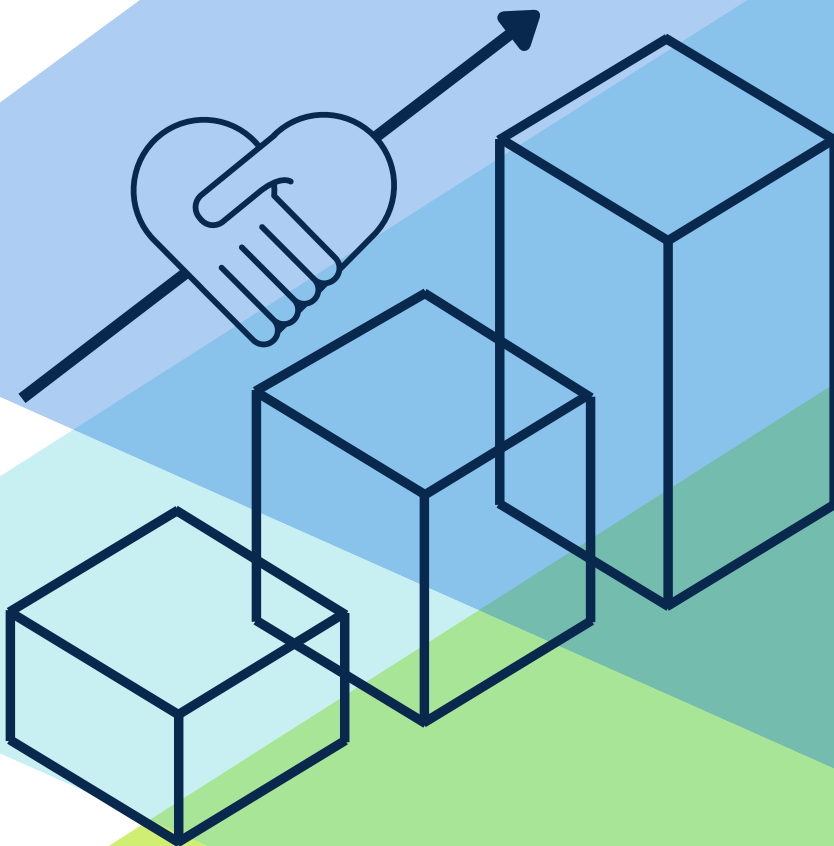




Comisiynydd  
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Cymru

**Future  
Generations**  
Commissioner  
for Wales

# Cost of Living: Now and in the Future



NOVEMBER 2022



# Cost of Living Crisis:

## Now and in the Future

As the Future Generations Commissioner for Wales, I am tasked with ensuring our public bodies act today for tomorrow. We are living in challenging times where the very real pressures and demands to help communities weather a storm are at the forefront of everyone's minds.

Interventions to prevent a crisis getting worse are important but our actions in response to the cost-of-living crisis must help our current communities, whilst also preventing crises like this to resurface again in the future.

In Wales, we are in a unique and powerful position to make real change for the communities of today and of our future generations. Because of the Well-being of Future Generations Act, we are already on track, and considering future generations in our decision making is becoming second nature. Now, we need to come together and expand our horizons to make sure that we protect our communities from experiencing this type of crisis, to this extent, again.

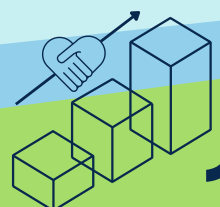
It is clear that the economic position across the UK and the very stark reduction in the funding available will make new investments for the future incredibly difficult for the Welsh Government as they seek to protect vital public services, many of which are preventative by their very nature and important to the long-term well-being of Welsh communities.



But it is also apparent that in the face of crisis, the Welsh Government and their public, private, voluntary sector, and trade union partners can work together to find innovative solutions. The Welsh approach to partnership working and collaboration was vital during the COVID-19 pandemic. We can respond to deliver connected solutions again which go beyond just putting a sticking plaster on the cost-of-living crisis.

