

Finance Committee

Scrutiny of the Welsh Government Draft Budget 2018-19

December 2017



National Assembly for Wales
Finance Committee

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To carry out the functions of the responsible committee set out in Standing Order 19; the functions of the responsible committee set out in Standing Orders 18.10 and 18.11; and consider any other matter relating to the Welsh Consolidated Fund.

Current Committee membership:



Simon Thomas AM (Chair)
Plaid Cymru
Mid and West Wales



Neil Hamilton AM
UKIP Wales
Mid and West Wales



Mike Hedges AM
Welsh Labour
Swansea East



Jane Hutt AM
Welsh Labour
Vale of Glamorgan



Steffan Lewis AM
Plaid Cymru
South Wales East



Nick Ramsay AM
Welsh Conservative
Monmouth



David Rees AM
Welsh Labour
Aberavon

The following Member was also a member of the Committee during this inquiry:



Eluned Morgan AM
Welsh Labour
Mid and West Wales

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Chair's foreword

The scrutiny of this draft budget is the second undertaken by the Finance Committee during this Assembly, and the first to be undertaken utilising the newly agreed budget process. The budget process has changed as a result of the Wales Act 2014, which introduced fiscal devolution into Wales. This means that it is now the role of the Assembly to hold the Government to account for not just its spending plans, but its plans to raise revenue through borrowing and taxation on property and landfill waste.

One of our key considerations is the new powers around taxation and the approach being taken to these new fiscal powers. We are grateful to the Cabinet Secretary for providing details of his intended tax rates alongside the draft budget documentation. The Cabinet Secretary said that, in light of the UK Government's announced changes to Stamp Duty rates, he would be considering changes to the proposed rates in Wales, and we look forward to the regulations providing details on the final rates. We also believe that the changes at a UK level may result in transactions in Wales being rushed through pre April 2018, and we agree that the Welsh Government should be compensated for any revenues lost due to this UK Government policy decision.

In relation to taxation, one of the areas we have examined is the forecasting of tax revenues in Wales. Evidence has shown that there is limited Wales specific data, and there has been mixed evidence as to how vital this is to producing accurate forecasts. As a Committee we recognise that there is a case for improving Wales specific data, but also that we need additional work undertaken on the costs and benefits of providing that data.

Whilst not necessarily a matter for this draft Budget, we briefly looked at proposals for new taxes and believe this to be an exciting new stage of fiscal devolution in Wales. We look forward to working with the Cabinet Secretary over the next year in bringing forward a new devolved tax, and we agree that the UK Government's roles in the consideration of new taxes should be limited to the issues of competence and the impact on UK revenues.

As part of the UK Budget additional funding was allocated to Wales, a great deal of this was actually in the form of 'Financial Transaction Capital'. The Committee heard from the Cabinet Secretary that this form of funding had limited uses in Wales – as a Committee we are keen to investigate this further and in the new year we will be considering the availability and effectiveness of Financial Transaction Capital.

One issue which is a continuing theme from our scrutiny last year is the information available within the draft Budget in terms of how the Government's commitments are prioritised and fed into the budget allocations, we'd also like to see clearer links with the Programme for Government and the Prosperity for All strategy.

Two other themes that emerged during our scrutiny last year have also been raised again this year. Firstly, the continued prioritisation of Health – prioritisation, which doesn't seem to be resulting in service improvement or better financial planning, and is often at the expense of other areas – notably, Local Government. The other theme relates to the Well-being of Future Generations (Wales) Act 2015. Last year we found that limited progress had been made in demonstrating how the Act is embedded in the draft Budget, and we wanted to see a quantifiable improvement this year. We don't think there

has been this level of improvement, but we can see that efforts are being made and we would hope to see more improvements going forward.

Our final theme relates to Brexit, an area which is of interest to everyone, and we are concerned that the uncertainty of Brexit is impacting on the investment decisions being made by businesses now. We are keen to see more efforts on the financial preparedness for Brexit in Wales and we will be looking at an inquiry in this area going forward.

This is the first year we have scrutinised the draft Budget looking at the strategic details, whilst the policy committees are able to report in their own right to the Assembly. We look forward to seeing these reports and discussing with our Committee colleagues how this new process has worked for them.

I would like to thank everyone who has contributed to this year's scrutiny, whether that's attending the stakeholder events or providing written or oral evidence. As a Committee we are grateful for the work of all our stakeholders in helping us shape our findings.

A handwritten signature in black ink, appearing to read 'Simon Thomas', written in a cursive style.

Simon Thomas
Chair

Recommendations

Recommendation 1. The Committee would expect to see more progress in future years in terms of describing how commitments are prioritised and feed in the budget allocations and through to outputs. Page 19

Recommendation 2. The Committee recommends that the Government continues with the practice of aiming to publish its draft Budget prior to the publication of the UK Budget in autumn 2018. Page 19

Recommendation 3. The Committee recommends that when the Government provides a draft Budget for the next financial year that indicative figures should be provided for the two financial years following (where UK budgets allow). Page 19

Recommendation 4. The Committee recommend that the Welsh Government should further consider the provision of Welsh specific data to inform forecasting, modelling and tax policy development. Page 32

Recommendation 5. The Committee recommends that the Government continues to utilise the most economical sources of finance available to them. Page 35

Recommendation 6. The Committee recommends that where reserves which are currently earmarked for infrastructure projects are not used on these projects the Government should aim to use the funding for other infrastructure projects in line with their published strategic priorities. Page 39

Recommendation 7. The Committee re-iterates the recommendation it made in relation to the 2017-18 draft Budget that the Government should demonstrate greater alignment between its draft budgets, the well-being goals and the five ways of working. Future draft budgets should also demonstrate how the Government’s allocation of funds will meet the priorities outlined its national strategy, currently Prosperity for All. Page 55

Recommendation 8. The Committee recommends that the strategic integrated impact assessment provided alongside future draft budgets should provide a clear explanation as to how decisions were arrived upon. Page 55

Recommendation 9. The Committee recommends that the Cabinet Secretary consider the suggestion that the Future Generations Commissioner has a role in assessing the impact of Government’s budget in supporting the well-being goals, both in the short and longer term. Page 55

Conclusions

Conclusion 1. The Committee will continue to monitor and discuss the timing of the budget with the Government as the new system of budget scrutiny is embedded and tax devolution continues. Page 22

Conclusion 2. The Committee is concerned by the issues associated with the repayable financial transactions capital, and how restrictions around the use of this funding may limit the Welsh Government to get best value for money in allocating these funds. The Committee will consider this further in 2018. Page 35

Conclusion 3. The Committee is concerned that health funding continues to form a growing proportion of the Government budget, while evidence on the required scale of progress to transform services to prevent or reduce demand is lacking, particularly when considered against the cuts to Local Government. The Committee is interested to see the reports of the relevant policy committees in their consideration of the suitability of funds added to these areas. Page 39

Conclusion 4. The Committee recognises that UK Government decisions in relation to leaving the European Union could result in demand for capital investment in areas such as ports and agrees that such funding should be borne by the UK Government. Page 60

Conclusion 5. The Committee urges the Government to consider the potential for utilising the financial transactions capital announced in the UK Budget for business support and Brexit preparations. Page 60

01. Committee background & Standing Orders

The Committee

1. The Finance Committee (the Committee) is a cross party committee of the National Assembly for Wales (the Assembly), made up of Members from the political parties represented at the Assembly.
2. Under 'Standing Order 19 – Finance', the Committee is responsible for considering and reporting on proposals laid before the Assembly by Welsh Ministers containing proposals for financing or the use of resources. The Committee can also consider and report on any other matter related to or affecting financing, or expenditure out of the Welsh Consolidated Fund.¹

Scrutinising the draft Budget

3. The Wales Act 2014 devolved additional fiscal powers to the Assembly, specifically stamp duty land tax (SDLT), landfill tax revenues and increased borrowing powers. In April 2018 two specific Welsh taxes will come into force, Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT). As such this is the first draft Budget to be scrutinised under a new budget process² which was agreed by the Assembly on 21 June 2017³.
4. The new budget process sets out that two stages of information will be published by the Government:
 - outline proposals which set out the high-level strategic spending and financing plans of the Government, and
 - the detailed draft Budget in which the Government will provide budget proposals for each portfolio at the Budget Expenditure Line (BEL) level or equivalent with appropriate supporting narrative.
5. The new budget process also allows for a formal reporting role for policy and legislation committees. The Finance Committee will consider the overall strategic decision making and prioritisation behind the allocations within the outline draft Budget proposals, along with taxation and borrowing plans, against the backdrop of public finances and the wider economy. Whilst the other Assembly committees will be encouraged to take a more active role in scrutinising the detail of budgets within their portfolios, and produce a report directly to the Assembly.
6. The Government's outline budget proposals 2018-19 were published along with a tax policy report, an independent forecasts assessment, and the Chief Economist's report on 3 October 2017. Following the publication of this report, there will be a debate in plenary on the draft Budget and subsequently, there will be a final budget motion (the annual budget motion), as required by the Government of Wales Act 2006.

Consultation

7. Under the new budget protocol the Committee will endeavour to undertake a pre-budget scrutiny session. On 13 July 2017, the Committee visited Beaumaris, Anglesey to engage with stakeholders prior to the scrutiny of the draft Budget. The event was attended by a variety of

¹ National Assembly for Wales Standing Orders

² Changes to Standing Orders and the associated Budget Process Protocol between the Assembly and the Welsh Government were agreed by the Assembly on 21 June 2017

³ Plenary, Record of Proceedings, 21 June 2017

stakeholders, including representatives from a homelessness organisation and young people associated with that organisation, a representative of a community group for older people, and a member of the public. These stakeholders were asked what they thought the priority areas for the Government's budget should be and were invited to comment on any issues relating to Government budget allocations.

8. Some of the issues raised by stakeholders as areas where they felt the Government should look to prioritise funding and investment were:

- housing, including a lack of affordable homes;
- the economy and employment, including a lack of suitable opportunities for employment in local communities, including apprenticeship opportunities, and the ability of rural areas to attract and retain professionals;
- transport in less urban areas, including the integration of services;
- sustainability of social services; and
- long term planning, including uncertainty of short term funding cycles.

9. Additionally the Committee issued a pre-budget consultation, inviting stakeholders to comment on the expected draft Budget proposals. The call for information invited consultees, organisations and individuals to let the Committee know their expectations of the forthcoming draft Budget.

10. The Committee was pleased to receive responses from a range of organisations. Links to these contributions can be found at Annex B.

Budget focus

11. The Committee agreed to continue the approach followed in previous years, whereby budget scrutiny is centred on the four principles of financial scrutiny: affordability, prioritisation, value for money and process. The principles are:

- Affordability – Is the big picture of total revenue and expenditure appropriately balanced?
- Prioritisation – Is the division of allocations between different sectors/programmes justifiable and coherent?
- Value for money - Are public bodies spending their allocations well – economically, efficiently and effectively? i.e. outcomes.
- Budget processes - Are they effective and accessible? Is there integration between corporate and service planning, and performance and financial management?

12. Additionally, the Committee identified a number of areas which it would like itself and policy committees to focus scrutiny on, these are:

- financing of local health boards and health and social care services;
- approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early);

- sustainability of public services, innovation and service transformation;
- government policies to reduce poverty and mitigate welfare reform;
- the Government’s planning and preparedness for Brexit;
- how the Government should use new taxation and borrowing powers;
- how evidence is driving Government priority setting and budget allocations;
- how the Well-being of Future Generations (Wales) Act 2015 is influencing policy making.

02. Setting the scene

13. In preparing this draft Budget a number of issues would have been considered by the Government:

- continued austerity by the UK Government;
- new fiscal responsibilities;
- the Fiscal Framework⁴.

14. Additionally, the draft Budget was prepared prior to the UK Government’s Autumn Budget. Consequently, the Government’s draft Budget is based on provisional figures from the UK Government, and decisions made in the UK Autumn Budget will impact both devolved taxes and on funding for 2018-19 and beyond. The Government and Assembly concluded when agreeing the new budget process and protocol that this uncertainty was preferable to the alternative of waiting for final figures from the UK Government, as this enabled NHS, local government and delivery partners’ earlier indication of funding for 2018-19.

