

# **Child poverty progress report 2022**

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## **Ministerial foreword**

Tackling poverty and inequality are fundamental to the purpose of the Welsh Government. As Minister for Social Justice, I am committed to driving change in this area to make a positive impact on the lives of children and their families in Wales.

This triannual report on our progress in achieving our child poverty objectives covers the three years from December 2019, some of the most challenging in the nation's history.

The report shows the Welsh Government has made tackling child poverty a priority. We have made significant investment in a range of policies and programmes to promote prosperity, prevent and mitigate poverty and reduce the number of children living in poverty in Wales. Despite this investment, poverty has remained a pervasive issue.

The UK Government holds the key levers for tackling poverty - powers over the tax and welfare systems. Our progress in tackling child poverty in Wales continues to be hindered by decisions taken in Westminster. The UK Government's ongoing programme of welfare reform continues to influence levels of poverty in Wales with the impact being felt most severely by those who are already disadvantaged. We continue to press them for change, to ensure that vulnerable people are supported.

We expected levels of poverty to increase considerably as a result of our exit from the European Union, the economic shocks arising from the pandemic and the current cost of living crisis which have had such a profound impact on the economic well-being of vulnerable households in Wales.

I have given a commitment to refresh our Child Poverty Strategy so that it better reflects the circumstances in which we find ourselves. It will underline a renewed undertaking to support those who need it most using every lever available to the Welsh Government.

The pandemic had devastating consequences for our economy, our society and our communities. It exacerbated existing inequalities and had a disproportionate effect on some communities as those who were most vulnerable were hardest hit. Young people in particular were amongst the worst affected by school closures, changes to training opportunities and job losses.

The cost of living crisis continues to impact household finances across Wales, hitting lower income families and individuals hardest. We are experiencing the highest rate of inflation for 40 years and unprecedented price increases for fuel. The latest Welsh fuel poverty estimates predict that, as a result of the rise in the price cap in April 2022, up to 45% (614,000) of all households could be in fuel poverty. Since they were published, the price cap has increased to £2500.

The damage to our economy, from the pandemic, the cost of living crisis and our exit from the EU, means the UK is now in recession. As a result, GDP is forecast to fall by 2% and the Office of Budget Responsibility predicts that unemployment will increase by 1.5 percentage points, equivalent to 20,000 to 25,000 people. Real

household disposable income per person is forecast to fall more than 7% over the next two years. This would be the biggest fall on record. The UK economy enters recession in a weaker position than any other G7 economy – all other G7 economies have recovered their pre-pandemic levels of national income (UK national income or GDP is 0.4% below pre-pandemic level).

The scale of the undertaking to both prevent and lift people out of poverty in Wales is immense. We will continue to do all we can to support people and create a positive future for everyone, but we need to see concerted action from the UK Government to do the same.

We will continue to deliver on our Programme for Government with a commitment to combat poverty and inequality as a central driver. To inform our response to the economic crisis, we continue to build our understanding of people's experiences of poverty and to gather evidence about what more needs to be done.

This year I hosted three Cost of Living Summits which brought together social partners and key stakeholders to discuss the issues. One of the key messages to come out of the events was that the Welsh Government cannot tackle poverty in Wales alone – if we are to have a lasting impact on the lives of people in poverty, we need to work with partners to maximise the impact of our collective efforts.

We also commissioned the Wales Centre for Public Policy to undertake [a review of what works in tackling poverty](#). It identified 4 key areas of focus around which poverty alleviation efforts could be coordinated including (i) Reducing costs and maximising income, (ii) Pathways out of poverty by enabling wider socio-economic participation, (iii) An enabling environment and (iv) Mental load and mental health affecting people living in poverty and social exclusion.

The research confirms that the Welsh Government cannot tackle poverty and inequality alone. Our future approach will see greater levels of engagement with our key partners across Wales to drive activity and strengthening the impact of our collective efforts by working together towards a common goal.

Working alongside our partners, we pledge to use every lever we have available to make a positive difference for children in poverty to ensure they have the best start in life and are able to fulfil their potential.

Jane Hutt MS  
Minister for Social Justice

## **Introduction**

When the Welsh Government introduced the [Children and Families \(Wales\) Measure 2010](#), it placed a duty on Welsh Ministers to set child poverty objectives and to report every 3 years on progress towards achieving those objectives. The Welsh Government's child poverty objectives are based on what the evidence tells us about where we can have most impact in terms of improving outcomes for low income families. They also reflect the policy levers available to the Welsh Government. The objectives focus on reducing the number of children living in workless households,

increasing the skills of parents and young people, reducing inequalities in education, health and economic outcomes, creating a strong economy and labour market and action to increase household income.

In previous years, we have reported on the achievements of our programmes to tackle child poverty, the numbers taking part and our progress with plans for the remainder of the Senedd term. However, the last 3 years have been unlike any others we have had to navigate since devolution. A number of our programmes were affected by the Covid lockdowns while others escalated to address the urgency of the pandemic and the needs of people across Wales.

In this report we have therefore attempted to capture the way in which the Welsh Government refocused its funding and adapted its activity to address the immediate needs arising from the pandemic. We have continued to adapt our programmes to respond to the cost of living crisis which is having a disproportionate impact on families who are already financially vulnerable as a result of the pandemic and many citizens with protected characteristics.

Looking forward, we have also endeavoured to capture other work that is in progress which will help tackle child poverty and mitigate its impacts in the longer term.

Children and young people were particularly impacted by the pandemic. The introduction of public health measures led to school closures and halted many training and work opportunities leaving them vulnerable to poorer outcomes.

We recognise that we need to act to ensure that young people in particular do not carry the burden of dealing with the impact of coronavirus with them throughout their working lives.

We have given a commitment to make sure that our young people do not lose out educationally or economically through the effects of coronavirus. We will support all of our children and young people to stay in education and to catch up at school and in college; we have pledged to support young people by building on our existing skills programmes so that they meet individual needs; we are creating an environment of lifelong learning which will support young people to grow and flourish.

## **Measuring child poverty**

The key indicator of child poverty is the percentage of children living in households below 60% of the median UK household income (after housing costs).

In addition to the relative measure of child poverty, we use a wider set of key indicators to measure progress on delivering the changes we want the Child Poverty Strategy to deliver.

These indicators reflect the policy levers available to the Welsh Government:

- Percentage of children living in relative income poverty where at least one adult is working (after housing costs).
- Percentage of children living in workless households.

- Percentage of working age adults with no qualifications.
- Percentage of working age adults holding qualifications at levels 2, 3 or 4 and above.
- Percentage of children living in low income households who are reaching health, social and cognitive development milestones when entering formal education.
- Percentage of 7 year old pupils eligible for Free School Meals achieving the expected level at the end of the Foundation Phase.
- Percentage of pupils eligible for Free Schools Meals who achieve the Level 2 threshold including English / Welsh and Maths at Key Stage 4.
- Percentage of young people aged 16-18 who are not in employment education or training (NEET).
- Percentage of young people aged 19-24 who are not in employment education or training (NEET).
- Percentage of babies (live births) born with a low birth weight (defined as under 2,500 grams).

### **Impact of the pandemic on data collection**

The Department for Work and Pensions (DWP) Households Below Average Income (HBAI) data release in March this year covered the Financial Year Ending (FYE) 2021 and included the first official poverty statistics to relate to the period after the beginning of the COVID-19 pandemic.

The [2020 to 2021 HBAI data](#) collection process was impacted by COVID-19 as fieldwork operations were rapidly changed due to the introduction of public health measures. This resulted in a reduced sample size and the characteristics of respondents was different to previous years which had implications for the quality of the data and how it was presented. For example, DWP did not publish any regional or country level official poverty statistics this year.

For Wales, the smaller sample size meant we could not say with confidence that any changes to Wales level poverty figures in the short term were meaningful. This meant it was not possible to make meaningful statistical assessments of trends and changes in the most recent year compared to the pre-pandemic level. The Welsh Government has published further [information on issues affecting the dataset for Wales](#).

In addition, the introduction of public health measures during the pandemic has meant that data relating to some of our child poverty indicators was affected. For example, data collection on educational achievement was not collected in 2020 and 2021 as young people's learning was affected by school closures.

