



## **Oxfam Cymru: Submission to the Finance Committee to inform the scrutiny of the Welsh Government draft budget proposals for 2018-19**

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### **Introduction**

Oxfam works with others to overcome poverty in three ways:

- by developing projects with people living in poverty that improve their lives and show others how things can change
- by raising public awareness of poverty to create pressure for change
- by working with policymakers to tackle the causes of poverty.

For further details about Oxfam's work, see [www.oxfam.org.uk](http://www.oxfam.org.uk) .

Oxfam Cymru welcomes the opportunity to contribute to the Finance Committee's thinking on the scrutiny of the Welsh Government draft budget. The budget is one of the key mechanisms by which the Welsh Government can show leadership in driving through the major changes required by the Well-being of Future Generations (Wales) Act 2015. As such, it is essential that we see a budget process that fundamentally changes the way finances are allocated to effectively implement the Act. There was little evidence of these changes in the 2017-18 budget allocation. Answers to specific consultation questions are given below.

### **Q1. What, in your opinion, has been the impact of the Welsh Government's 2017-18 budget?**

The phasing out of the Communities First programme began during the 2017-18 budget cycle. The uncertainty of what happens after Communities First has had a significant impact on those involved in delivering the existing programme and the communities they support. The Welsh Government intends to embed work to tackle poverty across all policy areas and therefore this needs to be adequately reflected in the budget of all portfolio holders from 2018 onwards. Oxfam Cymru believes that any successor to Communities First should use an asset-based approach to poverty alleviation. We outline the advantages of this on page 4 of this response.

## Q2. What expectations do you have of the 2018-19 draft budget proposals?

As part of Oxfam Cymru's core mission to overcome poverty, we believe there are some areas of spending that must be reflected in the budget proposals.

Firstly, as a member of the Sustainable Development Alliance, Oxfam Cymru expects to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Well-being of Future Generations (Wales) Act 2015. The Act requires all Welsh public bodies, including the Welsh Government, to act in accordance with the sustainable development principle. Given that the budget underpins the actions that Welsh Government will take in the next twelve months the budget must also work in accord with the principles. In general terms this means we would expect to see:

- A clear shift in expenditure towards programmes aimed at preventing problems occurring
- Financial arrangements, such as pooled budgets, that encourage and require collaboration among Welsh Government departments or among public bodies and facilitate the achievement of multiple well-being goals
- An emphasis on addressing long term problems such as tackling poverty and climate change

It is essential that such shifts in monetary allocations, and the reasons for them, are clearly explained in the narrative accompanying the budget, so that public bodies in receipt of funding are fully aware of how they will also need to change their approach to budget setting.

Secondly, it is essential that the Wales for Africa budget is protected within the overall budget. This will show Welsh Government's ongoing commitment to international development and also supports delivery of Wales as a globally responsible nation under the Well-being of Future Generations (Wales) Act 2015. Wales for Africa activities are beyond the remit of climate change mitigation and adaption activities and hence not part of that budget line.

Finally, Oxfam Cymru welcomed the Equality, Local Government and Communities Committee inquiry report '*I used to be someone*' and was encouraged by Welsh Government's response to this. Finance is obviously a critical issue in any re-invigorated approach so it is essential that ELGC Committee members scrutinise the relevant spending lines as part of the 2018-19 budgeting process to ensure the costs of delivering on the inquiry recommendations are covered. For example, some of the key costs arising from the ELGC inquiry include support to expand ESOL provision, fund university fees, expand the role of community cohesion co-ordinators, address needs in mental health, of the destitute and of unaccompanied asylum seeking children and ensuring (the re-named) Asylum Rights programme has sufficient provision of legal advice and mental health support.

**Q3. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on the areas identified below?**

**- Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)**

To eradicate poverty and economic inequality in Wales, there is a clear moral and monetary case for prioritising preventative spending. For example, the death rate among children living in the most deprived fifth of Wales is 70% higher than those living in the least deprived fifth.<sup>1</sup> The Welsh Health Survey demonstrates significant correlations between mental illness and deprivation; in the most deprived areas 18% of people report mental illness, while only 9% did so in the least deprived areas.<sup>2</sup>

Similarly, children from deprived backgrounds will be over a year behind in their vocabulary by the time they are five-years-old, are more likely to fail to achieve expected levels by the end of primary school and are over five times more likely to become NEET (not in education, employment or training) when compared with children from less deprived backgrounds.<sup>3</sup>

For all these reasons, tackling economic inequality and poverty must be a top priority for Wales and needs a whole government approach. We need to see clear evidence within the budget of resource allocation to tackle poverty across all departments.

If female employment levels in the UK matched those in other countries the UK GDP would be raised by 9%. A particular focus on gender mainstreaming is needed to improve the situation of women by undertaking gender budgeting and gender impact assessments, which will significantly improve labour market outcomes in terms of poverty reduction (and the accompanying increases in social mobility and living standards).