15. The figures from the spring 2017 **UK budget**⁵ suggested that the Government’s revenue funding in 2018-19 would remain fairly constant in cash-terms, with real terms cuts. In the UK, expenditure per person on public services is forecast⁶ to fall by 4.8 per cent in real terms over the period between 2017-18 and 2021-22.

16. The Wales Public Services 2025 report, **Welsh Government Budgetary Trade-offs: Looking Forward to 2021-22**⁷ recently calculated that since 2009-10, real-terms revenue funding available to the Government has fallen by 8 per cent, and may fall by a further 0.5-3 per cent by 2020-21.

17. Following the UK General Election in June 2017, the Conservative Party and Democratic Unionist Party agreed a confidence and supply arrangement⁸ for the duration of the UK parliament. This provides Northern Ireland with an additional £1 billion funding over the current UK parliament, allocated outside the Barnett Formula, along with new flexibilities on £500 million funding already committed. The Welsh and Scottish Governments have invoked a formal dispute resolution process with the UK Government regarding this arrangement, with the Government considering that Wales should receive £1.67 billion additional funding.⁹

18. The Cabinet Secretary for Finance (the Cabinet Secretary) explained that the draft Budget had been formed by drawing on available information, using the parameters set by the UK Government in the November 2016 Autumn Statement and the March 2017 budget.¹⁰ In addition, the Cabinet Secretary said that the impact of the new fiscal framework was considered “both in relation to our ability to borrow for capital purposes, but also the impact of the 105 per cent multiplier is seen in this budget for the first time, in a modest way”.¹¹

⁴ **Fiscal Framework for Wales**

⁵ **UK Government, Spring Budget 2017**

⁶ Wales Public Services 2025: Welsh Government Budgetary Trade-offs: Looking forward to 2021-2022, page 4

⁷ **Wales Public Services 2025: Welsh Government Budgetary Trade-offs: Looking forward to 2021-2022**

⁸ **Conservative and DUP Agreement and UK Government financial support for Northern Ireland, 26 June 2017**

⁹ **Welsh Government, Formal dispute resolution process underway over fair share of Barnett consequentials from UK Government’s DUP deal, 19 July 2017**

¹⁰ Finance Committee, Record of Proceedings, 19 October 2017, paragraph 243

¹¹ Finance Committee, Record of Proceedings, 19 October 2017, paragraph 244

19. The Cabinet Secretary also expanded on the impact of the Fiscal Framework in stating that the 105 per cent multiplier benefited Wales by £47 million over the next 2 years, any subsequent positive consequentials from UK Budget spending decisions could increase this further.¹²

Programme for Government

20. In September 2016 the Government published its Programme for Government, [Taking Wales Forward](#). Some of the key commitments in this are:

- thirty hours free childcare for working parents of 3 and 4 year olds for 48 weeks per year – estimated additional cost of £84 million per financial year;
- a tax cut for 70,000 small businesses – current cost of small business rate relief is £98 million in 2016-17 and has been extended to 2017-18;
- creating a minimum of 100,000 apprenticeships over the Assembly term – additional financial commitment not clear;
- new Treatment Fund for life-threatening illnesses – estimated additional cost of £16 million per financial year;
- double the capital limit for those going into residential care to £50,000 – estimated additional cost of £10 million per financial year; and
- invest an additional £100 million to improve school standards over the Assembly term.

21. In autumn 2017 the Government also published its national strategy, Prosperity for All.¹³ This has four elements, Prosperous and Secure, United and Connected, Healthy and Active, and Ambitious and Learning.

22. The Cabinet Secretary was asked how the budget links with the Programme for Government, he said:

“‘Prosperity for All’, which is the latest emanation of the programme for government, identifies five priority areas, and those priority areas helped shape the budget. They were part of our budget discussions. ... So, the priority areas, from the programme for government and through ‘Prosperity for All’, every one of them is aligned with the budget and every one of them has investments to try and allow us to do more.”¹⁴

23. The Cabinet Secretary continued to explain the intent of Prosperity for All is to:

“... make sure that we draw together the different threads of Government activity so that the community could have more of an impact than if they had just been stand-alone ... It’s the holy grail of Government, I know, always to try to join up the different bits of our activity, and we will continue as a Government to try and do better in that area than we have in the past.”¹⁵

¹² Finance Committee, Record of Proceedings, 5 October 2017, paragraph 341

¹³ [Welsh Government, Prosperity for All: the national strategy, Taking Wales Forward](#)

¹⁴ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 424

¹⁵ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 437

UK budget

24. Following the UK Government’s decision that the main UK budget will now be announced in the autumn rather than in March, the UK budget was published this year on the 22 November. The reason for this single fiscal event and new timetable is to bring forward tax changes so that they are legislated for before the start of the tax year.

25. Prior to the publication of the UK Budget, the Office of Budget Responsibility (OBR) produced a Forecast evaluation report,¹⁶ which indicated productivity growth forecasts used in the UK Autumn Budget were likely to be downgraded. The chart below, taken from the forecast evaluation report, shows successive OBR productivity forecasts (output per hour). The Autumn Budget confirmed that OBR now expects to see slower GDP growth, mainly reflecting a change in its forecast for productivity growth. It has revised down its forecast for GDP growth by 0.5 percentage points to 1.5 per cent in 2017, then growth slows in 2018 and 2019, before rising to 1.6 per cent in 2022.¹⁷

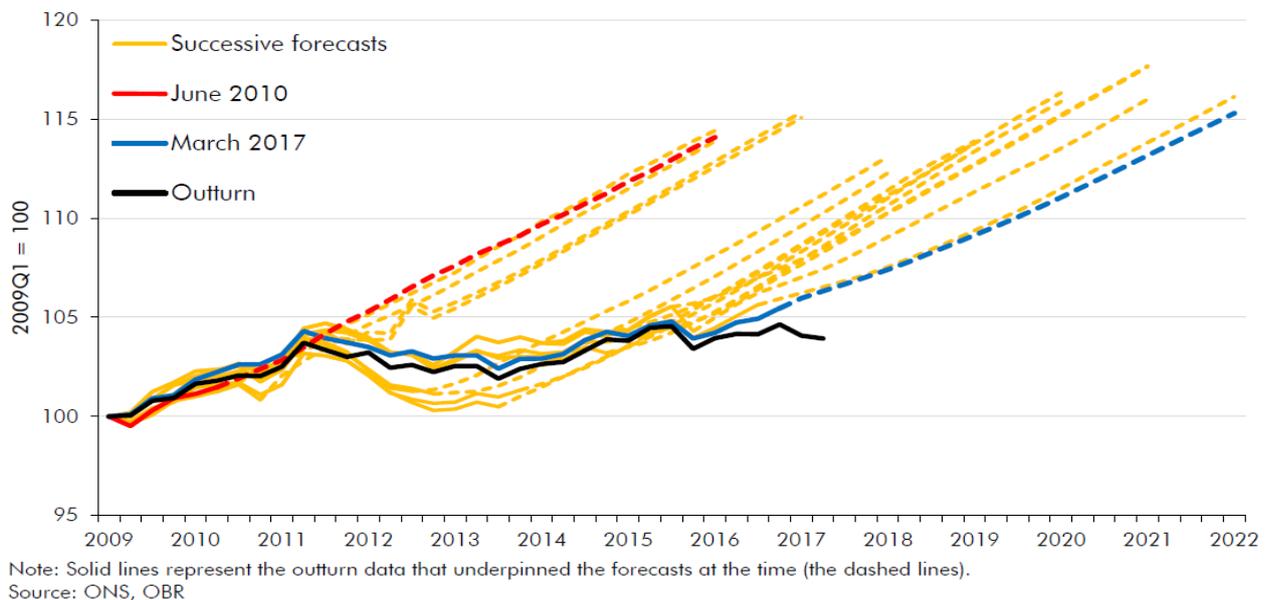


Figure 1: Source: [Office for Budget Responsibility, Forecast evaluation report, Oct 2017](#)

26. Prior to the UK Budget announcement on 22 November, it was suggested that the Chancellor of the Exchequer had been keeping some flexibility within his budget for Brexit, but this flexibility has been diminishing and the UK Budget is likely to be tighter than previously expected. David Phillips of the Institute of Fiscal Studies (IFS) stated that:

“I think the point you raise there about the OBR suggesting a productivity downgrade is really important, if you think about what might be happening in the coming budget, and actually, certainly further down the line, we’ve got political pressure to ease up on austerity, but economic pressure suggesting an extension of austerity if this productivity growth doesn’t happen. So, I think there’s a real question about how the Government will square that circle. My feeling would be that it would likely mean that, if there is an easing up, it will be

¹⁶ [Office for Budget Responsibility, Forecast evaluation report, Oct 2017](#)

¹⁷ HM Treasury Autumn Budget 2017, page 1

target-specific and time limited, and, actually, there could be further austerity in the 2020's.”¹⁸

27. The Committee discussed with David Phillips the agreement to compensate the Scottish Government for people bringing forward house purchases due to a cut in UK stamp duty rates in the months before newly devolved rates were introduced in Scotland. He said:

“... because the new rate introduced by the UK was lower than what the Scottish Government said the rate was going to be and the UK rate was going to apply for a few months, there was going to be forestalling and people were going to bring forward their transactions. So, what was agreed was that there would be transfer from Westminster to Scotland to cover some of that forestalling side of things. I think there's been some discussion. The Welsh budget talks about a transfer from Westminster to Wales if there's forestalling in response to Wales having a higher tax rate, as proposed in the budget for higher transactions.”¹⁹

28. In relation to the impact of the UK budget being published after the Welsh draft Budget, Andrew Jeffreys, Director Welsh Treasury said:

“there are two big things that we need to take account of. Obviously, the OBR will ... will get redone, both their macro forecast and their more detailed tax forecasts. So, that's important, but also it follows through into the block grant adjustment, which helps determine our overall resources available. So, both the tax side in Wales, our forecasts, will need to be updated, and our spending plans, as determined by the block grant, will need to be updated.”²⁰

29. Some of the main Autumn Budget impacts on Wales were as follows:

- First time buyers no Stamp Duty for purchases up to £300k. Also, they will not pay tax on the first £300k for purchases up to £500k. The OBR estimate that the forestalling impact on Wales will be below £0.5m.
- Updated OBR forecasts of devolved taxes are lower than Welsh forecasts. Land Transaction Tax £14m lower in 2018-19, £89m lower over 4 years. Landfill tax £5m lower in 2018-19, £18m lower over 4 years.
- Additional £1.2bn for Wales over 4 years to 2020-21, £65m of this due to the 105 per cent multiplier in the Fiscal Framework. However, much of this additional funding is repayable capital financing.
- Regarding the £3.5bn savings the UK had been committed to finding as part of an Efficiency Review that due to a combination of reforecasting, reprioritisation and need to invest in new pressures, 2019-20 departmental spending will be £2.1 billion higher than envisaged at Budget 2016.

