

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 49 : Ymateb gan: Sefydliad Bevan (Saesneg yn unig) | Response from: Bevan Foundation (English only)



Senedd Finance Committee

Inquiry into the Welsh Government's Draft Budget 2024-25

Response by the Bevan Foundation

The Bevan Foundation is Wales's most influential think tank. We create insights, ideas and impact that help to end poverty, inequality and injustice in Wales. We are a registered charity and company limited by guarantee, funded by charitable trusts and foundations, donations, and trading as a social enterprise.

We welcome the opportunity to contribute our views on the draft budget for 2024-25, in advance of its publication. Our responses relate only to poverty and inequality.

1. What, in your opinion, has been the impact of the Welsh Government's 2023-2024 Budget, including funding related to the recovery of the pandemic?

The cost of living crisis continues to put severe pressure on low-income households in all types of communities in 2023-2024. Although the rate of inflation has fallen, it remains at the highest rate since the early 1990s and prices of everyday items continue to be high. As an illustration, a basket of goods that cost £100 in 2021, cost £118.34 in October 2023. The rate of inflation for low income households is even higher because low income households spend an above average proportion on their incomes on high-inflation items.

Bevan Foundation research showed that in summer 2023, when many households were saving on energy costs, that around 14% of all households in Wales sometimes, often or always go without essentials such as food, heating and toiletries. The figure rises to 47% amongst people in receipt of Universal Credit. That the findings in summer 2023 were very similar to those six months earlier indicates that there has been little improvement for households.

We have therefore welcomed many of the Welsh Government's actions to support low income households during the year, including the increased budget for the Discretionary Assistance Fund (DAF), the uplift to Education Maintenance Allowance, the continued roll-out of Free School Meals to primary pupils and the increased budget for the Discretionary Homeless Prevention Fund (DHPPF). These measures are undoubtedly helping people to manage acute financial pressures.

We are, however, concerned that some of the measures introduced 2022-2023, when pressures were arguably not as great as today, have been withdrawn in the current year. For example, both the UK Government and Welsh Government have withdrawn their support with energy costs, the provision of Free School Meals in the holidays has ended, and fewer emergency payments are allowed from DAF. Yet energy, food and housing costs are even higher than before.

3. What action should the Welsh Government take to help households cope with inflation and cost of living issues?

The Welsh Government must not assume that the cost of living crisis is over and should continue to support the hardest-hit households. The outlook during the period of the

Welsh Government's 2024/25 budget continues to be tough, with the Office for Budget Responsibility and Bank of England anticipating inflation remaining about the target rate of 2% to the end of 2025. If correct, the cost of that basket of goods could increase by a further £7.10 by March 2025.¹ While the UK Government has increased most social security benefits by the rate of inflation and unfrozen Local Housing Allowance, benefits nevertheless remain historically low and wages have not kept pace with inflation, resulting in real terms cuts.

We therefore strongly urge the Welsh Government to use its 2024/25 budget to ensure that households with the lowest incomes are able to afford the essentials of an adequate home, food, heating and hygiene products. Our recommendations for specific actions that the Welsh Government should take were included in the final report of the Wales Expert Group on the Cost of Living Crisis,² of which we were a member. These comprised a mix of:

- Payments or reliefs to put cash in pockets, including:
 - A winter cash payment for the most severely affected households, including those with children.
 - Changes to the council tax relief taper.
- Extending eligibility and improving the provision of public services that provide essentials including:
 - Provision of free school meals
 - Accelerating the provision of social housing
 - Stepping up home insulation schemes.
- Boosting take up of UK and Welsh benefits, grants and allowances through targeted campaigns.

The Bevan Foundation would make the following points in respect of the group's recommendations and the Welsh Government's response.

We understand that the Welsh Government is faced with managing a combination of inflation hitting the services it provides and rising demand for those services, at the same time as it has a fixed budget. While there are constraints in the current fiscal arrangements, the Welsh Government does have choices. It has the option of raising (or lowering) income tax or other devolved taxes, or it can develop new, revenue-raising taxes; it can impose or increase fees and charges; and it can reallocate resources from low-priority areas to those with a higher priority. In managing mid-year inflation pressures, the Welsh Government *chose* to increase expenditure on the NHS and train services, while choosing not to extend eligibility for Free School Meals or introduce a Winter energy payment. Similarly, it has chosen to award grants to multi-national businesses, while cutting back on the goods offered to people in financial crisis. In noting this, we are not expressing a view about the Welsh Government's decisions but are pointing out that it does have options.

In discussions about the Welsh budget, we also note that the Welsh Government has said that it wishes to focus on the areas which are devolved and not attempt to make up for deficiencies it perceives in the UK Government's responsibilities, such as aspects of the

¹ Assuming a consistent 4% rate of inflation over the period.

² <https://www.gov.wales/report-wales-expert-group-cost-living-crisis>

Universal Credit system which cause hardship or cuts to UK Government services such as Legal Aid. However, the current devolution settlement is based on reserved powers, meaning that the Welsh Government can take responsibility for **all** aspects of life in Wales, including those which are the result of UK Government decisions. It can, if it wishes, complement, supplement or make up for perceived deficiencies in the UK Government's approach. In many instances, it is sound socio-economic sense to do so, for example the devolved DHPF helps to prevent homelessness even if this is caused by a shortfall in Local Housing Allowance, while the DAF can explicitly be used to offset the impact of the five-week wait for payment of Universal Credit.

With standards of living forecast to remain low for the next three years and destitution rising, we urge the Welsh Government to take a holistic view of its responsibilities and to exercise its choices to help to ease pressure on low income households.

7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on whether enough is being done to tackle the rising costs of living and support those people living in relative income poverty?

As said earlier, the Bevan Foundation would like to see the Welsh Government do more to solve poverty. We acknowledge that the Welsh Government has taken some important actions in respect of immediate cost of living pressures, and also acknowledge that some of those actions will also have longer term benefits for people on low incomes.

Nevertheless, the Bevan Foundation urges the Welsh Government to step up its actions to address the root causes of poverty, i.e. high costs (especially of essentials such as food, housing and transport), lack of decent work in the local labour market, and in particular in economically disadvantaged areas, and an inadequate social security system especially for working age adults and children. This should be done with fewer interventions delivered at scale over the longer term.

There are financial benefits from reducing poverty and income inequality. Poverty costs the public purse a great deal. It is associated with poor health, lower educational outcomes, higher housing needs and additional demand for social care and social services to name just a few. Health inequalities are estimated to cost NHS hospital services alone some £322 million per year (8.7%) of NHS hospital expenditure.³ In 2016 the Bevan Foundation estimated that 20% of the Welsh budget was spent on ameliorating the impact of poverty, including additional costs to health, housing, education and social services and not including the costs of foregone tax receipts – some £4 billion a year.⁴ If the Welsh Government successfully reduced poverty – even by a modest margin – it would ease the pressure on its budget over time.

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³ <https://phw.nhs.wales/news/tackling-inequality-could-save-hospitals-in-wales-322-million-every-year/>

⁴ <https://www.bevanfoundation.org/resources/prosperity-without-poverty-framework-action-wales/>