

Putting Poverty at the centre of the Welsh Government's 2020/21 budget

Nearly a quarter of the Welsh population live in poverty. Despite various policy initiatives the problem has worsened over recent years with approximately 40,000 more people living in poverty in 2015-16 to 2017-18 than in 2007-08 to 2009-10.¹

Poverty does not only damage the lives of families directly affected by it, but it also has an impact on broader Welsh society. In 2016 the Joseph Rowntree Foundation (JRF) estimated that poverty is linked to additional public spending of around £3.6 billion in Wales.² Solving poverty should not only be a priority for the Welsh Government as it is the right thing to do, it also makes economic sense.

There are three main drivers of poverty in Wales:

1. Work not providing workers with enough income to enjoy a decent standard of living.
2. The social security system not providing families with enough support.
3. High costs of living, especially housing costs.

Poverty also has significant consequences for education, health and housing: a low income increases the risks of low attainment at school, poor health throughout life, and living in poorer quality housing.

Whilst not all policy levers are devolved to the National Assembly for Wales, the Welsh Government is able to determine outcomes through its expenditure as well as its policies and legislation. With the Welsh Government budget for 2019-20 being in excess of £18 billion the Welsh Government has control over significant sums that, if invested appropriately, could have a positive impact on the lives of low-income families.

The Bevan Foundation welcomes the renewed focus on solving poverty since December 2018. To put this commitment into action the Bevan Foundation urges that the Welsh Government make solving poverty a key priority for the next and future budgets.

As preparations for the 2020-21 budget begin, the Bevan Foundation sets out in this paper some of the principles that should underpin the next budget from an anti-poverty perspective and identifies some the top priorities for an anti-poverty budget.

Principles of an anti-poverty budget

There are six principles that Bevan Foundation recommends should underpin the Welsh Government's budget for 2020/21:

1. solving poverty should be at the core of the Welsh budget;
2. there should be a coherent strategy setting out how the budget will help solve poverty;
3. expenditure should be focused on policies where there is clear evidence that they help solve poverty;
4. investment in solutions to poverty must be at scale to make a significant difference;
5. steps should be taken to mitigate the worse effects of UK Government's welfare reform;
6. the Welsh Government should explore how the disparate schemes it already funds to solve poverty can be better joined up to form a "Welsh Safety Net".

A budget to solve poverty

It is crucial that the budget allocates expenditure to interventions which will solve poverty and deal with its consequences across all budget heads. If the Welsh Government's budget for 2020/21 is to have a significant impact on poverty in Wales, we recommend prioritising the following areas.

The economy

Unemployment and under-employment remain significant problems in some parts of Wales and amongst some groups of people. This matters as an adult or a child living in a workless household is significantly more likely to live in poverty than a person living in a working household.³ At the same time, growing numbers of people in poverty live in households where at least one person works, with low pay and insecure work being more prevalent in Wales than elsewhere.⁴

The 2020/21 Welsh Government Budget should make the following commitments:

- Continue to invest in job creation, prioritising the parts of Wales with the weakest local economies. This includes maintaining funds for key Strategic Hubs in the Valleys Taskforce area.⁵
- Allocate funds to increase awareness of fair work as recommended by the Fair Work Commission.⁶ The Scottish Government have already committed investment to such a campaign, with the Poverty Alliance being provided with £380,000 to promote fair work in Scotland during the 2019/20 financial year.⁷

- Ensure fair work principles are embedded in expenditure aimed at growing the foundational economy, which includes sectors with some of the worst pay and conditions in the UK.⁸
- Ensure that public funding is allocated only to fair work employers, as recommended by the Fair Work Commission.⁹ The Welsh Government currently spends approximately £6 billion annually on goods, services and works, its procurement decisions could therefore have a significant impact on the promotion of fair work.¹⁰

Energy, planning and rural affairs

Fuel poverty remains a significant problem across Wales. Welsh Government expenditure should be clearly focused on reducing energy costs in low-income households.

The 2020/21 Welsh Government Budget should:

- Target expenditure to reduce fuel poverty on low income households including households where at least one person is in work.¹¹
- Consider if seeking responsibility for Winter Fuel Payment would allow the Welsh Government to tackle fuel poverty amongst older people more effectively.¹² Approximately £110 million was spent on Winter Fuel Payments in Wales in 2017/18.¹³

Education

Being born into poverty has a significant impact on a child's long-term life chances. One of the major reasons for this is the development of an attainment gap between children raised in low income households and children raised in higher income households. There is a wealth of evidence that highlights that high-quality education and childcare can close this gap¹⁴ and we believe that the Welsh Government's budget should focus investment on programmes that achieve this. High quality further education (FE) on the other hand can assist low income workers to move into better quality jobs, increasing their income and reducing their risk of poverty.

The education system also has a role to play in reducing the number of families living in poverty. The costs associated with attending school and FE can have a significant impact on a family's budget. The Welsh Government already funds a number of support schemes to assist families with these costs, providing a safety net when the support provided by the UK Government's social security system does not offer adequate assistance. Such support schemes include Free School Meals and the Education Maintenance Allowance. Increasing the funds available for the Welsh Safety Net could help move more families out of poverty.

