and Working Tax Credit has helped millions of people stay afloat during the pandemic. Around a third (35%) of working-age households in Wales have benefitted from the uplift.<sup>27</sup> Citizens Advice's own data indicates that these benefit increases have helped stave off a surge in the proportion of people we help with debt who are unable to cover their living costs.<sup>28</sup>

The DWP also paused face-to-face assessments for disability benefits, including Personal Independence Payment (PIP), Employment and Support Allowance (ESA) and Universal Credit. From March 2020 to April 2021, assessments have mostly taken place remotely by either telephone, video or through a paper-based review of evidence.

Citizens Advice has spoken with advisers and people who have come to us for advice on disability benefits about these changes.<sup>29</sup> We found that:

1. *Remote assessments have worked for some but have also been challenging for others* - For many clients, remote assessments have been an improvement on what came before. However, others have found it difficult to convey the impact of their impairment, particularly those with a mobility impairment or mental health condition. Others found it difficult to communicate using remote technology.
2. *There have been long delays with the Work Capability Assessment* - Despite the rapid introduction of remote assessments and extension of awards, the pandemic has put the disability benefits system under strain. Our advisers report that some of our clients have been waiting several months to get a WCA. DWP data indicates that the median clearance time for a new ESA Work Capability Assessment rose from 12 weeks in January 2020 to nearly 22 weeks in October that year.<sup>30</sup>
3. *Decisions following initial assessments are often wrong* - All too often assessments result in the wrong decision, meaning claimants are forced to appeal in order to get the money they're entitled. The high overturn rate for disability benefit assessment decisions was an issue prior to pandemic — but it's remained a major problem throughout. In 2020-21, 75% of both PIP and ESA cases that went to tribunal saw the original DWP decision overturned.<sup>31</sup>

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<sup>27</sup> Resolution Foundation (2020) [Death by £1000 cuts?](#) • Resolution Foundation

<sup>28</sup> Citizens Advice (2020) [Life on less than zero](#)

<sup>29</sup> Citizens Advice (2021) [Disability benefits during the pandemic](#)

<sup>30</sup> DWP (2021) Stat-Xplore - *Employment and Support Allowance (ESA) Work Capability Assessment (WCA) Clearance times for initial claims dataset*

### *What else should be done*

In the short term, the UK Government must invest in support for low-income households in Wales to improve living standards for the people and places most in need. The £20 uplift has been a lifeline to over 280,000 people in Wales, including over 100,000 people who are in work.<sup>32</sup> We believe the planned cut to the benefit this autumn will see many more people in Wales struggling to afford basics like food and heating. In addition, with the energy bill price cap due to increase by around £150 a year this winter, many people on benefits - who are more likely to be on default tariffs - will be hit with rising costs at the same time as seeing their incomes cut.<sup>33</sup> We are particularly concerned that the drop in income could be especially difficult for people who are new to claiming benefits who may be unaware of the looming cut.

Making the increase permanent is also a quick and targeted way to direct support at communities in Wales as we recover from the pandemic. We estimate that the increase represents over £245 million in potential annual spending in Wales that would be lost if the uplift was brought to an end. The cut would take money out of local economies and hit areas with high levels of deprivation the hardest, at a time when we urgently need to invest in their recovery. To avoid this, the UK Government must make the £20 uplift to Universal Credit and Working Tax Credit permanent, and extend it to legacy benefits such as Employment and Support Allowance, Jobseeker's Allowance and Income Support.

#### **Case study**

Mark has a lung condition which forced him to stop working around 18 months ago. He recently moved into a private rented flat after previously being homeless for a period. He is claiming Universal Credit and receives the housing element which pays most of his rent, though Mark needs to pay £75 a month to make up the rest.

If the planned £20 cut to Universal Credit goes ahead, Mark will be £80 a month worse off. He already finds it difficult to cover his costs and is worried he will really struggle to keep up with his bills.

In the medium to long term, we are concerned that efforts to support people into work in the aftermath of the pandemic risk being undermined by rules within Universal Credit that prevent some people from finding and sustaining employment. Our research has highlighted three aspects of Universal Credit that need fixing to ensure an equitable recovery from this crisis:<sup>34</sup>

- *Paying childcare costs upfront* - The availability and cost of childcare is a significant deciding factor for parents when assessing the costs and benefits of entering work or working more hours. While there has been a welcome increase in the level of support for childcare costs, parents claiming Universal Credit are required to pay for childcare upfront. These costs can be prohibitively high for many parents on a low income. We believe that DWP should pay childcare costs within Universal Credit in advance.