### **What the evidence tells us**

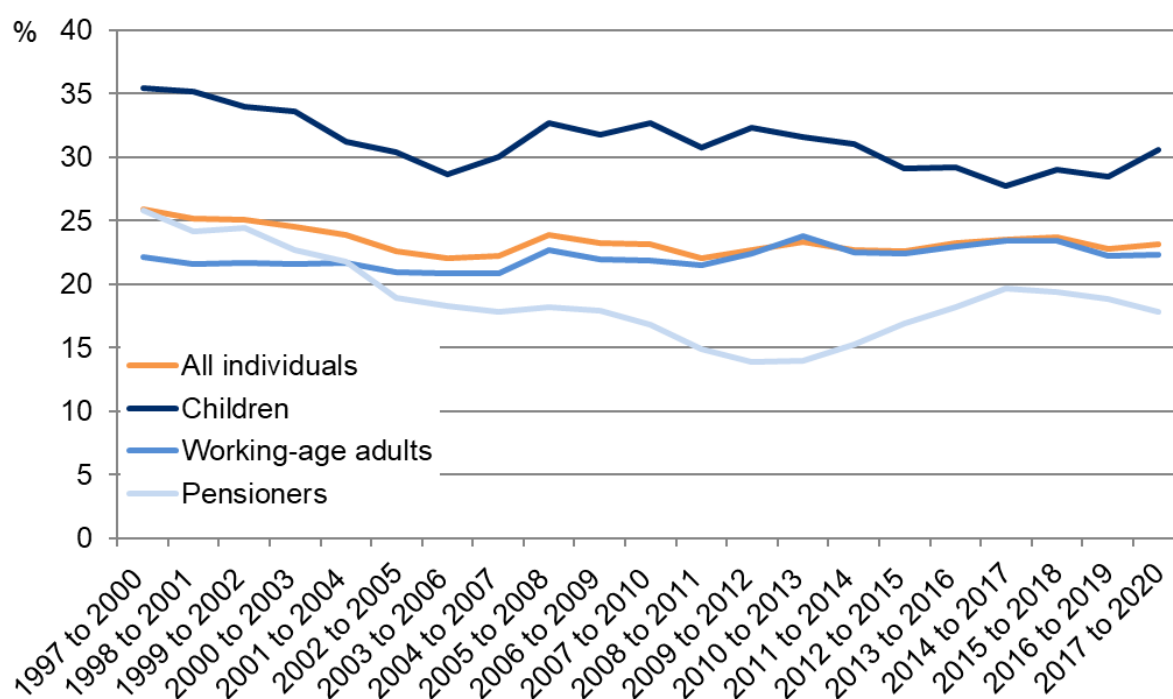
Children are consistently the age group most likely to be in relative income poverty. A possible reason for this is that adults with children are more likely to be out of work or working fewer hours due to childcare responsibilities, disproportionately affecting women as single parents.

UK Level data for Financial Year Ending (FYE) 2021 shows that 27% of children were living in relative income poverty (After Housing Costs). This was a decrease of 4 percentage points on FYE 2020, following increases since FYE 2014. However, this change was not statistically significant, and the 95% confidence interval in which we would expect the true value to fall is between 22% and 32%.

## Child poverty indicator

The latest reliable poverty statistics for Wales are for the three years FYE 2018 to FYE 2020. These show that an estimated 31% of children in Wales were living in relative income poverty (after housing costs). This is approximately 190,000 dependent children under the age of 19.

**Chart 1: Percentage of each age group in Wales living in relative income poverty (after housing costs), 3 financial year averages**



Source: [WG analysis of Households Below Average Income](#), Department for Work and Pensions data

## Definition of poverty:

Our Child Poverty Strategy defines poverty as:

“A long-term state of not having sufficient resources to afford food, reasonable living conditions or amenities or to participate in activities (such as access to attractive neighbourhoods and open spaces) that are taken for granted by others in their society.”

## Children’s rights

[Children's rights](#) are central to our approach to tackling child poverty. In May 2012, our duty to have due regard to the United Nations Convention on the Rights of the Child came into place as part of the [Rights of Children and Young Persons \(Wales\) Measure 2011](#).

To help deliver Welsh Government's commitment to children and young people a [Children and Young People's Plan](#) was launched in March 2022. The plan is committed to the principles of the UNCRC and sets out seven cross-government priorities which were developed alongside children and young people.

## **Well-being of Future Generations**

The work of the Welsh Government, including our commitment to tackle child poverty, takes place in the context of our [Well-being of Future Generations \(Wales\) Act 2015](#) which seeks to improve the social, economic, environmental and cultural wellbeing of Wales. The Act puts in place seven wellbeing goals for Wales. These are for a more equal, prosperous, resilient, healthier and globally responsible Wales, with cohesive communities and a vibrant culture and thriving Welsh language.

Information on the indicators for measuring our progress as a nation towards the goals is available in the [Well-being of Wales report](#).

## **Cross cutting theme: tackling inequality**

Tackling inequality is fundamental to our efforts to tackle poverty in Wales. It underpins our child poverty objectives and the actions we take and decisions we make to achieve them.

The evidence shows us that inequalities exist for groups with certain key and protected characteristics which have higher rates of relative income poverty. We are committed to creating a fairer society, where diversity is valued and respected, where people do not face discrimination and prejudice and a society where everyone can participate, flourish and have the opportunity to fulfil their potential.

Our ambition of achieving the well-being goal of a 'More Equal Wales' as set out in the [Well-being of Future Generations \(Wales\) Act 2015](#) is supported by a range of legislation which places a statutory duty on the Welsh Government and public bodies in Wales to tackle poverty and inequality. Our legislative commitment is supported by our [Strategic Equality Plan 2020-2024](#) (SEP) which aims to strengthen and advance equality and human rights in Wales. It sets out how we will support those with protected characteristics who are at greatest risk of discrimination and unfair treatment which in turn, leads to unequal life outcomes. We continue to identify opportunities to dovetail the SEP with our child poverty objectives.

Our [Gender Equality Action Plan](#) sets out how we will provide leadership for achieving greater equality for women and girls in Wales. Progress in implementing some of the recommendations from the Gender Equality Review was slowed by the

impact of the pandemic, however, work is now well underway to address priority actions, re-build momentum and make swift progress in implementation.

We continue to fund free period products in schools, colleges and communities across Wales and will publish our Period Proud Wales Plan in early 2023. This is our plan to end period poverty and achieve period equity for all.

Our [Anti Racist Wales Action Plan](#) is built on the values of anti-racism and calls for zero tolerance of all racial inequality. It will support us in delivering our vision for an anti-racist nation, where everyone is valued for who they are and the contribution they make.

The introduction of the [Socio-economic Duty](#) in Wales will further help tackle the uncertainty of our exit from the EU our recovery from COVID-19 and the impact of the cost of living crisis, allowing us to move towards a fairer and more prosperous Wales.

Following a consultation on the second tranche of National Milestones which ended in September 2022, the Welsh Government has now [published a National Milestone](#) which seeks to reduce the poverty gap for people with protected characteristics. This Milestone is seen as a vital step in working towards a more equal Wales. We have published the consultation responses and an independent analysis [\[add link\]](#) of these latest National Milestones on the Welsh Government website.

To help measure our progress towards a more equal Wales, we have established an Equality Data Unit, a Race Disparity Unit and a Disability Disparity Unit, each with its own evidence programme and own lead to make sure the evidence is turned into action. The Data Units will provide cross-cutting analytical and policy capacity to drive forward on-the-ground change to tackle evidence-informed inequalities.

#### **Ethnicity**

There was a 29% likelihood of people whose head of household came from a non-white ethnic group living in relative income poverty compared to a 24% likelihood for those whose head of household came from a white ethnic group.

#### **Disability**

38% of children who lived in a family where there was someone with a disability were in relative income poverty compared with 26% of those in families where no-one was disabled.

