

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](#).

WGDB25-26(6)51: Ymateb gan: Sefydliad Bevan | Response from: Bevan Foundation



Senedd Finance Committee Inquiry into Welsh Government Draft Budget 2025/26

Response by the Bevan Foundation

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 2025-26 in advance of its publication. Our responses relate only to poverty and inequality.

What, in your opinion, has been the impact of the Welsh Government's 2024-2025 Budget?

The year 2024-25 has seen no improvement in living standards in Wales, with the proportion of people reporting going without everyday essentials being unchanged during the period.¹ In some ways the position has worsened, with more people saying that they are in debt than previously.

The Welsh Government's interventions have undoubtedly helped to relieve some of the most severe consequences of poverty, In the 6 months April – September 2024, there were 111,471 emergency payments from the Discretionary Assistance Fund to people in financial crisis, up on the number of payments made in in the same period in 2023.

In other areas, progress against the scale of need or demand has been disappointing. In the first quarter of the financial year, just 389 new social homes were completed, compared with the 1,000 completions per quarter required to achieve the social housing target. Statistics are not available on progress with the Nest Warm Homes programme, although those from 2022-23 suggest that only a small proportion of households in fuel poverty benefited (4,364 households received a home energy improvement package compared with 614,000 households living in fuel poverty).

What action should the Welsh Government take to help households cope with inflation and cost of living issues?

The Foundation has identified five priorities that we have urged the Welsh Government to include in its budget, which were sent to the Cabinet Secretary for Finance on 11th November. They have been chosen because they help to mitigate the immediate effects of high prices on low-income households and offer long-term routes out of poverty and inequality.

1. Protect the Discretionary Assistance Fund

The Discretionary Assistance Fund (DAF) is a lifeline for people in financial crisis. The need for the Welsh Government to retain a strong DAF Emergency Assistance Payment scheme is demonstrated by the continuing growth in demand² as well as the financial difficulties people are experiencing. Given the importance of DAF, we urged the Welsh Government to, at a minimum, protect the amount allocated to DAF and ideally increase it.

¹ <https://www.bevanfoundation.org/resources/a-snapshot-of-poverty-in-autumn-2024/>

² <https://www.gov.wales/discretionary-assistance-fund-april-june-2024-html>

We are also urging the Welsh Government to extend use of the Independent Assistance Payment element to include providing essential baby items – a Baby Grant - for new mothers on low incomes, in absence of progress with the Baby Bundle.

2. Uprate the eligibility criteria and cash value of Welsh benefits in line with inflation

The eligibility criteria for many Welsh benefits like Education Maintenance Allowance, the School Essentials Grant and Free School Meals in secondary school have not increased in line with inflation.³ Families have to be poorer than ever before to access them while for people who are eligible, the value of support is in many cases lower in real terms. We have urged the Welsh Government to uprate eligibility thresholds and payment values of its own means-tested benefits in line with inflation as a matter of urgency. It has previously urged the UK government to uprate benefits and ought to apply the same principle to its own grants and allowances.

3. Funding for fair free school meals

The Bevan Foundation and partners have urged the First Minister to protect children's rights,⁴ because most local authorities in Wales do not provide free school meals to children from low income families who have no recourse to public funds. The few authorities that do provide meals do so on an ad hoc basis.⁵ 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.

4. Fund Phase 3 of the Flying Start Expansion

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 but we are concerned that it has said it is "*not currently in a position to confirm any new developments to childcare*".⁶ This could leave 40% of two-year-olds without provision in March 2025. Meanwhile there is no funded provision at all for children aged under two. We have therefore called for the budget to provide adequate funding for Phase 3 of Flying Start from April 2025.

5. Increase investment in social housing

The number of households living in temporary accommodation in Wales increased by 18% during 2023-24, while waiting lists for social homes stand at record levels.⁷ Increasing the supply of social housing is one of the key solutions to Wales' temporary accommodation problem and wider housing crisis. We are urging the Welsh Government to boost the capital funding available for social housing construction, as well as using all possible means (e.g. acquisition and pausing demolitions / disposals) to accelerate delivery.

³ <https://www.bevanfoundation.org/resources/the-impact-of-inflation-on-welsh-benefits/>

⁴ <https://www.bevanfoundation.org/news/2024/10/join-our-call-for-fair-free-school-meals/>

⁵ <https://www.bevanfoundation.org/resources/living-with-no-recourse-to-public-funds-in-the-nation-of-sanctuary/>

⁶

<https://business.senedd.wales/documents/s153373/Written%20response%20by%20the%20Welsh%20Government%20regarding%20the%20Equality%20and%20Social%20Justice%20Committee%20report%20.pdf>

⁷ <https://www.bevanfoundation.org/resources/living-in-ta/>

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 potential is relatively limited. Other sources of revenue, notably a more progressive council tax regime, could also be developed.

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

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 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), providing up to £4,000 a year extra for eligible households. We have welcomed the first steps being taken to bring these grants and allowances into a Welsh Benefits system, and as mentioned earlier are urging that their value and eligibility thresholds be reviewed and updated in tandem. The 2025/26 budget will 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.

The Welsh Government also directly reduces some costs faced by eligible 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 614,000 households estimated to live in fuel poverty. Similarly, while the target of creating 20,000 new affordable homes over five years is welcome, it falls far short of meeting the needs of the 140,000 people estimated to be on social housing waiting lists in October 2024.

It is important to remember that low-income households also benefit from universal provision of free services such as free prescriptions, funded childcare for 3-4-year-olds, and concessionary bus fares. However, as these are not targeted measures they do not close the gap between the least-well off and others.

In the longer term, the Welsh Government also has an important role enabling people to find routes out of poverty, and in particular to access decent, secure work. Having a paid job dramatically cuts the risk of being poverty: 45% of workless couple households are in poverty, compared with 24% of couple households with one full-time worker, and 4% of couple households with one full-time and one part-time worker. Wales's low employment rates are undoubtedly a factor in its relatively high rates of poverty, and there is more that the Welsh Government could do to increase employment and strengthen the economy.

For individuals, a good education and relevant skills, availability of affordable childcare and adult social care, access to reliable transport and digital connectivity all contribute to finding and keeping a

decent job. The Welsh Government is responsible for all of these areas, and could do more to link their provision to solving poverty.

For communities, too many in post-industrial and rural areas have a shortage of job opportunities, below-average pay rates and limited public transport options. It is unclear if and how disadvantaged areas are prioritised by the Welsh Government.

Is the Welsh Government's approach to preventative spending represented in resource allocations?

Placing people in temporary accommodation is estimated to have cost local authorities £99 million in 2023/24⁸ - a cost to councils and an impact on households that could have been reduced (if not entirely prevented) by more ambitious past and current social housing targets, speedier construction and acquisition of new social homes, and greater steps to avoid homelessness (e.g. via Housing Support Grant and top ups to Discretionary Housing Payment).

The Bevan Foundation

29th November 2024

⁸ https://sheltercymru.org.uk/cy/policy_and_research/the-cost-of-crisis-the-impact-of-wales-reliance-on-temporary-accommodation/