

Oxfam Cymru: Submission to the Finance Committee to inform the scrutiny of the Welsh Government draft budget proposals for 2017-18

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Introduction

Oxfam works with others to overcome poverty in three ways:

- by developing projects with people living in poverty that improve their lives and show others how things can change
- by raising public awareness of poverty to create pressure for change
- by working with policymakers to tackle the causes of poverty.

For further details about Oxfam's work, see www.oxfam.org.uk/.

Oxfam Cymru welcomes the opportunity to contribute to the Finance Committee's thinking on the scrutiny of the Welsh Government draft budget. The budget is one of the key mechanisms by which the Welsh Government can show leadership in driving through the major changes required by the Well-being of Future Generations (Wales) Act 2015. As such, it is essential that this budget reflects the start of a process that will fundamentally change the way finances are allocated to effectively implement the Act. Answers to specific consultation questions are given below.

Q4: Comments on specific areas of the budget

4.1 Approach to preventative spending and how is this represented in resource allocation

As a member of the Sustainable Development Alliance, Oxfam Cymru expects to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Well-being of Future Generations (Wales) Act 2015. The Act requires all Welsh public bodies, including the Welsh Government, to act in accordance with the sustainable development principle. Given that the budget underpins the actions that Welsh Government will take in the next twelve months it is clear that the budget must also work in accord with the principles. In general terms this means we would expect to see:

- A clear shift in expenditure towards programmes aimed at preventing problems occurring

- Financial arrangements, such as pooled budgets, that encourage and require collaboration among Welsh Government departments or among public bodies and facilitate the achievement of multiple well-being goals
- An emphasis on addressing long term problems such as tackling poverty and climate change

It is essential that such shifts in monetary allocations, and the reasons for them, are clearly explained in the narrative accompanying the budget, so that public bodies in receipt of funding are fully aware of how they will also need to change their approach to budget setting.

4.1.1 Tackling Poverty

Oxfam Cymru believes that there is a clear moral and economic case for prioritising preventative spending resource allocation to eradicate poverty and inequality. The Bevan Foundation has estimated that poverty costs the Welsh economy £5 billion a year, wasting people's potential, whilst hampering economic growth.¹

Furthermore, economic inequality and poverty in Wales can lead to a variety of devastating outcomes. For example, the death rate among children living in the most deprived fifth of Wales is 70% higher than those living in the least deprived fifth.² The Welsh Health Survey demonstrates significant correlations between mental illness and deprivation; in the most deprived areas 18% of people report mental illness, while only 9% did so in the least deprived areas.³

Similarly, children from deprived backgrounds will be over a year behind in their vocabulary by the time they are five-years-old, are more likely to fail to achieve expected levels by the end of primary school and are over five times more likely to become NEET (not in education, employment or training) when compared with children from less deprived backgrounds.⁴

For all these reasons, tackling economic inequality and poverty must be a top priority for Wales and needs a whole government approach. It is our understanding that tackling poverty is a priority for all members of the Cabinet Office. If this is the case, then we need to see clear evidence within the budget of resource allocation to tackle poverty across all departments. The Finance Committee needs to play a key role in assessing and

¹ Bevan Foundation <http://www.bevanfoundation.org/what-we-do/poverty/> Accessed September 2015

² Public Health Wales (2015) "Child Death Review Programme Annual Report 2015" [http://www2.nphs.wales.nhs.uk:8080/ChildDeathReviewDocs.nsf/85c50756737f79ac80256f2700534ea3/dfc42877da71d3b380257e7e002e0a71/\\$FILE/CDR%20Annual%20Report%202015%20\(Eng\).pdf](http://www2.nphs.wales.nhs.uk:8080/ChildDeathReviewDocs.nsf/85c50756737f79ac80256f2700534ea3/dfc42877da71d3b380257e7e002e0a71/$FILE/CDR%20Annual%20Report%202015%20(Eng).pdf)

³ Welsh Health Survey data cited in Oxfam Cymru (2015) "The Welsh Doughnut: A Framework for environmental sustainability and social justice" <http://policy-practice.oxfam.org.uk/publications/the-welsh-doughnut-a-framework-for-environmental-sustainability-and-social-justice-346207>

⁴ Welsh Government figures cited in Wales Centre for Equity in Education (2014) "Good news...What schools in Wales are doing to reduce the impact of poverty on pupil's achievement" <http://www.cscjes.org.uk/getattachment/Knowledge-Bank/Closing-the-Gap/Good-News-What-schools-in-Wales-are-doing-to-reduce-the-effect-of-poverty-on-pupils-achievement.pdf.aspx>

scrutinising work to tackle poverty, reduce inequality and raise the living standards of those households with the lowest budgets.

