

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

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Senedd Finance Committee Inquiry into Welsh Government Draft Budget 2026-27

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 2026-27 in advance of its publication. Our responses are focused on the Committee's questions that concern poverty and inequality.

1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

The cost-of-living crisis is still having a significant impact on people in Wales. The Bevan Foundation currently have a survey in the field with YouGov to look at whether people's living standards have improved over the past 12 months, but other indicators such as the number of people living in temporary accommodation and the number of people using foodbanks suggest that any progress in reducing its impact has been modest.¹

One of the reasons why the Welsh Government's Budget has had a limited impact on poverty overall is that the depth of poverty has increased significantly over the past 25 years. New analysis published by the Joseph Rowntree Foundation earlier this year showed that the median poverty gap for a family of two adults and two primary school aged children has increased from £3,800 to £7,200 between 1994-97 and 2020-23.² This means that families need greater levels of support to lift them out of poverty than was the case two decades ago.

The Welsh Government's interventions have undoubtedly helped to relieve some of the most severe consequences of poverty. The introduction of the Young Persons' Bus Travel Scheme for instance will ease some of the financial pressures faced by young people living in low-income households whilst continuing investment in schemes such as the Discretionary Assistance Fund provides a vital lifeline to people in financial crisis.

In other areas it is unclear what progress is being made with extra funding allocated in 2025-26. The Bevan Foundation welcomed the allocation of an extra £30m of funding for childcare as per the budget deal between the Welsh Government and Jane Dodds.³ Beyond a recent update on the fact that the expansion of Flying Start has been completed in Merthyr Tydfil,⁴ very little information has been published on how the expansion of Flying Start is progressing elsewhere in Wales and when parents of children aged 2 across the nation could benefit from the scheme's expansion.

¹ Dearden, W. (2025), *The impact of temporary accommodation on children and their families*. <https://www.bevanfoundation.org/resources/temporary-accommodation-children/>; and Trussell (2025), *Hunger in the UK* www.trussell.org.uk/sites/default/files/2025-09/hunger_in_uk_sept25.pdf

² Joseph Rowntree Foundation (2025) *Poverty in Wales 2025*. York: Joseph Rowntree Foundation <https://www.jrf.org.uk/poverty-in-wales-2025>

³ Bevan Foundation (2025), *Bevan Foundation welcomes extra childcare funding in final budget* <https://www.bevanfoundation.org/news/2025/02/childcare-final-budget/>

⁴ Welsh Government (2025), *All two-year-olds in Merthyr Tydfil can now receive free Flying Start childcare* <https://www.gov.wales/all-two-year-olds-merthyr-tydfil-can-now-receive-free-flying-start-childcare>

2. What action should the Welsh Government take to:
a. help households cope with cost of living issues

The Bevan Foundation will shortly be publishing a document outlining what it believes should be the priorities for all political parties ahead of the next Senedd election when it comes to poverty and managing cost of living issues. Whilst many of these actions require longer-term investment, we believe that there are some measures that could be taken over the next few months that could support households to manage living costs. These include:

- *Protect the Discretionary Assistance Fund*

The Discretionary Assistance Fund (DAF) is a lifeline for people in financial crisis. Given the importance of DAF, we urge the Welsh Government to, at a minimum, protect the amount allocated to DAF and ideally increase it to ensure people in financial crisis have the support they need ahead of the Senedd election in May 2026.

- *Uprate the eligibility criteria and cash value of Welsh benefits in line with inflation*

Decisions taken by the Welsh Government over recent years to increase the cash value and expand the eligibility criteria of some Welsh benefits like the Education Maintenance Allowance are to be welcomed. However, the eligibility criteria for other Welsh benefits like the School Essentials Grant and Free School Meals in secondary school have not increased in line with inflation. Even where the Welsh Government have made changes these have been one-off announcements. For example, the Education Maintenance Allowance was increased from £30 a week to £40 a week in 2023. Whilst the Bevan Foundation welcomed this change, the value of that increase has already started to erode given the failure to uprate it in line with inflation in the following years.