¹⁸ Finance Committee, Record of Proceedings, 19 October 2017, paragraph 37

¹⁹ Finance Committee, Record of Proceedings, 19 October 2017, paragraph 88

²⁰ Finance Committee, Record of Proceedings, 11 October 2017, paragraph 458

- The UK Government announced business rates would be increased by CPI, 3.0 per cent in September 2017, rather than RPI, 3.9 per cent, which has been used to increase the multiplier in both England and Wales. If the Government was to consider matching this policy it would impact on tax revenues in Wales.²¹

30. In preparing for possible cuts from the Autumn 2017 UK budget, and in particular the previously anticipated £3.5 billion cuts by 2019-20, the Cabinet Secretary explained he had made provisions in indicative 2019-20 budgets to mitigate against this risk:

“I made a judgment that I have to prepare for the Chancellor taking £100 million out of our budget. Now, that might turn out to be too optimistic, but we have provisions within the fiscal framework agreement to allow me to cope with that through the Welsh reserve, if it is. But you see the impact of that, and, so Members are clear, in the mechanics of it, what I have done is to reduce main expenditure group-level budgets by £100 million and to put that £100 million into the reserve. So, I’m holding it here, so, if the Chancellor does reduce our budget by £100 million, I’ve got it there to give it to him and I don’t have to reopen all the MEGs in order to do so.”²²

31. The Cabinet Secretary also expanded on the challenges associated with preparing the Welsh draft Budget prior to the publication of the UK budget:

“We will have to make a judgment after 22 November as to whether or not the impact on our budget is so significant that I have to deal with it through changes to the final budget, or whether they’re at the modest end of things and the second supplementary budget will be a more suitable vehicle to accommodate those changes.”²³

32. When asked whether the current fiscal cycle, taking account of the draft Welsh budget and the UK budget, may result in significant changes to changes to figures and forecasts, the Cabinet Secretary said this was “inevitable”²⁴, with the Welsh Treasury Director confirming “there will definitely be a revision in the final budget of those forecasts, and, I suppose, as long as we’re in this kind of cycle, that will become a feature”.²⁵

33. Following the publication of the UK Budget on 22 November, the Cabinet Secretary attended Committee and clarified that:

“The statement put out by the UK Government says that Wales will get an extra £1.2 billion over the three or four years of the prospectus set out by the Chancellor yesterday. The key thing to know about that is that over half of that comes in the form of financial transaction capital. So, that is money that, in the end, we have to give back to the Treasury. It’s not money that stays here permanently in Wales.”²⁶

²¹ HM Treasury, Autumn Budget 2017

²² Finance Committee, Record of Proceedings, 5 October 2017, paragraph 247

²³ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 248

²⁴ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 310

²⁵ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 308

²⁶ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 168

34. The Cabinet Secretary also referred to the money which will be allocated to Wales as a result of the NHS in England receiving additional funding, adding that as the money comes to the Government in the final quarter of the year, it is hard to make the best use of the money, in “the most planned way”.²⁷

Committee view

35. In scrutinising the draft Budget 2017-18 the Committee concluded that the draft Budget documentation did not provide a strong link between allocations and the Programme for Government. The Committee recommended that in future years the Government ensures that the draft Budget documentation give a clear steer on how this has taken place, and that it should show a stronger link to outcomes. In its [response](#) to the Committee’s report, the Government accepted this recommendation in principle and stated that it would reflect on this in the production of the draft Budget for 2018-19.²⁸ The Committee appreciate the Government’s view that this is an evolving process. However, the Committee expect more progress in future years in terms of describing how commitments are prioritised and feed into budget allocations and through to outputs.

36. The Committee acknowledges that there are difficulties associated with the different financial planning cycles of the UK Government and the Welsh Government, however it recognises the benefit in having some details provided for scrutiny prior to the UK Government budget being published. The Committee is mindful that this is the first year of the new budget process and will review how the budget process has worked this year. It was very helpful to have the Cabinet Secretary attend Committee following the UK Government budget to provide an early explanation of the impact of the UK Government decisions.

37. The Committee would like to see three year indicative spending plans from the Government, whilst recognising that this can be difficult where there are no UK Spending Review figures. Further details on long term budget planning can be seen in chapter 7.

Recommendation 1. The Committee would expect to see more progress in future years in terms of describing how commitments are prioritised and feed in the budget allocations and through to outputs.

Recommendation 2. The Committee recommends that the Government continues with the practice of aiming to publish its draft Budget prior to the publication of the UK Budget in autumn 2018.

Recommendation 3. The Committee recommends that when the Government provides a draft Budget for the next financial year that indicative figures should be provided for the two financial years following (where UK budgets allow).

²⁷ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 198

²⁸ [Government response to the Finance Committee’s report on its scrutiny of the Draft Budget 2017-18, January 2017](#)

03. The Outline Draft Budget

38. The Government's outline budget proposals 2018-19 were published along with a tax policy report, an independent forecasts assessment, and the Chief Economist's report on 3 October 2017.

39. The outline budget suggests that the Government's prioritisation, at a high level, is similar to the previous year, whereby NHS funding has been increased in line with Health Foundation report recommendations,²⁹ and social care and schools funding are "protected":

- Funding increases continue for the NHS in line with Nuffield Trust and the Health Foundation analyses, with "an additional £230 million in 2018-19 and a further £220 million in 2019-2020";
- Social care will receive "an extra £42 million in 2018-19 increasing to £73 million in 2019-20". (Stated to be equivalent to maintaining the Government share of core spending on social care at 2017-18 levels);
- Funding has been moved "to support core schools' services with an extra £62 million in 2018-19 rising to £108 million in 2019-20". (Stated to be equivalent to maintaining the Government share of core spending on schools at 2017-18 levels);
- Education MEG includes "an extra £43.6 million in 2018-19 and £101 million in 2019-20".

40. In the local government provisional settlement which was released on 10 October, tables showed that the following grants (£91.7m) were transferred into the Revenue Support Grant (RSG):

- waste element of Single Revenue Grant £35m;
- Welsh Independent Living Grant £26.9m;
- Social Care Workforce Grant £19m;
- Looked After Children £7.4m;
- Carers' Respite Care Grant £3m;
- Social Care for prisoners in the secure estate £0.4m.

41. Adjusted for transfers, local government funding within the settlement is cut by 0.5 per cent in cash terms, a 2.0 per cent real terms cut. An indicative settlement for the following year includes a further cash reduction of 1.5 per cent. The Cabinet Secretary stated that this includes the impact on the Government budget of the £3.5 billion unallocated cuts which the Chancellor of the Exchequer has previously stated will be imposed by 2019-20. Once consideration is made regarding targeted protection of education and social care funding, these cuts will be greater than 0.5 per cent.³⁰

²⁹ The Health Foundation. The path to sustainability: Funding projections for the NHS in Wales to 2019/20 and 2030/31, October 2016

³⁰ <http://gov.wales/about/cabinet/cabinetstatements/2017/provlgssettlement/?lang=en>

42. Figure 2 below shows a set of scenarios produced by Wales Public Services 2025³¹, which indicate how the continued protection of NHS, social care and/or schools would have on funding for other services from 2017-18 to 2021-22.

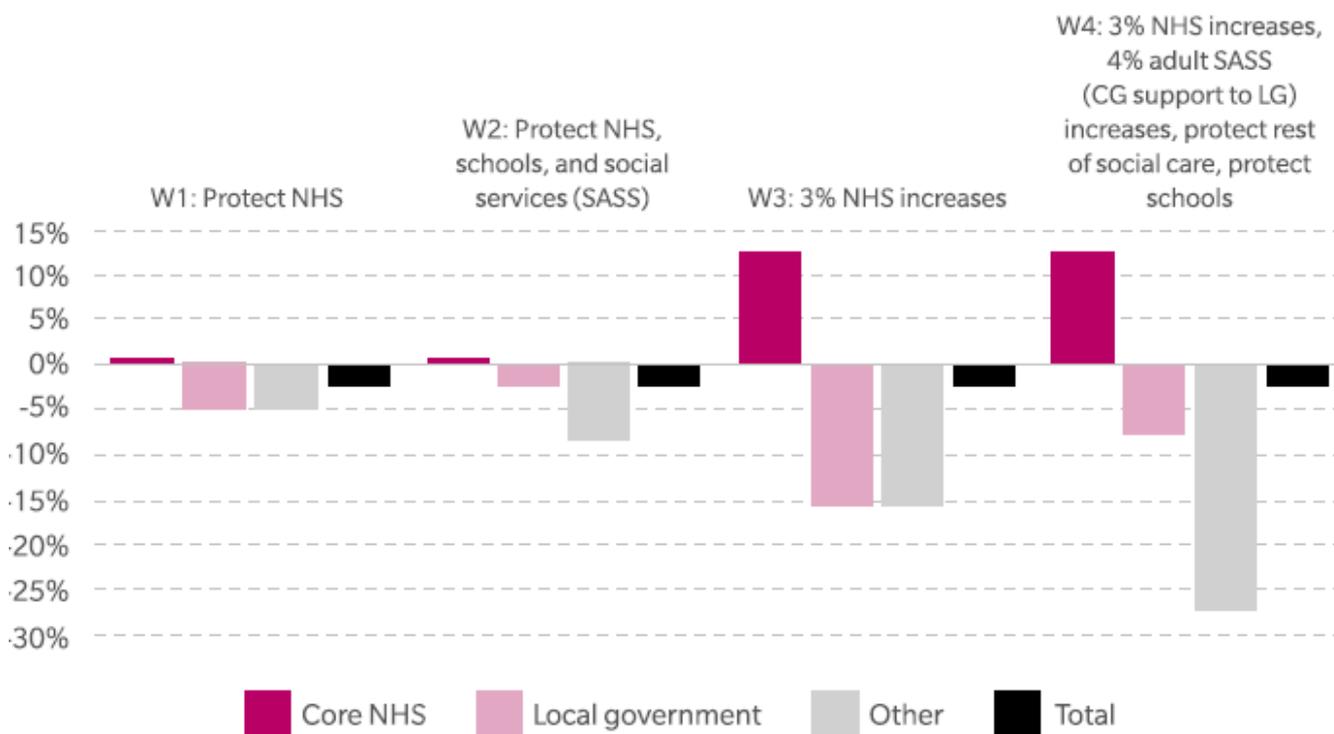


Figure 2: Source: Wales 2025 modelling of cuts to Welsh Government spending by service area 2017-18 to 2021-22 (Baseline revenue scenario)

43. Wales Public Services 2025, confirmed that the allocations in the 2018-19 outline budget were in line with their own expectations and did not represent a significant step change from the Government.³²

44. The Cabinet Secretary said:

“I hope that Members felt that the range of information that we published alongside the budget was comprehensive enough to allow people to get an insight into the issues that are at stake and the decisions that were made, but I’m always open to improving that. And if Members here felt that there was information that would have been useful and would have led to a better-informed debate, I’m very happy to think about that for next time.”³³

Committee view

45. The Committee notes that in the draft Budget a number of movements into the Revenue Support Grant were not fully detailed in the outline budget proposals meaning that comparisons of year-on-year changes to departmental spending and, in particular local government funding, in the Outline Budget were unreliable. Consequently it was harder for the Committee to consider how the Government had prioritised between departments.

³¹ Wales Public Services 2025: Welsh Government Budgetary Trade-offs: Looking forward to 2021-2022, page 7

³² <http://senedd.assembly.wales/documents/s67818/19%20October%202017.pdf>

³³ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph x

46. The Committee was content with the detail of the reports provided by the Government to accompany the outline budget and welcomed the Cabinet Secretary's commitment to continue to improve the information provided in future years. The lack of transparency in terms of the impact on overall local government funding was a concern until the publication of the settlement. In future years, the Committee would like to see the Strategic Integrated Impact Assessment explain more in terms of how decisions had been prioritised and reached.

47. The Committee believes that the decision to move the UK Government's fiscal event to an unspecified date in the autumn has a detrimental impact on the Government's ability to plan spending and tax policy.

48. However, the Committee considers that there was considerable benefit for NHS, local government and delivery partners in publishing the Government's draft Budget in advance of the UK Autumn Budget.

49. The Committee was keen to engage with the private sector in Wales to consider their views on the Government priorities, however, this did not prove possible. The Committee will consider alternative approaches to engaging with the private sector when scrutinising the 2019-20 draft Budget.

50. When considering methods to improve engagement with the private sector the Committee will also consider how engagement with social partners can be improved.

Conclusion 1. The Committee will continue to monitor and discuss the timing of the budget with the Government as the new system of budget scrutiny is embedded and tax devolution continues.

04. Taxation

Devolved taxes

51. The Wales Act 2014 devolved new tax powers to Wales. Under these powers LTT and LDT will come into force on 1 April 2018. The estimated revenues from devolved taxes in 2018-19, published alongside the Outline Budget, is:

– Non-domestic rates (distributable amount)	£1,052 million
– Land Transactions Tax (LTT)	£266 million
– Landfill Disposals Tax (LDT)	£28 million

52. The Government has made minor changes to both devolved taxes, taking the starting principle that tax take should not be reduced.³⁴

53. Comparisons with UK equivalent taxes are not exact as the UK forecasts used were published in March 2017, whilst the Government forecasts came 6 months later. Government forecasts show around £10 million more revenue in 2018-19, and around £20 million more in 2019-20, as a result of the decisions made.