4.1.2 Climate Change

Unless governments across the world, including the Welsh Government, prioritise action to tackle climate change, future generations will continue to pay the price through greater hunger, greater health risks and climate-related disasters that will result in mass displacement of people. The Environment (Wales) Act 2016 requires that, for each five year budgetary period, the Welsh Government should set a maximum total amount for net Welsh emissions (a carbon budget). Oxfam Cymru wants the Welsh Government to undertake a carbon impact assessment of the annual fiscal budget, major strategies and infrastructure projects. The infrastructure budget needs to include a commitment to undertake a whole-house refit of existing Welsh housing stock, encompassing energy efficiency and micro-generation (where appropriate) to reduce emissions by 60% per property.⁵

4.2 Welsh Government policies to reduce poverty, mitigate welfare reform and prepare for an aging population

Traditionally, many Welsh Government funded schemes designed to tackle poverty focus only on one factor (e.g. income or skills), treating a group of people in the same area as needing the same outcome. A 'one size fits all' approach to tackling poverty will not bring about lasting change. We need dynamic and adaptable interventions for each stage and circumstance of a person's life.

Oxfam believes that people experiencing poverty have strengths and capabilities that enable them to 'get by' and can be empowered to address their own poverty from a holistic perspective by actively building on their asset base⁶ in order to create a more sustainable livelihood. An asset-based approach takes each person as an individual, and works with them to understand what assets they do have (looking at health, social, physical, public and financial) and works to help the individual build on what they already have to take more control over their own lives.⁷

This approach has been used across Wales through Oxfam's Building Livelihoods and Strengthening Communities in Wales project. Not only does evidence from this project

⁵ Stop Climate Chaos Cymru (2011) 'Cutting Carbon: Creating Jobs' <http://stopclimatechaoscymru.org/wp-content/uploads/2013/07/SCC+-+Cutting+Carbon+Report+final1.pdf>

⁶ According to the Sustainable Livelihoods Approach (SLA) assets are divided into five categories: Human (e.g. skills, knowledge), social (e.g. friends, family), physical (e.g. housing, transport), public (e.g. local services, participation in community) and financial assets (e.g. income, benefits).

⁷ Further information on the different assets and the approach in general can be found in Oxfam Cymru's Sustainable Livelihoods Approach toolkit <http://policy-practice.oxfam.org.uk/publications/the-sustainable-livelihoods-approach-toolkit-for-wales-297233>

show that individuals have been able to affect transformational changes in their livelihoods, there was also a significant (£4.43:£1) social return on investment.⁸

Oxfam Cymru wants the Welsh Government to embed an assets-based approach in all Welsh Government policy and service delivery aimed at helping people break out of poverty.

Low pay remains a significant issue in Wales, with one in four workers earning less than the Living Wage.⁹ Steps to ensure provision of decent work and payment of a Living Wage based on the cost of living should be an important element of action to tackle poverty rates in Wales.¹⁰ We believe the Welsh Government should take strong action on low pay, and commit to paying the Living Wage to all staff, either employed directly or indirectly, ensure all public bodies in Wales become Living Wage employers, and use other levers (such as procurement) to encourage more Welsh businesses to pay the Living Wage.

4.3 Low carbon budgeting and preparing for the Future Generations Act

In addition to those issues covered in Section 4.1 above, it is essential that the Wales for Africa budget is protected within the overall budget. This will show Welsh Government's ongoing commitment to international development and also support delivery of a Wales as a globally responsible nation under the Well-being of Future Generations (Wales) Act 2015.

The Well-being of Future Generations (Wales) Act 2015 puts a clear obligation on all public bodies to ensure that Wales is a globally responsible nation. In Oxfam's view, procurement is a key lever for achieving this. Higher expectations need to be placed on businesses to be responsible employers, particularly in return for the array of state support that they receive, and in the delivery of public contracts. The budget needs to drive sustainable and ethical action by businesses that are supported by public bodies in relation to their activities domestically and internationally.

