

Senedd Finance Committee

Inquiry into the Welsh Government Draft Budget 2022-23

The Bevan Foundation is Wales' most influential think tank and is a registered charity, independent of government. We are grateful for the opportunity to give evidence to the Committee's inquiry. We are responding only to those questions that are relevant to our work.

What, in your opinion, has been the impact of the Welsh Government's 2021-22 budget including funding related to COVID-19?

The 2021-22 budget made a significant contribution to easing the worst effects of poverty and inequality during COVID-19. The pandemic brought in a raft of measures designed to compensate people over and above the provisions of the UK Government. The provision of cash in lieu of free school meals at £19.50 a week, plus the provision during the holidays, was a key step in alleviating hardship amongst families, along with the flexibilities introduced into the Discretionary Assistance Fund which enabled more people to get support in a crisis. We also welcomed the Tenancy Hardship Grant, the top ups to Discretionary Housing Payments and the recently announced Winter Fuel Support Scheme.

The self-isolation support scheme and the NHS and social care financial recognition scheme were also an important recognition of the inadequacies of sick pay arrangements and of pay in social care. The support provided to self-employed people provided a lifeline for people who were not eligible for UK Government's schemes.

Last but not least the 2021-22 budget also helped to ensure that essential services such as a skeleton public transport service, plus food and medicines for people who were advised to shield, were available.

How do you think Welsh Government priorities for 2022-23 should change to respond to COVID-19?

Although COVID-19 restrictions have eased, neither the labour market nor wider society have recovered fully. Demand for healthcare services and wellbeing support (both physical and mental) is at a record high. Employment numbers have yet to return to pre-pandemic levels in large areas of Wales and claimant numbers continue to be above February 2020 figures. Many social security benefits have been frozen or reduced while the cost of living, including rents, is also rising sharply. The combination of the legacy of lockdown and current circumstances is creating substantial and additional pressures on households.

The 2022-23 budget should take account of these significant pressures, as well as addressing the root causes of poverty and inequality. As an immediate step we would like to see the Welsh Government focus on ensuring that nobody in Wales is destitute. We endorse the JRF definition of destitution as:

'... going without the essentials we all need to eat, stay warm and dry, and keep clean.'

We are pleased that the Welsh Government has announced free meals for all children in primary school, and we would like to see the 2022-23 budget include provision for a rapid roll-out of that provision. We also welcome in principle the announcement the expansion of the leasing scheme in the private rental sector.

However there are other areas in which there should be increased budget allocations to ease the immediate pressures on people on low incomes. These include:

- accelerating provision of social housing and capping on social housing rent rises;
- extending Tenancy Hardship Grant to social renters who are not eligible for DHPs;
- continuing additional allocations to the Discretionary Assistance Scheme and Discretionary Housing Payments;
- action to deal with Council Tax arrears;
- increasing the eligibility threshold for and value of Educational Maintenance Allowance and Welsh Government Learning Grant.

Welcome though the Welsh Government's interventions are, they do increase the number of separate schemes to help low-income households. Each scheme has separate administration, variable eligibility requirements and a low public profile which means that people in greatest need may miss out. The Bevan Foundation has been urging for some time that the plethora of devolved grants and allowances should be streamlined, administered as a single system and the value of support increased.¹ The number of new schemes reinforces our case.

The Welsh Government should also use its 2022-23 budget to put in place the building blocks that will reduce poverty in the longer-term. Despite COVID, the root causes of poverty continue to be too few people in decently-paid, secure work; an ineffective welfare system (including devolved grants and allowances); and a high cost of living (especially housing costs). We would like to see specific allocations for progressing fair work through a mixture of regulation and incentives;² a coherent system of devolved grants and allowances that are sufficient to meet needs; and substantial investment in truly affordable social housing and fair rents and security in the private rented sector. These are deep-seated challenges that need a concerted and substantial effort to resolve.

Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?

The current timing of the draft budget constrains scrutiny while the scrutiny of supplementary budgets is limited indeed. Changes in Ministerial responsibilities make year on year comparison extremely difficult. The lack of information in the budget narrative on the wider context such as anticipated changes in demand for services make assessment of the adequacy of budget allocations impossible.

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 any of the areas identified below,

¹ <https://www.bevanfoundation.org/resources/a-welsh-benefits-system/>

² <https://www.bevanfoundation.org/resources/fair-work-what-should-be-done/>

particularly in light of the COVID-19 situation and how these should be reflected in the 2022-23 budget?

- How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.

The Bevan Foundation researched the impact of the pandemic on the economy and labour market throughout the pandemic with the following key findings:

- The sectors proven to be essential in the pandemic were wider than the 'foundational' economy. They included, for example, manufacturing of goods such as medicines or food packaging. We concluded that a sectoral approach overlooks the interconnectedness of different parts of modern economies.³
- Sector matters less than individual business behaviour. Many businesses were highly entrepreneurial e.g. developing new goods and services while others simply closed.⁴ Harnessing and supporting innovation in all sectors is key to recovery.
- The geographical impact was very uneven, with areas in Wales with the weakest economies being hardest hit by pandemic restrictions and having the slowest recoveries.⁵
- There has also been a significant labour market impact with many workers – most often people in lower paid jobs - becoming unemployed or on furlough, and some places are yet to bounce back.⁶

Support for economic recovery should therefore be based on a whole economy approach rather than selected sectors, should be coupled with plans and actions to support the recovery of the labour market, and should prioritise intervention in places which have been hardest hit.

- Welsh Government policies to reduce poverty and gender inequality.

Our evidence on Welsh Government policies to reduce poverty are covered in previous sections.

- How the Welsh Government should use taxation powers and borrowing

The Bevan Foundation has argued for greater use of devolved taxation powers since 2016 and in particular has urged the use of new, devolved taxes to change behaviour as well as raise revenues. We are pleased that our proposal for a tourist tax is included in the Cooperation Agreement, and urge the Welsh Government to continue to press its proposed land tax with the UK Treasury.

Given that devolved taxes account for around 20% of the Welsh budget we would like to see more emphasis on the balance being struck between income and expenditure in the Welsh Government's draft budget.

³ <https://www.bevanfoundation.org/resources/transforming-wales-building-a-better-economy/>

⁴ <https://www.bevanfoundation.org/resources/making-the-everyday-economy-work-for-smaller-places/>

⁵ <https://www.bevanfoundation.org/resources/where-next-for-the-welsh-economy/>

⁶ <https://www.bevanfoundation.org/resources/coronavirus-and-fair-work/>

- What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act).

In our keynote document published before the elections, the Bevan Foundation has urged the Welsh Government to ensure the provision of a good quality, universal essential services that are either free or subsidised at the point of use.⁷ These comprise health and social care, a decent and affordable home, support for the care and development of children, food, and connectivity. It is not enough just to provide these services – they must be delivered in a way that ensures equity of access by different groups of people and to equity of outcome, so that services eradicate inequalities as far as possible.

We have also urged the Welsh Government to use its powers over the economy and labour market more effectively to reduce disparities between different places within Wales and to improve the quality of work amongst the lowest paid and people excluded from the labour market.

1st December 2021

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⁷ <https://www.bevanfoundation.org/resources/transforming-wales-welsh-public-services-and-benefits/>