54. In the UK Autumn Budget, OBR 2018-19 forecasts for devolved taxes were reduced compared to March 2017 forecasts, down by £14m for LTT and £5m for LDT.

55. The Government has proposed the following LTT³⁵ rates and bands:

Price threshold	Main residential rates
£0 - £150,000	0 per cent
£150,000 - £250,000	2.5 per cent
£250,000 - £400,000	5.0 per cent
£400,000 - £750,000	7.5 per cent
£750,000 - £1.5m	10.0 per cent
£1.5m-plus	12.0 per cent

Price threshold	Non-residential rates
£0 - £150,000	0 per cent
£150,000 - £250,000	1 per cent
£250,000 - £1m	5 per cent
£1m – plus	6 per cent

56. For the first two years of LDT, the tax rates will mirror those for the UK Government's landfill tax. However, the Government will introduce a new unauthorised disposals rate:³⁶

Rate	2018-19	2019-20 (Assumed rate)
Standard	£88.95	£91.70
Lower	£2.80	£2.90
Unauthorised	£133.45	£137.55

³⁴ Welsh Government, Welsh Tax Policy Report, Autumn 2017, paragraph 14

³⁵ Welsh Government, Welsh Tax Policy Report, Autumn 2017, paragraphs 22 and 25

³⁶ Welsh Government, Welsh Tax Policy Report, Autumn 2017, paragraph 29

57. The model used by the Government is capable of incorporating the impact of behavioural change through transaction elasticity, price elasticity and forestalling activity, which capture changes in behaviour due to changes in tax rates and bands. The transaction and price elasticities are based on OBR estimates and forestalling factors are based on observations in Scotland during the transition from Stamp Duty Land Tax to Land and Buildings Transaction Tax (LBTT). While it is anticipated that these elasticities could be higher in Wales, there are no Welsh specific elasticities currently available.³⁷

58. The Wales Governance Centre and Institute for Fiscal Studies report, *Fair Funding for Taxing Times?*,³⁸ highlighted that the Welsh housing market over the last decade has been much less buoyant than elsewhere in the UK, particularly London and South East England, although the recent slowdown in the higher end of the property market in South East England, has made this less of a concern.

59. In relation to forecasting models Julian Revell from the Welsh Treasury explained the process:

“I think there are three main elements to the process of developing the forecasting models: firstly is looking at what data’s available for the taxes; producing the model that effectively models the tax base on the basis of that data; and then applying the tax system to it. So, the main activities we’ve gone through to go through those three elements are: first of all, investigating what data’s available for the taxes in Wales, looking at existing modelling methodologies elsewhere in the UK, deciding whether those are appropriate, putting our own ones together, and talking to the relevant experts. Once we developed the models, we discussed them with others, such as the Office for Budget Responsibility and the Scottish Government and the Scottish Fiscal Commission, more recently. We then undertook an internal assurance process, in which we discussed the models with the heads of the analytical professions in the Welsh Government, and then, obviously, we’ve had the assurance process with Bangor University.”³⁹

Tax Forecasting

60. The Fiscal Framework for Wales states, for a “short period the Welsh Government may produce its own forecasts, while putting in place independent forecasting arrangements. The Welsh Government’s own forecasts would be subject to independent scrutiny”.⁴⁰ For 2018-19 the Government has provided its own forecasts.⁴¹

61. Bangor University was given a one year contract to independently scrutinise the tax forecasting models and advise on improving these for future forecasts. Bangor University’s report “Independent scrutiny and assurance of devolved tax forecasts for Wales”⁴² assessed Government forecasts but did not provide its own separate forecasts. Bangor University told the Committee there were two main aims for this work:

³⁷ [Bangor University: Independent scrutiny and assurance of devolved tax forecasts for Wales, page 33](#)

³⁸ [Wales Governance Centre and Institute for Fiscal Studies, Fair Funding for Taxing Times? Assessing the Fiscal Framework Agreement, February 2017](#)

³⁹ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 358

⁴⁰ [The agreement between the Welsh government and the UK government on the Welsh government’s fiscal framework, December 2016](#)

⁴¹ [Welsh Government, Welsh Tax Policy Report, Autumn 2017](#)

⁴² [Bangor University: Independent scrutiny and assurance of devolved tax forecasts for Wales](#)

- independent scrutiny of the Government’s forecasts, and
- the provision of advice about approving methodologies for future years.⁴³

62. A key finding from the report is the lack of Wales-specific data for developing forecasts for devolved taxes. The Bangor University report notes:

“In developing these forecasting models, the Welsh Treasury was reliant on data from HMRC. Annual Wales level data were only made available for SDLT, and in-year data was not available in time for the development of these methods. Very little information is available for UK Landfill tax in Wales from HMRC over and above HMRCs estimate of annual revenues. A comparison of actual and expected tax revenues, along with ongoing scrutiny of model performance, would be limited if HMRC continued to be the only data source for the required information.”⁴⁴

63. Andrew Jeffreys, Director Welsh Treasury, clarified the decision to use UK data wasn’t only because it was the only data available, but:

“It’s because the Welsh market behaves very similarly to the UK market—obviously it’s not identical, but the forecasts that are produced at the UK market, the Welsh market tends to track those closely, and we’ve done a fair bit of work on making sure that’s true over time.”⁴⁵

64. With regards to the lack of available Welsh data, the Bangor University report commented that “the establishment of the WRA [Welsh Revenue Authority] will ensure that appropriate data is available in a timely manner to appraise how well the models coincide with the outturns and so aid future model developments”, however, the report recommended:

“Consideration should be given to the possibility of undertaking further work to provide Welsh specific data to help to inform the forecasting exercise. However, it is acknowledged that this is challenging and time-consuming, and therefore the costs and benefits of any in-depth work on this should also be appraised.”⁴⁶

65. David Phillips, from the IFS, said of the forecasts made by the Government “whilst there is room for improvement ... and there’s room for testing things more, the Welsh Government has built a robust and suitable model for these forecasts”.⁴⁷

66. In relation to forecasting for LDT Mr Revell said:

“On landfill disposals tax, that’s been more trying, I think, because there’s no Welsh-specific tax data for the current landfill tax. Because of the way the tax is collected, the Welsh landfill sites aren’t separately identified in the tax collection process. So, we’ve had to turn to other sources. So we’ve actually used Natural Resources Wales data on landfills in Wales and adapted that to

⁴³ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 170

⁴⁴ [Bangor University: Independent scrutiny and assurance of devolved tax forecasts for Wales, page 14](#)

⁴⁵ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 444

⁴⁶ [Bangor University: Independent scrutiny and assurance of devolved tax forecasts for Wales, page 18](#)

⁴⁷ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 128

try and get at the tax base. Specifically, we've had to identify which bits of that waste going to landfill would attract the standard rate of tax and which bits would attract the lower rate, because the two rates are so very different, their impact on the revenues is huge. So, those are the data sources, and then there's a difference between the data sources and what we'd call the determinants, so the forecasts of other things going forward that have an effect on the tax base. So, for example, house price growth and housing transaction growth. On those, predominantly, yes, we've used OBR assumptions."⁴⁸

67. In relation to changes to the proposed residential LTT rates the Cabinet Secretary said these changes means that transactions up to £250,000 will pay around £7 million less tax than under the current UK tax, he said:

"... if you take a gross figure, if you assumed the transactions next year were the same as this year, then raising the threshold, meaning that people buying houses for £250,000 or less in Wales will pay less tax, that will be £7 million less collected from people at that part of the spectrum next year than this year. But, of course, we expect the effect of our decisions to stimulate activity. There will be behavioural effects as a result of the change. So, we think there will be more transactions, and that will reduce that gap, and, as you know, because I have to, because of all the pressure on our public services, I did not feel able to make fiscal decisions that would have reduced the quantum available to the Welsh Government. While I've reduced the take from people at the bottom end of the spectrum, I've increased the take at the top of the spectrum to balance those things out. But £7 million is the figure."⁴⁹

68. However, when asked how the UK Government's budget announcement to remove stamp duty for first time buyers purchasing a property of up to £300,000 impacted on Wales, the Cabinet Secretary said:

"I'll want to look to see how many first-time buyers in Wales are actually not captured by the announcement we made back on 3 October to raise the threshold to £150,000 in the first place. Is there a problem here in Wales that merits a solution? We won't know that until we've been able to look, and we can look in enough detail to be able to see that."⁵⁰

69. The Cabinet Secretary was also asked about the 'forestalling' effect of the stamp duty changes, he said:

"...there are two elements to forestalling here. One is whether any transactions would be brought forward into this financial year in order to benefit from the current rules if we were not to replicate them, and there's a figure for that in the OBR's forecasts. But we anticipate that, in any case, there will be a one-off forestalling effect simply because conveyancers and solicitors will bring forward transactions into March to deal with them under the system that

⁴⁸ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 360

⁴⁹ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 290

⁵⁰ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 213

they're familiar with... And that will mean on a one-off basis that there will be a windfall to the Treasury as a result of that, and I am discussions with the Chief Secretary to the Treasury about that aspect.

...But to lose money for something that is a unique set of circumstances over which you have really no control and is a behavioural effect we think is captured by the fiscal framework, and that the Treasury ought not to just pocket that windfall. We're in discussions with them on that aspect of forestalling.”⁵¹

Forecasting going forward

70. In July 2017 the Cabinet Secretary published a written statement⁵² on how forecasting will work for future years. The statement details that the Government identified two feasible options: setting up an independent commission in Wales to produce forecasts for devolved tax revenues, or using an existing body to produce these forecasts.

71. The statement continues that the Cabinet Secretary is “in discussions with the UK Government about the feasibility of the Office for Budget Responsibility undertaking this work”.⁵³

72. When asked about the lack of Wales specific data, Bangor University said “There is a rich dataset for Wales at the moment. The problem is that there aren't any forecasts available for that data”,⁵⁴ Bangor University continued to question the resources needed to generate these forecasts, Dr Jones said:

“I think an assessment needs to be made of the costs and the resource required to generate those Wales-specific forecasts and the actual benefits from having Wales-specific forecasts. From the work we've done looking at the relationship between historical data in Wales and the UK, it's fair to conclude that any Wales-specific forecast wouldn't improve the performance of these models to a great degree.”⁵⁵

73. In relation to LDT, Bangor University explained that forecasts are dependent on estimates from local authorities as “over 60 percent of that waste is coming from local authorities”.⁵⁶

74. Bangor University explained that forecasts use local authorities' planning schedule to account for future behavioural changes but for non-local authorities they've “had to assume is that previous trends continue into the future. So, whatever behaviour we've seen over the last five years or so, that that behaviour continues going forward”.⁵⁷

75. When questioned about forecasting uncertainty, David Phillips from the IFS, said “All economic forecasting is uncertain”,⁵⁸ however Mr Phillips also commented:

⁵¹ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraphs 221-222

⁵² [Welsh Government, Written Statement - Update on the Independent scrutiny and production of devolved tax revenue forecast, July 2017](#)

⁵³ *ibid*

⁵⁴ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 219

⁵⁵ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 223

⁵⁶ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 258

⁵⁷ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 271

⁵⁸ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 35

“whilst there’s definitely uncertainty there, I think it’s important to pay heed to what they’re saying and pay heed to their central forecast, because that will be driving what [the UK] Government does.”⁵⁹

76. Mr Phillips also stressed what was important for Wales:

“...is not whether growth in Wales is higher or lower, but is it higher or lower relative to what’s happening in the rest of the country. So, if the OBR is wrong, and wrong in the same way across all of the UK, it doesn’t really matter that much for the Welsh Government’s budget. What matters more is whether taking OBR forecasts for the UK as a whole is the right approach for Wales.”⁶⁰

77. The Cabinet Secretary explained that tax forecasting was “inherently volatile”, citing the OBR’s level of changes in their six monthly forecasts.⁶¹ When asked about the impact of tax volatility, he explained:

“...we have a £500 million revenue reserve that we can use to smooth out receipts, year on year. Of course, the block grant adjustment mechanism will also come into play in those sorts of circumstances. ... The basis on which this budget is planned is the Office for Budget Responsibility forecasts, validated by Bangor University’s independent review.”⁶²

78. The Welsh Treasury Director provided additional detail on how the block grant adjustment works with regards to tax volatility, he said:

“The thing that we’re really exposed to now that we weren’t before is differential tax-based growth risk. So, if the housing market in Wales performs differently from the housing market or property market in general in the rest of the UK then that will affect the funding we’ve got available, whereas if the market here continues to track, broadly speaking, the UK market then those fluctuations will be taken account of through the block grant adjustment. So, if there were, for example, a similar event to what happened in 2007 and 2008 to the housing market, then the block grant adjustment would compensate for that in some way so that our spending wouldn’t be as affected as if we had to take the whole effect.”⁶³

79. The Cabinet Secretary added that he would consider the revised OBR forecasts which had reduced in the November UK Budget, and clarified that the new forecasts would be used to update the Government’s forecasts, prior to laying the final budget and Bangor University would undertake an independent review of the changes.⁶⁴

80. In relation to Welsh specific data being used for forecasting the Cabinet Secretary said:

⁵⁹ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 36

⁶⁰ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 98

⁶¹ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 323

⁶² Finance Committee, Record of Proceedings, 5 October 2017, paragraph 272

⁶³ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 274

⁶⁴ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 229

“...the OBR is doing more to make sure that its Welsh-specific data is fit for the purposes that it is now needed for now that the fiscal devolution has taken place, but that’s only one in probably three or four different strands through which we are trying to improve the data available to us. Members of the committee will have seen the Bangor University report. You will know that it makes a series of recommendations as to how we can improve both the methodology that we use in the Welsh Government for forecasting, and how we can look to data improvements in the future. We are also working with the Scottish Government and the Scottish Fiscal Commission, making sure that we get the benefits of the work that they have done to improve data and forecasting in the Scottish context.

We will have, as a result of the instigation of the Welsh Revenue Authority, Welsh-specific data for the first time in a number of these things over the next coming year. So, there will be real data that we will be able to use for forecasting purposes. And we are committed as a Government to reviewing the methodologies that we use after every budget to make sure that if there is data that we don’t need have that we need, and we can obtain it in a way that is proportionate and reliable, we would want to do that. And, where there are methodological improvements we can make, that we feed those into successive budgets as well.”⁶⁵

81. The Cabinet Secretary continued to refer to the Bangor University report:

“They do say that it would be nice to have some more Welsh-specific data, but they do go on to say that (a) it might be very difficult to get and (b) you might put an awful lot of effort into it and quite a lot of money to do it to learn not very much that you don’t know by using data that is already available.”⁶⁶

82. The Cabinet Secretary also referred to work being undertaken by the ONS “on producing robust figures on inter-regional trade within the UK”.⁶⁷

83. The Chief Economist’s report published at the same time as the Outline Budget stated that “Welsh economic performance needs to be assessed using a range of indicators”.

Tax base growth

84. The Welsh tax policy report⁶⁸ notes that it will work with the Wales Centre for Public Policy (WCPP) to review the socio-economic factors and trends which may impact on the Welsh tax base, and the factors which could help grow the tax base in Wales.

85. Dr Victoria Winckler said that the draft Budget “feels like business as usual”, rather than one that will deliver change through using the new taxation powers to change the amount of income the Government has to spend on its priorities. She stated that:

⁶⁵ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraphs 221-222

⁶⁶ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 243

⁶⁷ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 238

⁶⁸ Welsh Government, Welsh Tax Policy Report, Autumn 2017, paragraph 8

“I would say the scope to change the Welsh Government’s income from most taxes is relatively small, but not to say that’s not unimportant. I think the big-ticket revenue stream that they haven’t had before is income tax, and although there are boundaries on that, there is scope, by simply increasing the number of taxpayers, to increase revenue or, equally, to avoid the reduction in the number of Welsh-based income tax payers. There may be some behind-the-scenes work going on that I’m not aware of, but I have yet to see the—how can I put this? I don’t yet see the balancing act that needs to be made in the budget. The budget reads like an allocation mechanism, rather than, ‘Well, if we do this, then that’—that kind of balancing act. As I say, it might be there in the detail on more careful reading, but it feels like business as usual.”⁶⁹

86. The Cabinet Secretary confirmed that the Wales Centre for Public Policy is carrying out a review of the tax base in Wales, and agreed to share that report with the Committee. He said the Centre would be looking:

“...at the strengths and the weaknesses of the current Welsh tax base, to make an assessment for us of the risks and opportunities that that poses to the Welsh Government in taking on the fiscal responsibilities, and then to look behind that at the social and economic factors and trends that have an impact on the future tax base for Wales, because, of course, as was said often yesterday in the debate that we held on this matter.”⁷⁰

Changes to existing taxes and use of new tax powers

87. The Government’s tax policy report also shows three items that featured in their 2017 work plan relating to local tax policy:

- Review small business rates relief with a view to developing permanent arrangements from 2018;
- Work with local government to review council tax to make it fairer;
- Explore whether different approaches to the taxation of non-domestic property, such as land value taxation, might benefit Wales.⁷¹

88. The **Wales Act 2014** gives the Government the ability to propose new taxes. The Government has consulted on ideas for a new tax, which were whittled down to a shortlist of four: social care levy; tourist tax; vacant land tax (as introduced in Republic of Ireland from 1 January 2018); and a tax on disposable plastic.⁷²

89. Three of the four ideas for potential new taxes were amongst the suggestions in the Bevan Foundation’s Tax for Good⁷³ publication. Dr Victoria Winckler stated that all of the four ideas on the Government’s shortlist for potential new taxes require a great deal of further development and

⁶⁹ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 47

⁷⁰ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 238

⁷¹ [Welsh Government, Welsh Tax Policy Report, Autumn 2017](#)

⁷² [Welsh Government, Developing new taxes in Wales](#)

⁷³ [Bevan Foundation, Tax for Good: New taxes for a better Wales](#)

testing. However, she noted that there is scope to develop her first choice of a tourist tax, noting that a modest levy is unlikely to deter visitors.⁷⁴

90. The Cabinet Secretary was asked about the time scales for new taxes, he said he aimed to narrow the list to one tax proposal by the beginning of next year⁷⁵. In considering the process for establishing new taxes the Cabinet Secretary raised some issues around the UK Government's role in the process of the Government introducing new taxes, he questioned whether the role of the UK Government should extend beyond deciding whether the proposed tax is within devolved competence⁷⁶ and whether the Government's proposals "would lead to a diminution in the revenue that they [the UK Government] can collect"⁷⁷.

Committee view

91. The Committee is concerned over the lack of Welsh specific data for tax forecasts, whilst recognising that the provision of Welsh specific data could be challenging and time consuming, the Committee believes the possibility of undertaking additional work to improve provision of Welsh specific data should be considered to inform future forecasting. The Committee would like to see further information on the costs and benefits of undertaking additional work on Welsh specific data.

92. The Committee welcomes the work of Bangor University in verifying the methodology of Government's first forecasts for new and existing devolved taxes and their consideration of how methodology can be developed in the future. The Committee notes the differences between the Government's forecast and the November OBR devolved tax forecasts and looks forward to viewing the Government's updated forecasts and any changes to policy in response to the UK Government Budget.

93. The Committee welcomes the Cabinet Secretary's statement that Bangor University will provide further comment on the updated forecasts provided before laying the final budget in December 2017. The Committee will return to the questions of how future tax forecasts are independently scrutinised in Wales in its forthcoming inquiry on a legislative budget process, including the possibility of setting up a Welsh Fiscal Commission.

94. The Committee looks forward to receiving the WCPP review of tax base report and in particular, recognising the volatility of LTT, an analysis of the strengths and weaknesses of the Welsh tax base and the risks and opportunities available to the Government in growing this tax base in the future.

95. The Committee notes that with the devolution of two taxes to Wales, there is a unique set of circumstances in this budget. There will be an impact on the Government's tax revenues due to the decision of the UK Government to raise the threshold at which first time buyers would not pay stamp duty tax to £300,000. The OBR estimated that the forestalling impact of this decision would be less than £500,000, however, the Government also noted that it expected that there would also be a forestalling impact as conveyancers and solicitors would look to bring forward transactions under the existing, familiar system. The Committee supports the Cabinet Secretary's commitment to discuss this with Chief Secretary to the Treasury and would expect the Government to be compensated for any reduction in Welsh tax revenues due to UK Government decisions in line with the Fiscal Framework.

⁷⁴ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 104

⁷⁵ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 255

⁷⁶ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 257

⁷⁷ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 258

96. The Committee welcomes the Government's transparent and consultative approach to considering a new tax for Wales and the willingness to test the new system, following an announcement in 2018 of the Government's proposed tax to take forward.

97. The Committee is concerned by the potential for the UK Government to have undue influence or to delay this process. The Committee agrees with the Cabinet Secretary that the UK Government's role should be limited to whether the tax is within devolved competence and whether it will significantly impact on UK revenues and should not comment on or consider the policy merits.

98. The Committee is keen to further consider the process for the introduction of new taxes and will ask the Business Committee to be consulted on any Assembly procedural changes as a result of the ability to introduce new taxes, the Committee will also give consideration to the role of the UK Government in the establishment of new taxes.

Recommendation 4. The Committee recommend that the Welsh Government should further consider the provision of Welsh specific data to inform forecasting, modelling and tax policy development.

05. Borrowing

99. Under the [Wales Act 2014](#), the Government was granted borrowing powers of £125 million per financial year from 2018-19, within an overall cap of £500 million. The Fiscal Framework⁷⁸ increased this amount to £150 million per financial year from 2019-20, within an overall cap of £1 billion.

100. The Government's draft Budget 2018-19 sets out plans to borrow £125 million in each of 2018-19, 2019-20 and 2020-21, with borrowing totalling £375 million of the £425 million available over this period. The budget narrative document goes on to state that:

“Strategic infrastructure schemes to benefit from the borrowed funds include the planned M4 relief road around Newport, subject to the outcome of the independent public inquiry and a decision about whether to proceed with construction.

We plan to borrow £125m annually for capital investment but the take-up of planned borrowing will be carefully considered during each budget period and will only be used when all available conventional, cheaper sources of capital financing have been exhausted.”⁷⁹

101. In terms of the Government's early access to borrowing powers to finance the M4 relief road ahead of 2018-19, the Government's 2017-18 draft Budget set out plans to borrow £20 million for this purpose.⁸⁰ However, the Cabinet Secretary told the Committee that this early access had not been used.⁸¹

102. The Cabinet Secretary provided some clarification around the borrowing levels available to the Government, he said:

“... we doubled our capital borrowing capacity as a result of the fiscal framework and the amount that we are able to borrow in any one year has gone up. So, this budget, for the first time, sees £375 million-worth of capital borrowing being deployed to support capital investment in our schools, in our hospitals in our roads and all the other things that we want and need to do.”⁸²

103. The Government has also developed the [mutual investment model](#), an innovative finance model that will support additional investment in social and economic infrastructure projects, which might not otherwise have been built due to a scarcity of capital funding.

104. Under this model, private partners build and maintain public assets. In return, the Government will pay a fee to the private partner, which will cover the cost of construction, maintenance and financing the project. At the end of a specified period of time, the asset will be transferred into public ownership.

⁷⁸ [The agreement between the Welsh government and the UK government on the Welsh government's fiscal framework, December 2016](#)

⁷⁹ [Welsh Government, Draft Budget 2018-19 Outline Proposals, paragraphs 351-352](#)

⁸⁰ [Welsh Government, Draft Budget 2017-18 narrative, page 24](#)

⁸¹ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 348

⁸² Finance Committee, Record of Proceedings, 5 October 2017, paragraph 341

105. Three schemes will be funded using this model, the Velindre Cancer Centre, dualling the A465 from Dowlais Top to Hirwaun, and additional investment in 21st Century Schools.