4.4 Scrutiny of Welsh language, equalities and sustainability

Oxfam welcomes the leadership the Welsh Government has shown in ensuring Equality Impact Assessments (EIAs) are a statutory requirement of all policies, process and the budget. We welcome the publication of the EIA alongside the draft budget but believe the evidence base can be improved by further research. In terms of tackling poverty for example further evidence is needed on the relevance of anti poverty programmes for those

⁸ Oxfam (2016) Building Livelihoods and Strengthening Communities in Wales: Value Analysis Report <http://policy-practice.oxfam.org.uk/publications/final-evaluation-building-livelihoods-and-strengthening-communities-in-wales-pr-615933>

⁹ Living Wage Commission (2014), "Working for Poverty: The Scale of the Problem of Low Pay and Working Poverty in the UK" <https://www.nuj.org.uk/documents/working-for-poverty-living-wage-commission-report/>

¹⁰ Throughout "Living Wage" refers to that set by The Living Wage Foundation, calculated based on the cost of living, currently £7.85 an hour (£9.15 in London) <http://www.livingwage.org.uk/what-living-wage>

at a higher risk of poverty such as women¹¹ and Black and Minority Ethnic (BME) communities. All programmes and policies aimed at tackling poverty need to be based on robust evidence and data, and must also reflect the reality of life below the poverty line.

The Well-being of Future Generations (Wales) Act 2015 brings additional requirements to the scrutiny of the sustainability of the budget. The Welsh Government needs to provide clarity and transparency on what kind of sustainability appraisal will be undertaken of the draft budget and how this will be integrated with other impact assessments such as the EIA.

Q5. The previous Welsh Government have highlighted that the Draft budget 2017-18 will be aligned with national indicators for Wales.

5.1 What, if any, additional national and local indicators would you like to see as a means of supporting the shift towards a greater focus on preventative spending?

It is crucial that the seven well-being goals within the Well-being of Future Generations (Wales) Act 2015 are financed on a scale that matches their ambition. For example, since business and poverty reduction objectives do not automatically align, the public sector will need to ensure that partnerships with the private sector prioritise poverty reduction and are subject to robust environmental and social safeguards reflecting international best practice. Currently an indicator reflecting how the well-being goals will be financed is missing. This is a serious omission. There are measures that could be used to reflect finance towards specific goals, for example Research & Development spending on environmentally sound technologies, fossil fuel subsidies, per unit of GDP.

We were also extremely disappointed that the ‘active global citizens’ indicator proposed during the consultation on national indicators did not make it into the final indicator set. Education is key to ensuring that future generations have the knowledge, understanding and values needed to be global citizens. This is important to secure a globally responsible outlook, for our economic wellbeing and to ensure we develop a future workforce that fully understands sustainable development and its practice. An active global citizens indicator would help to ensure that our education system is developing young people as ‘ethical, informed citizens of Wales and the world.’

Q7. What spending commitments and priorities would you like to see in the 2017-18 draft budget in order to ensure that progress is being made on reducing poverty and preparing for an aging population?

The Welsh Government needs to set up a destitution fund so that no person is left destitute in Wales, regardless of their nationality or immigration status. This is already in place in Northern Ireland and could be resourced through the Discretionary Assistance Fund.

¹¹ For women, this is in terms of hidden poverty. There is no difference in the poverty rate for men and women in Wales, but this is because income poverty is measured at household level and does not reflect, for example, the distribution of resources within households. See JRF (2015) “Monitoring Poverty and Social Exclusion in Wales” <https://www.jrf.org.uk/report/monitoring-poverty-and-social-exclusion-wales-2015>

Referrals could be made through social services and voluntary organisations. The small destitution fund which the British Red Cross (and Welsh Refugee Council) administers is a crisis fund for those without a short to medium-term prospect of securing Home Office support and is already insufficient to meet the need. The provision for all fresh asylum claims and further evidence on asylum cases to be submitted in person in Liverpool further exacerbates the limited funds that these organisations can commit to supporting those who are destitute. There is clear evidence that the lack of institutional, social and economic resources faced by people living in destitution or with No Recourse to Public Funds [NRPF] denies them a sustainable livelihood, and results in a life that is robbed of dignity and unacceptable by human rights standards.¹² This is not acceptable in Welsh society – a destitution fund would help provide support for some of the most vulnerable people living in Wales.

¹² <http://policy-practice.oxfam.org.uk/publications/coping-with-destitution-survival-and-livelihood-strategies-of-refused-asylum-se-121667>