The importance of involvement in decision-making could not be more crucial. Inequalities are deepening, with the disproportionate impact of the cost-of-living crisis on women, Black and Ethnic Minority people, migrants, older people and disabled people. Any action that the government decides to take must involve those hardest hit by the crisis.

This paper sets out a number of policy areas which could drive multiple long term benefits to Wales' well-being goals, whilst also helping families who face huge cost-of-living pressures in the short and medium term. They should be considered as the Government and others frame their response to the cost-of-living crisis.





**Transport policy in Wales is undergoing transformational change in line with the Well-being of Future Generations Act – a focus on developing a route map to free public transport, starting with young people, can put money back in people’s pockets while helping the modal shift we need to decarbonise our transportation system.**

**We know that:**

- More than 50 per cent of households face transport poverty in all but two of Wales’ local authorities.
- 1 in 4 young people said travel costs were a barrier to attending job interviews.
- 2 in 5 young people said poor public transport is a barrier to getting a decent job.

Source: [Sustrans](#)

Making public transport free has multiple benefits for our young people and our planet. Making more sustainable journeys, such as taking the bus rather than driving, increases walking and cycling for stages of our journeys, helping to improve air quality, tackle rising obesity and a wide range of health conditions. Reducing costs of travel also increases accessibility to education, work opportunities, and extracurricular activities for our young people.

Local Authorities in Wales are already trialling the idea of free or heavily reduced fared transport with success. Newport introduced free fares for the month of March this year, and Cardiff reduced their fares to £1 in the run up to Christmas in 2021.

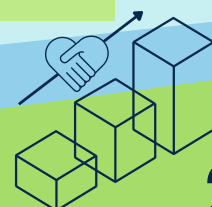
Elsewhere, bus journeys in Monmouthshire will be free every weekend in December. We know that there is appetite for this policy within our local authorities, and I would urge the Welsh Government to consider how they can work with our local authorities make the next step in making these policies an affordable, green and long-term solution to our transport here in Wales.

In my ‘[Communities and Climate Change in a Future Wales](#)’ report, we echoed the findings that those from economically disadvantaged backgrounds find lower carbon ways of travelling due to the lower cost of modes of transport such as active travel and public transport. It is the role of the government to support these communities, who are contributing less to the wider issue of climate change but are disproportionately feeling the effects, to continue their low-carbon transport behaviours.

**Managed well, a housing retrofit programme could be a gamechanger for the Welsh economy helping to reduce energy costs, create new green jobs, and reduce household emissions.**

**We know that:**

- Up to 45% of households in Wales are now in fuel poverty with more than [three-quarters of UK households](#) predicted to be in fuel poverty by the new year.
- [115,000](#) households (8%) are now living in severe fuel poverty, having to spend more than 20% of their income just to keep warm.





- Homes in Wales are responsible for 27% of all energy consumed in Wales and 15% of demand-side Co2e.

Energy inefficiency has huge consequences for households across Wales. Households with an Energy Performance Certificate D or below (two-thirds of homes in England and Wales) are likely to see an average bill increase of £1,730 per year when the October energy price cap rise comes into effect. Homes that have an energy efficiency rating of C or above, accounting for a third of homes, will see an increase of £982 per year; a £748 gap per year.

Research carried out by the Wales School of Architecture shows that the 2050 net-

A retrofit programme could have multiple benefits for our people and our planet. A retrofit programme, as set out in my report 'Homes Fit for the Future', with a holistic package of finance options across all housing tenures, could be a gamechanger for the Welsh economy helping to:

- Provide confidence and support to the foundational economy with potentially millions of local spend.
- Create new industries, skills and up to 26,500 new jobs, based on local supply chains.
- Meet decarbonisation goals while pulling homes out of fuel poverty
- Reduce needless energy costs, saving a total of £8.3 bn in fuel costs by 2040.
- Improve household health and well-being, generating cost savings to the NHS of £4.4 bn by 2040.