Source: Households Below Average Income, Department for Work and Pensions

## **What we are doing to meet our child poverty objectives**

### **Objective 1: supporting people into decent jobs**

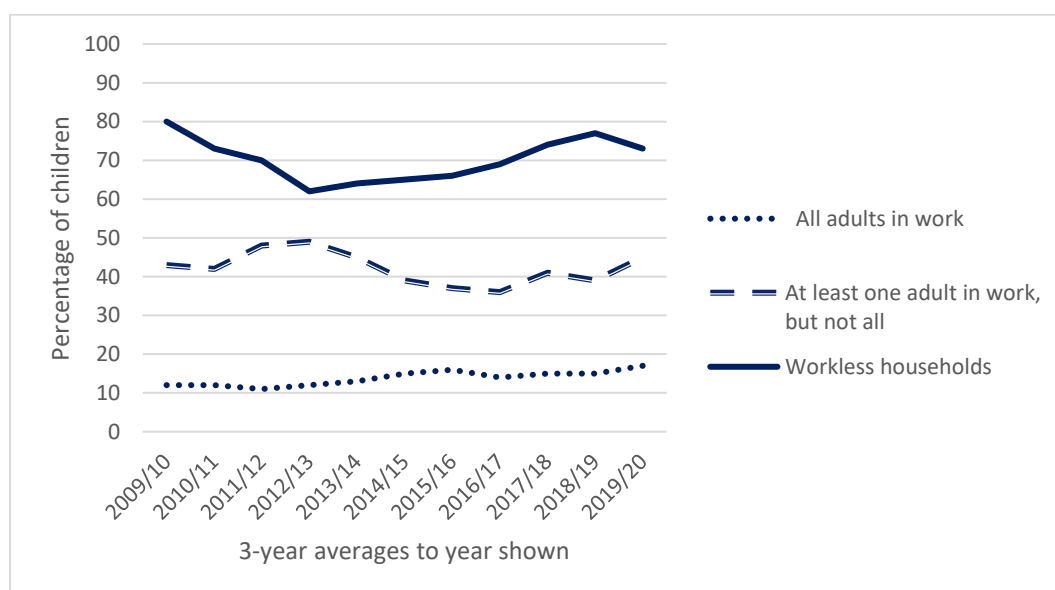
Workless households are much more at risk of living in poverty and are especially at risk of living in persistent poverty. Children living in workless households are much more likely to have poorer health and educational outcomes. Objective 1 of our Child



Poverty Strategy commits the Welsh Government to take steps to reduce the number of families living in workless households.

[ONS Data](#) shows there were 61,900 children in workless households in 2021, 11.6% of the total number of children in households. This is up from 58,000 (11.0%) in 2020. [Poverty data](#) shows that 73% of children living in a workless household were in relative income poverty compared to 45% living in a household with a least one but not all adults working, and 17% where all adults in the household are working in financial years ending 2018 to 2020.

Chart 2: Percentage of children in Wales in relative income poverty (after housing costs), by economic status of household, three-financial-year averages to the year 2019/20



Source: Welsh Government analysis of the Family Resource Survey data for Wales (2017 to 2018 and 2019 to 2020)

[ONS Data](#) tells us that in 2021, there were 157,700 workless households in Wales, 17.0% of the total number of households. This is up from 154,600 (16.5%) in 2020, an increase of 2.0%. [Labour market Data](#) shows there were 476,300 people who were economically inactive in Wales in July to September 2022, up 32,900 (7.4%) from the same period a year earlier.

The impact of the pandemic on education and training opportunities for young people, as well as on their confidence and mental health, has been significant. Additional funding for our [Young Person's Guarantee](#) will give everyone under 25 the offer of work, education, training, or self-employment. This includes programmes such as Apprenticeships, Community Employability Programmes, Working Wales and Big Ideas Wales. We want to give young people the support they need for a brighter future when leaving school, college, university or even facing redundancy. The [Youth Engagement and Progression Framework](#) aims to reduce the number of young people who are NEET by early identification of those at risk of becoming NEET or homeless, and helping them to fulfil their potential by offering the right

support to help them flourish. We have produced a [handbook](#) for stakeholders on how the framework works.

Looking forward, our [Working Wales](#) service provides free advice and guidance to help people find training and work. Good employability skills help minimise periods of unemployment and improve people's chances of sustaining employment.

Our Community Employability Programmes, [Communities for Work](#), [Communities for Work+](#) (CfW+) and [Parents, Childcare and Employment](#) (PaCE), work in partnership with local authorities, the 3<sup>rd</sup> sector and the Department for Work and Pensions. They provide tailored employability support and training for people of all ages who are most disadvantaged in the labour market, to access sustainable employment. During the pandemic online training was introduced and CfW+ funded a loan laptop scheme to allow participants to engage in job search and other work-related activity. The programmes have supported over 80,000 individuals with some 35,000 having gained employment of more than 16 hours a week.

## Child Poverty Indicators

Table 1: estimated 16 to 24 year olds not in education, training or employment by economic activity and age groups

Percentage of young people 16 to 18 years who are *NEET		Percentage of young people 19 to 24 years who are *NEET	
Year	%	Year	%
2019	11.7	2019	16.1
2020	11.7	2020	15.8
2021 (p)	13.6	2021 (p)	16.3

(p) Estimates for 2021 are provisional.

Source: [Participation of young people in education and the labour market, Welsh Government](#)

## Objective 2: helping parents and young people Increase their skills

One of the key determinants of working age poverty are adult skills which are a key factor in accessing the labour market and in supporting job progression and well paid employment. In Objective 2 of our Child Poverty Strategy, the Welsh Government commits to increasing the skills of parents and young people living in low-income households so they can secure well-paid employment and in-work progression.

Prior to the pandemic, Wales had seen improvements in adult skills, worklessness and employment rates, however, lockdown arrangements meant that all aspects of employability and skills provision were affected. The introduction of public health measures meant that options were developed in some areas for online learning and socially distanced provision. Many other areas of training, especially in-work training, were put on hold as workplaces closed and people were furloughed. Many of our training programmes have also been impacted by the loss of EU funding.

We are supporting those aged 18+ and affected by job losses through our [ReAct+](#) programme which is designed to prevent progression into long-term unemployment by helping individuals find new, fair and sustainable employment following redundancy or unemployment. An online application and claims system was developed during the pandemic and the programme expanded its eligible cohort to include those who are short-term unemployed and young people aged 18-24 who are NEET.

The [Jobs Growth Wales+](#) (JGW+) programme commenced in April 2022 and forms part of the Programme for Government commitment to provide every young person with an offer of employment, training, voluntary work or self-employment. JGW+ provides an holistic, tailored package of support for young people who are, or who are at risk of becoming, NEET. The programme provides tailored support through its 3 strands: engagement, advancement and employment, which support young people at the right time, and place for them. Increased funding has been provided for wellbeing support for young people through the programme in recognition of the impact of the pandemic and subsequent lockdowns.

[Data](#) shows that our [Apprenticeships](#) learning programme saw a fall in the number apprenticeships started, from 22,335 starts in the 2019 to 2020 academic year to 20,755 in 2020 to 2021. Provisional figures for the first three quarters of 2021 to 2022 indicate that there have been 16,130 starts, up slightly on the first three quarters of 2020 to 2021. We had expected many more apprentices would be furloughed and their learning suspended, however, most apprentices (furloughed or not) remained engaged in some form of learning and online assessment. Our COVID-19 measures saw the introduction of an incentive scheme to encourage employers to recruit apprentices, particularly younger people aged 16 to 24 as they were the age group most affected by the crisis. This scheme helped maintain programme recruitment and training opportunities for young and older people alike.

Over the last two years, over £11.5 million has been allocated for adult community learning. Lifelong learning opportunities allow people to gain the confidence, motivation and means to re-enter education and gain the skills they need to thrive. We are working with partners on the delivery of five new Citizens Curriculum pilots that will tackle barriers that prevent wider adult learner participation.

More broadly, we continue to invest in youth work services which provide young people with opportunities to fulfil their potential as empowered individuals and as members of groups and communities. We are committed to developing a sustainable model for youth work with £11.4 million funding to support implementation of the Interim Youth Work Board's report: [Time to deliver for young in Wales](#). A new [Youth Work Strategy Implementation Board](#) has been appointed to further develop and implement the recommendations.

## **Child poverty indicators**

Table 2: highest qualification levels of working age adults by year and qualification

Percentage of working age adults with no qualifications		Percentage of working age adults holding qualifications at levels 2 and above	
Year	%	Year	%
2019	8.2	2019	79.1
2020 (r)	7.4	2020 (r)	80.9
2021	8.1	2021	80.1

(r) Figures have been revised since they were originally published following a reweighting of the Annual Population Survey.

Source: [Welsh Government analysis of Annual Population Survey, Office for National Statistics](#)

### **Objective 3: addressing the inequalities associated with poverty**

Poverty is a barrier to achieving positive outcomes. For children and young people, tackling the inequalities associated with poverty helps build their resilience, enables them to thrive and enhances their prospects in later life. We are taking action to level the playing field, from the early years into adulthood, so that every child has to opportunity to reach their potential.