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<sup>31</sup> MoJ (2021) [Official Statistics: Tribunal Statistics Quarterly: January to March 2021](#)

<sup>32</sup> DWP (2021) Stat-Xplore - *People on Universal Credit* dataset

<sup>33</sup> Guardian, [Energy firms join charity push for social tariff to offset fuel poverty](#), 6 Aug 2021

<sup>34</sup> Citizens Advice (2021) [Roadblock to recovery](#)

- *Widening access to the work allowance for disabled people* - Disabled people have been among the first to fall out of the labour market during this crisis, and evidence shows they are often the last to re-enter work.<sup>35</sup> Whilst the work allowance in Universal Credit gives extra support to disabled claimants who are working a smaller number of hours, disabled people assessed as ‘fit for work’ are not entitled to a work allowance, despite the barriers to work and additional costs they can still face. We believe DWP should give people in receipt of Personal Independence Payment (PIP) access to the work allowance.
- *Ensuring a more flexible approach to conditionality* - Whilst conditionality rules have been relaxed during the pandemic, as they have been re-introduced we have seen an increasing number of cases where people have been set an inappropriate claimant commitment. Having the flexibility to set appropriate and realistic work-related requirements is vital in enabling people to take steps to look for work, sustain a job, and increase their hours once in employment. We believe the DWP should regularly review how claimant commitments are set by work coaches to ensure work-related requirements are tailored to people's commitments.

Finally, whilst we saw some improvements to the way that eligibility for disability benefits is assessed during the pandemic, we know that long-term problems with the system remain. We believe the UK government needs to use its consultation on the recently published health and disability Green Paper to explore changes which improve the speed and accuracy of the assessment process for disability benefits in order to ensure disabled people can easily access the support they need.

### **How effectively do the Welsh Government’s allowances and grants meet the particular needs of people in Wales?**

Whilst we cannot provide evidence covering the range of allowance and grants provided through the Welsh Government, there are two which feature prominently in the data we collect from clients and advisers. Our research suggests that the Discretionary Assistance Fund and the Council Tax Reduction Scheme play an important role in supporting low-income families, particularly during the Covid-19 crisis.

#### *Discretionary Assistance Fund (DAF)*

The DAF is a Wales-wide scheme which provides emergency assistance to people in financial hardship. It offers cash payments in the form of Emergency Assistance Payments (EAP) or in-kind support like essential household items and white goods through the Individual Assistance Payments (IAP).

The Welsh Government introduced changes to the Discretionary Assistance Fund (DAF) in response to the Covid-19 crisis, with the aim of helping families and individuals facing financial challenges. These included:

1. *Extra funding* - around £11m extra was allocated to DAF at the beginning of the pandemic, effectively doubling the available budget compared to 2019-20.<sup>36</sup> Between March and

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<sup>35</sup> Citizens Advice (2021) [Which groups find it hardest to find a job following a period out of work?](#)

<sup>36</sup> Welsh Government, [Discretionary Assistance Fund receives £11m boost in Wales](#), May 2020.

December 2020, £16.4m was allocated through DAF, compared to £10.57m in 2019-20 (and £7.49m in 2018-19).<sup>37</sup>

2. *Additional flexibilities* - including allowing those facing hardship as a result of the pandemic to make 5 rather than 3 claims in a 12 month period, and to claim once every 7 days rather than every 28 days.

Data published by the Welsh Government suggests that over £14m has been granted to people in Wales through Emergency Assistance Payments.<sup>38</sup> It also shows that the proportion of successful applications has increased, with 58% of applications leading to an award in 2020-21, compared to only 42% the previous year.

The DAF has been a crucial source of emergency support during the pandemic for the people who come to us for help, with our data showing a significant growth in the number of people needing advice on accessing the DAF. Our data shows that people who come to us for advice on DAF are disproportionately likely to be in rented accommodation, to have a disability or a health condition, and to be unemployed or unable to work. Amongst people who came to us for help with DAF and other forms of localised social welfare between March and October 2020, 1 in 3 (34%) also needed advice on accessing a foodbank and 1 in 6 (17%) needed advice on making an initial claim for Universal Credit.

When we spoke with advisers in the summer of 2020, we heard that applications for the DAF generally went smoothly and quickly, though some felt the wait time for an IAP had grown as a result of Covid restrictions. Some felt that awareness of the DAF amongst frontline workers had increased during the crisis. Demand for support through DAF was often coming from people who faced gaps in income, either because of changes in employment or whilst waiting for a benefits payment, or who were in severe financial hardship and were struggling to pay for basics like food or heating.

Our data indicates that demand for the DAF remains high. In the first quarter of 2021-22, we helped three times as many people with issues relating to Localised Social Welfare (including the Discretionary Assistance Fund) than during the same period the previous year.

We strongly welcome the additional funding and flexibilities that have been put in place for DAF during the Covid-19 crisis. Prior to the pandemic, the Welsh Government had been lagging behind other devolved nations in the level of funding it put towards crisis provision, though levels were higher than in England.<sup>39</sup> Given the potential for longer-term impacts on households that have been affected by job losses or been pulled into severe financial difficulty as a result of the pandemic, we would encourage the Welsh Government to consider how it could build on the achievements of the DAF over the last year in order to maximise its impact on families in crisis in the future.