Welsh Government has previously urged the UK government to uprate benefits in line with inflation. We believe it ought to apply the same principle to its own grants and allowances.

- *Funding for fair free school meals*

Ahead of the Senedd election the Bevan Foundation will be calling on all parties to commit to expanding the provision of free school meals in secondary schools. Whilst we acknowledge that any significant expansion will likely have to wait until after the election we believe that there are some changes that could be made to make free school meals fairer in the 2026-27 budget.

Most local authorities in Wales do not provide free school meals to children from low-income families who have no recourse to public funds with the few authorities that do provide meals doing so on an ad hoc basis.⁵ The Bevan Foundation and partners have urged the First Minister to protect children's rights,⁶. We have urged the Welsh Government to permanently extend eligibility for free school meals to all children from all low-income households, irrespective of a child's immigration status, and introduce a fair and appropriate system for assessment of financial eligibility.

- *Adequately fund Phase 3 of the Flying Start Expansion*

⁵ Bevan Foundation (2024), "*What am I suppose to do? Living with No Recourse to Public Funds in the Nation of Sanctuary*" <https://www.bevanfoundation.org/resources/living-with-no-recourse-to-public-funds-in-the-nation-of-sanctuary/>

⁶ Bevan Foundation (2024) "*Join our call for fair free school meals in Wales*" <https://www.bevanfoundation.org/news/2024/10/join-our-call-for-fair-free-school-meals/>

With more than half of children living in poverty in Wales living in a family with a child aged 0 to 4, affordable, accessible and good quality childcare for this age group is crucial to enabling parents (especially the second adult in a couple household) to work and help to reduce poverty. The Welsh Government's plans to expand the childcare element of Flying Start are positive. The allocation of extra money to childcare provision in the last budget was welcomed by the Bevan Foundation and others.

As noted above however, with exception of Merthyr Tydfil, very little information has been published as to how the expansion of Phase 3 is progressing. The Bevan Foundation believes that the Welsh Government should provide both greater clarity as to how the expansion of Phase 3 is progressing, including information as to when each local authority plans to complete its rollout, and if needed, allocate extra funds to ensure that no child aged two misses out on the opportunities provided by the childcare element of Flying Start.

- *Remove the risk of serious harm from temporary accommodation*

The Bevan Foundation believes that increasing the availability of social housing should be a key priority for whichever party form the next Welsh Government. A report published by the Foundation in September, however, identified urgent concerns with the homelessness system that should be addressed ahead of the election.⁷

The Foundation identified that children across Wales are exposed to a risk of serious harm due to poor quality temporary accommodation. The report identifies a number of practical changes that could be made to reduce this risk. It is vital that sufficient funding is allocated to address these concerns.

3. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

The Bevan Foundation has recently undertaken work examining the Welsh Government's plans for decarbonising the transport sector.⁸ Significant funds have been invested by the Welsh Government in improving transport infrastructure over recent years, but the Foundation believes that there is room to improve how this investment is made so that the Welsh Government can more effectively build a greener economy whilst also reducing poverty and inequality.

The Foundation's work highlighted the disproportionate reliance on both walking and buses amongst low-income households. This is despite bus patronage falling over more than two decades and funding constraints that have led to the withdrawal of many services⁹, and active travel spending being low per head compared to many countries including Scotland.