In Objective 3 of our Child Poverty Strategy, we commit to reducing the inequalities which exist in the health, education and economic outcomes of children and families by improving the outcomes of the poorest.

#### **Giving children the best start in life: a focus on the early years**

Our Child Poverty Strategy includes a focus on the early years, recognising that investing in the early years of a child's life can make an important contribution to improving their health and developmental outcomes, which in turn has an influence on outcomes later in life. Children from low income households are more at risk of having poorer cognitive and developmental outcomes in the early years so supporting those most at risk is critical.

The coronavirus pandemic led to unprecedented challenges for children, young people and families and, at the same time, reduced the availability of vital early help services that many relied on. During the health emergency, they have often had to adjust their approaches in line with the wider restrictions that we have all faced, sometimes pausing certain services temporarily.

£18.5 million investment in the Child Development Fund since 2020 to 21 has helped local authorities reduce the impact of the pandemic on the development of children under 5 in Wales. The Fund is ensuring support is targeted at children and families that have been impacted most as a result of the restrictions. In addition, £14 million was allocated for our Early Help programme to drive down waiting lists and provide timely support for children, young people and those who are newly vulnerable. It has helped bolster services delivered by the Flying Start and Families First programmes.

We have put in place a range of early intervention and prevention programmes to support child development and improve parental knowledge and skills.

Our [Talk with Me](#) Speech, Language and Communication (SLC) Delivery Plan aims to drive improvement in the way children are supported to develop their SLC skills which are essential for positive health, well-being, education and employment outcomes. During the pandemic, research and front line intelligence identified that SLC needs had increased and early language development in a number of children had fallen back. SLC services moved to a more flexible delivery model including online sessions coupled with risk assessed home visits for the most vulnerable.

During the pandemic, our positive parenting, [Parenting. Give it time](#) campaign refocused messaging to provide information and support on key issues being raised by parents. The three key themes were Children's Behaviour; Give them Time; and Supporting You. A number of new resources, including a Top Tips on child development for parents with children 0 to 4 years of age and Top Tips for children experiencing separation anxiety, were also created. The campaign now provides positive parenting information, advice and support, and alternatives to physical punishment to parents. We have also introduced legislation [on ending physical punishment](#) of children, protecting their rights and giving them the best start in life.

Our refreshed Programme for Government, which incorporates the Co-operation Agreement with Plaid Cymru, underlines our commitment to our flagship early years [Flying Start](#) programme which aims to make a decisive difference to the life chances of children under 4 living in disadvantaged areas by mitigating the impact of poverty. Despite significant disruption to Flying Start during the Coronavirus pandemic, [data shows that](#) 31,832 children benefited from Flying Start services in 2020 to 2021.

The Co-operation Agreement with Plaid Cymru has also resulted in additional funding being made available for more families to access the [Childcare Offer](#) which provides access to early childhood education and care which improves the life chances of vulnerable and disadvantaged children.

Our [Healthy Child Wales Programme](#) (HCWP) sets out what universal contacts children and their families can expect from their health boards in the areas of screening, immunisation and monitoring and supporting child development. During the pandemic, a range of key contacts were maintained as part of the HCWP to ensure all families were supported over this period.

## **Securing the prosperity of families**

Some groups, including black, Asian and minority ethnic communities, disabled people, single parents and young people are particularly at risk of low pay and insecure employment and are more likely to work in sectors affected by the pandemic. Objective 3 of our Child Poverty Strategy commits the Welsh Government to reduce economic inequalities for children and families living in poverty, by improving the outcomes of the poorest.

Enduring [pay gaps](#) exist across groups compared to the general population in Wales for disabled people (11.6% [2021 data]), women (5% [2021 data]) and ethnic minority employees (1.4% [2019 data]). Improving hourly rates of pay alongside

more predictable working hours are key to tackling in-work poverty. During the pandemic, this disparity was exacerbated as those already disadvantaged in the labour market, including young workers, bore the brunt of the crisis.

In March 2021, the [Socio-economic Duty](#) came into force in Wales. It requires relevant public bodies, including Welsh Ministers, to consider to the need to reduce [inequalities experienced](#) as a result of Socio-economic disadvantage when taking strategic decisions.

Our [social partnership](#) approach provides us with opportunities to work with employers and trade unions to address workplace equality, diversity and inclusion issues, including pay gaps. A [national milestone](#) for the elimination of the gender, ethnicity and disability pay gap by 2050 was laid in the Senedd in December 2021. Looking forward, we are delivering on our Programme for Government commitment to explore legislation to address pay gaps based on gender, sexual orientation, ethnicity, disability, and other forms of discrimination.

We have introduced a network of [Disabled People Employment Champions](#) who will work with businesses across Wales to create the conditions for disabled people to thrive in work, support recruitment and retention, and make workplaces more inclusive - changing attitudes and reducing stigma. Our [Anti-racist Wales Action Plan](#) sets out what we will do to reduce employment inequalities, discrimination and barriers for black, Asian and minority ethnic people in all aspects of recruitment, selection and career progression. Our [Advancing Gender Equality in Wales Plan](#) provides the framework through which we will address the changing landscape for women in Wales and reflect the disproportionate impact of the pandemic and the cost of living crisis on gender equality.

More than 470 organisations have adopted our [Code of Ethical Employment in Supply Chains](#) which seeks to ensure the public procurement process supports good employment practices that empower and reward workers in Wales and further afield.

We are also encouraging businesses that are seeking Welsh Government funding to commit to supporting social mobility in their recruitment practices.

### **Reducing educational inequalities: helping every child reach their potential**

Tackling the educational inequalities experienced by children living in poverty is crucial to improving their life chances and supporting them to flourish. Children's learning was significantly impacted by the pandemic as schools closed and learning from home became the norm. [Evidence](#) suggests that children's learning and development has been set back by the pandemic, particularly for children from lower income households.

Our [Pupil Development Grant](#) continues to support schools and settings to counter the effects of poverty on children and young people's attainment to ensure they achieve the best educational outcomes. Funding for 2022 to 2023 is now over £130 million.



We are taking steps to remove the financial barriers that prevent children in poverty from fully participating in school life. Our [Pupil Development Grant: Access](#) provides grant assistance to eligible families to help with the cost of school uniform, footwear, sports kit, and other equipment. As a result of the cost of living crisis, an additional one-off payment of £100 was announced in March 2022 for every eligible child taking funding for PDG Access to over £23 million for 2022 to 2023.

Children in Wales have also been commissioned to produce a set of guides focussing on the costs of the school day. The [Price of Pupil Poverty Guides](#) highlight the impact of poverty on learners and offer practical ways that schools can help their learners by alleviating the stigma that surrounds poverty.

We have [consulted](#) on changes to statutory guidance on school uniform and appearance policies in Wales. The consultation looks at whether school governing bodies should consider affordability and accessibility when setting their school uniform and appearance policy; it also considers the use of logos and branding on school uniforms alongside other related matters.

[Careers Wales](#) tailored its service during the pandemic to include more online and one to one support and introduced online resources including a Vacancy bulletin, Stakeholder newsletters and online job fairs. It supports young people through careers and skills advice, helping people to overcome barriers to work and training and supporting reskilling and upskilling.

Looking Forward, in March this year the Minister for Education and Welsh Language set out [a range of measures](#) to tackle the impact of poverty on educational attainment, helping every child to reach their potential and delivering high standards and aspirations for all. These measures will be delivered through a whole system approach from early education and care provision, primary, secondary and all forms of post-16 education and lifelong learning. This will involve investment in the development of [Community Focussed Schools](#), teacher education programmes focused on overcoming inequalities and the strengthening of teaching support staff through high quality professional learning programmes.

Our support for [Free School Meals](#), including the introduction of [Universal Free School Meals](#) as part of the Co-operation Agreement with Plaid Cymru, is seeing more children than ever before receiving a healthy, nutritional meal as part of the school day, helping to ensure that no child goes hungry.

