

National Assembly for Wales Finance Committee

Call for Evidence on the Welsh Government Draft Budget Proposals 2016-17

Response by the Bevan Foundation

The Bevan Foundation is an independent think-tank and registered charity that develops ideas to make Wales fair, prosperous and sustainable. We are grateful for the opportunity to submit evidence to the Finance Committee's inquiry.

1. What, in your opinion, has been the impact of the Welsh Government's 2015-16 budget?

The Bevan Foundation has not undertaken any assessments of the impact of the 2015-16 budget and so is unable to comment.

2. Looking at the draft budget allocations for 2016-17, do you have any concerns from a strategic, overarching perspective, or about any specific areas?

We recognise the severe pressure faced by the Welsh Government in 2016-17. We also recognise the constraints arising from both the lateness of the draft budget and its delivery by a different administration from May 2016 onwards.

Our main concerns about the draft budget 2016-17 are that:

- a. the budget does not set a direction of travel for managing the greater fall in expenditure forecast for 2017-18 and 2018-19 – most the changes on the previous year are relatively marginal;
- b. the reduction in local authority expenditure is substantial and is likely to result in cuts to public services that will affect the least well off in Wales;
- c. the underlying problem of a weak economy has not been addressed.

Looking ahead, unless there is a change in priorities, demand or costs it is clear that expenditure on health will account for an ever-larger share of the Welsh Government budget. Important though the health service is, cuts to other services (including those that help to maintain healthy living such as leisure services, cultural activities and social care) could be counter-productive.

The Bevan Foundation has previously argued¹ that sustained reductions in public expenditure and the forecast increase in social, economic and environmental pressures require a radical rethink of spending priorities and how public services are

¹ V. Winckler (2015) **The Shape of Wales to Come: Wales' economy, society and environment in 2020**. Bevan Foundation <http://www.bevanfoundation.org/publications/shape-wales-2020/>

delivered. We appreciate the timing of this draft budget make it more difficult to make significant changes.

3. What expectations do you have of the 2016-17 draft budget proposals? How financially prepared is your organisation for the 2016-17 financial year, and how robust is your ability to plan for future years?

The Bevan Foundation is not funded by the Welsh Government and so this question is not relevant to us.

4. 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?

We would like to comment on poverty and the mitigation of the impact of welfare reform.

We have long-standing concerns, as set out in our evidence to the Communities, Equality and Local Government Committee inquiries and in responses to Welsh Government consultations on its draft child poverty strategy and draft financial exclusion strategy as well as in numerous reports and online articles, that the Welsh Government's approach to reducing poverty and mitigating the impact of welfare reform are insufficiently focused on the problems, should make better use of evidence on 'what works', and are of insufficient scale to make an impact. Others including the Social Mobility and Child Poverty Commission and the Assembly's Communities, Equality and Local Government Committee have similar concerns.

While we are naturally concerned at the proposed reduction in budget for Communities and Tackling Poverty, we suggest that it is more important that good use is made of its proposed £333 million budget, which remains a substantial sum not least in comparison with expenditure on natural resources and the economy itself. In our view actions to reduce poverty and those to develop the economy and skills should be much more closely aligned.

We remain concerned at the absence of a comprehensive, long-term response to the changes brought by welfare reform, the effects of which could be devastating on low-income families and deprived communities, and which are likely to increase demand for public services.

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