

WELSH GOVERNMENT DRAFT BUDGET 2016-17

Response to the consultation by the National Assembly for Wales Finance Committee by Michael Trickey, Wales Adviser to Joseph Rowntree Foundation (JRF)

1. Background

As an independent foundation, JRF's interest in the Welsh Government Budget derives from its long-standing focus on understanding and tackling the root causes of poverty across the UK. It publishes wide-ranging research and policy analysis every year, including the regular monitoring of poverty levels across the four countries of the UK and updating annually its minimum income standard. It is currently developing an Anti-Poverty Strategy for the UK, based on extensive research and modelling, due for completion in autumn 2016. It will be exploring with policy-makers and stakeholders what this means for each of the devolved nations.

JRF and the 2015 UK Spending Review

JRF welcomed the National Living Wage, announced in the Summer Budget, as an important step to tackling low pay. It also welcomed the Chancellor's subsequent change to his tax credit proposals but noted that many working families will still find themselves worse off due to upcoming reductions in Universal Credit. By 2020, families with children will be better off only if both parents work full time on the National Living Wage – something only a small minority of families can manage.

Many of the announcements in the Spending Review applied, in practice to England only. JRF's concerns, for example, that, despite the welcome decision to provide extra money for house building even so-called 'affordable' home ownership is out of reach for low earning households and that the direction of travel on social care opened up the risk of a two-tier social care system primarily related to England. The response below addresses the position in Wales

2. Draft Welsh Budget 2016-17- response to Committee questions

Q1 What in your opinion has been the impact of the Welsh Government's 2015-16 budget

JRF has not undertaken an assessment of the impact of the 2016-17 draft Welsh Budget.

Q2 Looking at the draft budget allocations for 2016-17, do you have any concerns from a strategic, overarching perspective

JRF notes that the Welsh Government will experience a 4.5% real terms reduction in its resource DEL 2016 – 2020 with the profile of the reduction becoming deeper from 2017 onwards. The Welsh Government formed after the National Assembly elections will face tough choices about spending priorities, perhaps through its own spending review. In particular, this includes the trade-offs between responding to NHS cost and demand pressures and spending on all other programmes – including those related to tackling poverty, skills, employment and public services more generally. JRF notes that the draft budget includes commitments on social care, housing and other services as well as the NHS. The importance of a holistic approach is reflected in JRF's definition of poverty as when a person's resources (mainly their material resources) are not sufficient to meet their minimum needs (including social participation).

The draft budget for 2016-17, perhaps inevitably given the timing and proximity to the Assembly elections, reflects an existing set of priorities rather than chart a longer-term response to the challenges thrown up by the Spending Review.

Q3 Impact on your organisation.

N/a

Q4 The Committee would like to focus on a number of specific areas – do you have any comments on the areas identified below

The comments below concern policies to reduce poverty.

The Welsh Government budgets for 2015-16 and 2016-17 reflect a broadly consistent approach to tackling poverty, many of the relevant programmes being more or less protected in cash terms. JRF has previously welcomed the Welsh Government's commitment to tackling poverty and continues to do so.

There have been some encouraging pieces of news, for example the recent data on the improvement in education attainment gap among some age groups eligible for free school meals.

But poverty in Wales is a complex, deep-rooted issue. Overall levels of poverty have remained worryingly high and not changed in the last decade. The significant shift from pensioner to in-work poverty has been widely noted and the challenges for many young families have become deeper, often linked to low pay and short hours. The next stage in the welfare reform programme (see above) is likely to accentuate the trend.

Several things flow from this in terms of future strategic direction.

- A big challenge for Wales is achieving impact on poverty at scale, especially given that key fiscal transfer levers such as the tax/benefits system are substantially non-devolved. There is an argument about whether concentrating budgets and levers available to Wales on a small number of big interventions would have more of an impact than a wide but relatively thin spread of initiatives. This needs further investigation.
- Tackling poverty cannot only be about dedicated spending programmes. Creating a long-term, sustainable path towards a prosperous and low poverty Wales depends on the performance of the labour market and economy, and the role of businesses, employers and local leaders in working with the Welsh Government to tackle low wages and high costs. In support of this, a strong, well-articulated alignment is needed between action on skills, employment, economic development and tackling poverty.
- Action to mitigate the costs faced by low-income households is an essential component of tackling poverty. Over the last few years, essential items have risen in price faster than the average. As a result, the cost of living has risen more quickly for low income households than others. The potential for government influence on costs varies but there are some aspects, such as meeting complex care needs or affordable housing, where the role of government is well-established and will need to be reflected in long-term budget decisions.

We hope that JRF's anti-poverty strategy will be a contribution towards addressing some of these issues alongside the big messages to be drawn out of the Welsh Government's important programme of poverty-related research and evaluation, such as the impact of welfare reform, the dynamics of poverty and evaluation of poverty-related programmes.

Michael Trickey, January 2016