## **Child Poverty Indicators**

Our child poverty indicators for measuring progress in tackling educational inequalities are:

- percentage of 7 year old pupils eligible for Free School Meals achieving the expected level at the end of the Foundation Phase
- percentage of pupils eligible for Free Schools Meals who achieve the Level 2 threshold including English/Welsh and Maths at Key Stage 4

Suspension of performance measures: Due to the implications of COVID-19, the Welsh Government suspended the calculation of performance measures for the 2019-2020 and 2020-2021 academic years, for both Year 11 and sixth form cohorts, and Key Stage and Foundation Phase teacher assessment data was not collected for the 2019-2020 and 2020-2021 academic years. The [Minister for Education and Welsh Language confirmed](#) in 2021 that the Welsh Government will continue not to calculate or publish performance measures in 2021-2022 for both Year 11 and sixth form cohorts.

In an Oral Statement to the Senedd on 6 July 2021, the Minister for Education and Welsh Language announced the proposal to remove the requirements for practitioners to undertake assessments at the end of Foundation Phase and Key Stage 2 from 2021/22, in order to support learners and practitioners to transition towards the new curriculum and assessment arrangements.

The Welsh Government has published [examination results for 2021-2022](#) on the Welsh Government website. This publication does not include any performance measures but provides the GCSE and A level grade distribution from summer 2022.

### **Tackling health inequalities by improving the health of the poorest**

Existing inequalities in the social determinants of health – such as low pay, educational inequalities and poor housing – mean that disadvantaged people live more years in poor health and die younger than those living in better circumstances. Our Child Poverty Strategy commits the Welsh Government to tackling the inequalities which currently exist in the physical and mental health outcomes of parents, children and young people living in poverty.

The pandemic starkly demonstrated how the health and well-being of people living in the poorest households are disproportionately impacted. Our [report](#) on placing health equity at the heart of the COVID-19 sustainable response and recovery outlines how young people's health and well-being was particularly affected.

[Data from our Wellbeing of Wales: National Indicators](#) shows that the overall gap in healthy life expectancy between the most and least deprived has remained relatively stable between 2011 to 2013 and 2018 to 2020. It also shows that, in 2018 to 2020, the gap in healthy life expectancy between the most and least deprived areas was 13.4 years for males and 16.9 years for females. For general life expectancy, the most recent [ONS data](#) tells us that, in 2018 to 2020, the difference (range) for life expectancy between most and least deprived areas in Wales was 7.5 years for males and 6.3 years for females.

We are committed to embedding a 'health in all policies' approach to policymaking and public service delivery which aims to ensure that support for people's mental and physical health, and how we tackle health inequalities is thoroughly considered when we develop programmes and policies. To support this aim, through the Senedd, the Welsh Government developed the [Public Health \(Wales\) Act 2017](#). Part 6 of the Act requires the preparation of Regulations which specify circumstances in which a [number of specific public bodies](#) must carry out a Health Impact Assessment.



Work on the Regulations has recently restarted following a pause to focus resources on work related to our exit from the EU and subsequently to respond to COVID-19.

The [Delivery Plan](#) for [Healthy Weight: Healthy Wales](#) seeks to prevent and reduce obesity supported by over £13 million funding. It focuses on developing advice, services and an environment which enables the healthy choice to be the easy choice.

Looking forward, we are developing a [national framework for social prescribing](#) to help people to access well-being support alongside the traditional clinical support. Our £5.9 million [Healthy and Active Fund](#) also aims to improve mental and physical health by enabling healthy and active lifestyles. A number of supported projects specifically seek to reduce inequalities in outcomes for children and young people.

In October 2020 the [Delivery Plan](#) for [Together for Mental Health](#) was strengthened in areas which are protective for good mental health, such as employability and housing support. This work is further informed by the work of the Ethnic Minorities Mental Health Task and Finish Group. [Schools](#) are central to our major programme of mental health support for children experiencing increased stress or anxiety as a result of Coronavirus. We convened a Joint Ministerial Task and Finish Group on a Whole School Approach to Emotional and Mental Wellbeing which has recommended the development of a statutory framework to support schools in reviewing learner and staff wellbeing and developing plans to address gaps and build on their strengths. In addition, following a positive pilot, our In-Reach Programme is being rolled out across Wales to build capacity within schools to support pupil mental health and well-being through dedicated mental health practitioners which provide consultation, liaison, advice and training. We have also introduced the [C.A.L.L. Helpline](#) which provides confidential support and [SilverCloud](#) which is an online course offering self-help support for anxiety, depression or stress for anyone aged 16 or over.

## Child poverty indicators

Table 3: Percentage of babies (singleton live births) born with a low birth weight (defined as under 2,500 grams).

Year	%
2019	5.9
2020	6.1
2021	5.8

Data forthcoming: children living in low income households who are reaching health, social and cognitive development milestones when entering formal education.

Source: [National Community Child Health Database \(NCCHD\)](#)

## Objective 4: building a strong economy

Jobs, growth and a strong economy are essential to reducing child poverty in Wales. Objective 5 of our Child Poverty Strategy commits the Welsh Government to creating

a strong economy and labour market which supports the tackling poverty agenda and reduces in-work poverty in Wales.

The pandemic brought significant disruption to the economy in Wales resulting in sharp falls in the number of paid employees, the number of hours worked and the number of workforce jobs. [Research](#) shows that Wales entered the pandemic with an employment rate of 74% in Quarter 1 of 2020 and an unemployment rate of 3.2%. Around a quarter of a million workers were employed in shutdown sectors in Wales at the outset of the pandemic. Young workers aged 16 to 24 were much more likely to be employed in shutdown sectors, 36% compared to 11% of those aged 35 to 64.

[Labour Market data](#) shows that the number of paid employees has increased since the end of 2020, following a sharp decline during the pandemic. The number rose above pre-pandemic levels in July 2021 and has continued to increase since, reaching the current peak of 1.3 million in October 2022. The number of workforce jobs in Wales also rose by 33,900 (2.3%) between June 2021 and June 2022 to 1.52 million. The number of self-employment jobs in Wales increased by 50,800 (35.3%) between June 1999 and June 2022 to 194,800 (12.8% of the workforce).

Alongside the challenges of job creation and supporting business development, the Welsh economy faces wider structural challenges as a consequence of our exit from the EU, the cost of living crisis and the war in the Ukraine. Our [Economic Mission](#) sets out the values and priorities which shape the decisions we are taking in supporting our economy and delivering our vision for a resilient economy which is prosperous, fairer and greener, and one that helps everyone realise their potential.

Our support for the [Foundational Economy](#) ensures the provision of jobs at the heart of local communities making Wales more resilient to external economic shocks by improving career prospects and strengthen businesses which are rooted in Wales, generating wealth and wellbeing.

During the pandemic, we put in place a number support packages to protect businesses that were most severely impacted in order to safeguard jobs. In addition, the [Development Bank of Wales](#) has helped Welsh businesses get the finance they need to start up, strengthen and grow. Our [Business Wales](#) service provides businesses with a single point of contact for information, advice and support from the public, private and voluntary sectors. We have committed to invest £20.9 million per annum in the Business Wales service from April 2023 until March 2025.

Part of Business Wales, Youth Entrepreneurship services aim to support 600 young entrepreneurs a year. It enables the further and higher education sector to drive the entrepreneurship agenda and broker partner activity including the delivery of our [Big Ideas Wales](#) campaign which supports young people with an interest in starting a business to overcome barriers and provide the skills needed to transition into self-employment. During the pandemic, all activities moved online including training, personal development and one-to-one support. A [Young Person's Start Up Grant](#) is available to support young people not in education, employment or training to start their own business.

Our [Barriers to Start Up Grant](#) is helping economically inactive and unemployed people over the age of 25 to start up a business in Wales. More than 1,100 people facing hidden barriers to entering the labour market have already received support.

Retail in Wales is hugely important to our economy, our communities and our well-being as a nation. Our [Shared Strategic Vision for the Retail Sector](#) in Wales, was developed in partnership with businesses and workers in the sector under the auspices of the [Wales Retail Forum](#). The Forum is developing a delivery plan of short, medium and long-term priorities for the sector to drive its ambition for good, secure careers in the retail sector, within a fair work environment.

During the pandemic, our [Regional Skills Partnerships](#) (RSPs) critical role in discussing employer needs with their employer networks and business sector representative bodies. The RSPs provide a strategic, regional skills view; identifying priorities based upon labour market intelligence, informed by employer need. They work closely with City Region and Growth Deal structures to identify skills needs.

## **Transport**

People from low income households are more likely to rely on public transport to access employment, training and education so the provision of accessible, affordable transport is an important factor for people seeking a route out of poverty.