106. Expanding on the mutual investment model, the Cabinet Secretary said the model can be used:

“...even when we’ve used conventional capital, even when we’ve used our ability to borrow, even when we’ve exhausted our ability to support local authorities and housing associations, we still need to find ways of being able to fund other important public purposes in Wales, and that’s where the mutual investment model comes in...”⁸³

107. The Institute of Welsh Affairs (IWA) suggested in evidence to the Committee that the Government could use bonds to fund infrastructure projects such as the electrification of the South Wales main line between Cardiff and Swansea. Auriol Miller, Director of the IWA, stated that:

“I reflected a little bit earlier on in this conversation around Welsh Government’s ability to negotiate harder with the Treasury, on the one hand. So, yes, while there’s a limit to how inventive you can be in terms of leveraging money in, I think when things like, for example, the electrification of the rail beyond Swansea didn’t happen, Welsh Government should be there and should be banging its fist on the table and asking, ‘Why not?’ There’s a political conversation to be had there, but there’s also a conversation around, ‘This was a promise and you need to deliver on your promises’.

So, the other thing that could happen in that particular instance is Welsh Government could pay for it themselves and talk about bonds being issued on a 30-year basis. So, there are ways and means around it. So, I think there’s a sense for us very definitely about—you know, if the Welsh Government chooses not to do something in Wales, then we can blame the British Government, and if Welsh Government borrow then don’t deliver, it’s their issue. So, it’s about Welsh Government taking on that responsibility for making it happen. One of the ways is through the budget, but you’re absolute right—there is very little wriggle room on this. So, it’s about where do you go to for that innovative funding.”⁸⁴

108. The Government can borrow from the National Loans Fund (via the Secretary of State for Wales) or through a commercial loan (directly from a bank or other lender). Following the implementation of the UK Government’s St David’s Day announcement, the Government will also be able to issue bonds.

109. The IWA said:

“..it’s about where do you go to for that innovative funding. We’ve already welcomed in the budget the intention to raise capital investment, particularly on, for instance, the commitment to build 20,000 homes. There have been some

⁸³ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 359

⁸⁴ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 117

really good examples of Welsh Government, for example, aggregating together housing associations to get more borrowing in.”⁸⁵

110. In relation to utilising bonds, as suggested by the IWA, the Cabinet Secretary explained that he was not against the use of bonds but it was not currently the most cost effective form of borrowing⁸⁶. Mr Jeffrey explained:

“The point about the Welsh Government bond scoring against our borrowing limit, that's really important. So, it would score against our borrowing limits in the same way that borrowing under the Treasury does or would. Our analysis suggests that that would be more expensive in terms of the interest rate that would be charged than the borrowing that Treasury does on our behalf, and, also, of course, you've got the transactional costs involved in issuing the bond and getting all the kind of administration, if that's the right word, around that that you would require.”⁸⁷

111. Following the UK Budget statement the Cabinet Secretary said that it was sometimes hard to deploy the financial transaction capital⁸⁸ and clarified that it is:

“...a particular form of capital funding that can only be used for loans or equity investments. The reason it's differentiated from normal capital is that it doesn't score against the deficit. It's, as I say, seen as a financial transaction. It does score against the overall UK debt figure, but it doesn't score in the deficit of any given year. So, it has, obviously, those different properties that make it attractive to the Treasury as a way of financing certain types of activity rather than traditional capital.”⁸⁹

Committee view

112. The Committee notes the Cabinet Secretary's intention to include borrowing of £125m for the M4 in the draft Budget for 2018-19 and that this funding will only be drawn down if required.

113. The Committee recognises the Cabinet Secretary's view on using bonds, and supports the use of borrowing from the most economical available sources, which is currently borrowing from the Public Works Loans Board.

114. As previously stated, the Committee welcomes the additional funding in the UK Autumn Budget but notes that the announcement of financial transactions capital restricts the Government's flexibility to use this funding, especially when announcements are made which do not allow the Government sufficient time to identify and plan for projects.

Recommendation 5. The Committee recommends that the Government continues to utilise the most economical sources of finance available to them.

⁸⁵ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 118

⁸⁶ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 350 and 352

⁸⁷ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 353

⁸⁸ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 181

⁸⁹ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 171

Conclusion 2. The Committee is concerned by the issues associated with the repayable financial transactions capital, and how restrictions around the use of this funding may limit the Welsh Government to get best value for money in allocating these funds. The Committee will consider this further in 2018.

06. Prioritisation

115. The draft Budget narrative states that the draft Budget has been aligned to the Government’s priorities as set out in ‘**Prosperity for All**’ and ‘**Taking Wales Forward**’. It also reflects the two-year budget agreement with Plaid Cymru.⁹⁰

116. In the draft Budget 2018-19, allocations to the Health, Well-being and Sport portfolio represented 49 per cent of the total Government DEL allocation, and this will rise to just over 50 per cent in 2019-20.

117. Auriol Miller, Director of the IWA stated that the current approach whereby the Government prioritises allocating funding to health is ‘doable for another year or two, but not much more beyond that.’ She went on to say that:

“I think we’re reaching a point where serious conversations have to happen, and the conversation has to be around how is that innovative change within health and social care really going to be implemented, and who’s going to drive that forward.”⁹¹

118. Ms Miller continued to question:

“What particular issues are we trying to tackle with this budget and are we being completely clear, both amongst ourselves and with the wider public about why and how we’re going to do that?”⁹²

119. When asked about the prioritisation of the Health Service, the Cabinet Secretary said:

“...the Government remains committed to finding the money needed for the health service and to meet the Nuffield gap ... the Nuffield report and the subsequent report by The Health Foundation concluded that the health service in Wales, when it had made all the efficiencies that were necessary for it to make, will still require just around £200 million extra per year to meet the additional costs that come from an ageing population, from new drugs and new treatments and so on, and we remain committed to doing just that.”⁹³

120. The Cabinet Secretary outlined measures aimed at ensuring the Health Service focuses on preventing ill health, he said:

“There is the primary care fund, which was established a couple of years ago and now is over £40 million, there is the integrated care fund, which we have sustained at £50 million, with capital growing slightly alongside it to try and bring health and social care facilities and organisations together, and there’s £55 million, which we are investing in NWIS—NHS Wales Informatics Service—with a particular development in relation to community services so that health and social care workers can both have access to information on a

⁹⁰ [Welsh Government, Budget Agreement between Welsh Government and Plaid Cymru, October 2017](#)

⁹¹ Finance Committee, Record of Proceedings, 25 October 2017, paragraph 12

⁹² Finance Committee, Record of Proceedings, 25 October 2017, paragraph 91

⁹³ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 334

shared way about the people that they provide services for so that people don't fall through the cracks of those two arms of services on which they rely.”⁹⁴

Table 1 Unallocated reserves within the draft Budget (revenue plus capital)

MAIN EXPENDITURE GROUPS (MEGs)		2018-19 Draft Budget £'000	2019-20 Indicative Draft Budget £'000
Unallocated Resource DEL	Fiscal Resource	116,369	219,520
	Non-Fiscal Resource	138,397	164,199
Unallocated Capital DEL	General Capital	211,083	330,769
	Financial Transactions	1,193	1,193

121. The table above shows £116 million fiscal revenue reserves and £211 million general capital reserves for 2018-19. The First Supplementary budget 2017-18⁹⁵ also includes £123 million general capital reserves.

122. Since the beginning of 2016 sums of capital funding have been retained in reserves to fund future agreements with Tata Steel. The Cabinet Secretary clarified the latest position:

“Part of that original arrangement was £60 million to support Tata, £30 million of which was for a power plant. And, what the budget agreement with Plaid Cymru does is to confirm that that £30 million for the power plant will be available once we finally conclude the detailed discussions with Tata over that £60 million package as a whole. Because, terms of trade, you can assume, will have altered considerably, and my view—and, I know, the view of the Cabinet Secretary concerned—is that if £60 million-worth of public money is being made available to any company, the Welsh taxpayer needs to know that that company is going to give us a return on that in terms of long-term investment in that site. So, I’m told we’re in the final stages of getting all that nailed down, and that money will then be released, hopefully this year.”⁹⁶

123. The Cabinet Secretary was asked about the ‘relatively high’ level of capital reserves, he said:

“Well, they are at that figure, Chair, because there are a number of things in reserve that are earmarked for particular purposes. So, you will know that the biggest one is the M4. So, £150 million of that is there for the M4 relief road, but I’ve not been prepared to allocate it out of the department because there is an independent local public inquiry into the M4 relief road and I don’t think it’s right for me to allocate the money until the outcome of the inquiry is known. By the time you take out of the capital reserve the £150 million for the M4 relief road, the £10 million that is there for the Swansea city deal, £25 million that I’m

⁹⁴ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 336

⁹⁵ Welsh Government, First Supplementary Budget 2017-18

⁹⁶ Finance Committee, Record of Proceedings, 5 October 2017, paragraph 416

holding against the purchase of rolling stock and £1 million that is there as a result of the agreement with Plaid Cymru on electric charging points, the actual amount of freestanding money left in the capital reserve is £25 million.”⁹⁷

Committee view

124. The Committee remains concerned about the limited evidence of improvement in the way local health boards operate with regards to financial planning and preventative measures particularly given the level of funding allocated to health.

125. The Committee notes that a high proportion of the reserves are currently earmarked for specific projects, leaving £25m unallocated.

Conclusion 3. The Committee is concerned that health funding continues to form a growing proportion of the Government budget, while evidence on the required scale of progress to transform services to prevent or reduce demand is lacking, particularly when considered against the cuts to Local Government. The Committee is interested to see the reports of the relevant policy committees in their consideration of the suitability of funds added to these areas.

Recommendation 6. The Committee recommends that where reserves which are currently earmarked for infrastructure projects are not used on these projects the Government should aim to use the funding for other infrastructure projects in line with their published strategic priorities.

⁹⁷ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 320

07. The impact of the Well-being of Future Generations (Wales) Act 2015

The Well-being of Future Generations (Wales) Act 2015

126. The Well-being of Future Generations (Wales) Act 2015⁹⁸ (the WFG Act) came into force on 1 April 2016. It aims to improve the social, economic, environmental and cultural well-being of Wales by placing a duty on public bodies to think in a more sustainable and long-term way, and is designed to ensure that actions meet the needs of the present, without compromising the ability of future generations to meet their own needs.

127. The WFG Act put in place seven well-being goals that public bodies must work to achieve and take into consideration across all their decision-making, and five ways of working to achieve the goals. It places a well-being duty on public bodies (including local authorities and the Welsh Ministers) requiring them to set and publish objectives to show how they will achieve the vision for Wales set out in the well-being goals. Public bodies must take action to make sure they meet the objectives they set. It also established Public Services Boards (PSBs) for each local authority area in order to improve economic, social, environmental and cultural well-being in its area by strengthening joint working across all public services.

128. The WFG Act established a statutory Future Generations Commissioner for Wales, whose role is to act as a guardian for the interests of future generations in Wales, and to support the public bodies listed in the Act (including the Welsh Ministers) to work towards achieving the well-being goals.

129. In its response to the report by the Finance Committee in the Fourth Assembly on Best Practice Budget Process Part 2- Planning and implementing new budget procedures, the previous Government highlighted that draft budgets would be aligned with the WFG Act:

“To respond to the Act, we will need to reform the way we plan, budget and report on performance. I see this as a further opportunity to clarify the alignment between indicators, outcomes and budget decisions to achieve the improvement in transparency that we seek for Welsh taxpayers. It is vital that there is a line of sight between the goals and priorities of Government and the plans of the public bodies that we fund, and the taxpayer expects to be able to see this.”⁹⁹

130. Section 8 of the Act requires the Welsh Ministers to set and publish well-being objectives within six months of an Assembly election. These 14 objectives were published on 4 November 2016, and reflect the Government’s aspirations for change over the longer term.¹⁰⁰

131. In its scrutiny of the draft Budget 2017-18, which was the first to be introduced since the implementation of the WFG Act, the Committee recognised that this was the start of the process, however it noted that it hoped to see “vast improvements” in how the principles of the act are integrated into the allocations made in the next year’s draft Budget. In his foreword to the Committee’s report, the Chair said that:

⁹⁸ [Well-being of Future Generations \(Wales\) Act 2015](#)

⁹⁹ [Welsh Government response](#) to the previous Finance Committee’s report: Best Practice Budget Process Part 2- Planning and implementing new budget procedures

¹⁰⁰ Welsh Government, [Taking Wales Forward: Welsh Government’s Well-being Objectives \(2016\)](#)

“The Well-being of Future Generations Act was also a piece of legislation whereby the Committee expected to see progress, but was disappointed with how the requirements of this Act have been reflected in the draft budget documentation. We as Members hope to see a quantifiable improvement on this in the draft budget next year.”¹⁰¹

132. The Committee recommended in its report on the draft Budget 2017-18 that:

- The Welsh Government should show greater detail of how the Act and the five ways of working have influenced both individual budget allocations and the budget as a whole in future years.
- An effective strategic integrated impact assessment could be a useful way of identifying how the Act has influenced the budget, and the Welsh Government should explore using this approach.