Gender budgeting implies that in all budget programmes, measures and policies, revenue or expenditure should be assessed and restructured to ensure that women's priorities and needs are taken into account on an equal basis to those of men, the final aim being to achieve equality between men and women. The European Parliament emphasises that gender budgeting does not aim to produce separate budgets for women, but rather, influence the public budgets as they are not gender-neutral, as they have a different impact on women and men both from the revenue and from the expenditure perspective.<sup>4</sup>

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<sup>1</sup> Public Health Wales (2015) "Child Death Review Programme Annual Report 2015" [http://www2.nphs.wales.nhs.uk:8080/ChildDeathReviewDocs.nsf/85c50756737f79ac80256f2700534ea3/dfc42877da71d3b380257e7e002e0a71/\\$FILE/CDR%20Annual%20Report%202015%20\(Eng\).pdf](http://www2.nphs.wales.nhs.uk:8080/ChildDeathReviewDocs.nsf/85c50756737f79ac80256f2700534ea3/dfc42877da71d3b380257e7e002e0a71/$FILE/CDR%20Annual%20Report%202015%20(Eng).pdf)

<sup>2</sup> Welsh Health Survey data cited in Oxfam Cymru (2015) "The Welsh Doughnut: A Framework for environmental sustainability and social justice" <http://policy-practice.oxfam.org.uk/publications/the-welsh-doughnut-a-framework-for-environmental-sustainability-and-social-just-346207>

<sup>3</sup> Welsh Government figures cited in Wales Centre for Equity in Education (2014) "Good news...What schools in Wales are doing to reduce the impact of poverty on pupil's achievement" <http://www.cscjes.org.uk/getattachment/Knowledge-Bank/Closing-the-Gap/Good-News-What-schools-in-Wales-are-doing-to-reduce-the-effect-of-poverty-on-pupils-achievement.pdf.aspx>

<sup>4</sup> European Parliament resolution on gender budgeting <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P5-TA-2003-0323+0+DOC+PDF+V0//EN>

## **- Sustainability of public services, innovation and service transformation**

The Well-being of Future Generations (Wales) Act 2015 puts a clear obligation on all public bodies to ensure that Wales is a globally responsible nation. In Oxfam's view, procurement is a key lever for achieving this. Higher expectations need to be placed on businesses to be responsible employers, particularly in return for the array of state support that they receive, and in the delivery of public contracts. The budget needs to drive sustainable and ethical action by businesses that are supported by public bodies in relation to their activities domestically and internationally. We also believe that the Welsh Government can lead by example on this. For example, all Welsh Government contracts and buildings can switch to sustainable products including: MSC certified fish, FSC certified timber and paper products, and Fair Trade tea, coffee, sugar, cotton and rice. By using contract management techniques, businesses can be pushed to lower their carbon emissions and move towards carbon neutral fleets and premises. The Welsh Government should exemplify good practice for their own carbon neutral premises, including ideas like microgeneration on all authority buildings and rain water harvesting.

## **- Welsh Government policies to reduce poverty and mitigate welfare reform**

Oxfam Cymru expects the draft budget to confirm Welsh Government's commitment to tackling poverty by ensuring sufficient financial allocation across all departments. The Welsh Government set out a series of claims within "Taking Wales Forward 2016-2020<sup>5</sup> and in its Programme for Government promised to look at the living wage and poor employment practices, but tackling poverty was not mentioned. Since the announcement of the phasing out of Communities First in February 2017 there has been a lack of further information of what happens next.

Oxfam Cymru want to see a commitment to reducing poverty in Wales with a renewed action plan centred on a Sustainable Livelihoods Approach (SLA)<sup>6</sup> with budget allocation attached. The evidence from Oxfam Cymru's programme work shows that key to supporting people back into work, and helping them sustain that employment, is taking a holistic approach – not only to the individual, but to their family and wider situation. An individual starting a new job may have knock-on implications for other family members, for example, tax credits may be affected, and those who require care may need their situation reconsidered, and so on. It is often the case that an individual may face multiple barriers to employment – not only their own health and wellbeing, but that of their dependents. Key for many individuals is building confidence and self-esteem, in parallel to any skills development or training they may need. If an individual has been out of employment for many years, starting employment may be a huge cultural shift for them.

The SLA has been used across Wales through Oxfam's Building Livelihoods and Strengthening Communities in Wales project. Not only does evidence from this project show that individuals have been able to affect transformational changes in their livelihoods, there was also a significant

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<sup>5</sup> Taking Wales Forward 2016- 2020 <http://gov.wales/docs/strategies/160920-taking-wales-forward-en.pdf>

<sup>6</sup> The Sustainable Livelihoods Approach: Toolkit for Wales <http://policy-practice.oxfam.org.uk/publications/the-sustainable-livelihoods-approach-toolkit-for-wales-297233>

(£4.43:£1) social return on investment.<sup>7</sup> Since 2016, Oxfam Cymru has been running a DWP and Oxfam Livelihoods training project which has reached almost 40% of the Wales DWP workforce. Early indications from an independent evaluation by Salford University are that the social return on investment from this project will exceed £6:£1.