Public transport was significantly impacted by the pandemic as numbers using the services reduced and revenue income was affected. In order to protect services and jobs in the bus industry, we provided financial support through the [Bus Emergency Scheme](#). Rail services were heavily impacted with additional revenue support required to ensure services were able to continue. In 2021 we brought Wales and Borders under Welsh Government control via [Transport for Wales](#) with services now being operated by Transport for Wales Rail Services. This support will help deliver our vision for a high quality, safe, integrated, affordable and accessible transport network for Wales that has positive social, economic and environmental impacts.

Our [Llwybr Newydd: The Wales Transport Strategy 2021](#) sets out our ambitions for the next 20 years and our priorities for the next 5 years. Our National Transport Delivery Plan is the first 5 year delivery plan for the Welsh Government to implement its Strategy. The [consultation](#) on the Delivery Plan closed on 11 October and publication will take place in 2023.

## **Objective 5: keeping more money in people's pockets**

The pandemic, and now the cost of living crisis, has seen more people struggling to manage everyday living costs than at any other time since devolution. Objective 5 of our Child Poverty Strategy commits the Welsh Government to support households to increase their household income and address the poverty premium.

In 2020, we introduced the Single Advice Fund (SAF) to ensure the provision of free, impartial information and advice which can support people to access their rights to civil justice and help them to make informed decisions. Since that time, SAF services

have helped more than 144,000 people deal with over 660,000 social welfare problems. Those helped were supported to claim additional income of £83 million and had debts totalling £23 million written off. Over 80% of people accessing SAF services come from a key target group, including disabled people, older people and black, Asian and minority ethnic people.

Over the last year, the Welsh Government has allocated £1.6 billion towards protecting disadvantaged households from the financial impacts of the cost of living crisis and initiatives that deliver the social wage in Wales.

Our support for a more generous 'social wage' has seen the delivery of cash equivalent services which have the effect of leaving money in the pockets of Welsh citizens. This can leave some Welsh families more than £2,000 a year better off than would otherwise be the case, depending on the circumstances they face.

For householders, our [Council Tax Reduction Scheme](#) supports almost 268,000 vulnerable and low-income households in Wales continue to be protected from any increase in their Council Tax liability and our [Warm Homes](#) programme has reduced energy bills.

For pupils and students, [free breakfasts in primary schools](#), our [Free School Meals](#) programme, the [PDG-Access scheme](#), our [Education Maintenance Allowance](#), our [Learning Grant for Further Education](#) and our [grant for undergraduates](#) from low income households, all reduce costs and support young people from low income households to achieve their ambitions and aspirations.

Elsewhere, [free prescriptions](#) for all, [discounted bus travel for younger people](#), support for childcare costs and schemes such as free entry to our national museums, help to improve lives and boost opportunities.

In 2020, the Welsh Government increased the amount of funding for the [Discretionary Assistance Fund](#) (DAF) by £14.9 million so it could support an increase in demand for financial help from people across Wales affected by the pandemic. The rules for claiming support from the DAF were relaxed to support people that experienced a loss of income or incurred additional expenses as a result of Covid-19. It also supported an increase in the number and frequency of Emergency Assistance Payments. We also extended DAF support to off-grid households which were unable to afford their next delivery of oil or LPG due to extreme financial hardship. This support will continue until the end of March 2023 and provides up to £250 for a one-off oil payment or up to three payments of £70 for LPG.

During the pandemic, £2 million of capital funding was provided to credit unions to enable them to continue to support financially vulnerable people. In December 2021, we allocated £60,000 to raise awareness of credit unions to help mitigate the risk that people might turn to high cost lenders and illegal lenders. This resulted in a 220% increase in users of the Credit Unions of Wales loans web page, generating 3529 loan applications. A further £20,000 is now supporting an affordable lending campaign in the run up to Christmas. An additional £600k has been allocated in 2022-23 to expand credit union lending, supporting the ethically driven credit union sector to serve new members who are financially vulnerable.

Our cost of living support has seen investment in a range of programmes that put money directly into people's pockets, helping low income households to manage increased fuel costs and spiralling inflation.

We have supported two Fuel Support Schemes which have helped people on low incomes with a non-repayable £200 payment towards their energy bills. The first scheme supported 166,000 households in 2021-2022 and we have increased the eligibility criteria so an additional 200,000 households can receive support in 2022-2023. We are also funding the Fuel Bank Foundation to enable them to help people who have to pre-pay for their fuel and are at risk of disconnection. This includes households with pre-payment meters and those that use off-grid fuel.

We introduced a [£150 cost of living payment](#) for all households in properties in council tax bands A to D and to all households, which receive support from the Council Tax Reduction Scheme in all council tax bands. The main scheme closed on 30 September 2022 and over 977,000 eligible households received a payment. We have also provided a discretionary payment to local authorities which they can use to support struggling households.

[Analysis](#) of Welsh Government support shows it is targeted at those who need help the most. Around 75% of households are expected to be supported in some way, but nearly twice as much will go to households in the bottom half of the income distribution compared to those in the top half and 3 times as much to those in the bottom fifth compared to those in the top fifth.

## **Five priority areas**

Our Child Poverty Strategy identifies five priority areas where we can do more with the levers available to the Welsh Government to improve outcomes for low income households in the here and now. These areas are childcare, in-work poverty, food poverty, housing and regeneration and mitigating the impacts of welfare reform.

### **Priority area: childcare**

The availability of affordable and accessible childcare is fundamental to tackling child poverty. Supporting people into full time employment opportunities and helping second earners into work is critical to reducing the number of children living in workless households and reducing levels of in-work poverty. High quality childcare also provides access to early childhood education and care which improves the life chances of vulnerable and disadvantaged children.

Affordable childcare can be a barrier for parents and carers who want to take up training and employment opportunities. The Welsh Government's [Childcare Offer for Wales](#) provides eligible 3 and 4 year olds with up to 30 hours of funded early education and childcare during term time and 30 hours of funded childcare for 9 weeks of the school holidays. The Offer is available to eligible working parents and parents in education and training.



During the pandemic we paused the Childcare Offer and introduced the [Coronavirus: Childcare Assistance Scheme](#) (C-CAS). This provided positive benefits to critical workers and vulnerable children which, in turn, supported economic stability and poverty prevention across Wales during the pandemic. Over the period it was available, we invested £17 million in C-CAS and provided care for over 900 vulnerable children and 9,600 children of critical workers. C-CAS closed in September 2020 at which time the Childcare Offer was reinstated.

To further support the childcare sector during the pandemic, we also extended the 100% business rates relief for registered childcare premises. The extension of the rates relief for a further 3 years until 31 March 2025, will save registered childcare providers an estimated £9.7 million in overhead costs.

There were over 18,755 children taking up the Childcare Offer in July 2022.

The latest [independent evaluation](#) findings published in February 2022 once again found the scheme has been supporting parental employment. Parents surveyed reported a range of positive impacts from accessing the Offer. Nearly half said it had given them the potential to increase their earnings and nearly a third believed that they would be working fewer hours had the Offer not been available to them. Importantly, 9% of parents reported they would not be in work if it wasn't for accessing the Offer and 6% indicated that they would be working in a job with lower pay if the Offer had not been available to them.

The evaluation also found the Childcare Offer made the greatest difference to lower income earning parents who were more likely than others to report that the Offer enabled them to remain in employment, increase their working hours and/or earnings. This gave them more flexibility in the way they work and improved their opportunities for in-work training.

### **Priority area: tackling in-work poverty**

In-work poverty is a growing issue which has been impacted by reductions in working age benefits as part of the UK Government's programme of welfare reforms. These reductions have left low income families with little protection to cope with low growth in their earnings. Alongside this, housing costs have risen much more for low income households than for higher income households, taking a greater share of their income. A reduction in levels of worklessness has also resulted in greater numbers of low earners, such as lone parents, entering the workplace.

The most recent reliable data reported for the period 2017-18 to 2019-2020, shows that 71% of children who were living in relative income poverty lived in working households (around 140,000 children). This has increased for the last five periods from 60% reported in the period 2012-2013 to 2014-2015. In addition, about the same proportion of children living in relative income poverty lived in households where all adults were working compared with where one adult but not all adults were working. Our Child Poverty Strategy highlights in-work poverty as an area where we can do more to improve outcomes in the here and now.