133. The Government **accepted these recommendations**. During the **Plenary debate on 6 December 2016**, the Cabinet Secretary said he intended to introduce changes to the internal budget preparations for the 2018-19 draft Budget, working through improvements which can be made by using the principles within the WFG Act.

134. In evidence to the Committee in 2016, **WWF suggested that** an advisory group should be created to advise on embedding the Acts into the budget and the budget process.

135. In response to the Committee’s consultation prior to the publication of the draft Budget 2017-18, the Future Generations Commissioner for Wales (the Commissioner), stated that:

“The Welsh Government included a Strategic Integrated Impact Assessment in the budget narrative of its Draft Budget 2017-2018... What it did not do was assess the likely positive and negative impacts of the budget decisions.”¹⁰²

136. The Commissioner went on to say:

“It is important that Welsh Ministers lead by example, in this respect, and ensure that future impact assessments provide a clear picture of both the expected positive and negative impacts of the budget. This will be important if the Welsh Ministers, and the Welsh Government, are to deepen their understanding over time of how budget decisions are likely to impact the ability of future generation to meet their needs... I would expect future Strategic Integrated Impact Assessments to focus on whether the draft budget proposals are likely to help the Welsh Ministers take all reasonable steps to meet their well-being objectives, and thereby maximise their contribution to achieving each of the well-being goals.”¹⁰³

137. In its response to the Committee’s consultation, Oxfam Cymru said:

¹⁰¹ Finance Committee, **Scrutiny of the Welsh Government Draft Budget 2017-18**, November 2016

¹⁰² Written evidence, Finance Committee, WGDB_18-19 23, Future Generations Commissioner for Wales

¹⁰³ Written evidence, Finance Committee, WGDB_18-19 23, Future Generations Commissioner for Wales

“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 we see a budget process that fundamentally changes the way finances are allocated to effectively implement the Act.”¹⁰⁴

Prosperity for All

138. The Government’s national strategy “**Prosperity for All**” was published just under a month before the outline draft Budget proposals. The outline budget narrative notes:

“Prosperity for All places the Well-being of Future Generations Act (Wales) 2015 and the national goals at the heart of our decision making. The 12 wellbeing objectives represent the areas where the Welsh Government can make the greatest contribution to the national goals, working in partnerships with others. The Future Generations Commissioner has said it is important for every organisation to be able to show the ways in which they are taking a different approach.”¹⁰⁵

139. The strategy details priority areas of Early Years, Housing, Social Care, Mental Health and Skills and Employability. Regarding these areas, Prosperity for All states:

“If we are to realise the full potential of the Well-being of Future Generations Act, then integration and collaboration between services, with an early intervention and people-centred approach, is essential to delivering long-term outcomes. This is a significant change, and therefore we have decided to place particular focus on five priority areas where we believe, by improving how services are delivered, there can be the greatest initial impact, paving the way for further action over the longer term.”¹⁰⁶

140. Prosperity for All outlines the well-being objectives under four key themes. These themes are used within the Welsh Government’s budget narrative, including in the Strategic Integrated Impact Assessment, which outlines some of the key allocations in those areas.

Evidence

141. The Cabinet Secretary acknowledged that there had not been enough time for the Government to do as much as it wanted do in the previous year’s budget, and that he had been “very keen to strengthen the way that we’ve done it this year”.¹⁰⁷

142. The outline draft Budget narrative 2018-19 notes that the Government is continuing to explore how the Act can be embedded into the budget process and reiterates the assertion from the previous years’ scrutiny that this process will would be “evolutionary”. The narrative goes on to say:

“Embedding the Act has been a core consideration during the Cabinet’s discussions about budget planning and the individual budget meetings

¹⁰⁴ Written evidence, Finance Committee, WGDB_18-19 10, Oxfam Cymru

¹⁰⁵ Welsh Government, **Draft Budget 2018-19 narrative**, paragraph 1.18

¹⁰⁶ Welsh Government, **Prosperity for All: the national strategy**, page 4

¹⁰⁷ Finance Committee, Record of Proceedings 5 October 2017, paragraph 384

between the Cabinet Secretary for Finance and Local Government and Cabinet Secretaries. The Act has been used to inform spending plans and maximise opportunities to join up activities across portfolios and to align resources.”¹⁰⁸

143. The Cabinet Secretary explained that he had made changes to the bilateral discussions he held with his Cabinet colleagues as part of the budget planning process:

“What I did this year was to strengthen the team of people that are in the room by having people from the Welsh Government’s well-being of future generations Act team in the room, and an explicit item on the agenda each time on preventative spend and on alignment with the well-being of future generations Act.”¹⁰⁹

144. The Cabinet Secretary went on to say that he had met with the Commissioner and the Auditor General for Wales to understand “what they would be looking for in the budget as evidence that the Act and preventative measures were making a difference to the decisions that were made”.¹¹⁰ He told the Committee that “the idea that you can profoundly change spending decisions in just one year wouldn’t stand up to examination”, so had agreed with the Commissioner that she would focus on procurement, carbon budgeting and participatory budgeting rather than “trying to hunt the whole budget down to see where differences had been made”.¹¹¹

145. The Future Generations Commissioner acknowledged that the culture change required to embed the Act “is not going to happen overnight” and accepted that the three areas outlined by the Cabinet Secretary were “as good a place as any to make a start”.¹¹² The Commissioner added that her office had been working with Government officials and the National Procurement Service and was in the early stages of work around participatory budgeting, she said that she hadn’t seen:

“how that has actually flowed completely to justify, I suppose, the word ‘embedded’ in the budget process.”¹¹³

146. Overall, the Commissioner indicated to the Committee that instead of feeling that the WFG Act had made an impact on the draft Budget, it was closer to resembling last years’, but with a few extra words around it.¹¹⁴ She went on to say that she’d identified a “much greater frequency of reference to the future generations Act”, but that it was difficult to know if this was more “saying” rather than “doing”.¹¹⁵

147. The Commissioner acknowledged that the budget narrative “makes clear links back to ‘Prosperity for All’”, although:

“it doesn’t necessarily follow that there’s a clear line of sight then to the well-being objectives that the Government have set.”¹¹⁶

¹⁰⁸ Welsh Government, [Draft Budget 2018-19 narrative](#), paragraph 1.20

¹⁰⁹ Finance Committee, Record of Proceedings 5 October 2017, paragraph 385

¹¹⁰ Finance Committee, Record of Proceedings 5 October 2017, paragraph 386

¹¹¹ Finance Committee, Record of Proceedings 5 October 2017, paragraphs 390-392

¹¹² Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 9

¹¹³ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 10

¹¹⁴ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraphs 19 and 20

¹¹⁵ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 23

¹¹⁶ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 125

148. The Wales Council for Voluntary Action (WCVA) said that it was “not aware of anything that has definitively been done differently to date” and that “there is still much work to be done on involvement, co-production and putting the citizen at the centre in order to achieve this”. It went on to welcome the approach of focussing on these three areas “to reflect how the Act is influencing its budgetary decisions”.¹¹⁷

149. Representing the Sustainable Development (SD) Alliance, Anne Meikle of WWF Cymru told the Committee that although there were some “clear attempts in the narrative to link some of the activities and the spend more clearly back to the Act,” the overall picture was “patchy”.¹¹⁸ She went on to say that the budget headings remained in their traditional MEGs rather than being aligned to the headings in the Government’s national strategy ‘Prosperity for All,’ she told the Committee:

“So, going back to, ‘How is there coherence?’, well, you’re asking four budgets—in effect, each ministerial department, in that sense—to contribute to all the goals, but the budgets are still in silos and it’s very hard to know if there’s anything in the health budget that is contributing to education or environment or vice versa. The way it’s constructed doesn’t help you know whether this is being brought together to more strategic delivery.”¹¹⁹

150. The Cabinet Secretary told the Committee:

“we are all learning about the interface between the Well-being of Future Generations Act and the broader work of Government, whether it’s in setting the budget or in everything else that we do. And we’re certainly not at the point where any idea about how it might be done better should be discarded.

There is always more to learn and improve, and any ideas of how we could do it better are worth being explored.”¹²⁰

Participatory budgeting

151. The outline draft Budget describes that the Government wants to maximise the benefits of participatory budgeting and will be developing digital tools to support that approach.¹²¹ It also provides information on the work that has been undertaken with the WCVA and Citizens Cymru Wales to plan engagement sessions across Wales during October and early November, aimed at helping develop an approach for longer-term engagement and involvement, which will be aligned with the five ways of working. It states that feedback and evidence from these sessions will inform the Government’s approach to developing participatory budgeting approaches in future budgets.¹²²

152. Anne Meikle told the Committee that the WCVA had held two meetings with the Cabinet Secretary on participatory budgeting, but WWF Cymru had not fed in to the budget preparation.¹²³

153. The Future Generations Commissioner told the Committee that representatives from her office had been invited to observe the participatory budget engagement sessions being piloted by

¹¹⁷ Written evidence, Finance Committee, WGDB_18-19 07, Wales Council for Voluntary Action

¹¹⁸ Finance Committee, Record of Proceedings 15 November 2017, paragraph 6

¹¹⁹ Finance Committee, Record of Proceedings 15 November 2017, paragraph 34

¹²⁰ Finance Committee, Record of Proceedings 23 November 2017, paragraph 386

¹²¹ Welsh Government, [Draft Budget 2018-19 narrative](#), paragraph 1.25

¹²² Welsh Government, [Draft Budget 2018-19 narrative](#), paragraph 1.26

¹²³ Finance Committee, Record of Proceedings 15 November 2017, paragraphs 25 and 27

the Government and WCVA and provide feedback to the strategic budgeting team. Kate Carr from the Commissioner's office explained that part of the feedback provided was around clarity with the audience as to what it is they're influencing at any given point.¹²⁴ Ms Carr was encouraged by the Government's approach to the pilot sessions, saying:

"There's real willingness, I think, there to do things. Sometimes it comes down to capacity, doesn't it? We'll keep challenging. I think they want to see this work take off. I think it's a big challenge for Welsh Government, but it's also a challenge for a number of the organisations out there to feel freed up and empowered to work in different ways, because people will be used to working with Welsh Government in a particular way. So, for all of us, these are quite new and exciting times in terms of really building these ongoing conversations."¹²⁵

154. Hayley Richards of Oxfam told the Committee that "trying to navigate your way through the budget is very, very difficult". She went on to say:

"I think that, for a layperson, I would say they've got minimal ability to understand or influence this budget at all. There is a detail in the budget that says there will be engagement sessions, not only on participatory budgeting but on the budget as a whole, which would be great, but I'm not privy to whether those have taken place or not or where they took place or how we could encourage people living in communities to come forward and attend those sessions. So, I think there's a lot more to be done in terms of reducing the jargon, bringing the budget down so that it can be better understood by a person on the street so that, when it comes to participatory budgeting, they have the skills and knowledge to equip them to make informed decisions. At the moment, I don't think we're quite there yet."¹²⁶

Decarbonisation

155. Primarily associated with delivering on the requirements of the **Environment (Wales) Act 2016**, the Government's decarbonisation programme will define what emissions are counted in the Welsh carbon budget account, set a decarbonisation pathway and set out how emission reduction targets will be achieved. The Government has set an ambition for the Welsh public sector to be carbon neutral by 2030 and has set up a Decarbonisation Ministerial Task and Finish Group, which is "driving the cross-government approach to develop a carbon plan to achieve [Welsh Government] carbon budgets".