The economy should prioritise decent work. Oxfam's report from Scotland<sup>8</sup> explored what 'quality work' looks like from workers' point of view. In Wales, the Welsh Government can improve and enforce basic employment conditions and create effective employment strategies. They can also establish a 'Business Pledge' model, similar to Scotland's approach, where the Pledge is a commitment by accredited companies to adopt fair and progressive business practices, based around various components. Better labour market data is also essential to understand the extent to which people's needs are being met. This can all be enhanced through the Welsh Government's Code of Practice for Ethical Employment in Supply Chains.<sup>9</sup>

Decent work should also come with a decent wage; Wales can be a Living Wage Nation (using Living Wage Foundation rates of pay) by ensuring that Welsh public bodies are Living Wage employers and using all levers such as procurement and grant funding to incentivise employers to provide decent work, including payment of the Living Wage.

Oxfam Cymru welcomed Welsh Government's approach to mitigating the impacts of welfare reform on people living in Wales through provision of the Discretionary Assistance Fund (DAF) and the Council Tax Reduction Scheme. There needs to be ongoing scrutiny of the DAF to ensure that people living in poverty have access to the assistance it is meant to provide and to ensure that the recommendations for improvements in the 2015 evaluation report have been effectively implemented.<sup>10</sup>

### **- How the Welsh Government should use new taxation and borrowing powers**

Fuel poverty is a major health risk to vulnerable people; National Energy Action estimates "*over the next 15 years over 7000 vulnerable people in Wales will die needlessly due to the cold and the national health services in England and Wales will need to spend in excess of £22 billion treating cold related health problems*".<sup>11</sup> A strategy that focuses on vulnerable people's homes – regardless of whether they are owned or rented – is needed to make our houses warmer and healthier.

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<sup>7</sup> Oxfam (2016) Building Livelihoods and Strengthening Communities in Wales: Value Analysis Report <http://policy-practice.oxfam.org.uk/publications/final-evaluation-building-livelihoods-and-strengthening-communities-in-wales-pr-615933>

<sup>8</sup> Oxfam (2016) Decent work for Scotland's low paid workers – a job to be done <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740>

<sup>9</sup> Welsh Government (2016) Code of Practice for Ethical Employment in Supply Chains <http://gov.wales/docs/dpsp/publications/valuwales/170309-ethical-en.pdf>

<sup>10</sup> Welsh Government (2015) Evaluation of the Discretionary Assistance Fund <http://gov.wales/docs/caecd/research/2015/150128-evaluation-discretionary-assistance-fund-summary-en.pdf>

<sup>11</sup> <http://www.nea.org.uk/media/news/new-report-calls-for-greater-investment-to-tackle-fuel-poverty-in-wales/>

A large-scale energy efficiency programme across Wales would provide opportunities to upskill and re-skill those in the construction sector, as well as boost the quality of Wales' housing supply. These schemes need to easily apply to both social and private housing. A WWF Cymru report has shown that by bringing all the least efficient houses in Wales up to a rating of D it would “*reduce greenhouse gas emissions from the housing sector by 40% and reduce the number of households in fuel poverty by 40%.*”<sup>12</sup>

If financing such a programme is difficult then as a capital investment project Welsh Government could use new borrowing powers to help fund the work.

### **- How the Future Generations Act is influencing policy making.**

Oxfam Cymru is concerned that the Welsh Government is failing to effectively embed the five ways of working stipulated by the Wellbeing of Future Generations (Wales) Act 2015. In the development of Welsh Government's four cross-cutting strategies to implement the Act there has been little collaboration or involvement with external partners and no public consultation. This is not consistent with previous commitments from the Finance & Local Government Secretary who said in a written statement<sup>13</sup> on the wellbeing objectives that they “*will be tested further through the development of the strategies and will engage businesses, public bodies, people and communities in this important work.*”

It's important that the Welsh Government shows leadership in implementing the framework of the Wellbeing of Future Generations (Wales) Act 2015 and there needs to be coherence across policy areas. It is crucial that the seven well-being goals within the Well-being of Future Generations Act are financed on a scale that matches their ambition. For example, since business and poverty reduction objectives do not automatically align, the public sector will need to ensure that partnerships with the private sector prioritise poverty reduction and are subject to robust environmental and social safeguards reflecting international best practice.

When the four cross-cutting strategies are published soon, we would like to see them include an analysis of how funding will work in this cross-departmental context.

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<sup>12</sup> WWF (2012) Cutting carbon in Welsh homes – a twin track approach

[http://assets.wwf.org.uk/downloads/cutting\\_carbon\\_emissions\\_in\\_welsh\\_homes.pdf](http://assets.wwf.org.uk/downloads/cutting_carbon_emissions_in_welsh_homes.pdf)

<sup>13</sup> <http://gov.wales/about/cabinet/cabinetstatements/2016-new/wellbeingobjectives/?lang=en>