Improving conditions at work and addressing labour exploitation is an important factor in tackling in-work poverty. Working with social partners and others, we strive to strengthen worker voice, promote fair work, and tackle modern slavery. Through our [commitment to promote fair work](#), we are encouraging more employers to adopt the real living wage and offer workers greater security in terms of guaranteed working hours. This includes a targeted sector approaches in [social care](#) and [retail](#).

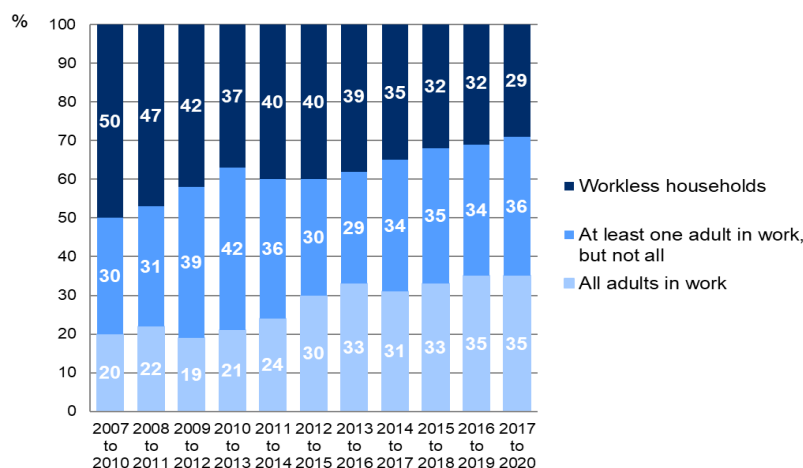
The Welsh Government supports the concept of a Living Wage, as defined by the Living Wage Foundation. We have led by example as an accredited Real Living Wage employer. Earlier this year, £43m of funding was made available to local authorities and Health Boards for 2022-23 to deliver our Programme for Government commitment to deliver the Real Living Wage in social care which will provide a vital wage uplift to this group of key workers. We have also produced a [Guide to Implementing the Living Wage](#) through procurement, and shared it with private, public and the third sector organisations. We also support and work closely with [Cynnal Cymru](#), the Living Wage Foundation's accreditation partner for Wales.

Through our [Economic Contract](#), Welsh Government financial support is linked to the availability of Fair Work. Employers that invest in their workforce, in areas such as health, skills and learning and job progress, play a fundamental role in tackling in-work poverty. In addition, our [Plan for Employability and Skills: Stronger, Fairer, Greener Wales](#), supports an inclusive environment where everyone feels able to participate and achieve their potential by breaking down barriers to labour market participation and progression.

Looking forward, we are taking the [Social Partnership and Public Procurement Bill](#) through its Senedd scrutiny stages. The Bill seeks to establish a statutory Social Partnership Council and introduce new duties in relation to social partnership and socially responsible procurement which will contribute to improved public service delivery and well-being.

### Child poverty indicator:

Chart 3: children in Wales who were living in relative income poverty (after housing costs), by economic status of household, 3 financial year averages



Source: Welsh Government Analysis of HBAI, Family Resources Survey, DWP

## Priority area: food

During the pandemic food banks reported unprecedented demand for access to food from people affected by the crisis. Currently, food inflation has reached its highest in 42 years and is predicted to rise further. Average prices for the cheapest groceries have increased more than other food items meaning households already buying the cheapest foods have seen their bills rise significantly and have limited scope to trade down. This has also driven an increase in demand for emergency food provision.

Since 2019 we have allocated £15.838 million to tackle food poverty to support community food organisations to meet an increase in demand as a result of both the pandemic and the cost of living crisis. It is also supporting the development of cross-sector [food partnerships](#) that will help support resilience in the longer term through a focus on prevention and sustainability with co-ordinated on the ground, food-related activity, ensuring that resources are targeted at areas of greatest need.

On the day of the 2022 Pupil Level Annual School Census (PLASC) in February 2022, 100,305 pupils are eligible for [Free School Meals \(FSM\)](#) plus 14,687 pupils eligible through Transitional Protection. As part of the Co-operation Agreement with Plaid Cymru, we have commenced roll out of [universal primary FSM](#) to an additional 45,000 Reception classes pupils, with an aim to providing all primary pupils with an FSM by 2024. We are also committed to reviewing the FSM eligibility criteria.

Underpinning the FSM offer is the [Healthy Eating Regulations](#) which make a positive contribution in providing a healthy balanced diet and encouraging good eating habits. We intend to review the regulations in line with the latest nutritional standards and guidelines.

We are continuing holiday support for families with children eligible for FSM until the end of the 2022 to 2023 financial year to ensure children from lower-income families do not go hungry during the school holidays. This builds on provision throughout the pandemic bringing our investment to date to more than £100 million.

[2022 PLASC data](#) also shows that, 43,857 children received a [Free School Breakfast](#). This is a significant drop in provision and take-up and is a result of the pandemic as some schools were still in the process of re-establishing their breakfast provision following the pandemic. In addition, a pilot is currently being conducted to provide Year 7 pupils across Wales who receive FSM with an additional £1 allowance to obtain a free breakfast meal without using their lunchtime meal credit.

Work is progressing on a continuation of the school milk scheme. The scheme is available for those schools in Wales who opt-in and provides free milk for foundation phase pupils and subsidised milk for those in KS2.

We have a commitment to developing a Community Food Strategy to encourage the production and supply of locally sourced food in Wales. We have published [2 surveys](#) to gather views on its development, the first for consumers and the second for stakeholders involved in community food initiatives. Food connects communities in many beneficial ways which advance the Future Generations Wales well-being goals. Our aim is an enabling strategy to empower community level food systems.



## Priority area: housing and regeneration

Having access to a decent, secure home has a significant impact on a child's life chances, supporting good mental and physical health, well-being and educational outcomes.

During the pandemic we provided local authorities in Wales with additional funding and guidance to ensure no-one was left without the accommodation they needed to stay safe. By the end of September 2022, over 27,500 people have been supported with temporary accommodation since March 2020 and the approach continues to be in place today.

We also introduced the £10m [Tenancy Hardship Grant](#) for private or social rented tenants who suffered serious rent arrears as a direct result of the pandemic. The grants were paid directly to landlords or their agents to cover the arrears, and to remove the immediate threat of eviction for those arrears.

Poverty is one of the root causes of homelessness. Our [Strategy for Preventing and Ending Homelessness](#) and the supporting [action plan](#) seek to make homelessness rare, brief and unrepeatable by moving to a system focused on prevention and rapid rehousing, working with public services to ensure they are sufficiently supported so that they do not fall back into homelessness. Our programme includes targeted prevention for at-risk groups, including those experiencing abuse, care leavers and people leaving the secure estate. Over £197 million has been allocated to homelessness and housing support in support of this aim. Our £167 million Housing Support Grant prevent homelessness and helps people to live independently. We also provide a £6 million Homelessness Prevention Fund to local authorities for temporary accommodation and homelessness prevention and relief measures.

Affordability of the Private Rented Sector for people in receipt of housing benefits is becoming increasingly challenging. With Local Housing Allowance (LHA) rates set by UK Government, and frozen since April 2020 (based on 30th percentile of rents as at September 2019), the gap between LHA rates and current rents is significant. Data held by Rent Officers Wales for the year to the end of September indicates a shortfall on an all-Wales basis of 8.99%. However, this masks significant regional variations, with Newport and Monmouth showing the greatest differences of 20.20% and 17.55% respectively.

Discretionary Housing Payment (DHP) funding, administered by the DWP, can be used to help prevent tenants in receipt of housing-related benefits from getting into rent arrears. However, the DHP budget in Wales in 2022-2023 is £6,349,254, 26% less than funding in the previous year. This follows an 18% reduction in 2021-2022 funding compared to 2020-2021. DHP funding in 2022-2023 is the lowest amount Wales has received since the commencement of the UK welfare reform policy.

To mitigate some of these cuts and support tenants, this year the Welsh Government has provided an additional £6 million to local authorities for a Discretionary Homelessness Prevention Fund. This fund can provide immediate support to prevent

and relieve homelessness for those at risk through preventative measures such as offering a rent guarantee, paying for rent arrears as part of a package of action to sustain a tenancy and topping up the DHP funding.

In January 2022 Welsh Government launched Leasing Scheme Wales and committed £30 million over the next 5 years to it. The purpose of Leasing Scheme Wales is to allow local authorities to lease from private landlords and rent out for between 5-20 years over 1,500 long term private rental properties to people presenting as homeless or being at risk of becoming homeless.