The 2020/21 Welsh Government Budget should:

- Offer 15 hours of high-quality childcare for all children from low-income households, whether their parents are in work or not.¹⁵
- Ensure that school funding has a firm focus on closing the educational attainment gap.¹⁶
A report published by Sibieta Economics of Education found that there is currently no positive correlation between school funding per pupil and levels of deprivation in Wales.¹⁷
- Allocate sufficient funding to ensure:
 - every child whose family receives Universal Credit receives a free school meal.¹⁸
Estimates by the Children Society in 2018 suggested that an extra £35 million would need to be made available by the Welsh Government to local authorities to fund this;¹⁹
 - the Education Maintenance Allowance and the Further Education Grant progressively match Job Seekers Allowance and the Job Seekers element of Universal Credit.²⁰ A young person under 25 is eligible for £57.90 a week through the Job Seekers Allowance but 16 to 18 year olds are only entitled to £30 a week through the Education Maintenance Allowance;²¹
 - no young person is prevented from participating in further education by college enrolment fees.²²
- Increase investment in school holiday provision to at least £4.75 million a year as outlined in the Bevan Foundation's *Kids on the Breadline: Solutions to Holiday Hunger* report.²³
- Increase investment in Further Education especially provision which allows progression for young people and adults with lower-level qualifications to upskill or reskill.²⁴
Resource funding for Further Education in Wales was approximately £92 million less in the 2019/20 budget than it was in 2016/17, without taking into account inflation.²⁵

Transport

Access to reliable, affordable public transport is vital. Yet there are too many communities without reliable public transport especially in the early morning and early evening, limiting access to work. Where services are available, a return trip can cost more than an hour's pay for adults and more than two hours pay for under-18s and apprentices.²⁶

The 2020/21 Welsh Government Budget should:

- Invest in the bus network to increase the number of services provided outside Wales' major cities.²⁷
- Explore replacing the current concessionary fares scheme with a very low cost fare (e.g. 50p) for all.²⁸ Research undertaken by the Bevan Foundation in 2018 found that it would be possible to introduce such a scheme at no extra cost to the Welsh Government beyond the £100 million it currently invests in the industry.²⁹
- In the absence of such a scheme, fund a fare cap so that the maximum return fare on the South Wales metro is the same rate as the National Living Wage.³⁰

Housing

Housing costs are the single largest cost faced by most families, with unaffordable housing being one of the major drivers of poverty. The Welsh Government's commitment to building 20,000 new affordable homes is welcomed but above-inflation rises in social rent over recent years has seen some social housing become "unaffordable" for thousands of families.

Changes to the UK's social security system have also put pressure on low income families, which are partly mitigated by Discretionary Housing Payments.

The 2020/21 Welsh Government Budget should:

- Continue to invest in its commitment to construct 20,000 new affordable homes by the end of the Assembly term.³¹
- Increase the amount of grant funding that is provided to the social housing sector when constructing new homes to reduce the pressure to increase social housing rent.³² £138 million of capital investment has been allocated to social housing grants in the Welsh Government's budget for 2019/20, compared with £207 million in the 2018/19 budget.³³
- Top up Discretionary Housing Payment (DHP) funds to provide more support to low income families in Wales.³⁴ In Scotland, the Scottish Government have provided local authorities with additional funds to top up the support provided through Discretionary Housing Payment.³⁵ If the Welsh Government followed the same approach an additional £12.5 million would be made available to local authorities in Wales to provide extra support.³⁶

Health and social care

People living in poverty on average have worse health throughout their lives than people in higher income households. Being disabled or living with a long-term condition increases the risk of living in poverty, with nearly half of people in poverty living in a household where someone is disabled. The additional costs of living, including costs of care, increase the pressure on disabled people. There are already a number of schemes available to support families, but not everyone entitled to support is claiming what they are eligible for, whilst there is further scope to increase the amount of support on offer.

The 2020/21 Welsh Government Budget should:

- Enhance expenditure on programmes which are proven to reduce health inequalities.³⁷
- Invest in a campaign to raise awareness of schemes that assist low income families with the additional costs of disability and care needs.³⁸
- Explore further the resources needed to lift low income families with a disabled person out of poverty.³⁹

Conclusion

The Bevan Foundation recognises that the Welsh Government are faced with difficult choices when developing its budget. These difficulties have been exacerbated by austerity and the current economic uncertainty. The Bevan Foundation believes however that if the Welsh Government is serious in its commitment to solving poverty, then it must ensure that this is reflected in its budget for 2020/21. Spending on effective solutions at scale not only improves people's lives but makes sound financial sense.

This document forms part of a broader project of work developed in collaboration between the Bevan Foundation and the Joseph Rowntree Foundation.