### *Council Tax Reduction Scheme (CTRS)*

All local authorities in Wales are required to adopt their own Council Tax Reduction Scheme following the framework set out by the Welsh Government, with some limited areas of discretion.<sup>40</sup>

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<sup>37</sup> Senedd, [Written Question WQ82085\(e\)](#), answered 17/02/2021

<sup>38</sup> Welsh Government (May 2021) [Summary data about coronavirus \(COVID-19\) and the response to it](#)

<sup>39</sup> The Children's Society (2020) [Leave No Family Behind: Strengthening Local Welfare Assistance during Covid-19](#)

<sup>40</sup> [The Council Tax Reduction Schemes and Prescribed Requirements \(Wales\) Regulations 2012](#)

Households eligible for the CTRS pay a reduced Council Tax bill, with schemes covering up to 100% of the total liability.

We know that many households in Wales struggle to pay their council tax. Last year, we estimated that 64,000 households had fallen behind on their council tax bills since the Covid-19 outbreak.<sup>41</sup> More recently, figures published by the Welsh Government show that the total amount of council tax arrears has risen by £46.4 million, representing a 42% increase on the previous year.<sup>42</sup>

As council tax is one of the largest fixed costs that households pay after housing costs, the CTRS is a crucial lever to relieve financial pressures for low-income households. Having a national framework means there is a consistent offer across Wales, and that all local authorities continue to cover up to 100% of council tax bills for eligible working-age people. Research has found that councils with more generous Council Tax Reduction schemes tend to also have better Council Tax collection rates, as households that are less able to pay are required to pay less.<sup>43</sup> This means that local authorities spend less time and resources seeking to collect arrears that are likely to be unaffordable for the individual to repay.<sup>44</sup> It also protects families on low incomes from incurring additional fees or costs that often come alongside debt enforcement.<sup>45</sup>

However, we know the scheme is not always effective in supporting people on low incomes to meet their Council Tax liability. There are three main reasons:

- *Not everyone who is entitled to a Council Tax reduction is accessing it* - Research from the Wales Centre for Public Policy has previously found that a significant number of people in Wales aren't receiving a Council Tax reduction, despite being entitled.<sup>46</sup> Citizens Advice Cymru research has found that awareness of the support is low, with only half of people in Wales believing that someone claiming Universal Credit would be entitled to a reduction on their Council Tax bill.<sup>47</sup> Research commissioned by the Welsh Government found that whilst the working-age caseload for CTRS increased by 5% during the pandemic, this was less than might have been expected given the increase in Universal Credit claimants.<sup>48</sup>
- *Some people are losing out on support as a result of moving onto Universal Credit* - Our advisers report that the people they help are not always aware they need to make a separate application for CTRS, and are therefore falling into Council Tax arrears without knowing it. Some parents and working households may also find their CTRS awards are lower when moving onto Universal Credit, as a result of how entitlement is calculated for people receiving the new benefit.
- *Not all households who struggle to meet the cost of their bills are entitled to CTRS* - Council Tax payments can place a high cost burden on low-income households as they tend to pay

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<sup>41</sup> Citizens Advice Cymru (2020) [Coronavirus debts](#)

<sup>42</sup> Welsh Government (2021) [Council Tax collection rates: April 2020 to March 2021](#)

<sup>43</sup> Policy In Practice (2020) [Council Tax debt collection and low-income Londoners](#), December 2020

<sup>44</sup> Money Advice Trust (2021) [Council Tax after Covid](#)

<sup>45</sup> Citizens Advice Cymru (2021) [Helping to ensure a fairer Council Tax system in Wales](#)

<sup>46</sup> WCPP (2019) [Responding to citizens in debt to public services](#)

<sup>47</sup> Citizens Advice Cymru (2021) [Benefits issues in Wales during the Covid-19 crisis](#)

<sup>48</sup> Welsh Government (2020) [Understanding the impact of Covid-19 on the Council Tax Reduction Scheme in Wales: Interim Findings](#)

more as a proportion of their income, depending on the property they live in.<sup>49</sup> This means that families who are not eligible for full CTRS may still struggle to afford their bills

The Welsh Government has taken important steps during the pandemic to support the take-up of benefits, including a publicity campaign and the development of a best practice toolkit for Local Authorities.<sup>50</sup> We would encourage Welsh Government to continue to take action to increase take up of the scheme and guarantee that people eligible for the scheme do not lose out as a result of moving onto Universal Credit.

### **What are the implications of the UBI pilot in Wales?**

The Welsh Government has not published any information about the proposed Universal Basic Income (UBI) pilot, so we are unable to provide any detailed consideration of its implications on the people we help.

However, we previously worked with frontline advisers to identify 3 principles that any benefits system should follow and the ways in which the current system is falling short.<sup>51</sup> We believe that any benefits system must be accessible to all who are entitled to support, that benefits should adequately and securely cover the cost of living, and that flexible and tailored support should be available to meet the needs of different groups of benefit claimants and respond to changes in people's lives. Whilst a UBI pilot has the potential to help tackle many of these problems, there are also significant issues which would need to be addressed to ensure that people claiming existing benefits are not negatively impacted.

*August 2021*

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<sup>49</sup> IFS (2020) Revaluation and reform of council tax in Wales

<sup>50</sup> Welsh Government (20221) Written Statement: First National Welfare benefit take up campaign

<sup>51</sup> Citizens Advice (2019) 3 principles we want to see integrated into the benefits system