The [Renting Homes \(Wales\) Act](#) came into force on 1<sup>st</sup> December 2022. The new law will make renting easier, provide greater security for tenants and ensure homes are fit for human habitation.

The Welsh Government has a continued commitment to social housing. Building on the success of previous housing targets we have committed to deliver [20,000 new low carbon homes](#) for rent in the social sector this Senedd term. To support this commitment record levels of funding have been provided. From 2020 to 21 and 2022 to 2023, £675 million has been allocated to the Social Housing Grant with indicative draft budget allocations of £330m in 2023-2024 and £325m in 2024 to 2025. Although house building largely continued throughout the pandemic, it presented a number of challenges for the industry which make the 20,000 target very challenging.

The Minister for Climate Change has also committed a budget of £50 million over two years to support homeowners to bring up to 2,000 empty properties back into use as safe, secure homes. Further announcements will follow early in the new year.

We continue to support affordable housing through the Rural Housing Enabler (RHE) programme. RHEs play an important role in supporting rural housing, working with communities to identify local housing need. Funding of £139,687 is being provided in 2022 to 2023 to continue this programme in the most rural areas of Wales.

In 2022 we consulted on a new [Welsh Housing Quality Standard 2023](#) which includes proposals to significantly boost the energy efficiency requirements for social housing to reflect our decarbonisation ambitions and minimise energy bills for tenants.

The cost of living and energy crisis have highlighted the importance of our Warm Homes and Optimised Retrofit Programmes. From 2010 to March 2021, more than 67,100 lower income households have benefitted, **saving an average of more than £300 on their annual bills**. [Warm Homes Nest](#) provides households with free, impartial advice and signposting to a range of support services. It can also deliver a package of free home energy efficiency measures to eligible households such as a central heating system, a boiler or insulation. In addition, the Welsh Government and European investment of £8 million in the [Arbed](#) scheme in 2020 to 2021 resulted in 1,032 homes being improved through 22 schemes in 12 local authority areas installing 5,050 measures. The scheme has now closed. A [consultation](#) on the next iteration of the Warm Homes Programme ended on 1 April 2022. The current Warm

Homes Nest scheme will continue to operate whilst a new demand led service is procured in 2023 and an integrated approach across all tenures will follow.

Investing in communities so they provide social and economic benefits such as work and leisure opportunities can play a significant role in tackling poverty. Our Transforming Towns Programme was launched in January 2020 to address the decline in town and city centres. It is investing £136m in towns across Wales and we have committed a further £100m over three years in our final 2022 to 2023 budget.

The programme is focussed on the diversification and sustainable growth of our town and city centres, ensuring a wider offer of activities and uses including flexible business space, leisure, local services and cultural activities. Interventions include improved biodiversity and green infrastructure and reuse of derelict buildings.

The pandemic presented huge challenges for town centre traders and service providers, accelerating well-established trends such as growth of online sales and pressure on the retail sector. During this time we were able to bring increased flexibility to our Placemaking Grants, allocating funds to local authorities to work in partnership with stakeholders such as Business Improvement Districts to supporting the development of open air trading spaces and covid safe retail and hospitality.

### **Priority area: mitigating the impact of welfare reform**

The impact of the UK Government's welfare reform programme in Wales has been particularly acute for children and families and people with protected characteristics. Cuts to working age benefits have also seen a significant growth in poverty amongst people who are working. The [Joseph Rowntree Foundation](#) report that levels of social security support remain at historic lows, with the basic rate of benefits at its lowest in real terms for 40 years after more than ten years of cuts and freezes. In March 2020, the UK Government increased some key welfare benefits by £20 per week to help people affected by the pandemic, however, this additional payment was withdrawn in October 2021, at the same time as the cost of living was increasing, which left many households facing a financial cliff edge.

We are taking action across the Welsh Government to support people who are financially vulnerable to find out about and access the financial support they are entitled to. We have recently merged the Income Maximisation Benefit Take-up Working Group and the Debt Task and Finish Group to form a single group to focus on helping households struggling with the rising cost of living and ongoing financial pressures arising from the pandemic. As part of its remit, the Income Maximisation Task and Finish Group is looking at ways of helping people to access all the financial support they are entitled to and offering pathways out of debt in an affordable way for people who are financially vulnerable and struggling to repay their debts.

In November 2020 we published our [Income Maximisation Action Plan](#) (IMAP) which sets out a number of practical actions to help maximise incomes, reduce essential living costs and support financial resilience:

- We developed a communications strategy to address concerns that vulnerable people had difficulty finding out about the financial support they were entitled to.

To date, we have delivered two '[Claim What's Yours](#)' campaigns which have supported more than 9,000 people to access more than £2.7 million in additional income. A new '[Here to Help](#)' campaign has now been launched to boost the take up of unclaimed benefits.

- We are supporting the provision of online training sessions for frontline workers ([DANGOS](#)) which aim to increase knowledge and awareness about the financial help that is available so they can assist service users to claim the support they are entitled to. Over 650 frontline workers have accessed the training so far and we are continuing delivery of the sessions to meet the demand shown across Wales.
- From October 2020 to March 2021, Single Advice Fund services ran six 'Test and Learn' pilots, delivering tailored messages and support to encourage take-up amongst groups least likely to be claiming all the financial support they are entitled to. Over 1,500 people were helped to resolve 5,087 issues relating to social security benefits and helped to claim over £2.4 million.
- Working with local authorities, we looked at what more we could do to simplify and streamline the application process for Welsh benefits and make it easier for families to claim all the support they are entitled to. This work resulted in the publication of a [Best Practice Toolkit](#) which collates 'what works' in making devolved benefits more accessible to people in need of this support.

In addition, we have developed a short guide on [Financial Support for Individuals](#) which has been published on our website and is available in a number of languages.

To help alleviate some of the immediate financial pressures, we have invested an additional £15 million+ this financial year to maintain the flexibilities to [Discretionary Assistance Fund](#) (DAF) that were introduced during the pandemic, supporting more people to receive financial assistance more often. Between 1 April 2022 and 31 August 2022, more than 100,000 awards were made totalling over £11.1 million. Nearly £7 million were emergency cash payments helping people meet the cost of food and fuel. Data for uptake of the DAF is now published on the [Stats Wales](#) website

## Looking forward

We have focused much of our activity to tackle poverty over the last three years in response to the pressures brought about by our exit from the EU, the pandemic and now the cost of living crisis.

Our efforts to prevent and tackle poverty are taking place against a backdrop of lost European funding. Through the UK Government's post-EU funding arrangements, Wales has been left with a £1.1 billion loss in un-replaced EU funds. This has meant that hard decisions are being made by the Welsh Government and other institutions across business, higher education and further education, and the third sector which have benefitted from EU Structural Funds previously to help drive our economy and prevent poverty. The Welsh Government has also been denied access to the Shared

Prosperity Fund or a decision-making role in how the Fund is being delivered in Wales.

The UK Government's Autumn Statement result in some additional allocations for Wales – £1.2bn over the next two years (2023-2024 and 2024-2025) – but this will not fill the significant gaps in our budget or meet the pressures facing public services. Ministers face very difficult choices as they make the 2023-2024 Budget. Wales' settlement over the three-year spending review period (2022-2023 to 2024-2025) is still lower in real terms than expected last year. The impact of inflation means our settlement could be up to £3bn lower in real terms and up to £1bn lower next year.

In his Autumn Statement in November, the Chancellor of the Exchequer announced the introduction of tax rises and spending cuts that will place further financial pressure on households already struggling with the cost of living crisis.

A long term approach to tackling the root causes of poverty is more important than ever if we are to have a measurable and lasting impact on poverty in Wales.

In March this year, Cabinet reaffirmed its commitment to a whole government approach to tackling poverty and the delivery of Programme for Government commitments through a poverty lens.

Looking forward, in the coming months we will launch a consultation on a refreshed Child Poverty Strategy for Wales with a view to publishing the Strategy in 2023. This will be informed by evidence from our child poverty review which looked at what more needs to be done to ensure that existing poverty programmes have maximum impact on the lives of children living in poverty; it will draw on the findings of the Wales Centre for Public Policy's review of what works in tackling poverty. We will also be seeking the views of people and organisations across Wales, including those with a lived experience of poverty. We encourage you to engage with us on this. We would very much welcome your views.