References

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- ² Joseph Rowntree Foundation, (2016) *Prosperity without poverty: a framework for action in Wales*. Available at - <https://www.jrf.org.uk/report/prosperity-without-poverty>
- ³ 60 per cent of working age adults live in poverty if there is no adult in work. This drops to 28 per cent where one but not all adults are in work and to 13 per cent where all adults are in work – Stats Wales, Working age adults in relative income poverty by economic status of household, available at - <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/workingageadultsinrelativeincomepoverty-by-economicstatusofhousehold>
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- ⁵ Bevan Foundation (2017), *Taking the valleys forward, How the Valleys Taskforce can build prosperity and security*, available at - <https://www.bevanfoundation.org/publications/page/3/>; and Dr Tom Archer, Dr Stephen Green, Ian Wilson, (June 2018, JRF), *Effective Housing for people on low income in the Welsh Valleys*, available at - <https://www.jrf.org.uk/report/effective-housing-people-low-incomes-welsh-valleys>
- ⁶ Fair Work Commission n(4) in particular recommendation 28
- ⁷ Scottish Government (June 2019), *Every Child Every Chance, Tackling Child Poverty Delivery Plan. First year Progress Report 2018-19*, available at - <https://www.gov.scot/publications/tackling-child-poverty-delivery-plan-first-year-progress-report-2018-19/pages/6/>
- ⁸ Bevan Foundation response to the National Assembly for Wales Equality, Local Government and Communities Committee's inquiry into 'making the economy work for people on low incomes' (July 2017). Available at - <https://www.bevanfoundation.org/publications/consultation-response-making-economy-work-people-low-incomes/>
- ⁹ Fair Work Commission n(4) in particular recommendation 18
- ¹⁰ Mair Bell, Wales Centre for Public Policy (March 2019), *Sustainable Public Procurement*. Available at - https://www.wcpp.org.uk/wp-content/uploads/2019/03/190301-SPP-final_Eng-1.pdf
- ¹¹ Such an approach would move Wales into line with what is happening in Scotland through the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill which is currently progressing through the Scottish Parliament.
- ¹² Such powers have already been devolved to Scotland under the Social Security (Scotland) Act 2018
- ¹³ This figure is based on UK Government data - Winter Fuel Payment: recipient and household figures 2017 to 2018. In particular the data on Amounts by LA and age, winter fuel payment 2017-18, available at - <https://www.gov.uk/government/statistics/winter-fuel-payment-recipient-and-household-figures-2017-to-2018>
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- ¹⁵ ibid
- ¹⁶ JRF n(2) The report makes reference to the Pupil Development Grant's precursor, the Pupil Deprivation Grant.
- ¹⁷ Luke Sibieta, Sibieta Economics of Education (April 2019), *School spending in Wales*, available at - <https://sibietaeconed.files.wordpress.com/2019/04/school-spending-in-wales-090419-2.pdf>
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²² Bevan Foundation n(20)

²³ Bevan Foundation (May 2019), *Kids on the breadline: Solutions to Holiday Hunger*. Available at - <https://www.bevanfoundation.org/publications/kids-on-the-breadline-solutions-to-holiday-hunger/>

²⁴ Bevan Foundation n(20)

²⁵ £512 million was allocated to Further Education Resource in the 2016/17 Welsh Government budget compared to £420 million in the 2019/20 budget. See Welsh Government, *Main Expenditure Group (MEG) Allocations*, available at - <https://gov.wales/final-budget-2016-2017>; and Welsh Government, *Restated MEG allocations (January 2019) tables*, available at - <https://gov.wales/final-budget-2019-2020>

²⁶ For example, at present, an any time day return by train from Merthyr Tydfil to Cardiff Central costs £8.40. With the living wage standing at £8.21 an hour for those aged over 25, and as low as £4.35 an hour for 16 to 17 year olds.

²⁷ Bevan Foundation response to Welsh Government Consultation on maintaining free bus travel for older people, disabled people and veterans (January 2018). Available at - <https://www.bevanfoundation.org/publications/consultation-maintaining-free-bus-travel/>

²⁸ *ibid*

²⁹ *ibid*

³⁰ Victoria Winckler, Bevan Foundation (September 2016), *Making the Most of Metro*, available at - <https://www.bevanfoundation.org/commentary/making-most-of-metro/>

³¹ As set out in the Welsh Government's programme for Government – Welsh Government (2016), *Taking Wales Forward 2016-21*, available at <https://gweddiill.gov.wales/docs/strategies/160920-taking-wales-forward-en.pdf>

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³⁴ The Scottish Government have been providing funds to local authorities in Scotland to top up discretionary housing payments since the 2013/14 financial year – Scottish Parliament, The Information Centre, (20 February 2014) *SPICe Briefing, Discretionary Housing Payments*. Available at http://www.parliament.scot/ResearchBriefingsAndFactsheets/S4/SB_14-17.pdf -

³⁵ *ibid*

³⁶ Local authorities are permitted to spend 2.5 the funds the receive from the UK Government on Discretionary Housing Payments. Welsh local authorities have been provided with £8.38 million to spend on Discretionary Housing Payments for the 2019/2020, Welsh local authorities are therefore allowed to spend an additional £12.57 million to top up their funds. The Welsh Government would be permitted to provide local authorities with these funds. More information at Department for Work and Pensions, *Housing Benefit subsidy circulars 2019*, available at - <https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2019/s12019-2019-20->

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³⁹ *ibid*