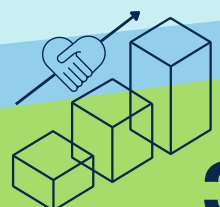
zero target can only be met through the whole system approach whereby fabric, heating system, energy supply and people's behaviours are all considered.

The Welsh Government have already put in place an investment package for social housing but need to urgently consider opportunities for expanding support for the private rented sector and owner occupiers, which include over 80% of our Welsh housing stock.

**Bringing choice and control over domestic energy and heat to the people of Wales could bring stability to our energy prices while also eliminating 9% of Wales' carbon emissions and eradicating household vulnerability to a volatile global energy market.**

I welcome the recent announcement from Welsh Government to set up a publicly owned renewable energy company to generate clean energy and put profits back into public funds. This is a big stride towards a Wales self-sufficient for its energy and heat needs.

While this cannot fix the current cost of living crisis, preventing a similar situation again in future requires long-term, preventative thinking. Welsh people owning their energy future means we would no-longer be at the mercy of global influences. Whether we manage our own domestic micro-generation or have a stake and a say in local renewable energy generation and district heat systems, we will be preventing a future cost of living crisis caused by our reliance on fossil fuels.





My long-term vision is that Wales, or indeed every home in Wales, is self-sufficient for its energy and heat needs. The energy hierarchy for planning in Wales prioritises renewable and low carbon sources including air source heat pumps. This will require rethinking rules which prevent their installation in much of Wales' urban housing stock.

Subsidies and encouragement to roll out solar PV, solar thermal, battery storage and air source heat pumps could not only save household costs but would help make homes self-sufficient, reducing pressure on the national grid in the short term. The current cost of energy and heat means that the return on investment for domestic microgeneration has never been shorter.

#### **We know that:**

- Welsh Government has committed to 1 gigawatt (GW) of renewable energy capacity in Wales to be locally owned by 2030.
- Our energy grid must be decarbonised by at least 60% if we are to meet household decarbonisation goals. The current target is for Wales to generate 70% of its electricity consumption from renewable energy by 2030.
- IWA estimate that to develop an energy system that enables Wales to become 100% self-sufficient in renewable electricity by 2035 requires around £30 billion of investment over a 15-year period.
- Research by Nesta finds that air source heat pumps are the best currently available replacement for fossil fuel heating systems, as they deliver the greatest emissions reductions per pound spent compared to other options.

- Renewable energy can be much cheaper than fossil fuels. Right now, offshore wind (£48 per megawatt hour [MWh]) is 9 times cheaper than gas (£446 MWh).

All other domestic energy should come from a local, renewable energy grid (such as local community wind or solar schemes) and heat from a district heat network (such as extracting heat from water in former coal mines).

National solutions dependent on global market forces should only plug the gaps until no longer needed and, in the meantime, must incorporate meaningful local ownership to ensure benefits stay in Wales.

We must ensure that renewable and sustainable local heat and power does not come at the detriment of nature and biodiversity in Wales but should work with it to leave a biodiversity positive impact.





**A long-term commitment to roll out food partnerships in every Welsh local authority – the social enterprise business model of food pantries is likely to be able to keep food costs down compared to the high street.**

We face complicated challenges to the food system in Wales. Carbon emissions from agriculture remain stubbornly high, Welsh children are increasingly obese or overweight, and right now the number of families that can't afford to put food on the table is accelerating. The rising cost of food is further evidence of the need to urgently build a resilient food system in Wales, one that feeds people healthy and affordable food and protects the planet.

The Welsh Government could look at integrating many of its progressive interventions in the food system by producing a national food strategy, fit for both current and future generations.

I also urge the Welsh Government to make a long-term commitment to the free school meals holiday programme, beyond next year.

**We know that:**

- People in the UK saw an 11.6% surge in grocery prices for the month of August 2022, the highest level since 2008, according to research firm Kantar. If food prices continue at the current cost, the average household's grocery bill will increase by £533 a year.
- Households with one or two children are more affected by the crisis, with the number of households cutting back on food for children having doubled since November 2021.