Increasing investment in both the bus network and active travel infrastructure offers the potential twin benefits of achieving decarbonisation through modal shift away from cars and making it easier

⁷ Wendy Dearden n(1)

⁸ Davies, J. and Evans, S. (2025), *The route to net zero transport in Wales: how to make it work for people in poverty*. [<https://www.bevanfoundation.org/resources/the-route-to-net-zero-transport-in-wales-how-to-make-it-work-for-people-in-poverty>]

⁹ See for example WalesOnline, 'Full list of bus services cancelled and changed in Swansea, Neath Port Talbot and Carmarthenshire' (2023). Available at: <https://www.walesonline.co.uk/news/wales-news/full-list-bus-services-cancelled-27828181>

for people on low income to access work and goods and services. While there are some positive steps being taken, such as the introduction of the Bus Services (Wales) Bill, which could allow investment to be targeted better at socially necessary bus routes rather than those which are most profitable, we are yet to see investment in buses match what has been spent on rail in recent years. Spending on improvements to pavements and cycleways falls short of what we and others have recommended (around 10% of the transport budget, in line with the target in Scotland), while the Welsh Government has now combined its active travel fund into a 'regional transport and active travel' budget line, making it impossible to track discrete spending on active travel.

Taking a whole-system approach to transport investment offers benefits for all. Taking the example of active travel spending, the UK Department for Transport's own analysis established that the return on investment for active travel in the economy is £5.62 for every £1 spent, far more than investment in roads for example.¹⁰

4. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?

The Bevan Foundation reiterates its view that the Welsh Government should make fuller use of its borrowing and taxation powers as well as the block grant when determining its budget. In respect of income tax, we have recommended that the Welsh Government seeks powers to set tax bands as well as rates, although we recognise that the revenue raising potential is relatively limited. Other sources of revenue, notably a more progressive council tax regime, could also be developed.

5. 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 any of the areas identified below?

- a. Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

No progress has been made in reducing poverty in Wales for over two decades. Indeed, as outlined in response to question 1, the Joseph Rowntree Foundation's recent work has shown that depth of poverty in Wales has increased significantly over the past 25 years.¹¹

The Bevan Foundation recognises that some of the levers that reduce poverty and help people to manage rising living costs rest with the Westminster government. However, the Welsh Government's actions also support people on low incomes, both directly, through cash transfers or subsidies, and indirectly by creating the conditions for an improvement in living standards.

The Welsh Government has made effective use of some of these policy levers over recent years. For example, it directly boosts household income through its devolved, means-tested grants and allowances (such as Council Tax Reduction, Education Maintenance Allowance, School Essentials Grant, and Discretionary Assistance Fund). We have welcomed the first steps being taken to bring

¹⁰ Davis, A, 'Claiming the Health Dividend: A summary and discussion of value for money estimates from studies of investment in walking and cycling' (2014). Available at: https://assets.publishing.service.gov.uk/media/5a7dd183ed915d2acb6ee528/claiming_the_health_dividend.pdf, page 6.

¹¹ JRF n(2)

these grants and allowances into a Welsh Benefits system, and as mentioned earlier we are urging that their value and eligibility thresholds be reviewed and updated in tandem. In our evidence last year we argued that the Budget would need to make provision to compensate local authorities for additional costs arising from increased uptake, extended eligibility and higher value payments if progress is to be maintained. We believe that the arguments to do so remain compelling.

The Welsh Government also directly reduces some costs faced by low-income households, for example through the provision of social housing at below market rents; home energy efficiency measures; and free school meals for secondary school pupils. These are very welcome, but as noted earlier, many lack the scale needed to make a significant difference. For example, the new Nest Warm Homes scheme provides welcome support with the energy efficiency of homes of low-income households, but provides for improvements to just 11,500 properties over seven years, compared with 340,000 households estimated to live in fuel poverty.

Looking to the longer term, the Bevan Foundation recently worked with Policy in Practice and others to explore which policy interventions could have the greatest impact on reducing child poverty in Wales.¹² The work found that whilst no single intervention can eliminate poverty, targeted, well-designed policies, particularly those focused on children (e.g. the greater provision of funded childcare), can result in substantial progress. Whichever party or parties form the next Welsh Government should look to prioritise funding for such policies for the first budget after the Senedd election.

¹² Charlesworth, Z. Bahia, I. and Collins, K (2025), *An examination of the impact of policy interventions designed to reduce poverty in Wales* <https://www.bevanfoundation.org/resources/policy-interventions-to-reduce-poverty-in-wales/>