- In Wales last year, one food parcel was provided to children in Wales 'every 10 minutes' by food banks – up by 70% since 2015.

I welcome the Social Justice Minister's recent announcement on short term funding for cross sector food partnerships through Food Sense Wales. But I urge for a longer-term commitment to roll out food partnerships in every Welsh local authority within the Welsh Government's proposed Community Food Strategy. Food Partnerships, led by Food Sense Wales coordinates a local multi-stakeholder approach to address food poverty, supporting the provision of affordable food involving public bodies, the voluntary sector and local communities. I am also supportive of the approach of the proposed Wales Food Bill which calls for the development of more coordination across government through a national food strategy.

Welsh Government should help struggling households and strengthen the nutritional safety net to protect children through continuing to advocate for increasing working age benefits in line with inflation with UK Government and ensure employers are paying the real living wage.





I welcome the commitment by Welsh Government, as outlined in Net Zero Wales Carbon Budget 2, to develop a long-term strategy to promote a dietary shift toward the 'EatWell Guide' by encouraging Welsh consumers to eat healthier, more sustainably sourced food, to eat and waste less. This should inform public bodies as they develop well-being objectives and should also be fully integrated into the Community Food Strategy.

**We know that a Universal Basic Income would reduce poverty rates, and eventually reduce the strain on our NHS. We must continue the journey to a full Universal Basic Income for the people of Wales.**

The basic income for care leavers is a crucial puzzle piece on Wales' journey to a Universal Basic Income. I would urge the Welsh Government to build into the evaluation of this pilot the new economic reality that care leavers are facing, and the extent to which the basic income provides protection from the worst effects of the cost-of-living crisis. It should then consider longer term financial planning for further roll out of the scheme, with the end result being a universal basic income programme in Wales.

**We know that:**

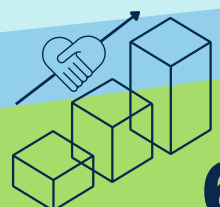
If we had a Universal Basic Income (UBI) in Wales, based on 'model 1' from my report '[A Future Fit for Wales: a basic income for all](#)', in collaboration with Autonomy, we would find that:

- Overall poverty rates in Wales would decrease by 50%.
- Child poverty would decrease by 64%, bringing it to a rate of under 10% in Wales.
- Pensioner poverty in Wales would decrease by 61%.

We found that a more ambitious long-term model of a Welsh UBI, would eradicate poverty almost entirely.

A UBI, quite simply, puts more money into people's pockets. But international trials and research have shown a huge host of benefits ranging from improved mental and physical health to higher levels of trust in communities and lower school dropout rates.

The transition to net zero will also entail big changes for heavy-carbon industries, but also wider society and the economy. The regularity and unconditionality means UBI also acts as a buffer against economic changes or shocks, whether precarity of work or increasing automation. I strongly support calls to extend the current Welsh Government basic income trial to cover workers in those industries as part of that just transition – ensuring that people are not left behind. Wales is particularly vulnerable as these heavy industries account for around 18% of the Welsh workforce, with many communities centred around them.





A basic income for those in carbon-intensive jobs could provide a guaranteed and generous safety net following possible job losses and support them as they retrain and reskill for green jobs. For example, retrofitting housing on the scale needed to be effective will necessitate huge numbers of qualified installers, experts and producers. UBI has huge potential to ensure the transition is both green and just for all.

## Conclusion

It is in times like these that we may panic and resort to short term ways of thinking, but we have to resist and trust in the direction of the Well-being of Future Generations Act; that is to work holistically, with the aim of preventing harms now and in the future. When we think long-term in times of crisis, often we see the more innovative solutions coming to light.

The months ahead are going to be difficult, but it is in times like these that Wales has shown it can come together for the many.

**We are a country of innovators; I am confident in our ability to craft the well-being Wales we all deserve.**

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