156. The draft Budget outline proposals state that the Government's Carbon Plan is due to be published in March 2019 and will cover the period 2016-20. Work to align the carbon budget and financial planning cycles will be undertaken as part of the Government's 2019-20 budget preparations.¹²⁷ The draft Budget sets out how the Government has taken steps to build in consideration of carbon impacts to inform priorities for capital investment, including infrastructure projects, such as £50m to develop a rail station in Llanwern, which will aim to improve public

¹²⁴ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 77

¹²⁵ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 71

¹²⁶ Finance Committee, Record of Proceedings 15 November 2017, paragraph 29

¹²⁷ Welsh Government, **Draft Budget 2018-19 narrative**, paragraph 1.29

transport and reduce carbon emissions, and 21st Century schools programme, where funding is conditional on projects meeting energy performance and sustainability criteria. The Future Generations Commissioner's **written evidence** suggests that a key challenge of carbon assessments will be ensuring that information becomes an integral part of decision making for public bodies.

157. The Commissioner welcomed the foundations that were being set by the Government for work to be done to align the development of carbon budgets alongside finance budgets.¹²⁸ The Commissioner told the Committee that two members of her team had been working with officials from the Government's decarbonisation team over the last year to help them to see the WFG Act as an asset to their approach to decarbonisation policy. She acknowledged that some key decisions and funding allocations within the draft Budget reflected the decarbonisation agenda, however she concluded:

"I think, probably, what we are seeing at this stage is decarbonisation being a welcome, but almost consequential part of those decisions, rather than a wholesale approach to decarbonisation. But then, the plan is coming in 2019."¹²⁹

158. The Commissioner welcomed the £28.2 million in the economy and infrastructure budget line for investment over three years in the transition to a low-carbon and low-waste economy and the additional £1 million in the environment line to support the decarbonisation and clean energy agenda, but questioned "How are those two budget lines in two different departments aligned?"¹³⁰ The Commissioner went on to say:

"It's good that we're seeing that there; we want to see, however, how it's a co-ordinated, integrated cross-Government approach, rather than just pockets of bits and bobs all over the place."¹³¹

159. The Cabinet Secretary told the Committee that decarbonisation is "one area where we are going to do something new next year". He said that funding would be brought together with work being led by the Cabinet Secretary for Environment, and that he wanted to "put more information into the process next year on that side".¹³²

Procurement

160. The draft Budget narrative details how the WFG Act has been applied to a series of procurement pilots between the Government and the National Procurement Services aimed at developing best practice approaches with local authorities and other partners. One of the examples provided is the **Welsh Public sector Collaborative Estate Initiative** (Cwm Taf pilot), which provides opportunities for efficiency savings by aligning and sharing procurement activities and services.

161. In her response to the Committee's consultation prior to the publication of the draft Budget 2017-18, the Future Generations Commissioner for Wales said a key challenge is ensuring the £6 billion spent by the Welsh public sector annually on procuring goods and services, is spent

¹²⁸ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 20

¹²⁹ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 21

¹³⁰ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 36

¹³¹ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 37

¹³² Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 382

sustainably. Achieving aspirations in sustainable procurement practices is also seen as a key factor in achieving delivery of decarbonisation targets, the outline draft Budget notes:

“Using our procurement processes, we can make a significant contribution to doing things differently to improve people’s lives and making sure we spend money wisely. For example, to achieve our decarbonisation targets, we will need to work across the Welsh Government and with our public sector partners to make sure we invest in effective action, which supports our ambitions.”¹³³

162. Established processes and guidance exist to support procurement decisions in the public sector. The outline draft Budget notes that the Commissioner is working closely with Value Wales and the National Procurement Service to consider how the five ways of working can be embedded into procurement processes and guidance. The narrative goes on to say:

“Talks are also underway with Business Wales to ensure the supply base in Wales is informed and educated about the Well-being of Future Generations Act and to prepare them for tenders, which reflect the Act’s goals.”¹³⁴

163. The Commissioner told the Committee that a member of her team had been working with the National Procurement Service, focussing on food contracts, to ensure that the five ways of working and well-being goals are embedded into the frameworks for those contracts as they’re developed, and that she was beginning to see some positive results. The Commissioner went on to say that part of the work undertaken was creating lotting and zoning strategies to support the local economy and small and medium enterprises’ ability to be able to bid for contracts. She added that she saw:

“the ability to support local economies as absolutely key to addressing, actually, a number of the well-being goals.”¹³⁵

164. The written evidence received from the Community Transport Association expressed the belief that:

“there is potential to strengthen the way public bodies use the Act in their budgeting and procurement processes.”¹³⁶

165. Representatives from the SD Alliance agreed that procurement is a key area that can have a significant impact across a range of well-being goals, however they told the Committee that while the Government had “a good policy ambition”, there was no monitoring in place to evaluate its success, Hayley Richards said:

“There is no monitoring framework to determine or measure how successful that has been. So, it’s a good policy ambition but there’s no scrutiny to see whether it’s being delivered or not.”¹³⁷

¹³³ Welsh Government, [Draft Budget 2018-19 narrative](#), paragraph 1.37

¹³⁴ Welsh Government, [Draft Budget 2018-19 narrative](#), paragraph 1.40

¹³⁵ Finance Committee, [Draft Record of Proceedings 23 November 2017](#), paragraph 148

¹³⁶ Written evidence, Finance Committee, WGDB_18-19 05, Community Transport Association

¹³⁷ Finance Committee, [Record of Proceedings 15 November 2017](#), paragraph 44

Preventative spend

166. The Cabinet Secretary told the Committee that spending money “on services that prevent problems from happening in the future has been a feature of all the discussions” the Government had on the draft Budget.¹³⁸ He went on to say:

“I think you will see, in all those portfolios, ways in which the spending decisions we’ve been able to make in this budget align with preventative spending and the needs of the Act.”¹³⁹

167. The Future Generations Commissioner stated that, “making progress in relation to preventative public spending is crucial in terms of safeguarding the ability of future generations to meet their needs”.¹⁴⁰ The Commissioner also referred to the “barriers” (based on a paper by the University of Stirling)¹⁴¹ to achieving the expectations associated with preventative spend, including, different understandings of the definition of prevention, difficulties in measuring success of preventative measures and current approaches to performance management not incentivising prevention.

168. The SD Alliance suggests that the Government should have more focus on preventative spending in general, rather than just in health. It believes that this focus should include energy efficiency programmes and investment in housing stock. Noting the potential benefits of a large-scale energy efficiency programme, the SD Alliance adds that this would present wider economic opportunities for upskilling and re-skilling people to undertake such work. More generally, the SD Alliance state that investment in environmental protection is preventative for future generations to help mitigate climate change.

169. Anne Meikle told the Committee that several pieces of legislation passed by the Assembly had “contradictory definitions of ‘preventative’”, which she suspected was one of the barriers to “actually making it happen”.¹⁴² She went on to elaborate on how the preventative approach was clearer in some areas of the draft Budget than others:

“there is a good example actually in the line about the health stuff, about being very clear what their aim is, and what they’re hoping the impact will be on future generations. And it’s actually a good example of a piece of very simple, very clear narrative about what is the intention in terms of delivering against that part of the sustainable development principle; the whole idea of prevention is in there. That’s not so clear in most of the other bits of the narrative.”¹⁴³

170. The Commissioner was also concerned at the clear lack of a definition of preventative spend and whilst she mentioned work the Government is undertaking in this area, she wasn’t aware of a timeline as to when this would be complete.¹⁴⁴

171. The Cabinet Secretary told the Committee that he is due to meet with the third sector group in February 2018 in order to discuss a definition for preventative spend. He acknowledged that this was

¹³⁸ Finance Committee, Record of Proceedings 5 October 2017, paragraph 384

¹³⁹ Finance Committee, Record of Proceedings 5 October 2017, paragraph 387

¹⁴⁰ Written evidence, Finance Committee, WGDB_18-19 23, Future Generations Commissioner for Wales

¹⁴¹ Stirling University, [Preventative Spend: Public Services and Governance](#)

¹⁴² Finance Committee, Record of Proceedings 15 November 2017, paragraph 55

¹⁴³ Finance Committee, Record of Proceedings 15 November 2017, paragraph 56

¹⁴⁴ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraphs 114 and 115

a “controversial area”, and so was unsure whether a definition proposed by the group would command widespread support. He agreed to share further information with the Committee once he had met with the group and added that should a definition be agreed upon, then it could be in place for the 2019-20 budget.¹⁴⁵

172. The draft Budget outlines prevention as an investment priority for the Government. Areas of preventative spend include the NHS and Social services. The Commissioner stated in her written evidence that “primary prevention of ill health needs to feature far more strongly in the *raison d’être* of all health and social care bodies in Wales”.¹⁴⁶ However, the Commissioner also stated that “in a public service that is effectively collaborating to provide an integrated approach, investment in prevention cannot just be about the NHS” and outlined the potential role Public Service Boards (PSBs) could play in enabling a shift to preventative working through the approaches they take to jointly resourcing shared well-being objectives.¹⁴⁷

173. The Commissioner also commented on the way in which preventative spend is defined in terms of health expenditure, saying that “it tends to be prevention purely in medical terms or health terms”.¹⁴⁸ She went on to say:

“we’re consistently seeing every year in the budget more and more money going into the national health service, because it’s at breaking point. I’m not seeing how that money is actually driving the national health service towards demand reduction.”¹⁴⁹

174. She told the Committee that what she would like to see this change:

“I actually think that there needs to be a watershed on that and that new money going into the NHS should be considered in terms of being spent in partnership with others. I think the public service boards provide quite a good opportunity or platform to do that, so that we can start this shifting to collaborative prevention, rather than purely focusing on the type of medical prevention that we’re seeing in the NHS at the moment.”¹⁵⁰

175. In response to questioning from the Committee on the issues raised by the Commissioner, the Cabinet Secretary said:

“The future of the health service has to lie in dealing with demand, not simply always thinking it can ratchet up supply. Part of dealing with demand is trying to persuade all of us to do more to avoid harms that need never happen.

So, turning it around and trying to find more money, and not just money, but energy and resource, to persuade people to behave differently and to do different things is difficult when the health service is so flat out dealing with the consequences of decisions that people have already made. Not just now, but in 30 years’ time, patients in 30 years’ time needing orthopaedic operations are

¹⁴⁵ Finance Committee, Record of Proceedings 23 November 2017, paragraph 391

¹⁴⁶ Written evidence, Finance Committee, WGDB_18-19 23, Future Generations Commissioner for Wales

¹⁴⁷ Written evidence, Finance Committee, WGDB_18-19 23, Future Generations Commissioner for Wales

¹⁴⁸ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 85

¹⁴⁹ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 87

¹⁵⁰ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 87

putting themselves in that position today. The conveyor belt of demand is moving fast.”¹⁵¹

Long term budgeting

176. This draft Budget includes provisional revenue and annually managed expenditure figures for 2018-19 and 2019-20. This approach differs from the budget setting process undertaken for 2017-18, which, in keeping with the previous years’ budget, provided revenue on a one-year basis. Capital allocations were made for four-years in the 2017-18 budget (up until 2020-21) and the draft Budget for 2018-19 includes three-year capital allocations up until 2020-21.

177. The outline budget narrative notes the ambition of the Government to provide budgets on a multi-year basis, but also the issues with this approach:

“It is, however, always our ambition to publish plans for longer than 12 months but this needs to be balanced with our ability to provide realistic and sensible planning assumptions. The UK Government is still to announce how it will allocate the £3.5bn of cuts planned for 2019-20 or indeed whether these will go ahead. Despite this level of uncertainty, we are publishing revenue plans for two years to help support the planning of public services.”¹⁵²

178. Concern was raised by some stakeholders that short term budgeting cycles were not cohesive with the longer term ethos of the WFG Act, the WCVA stated:

“The Act demands long-term planning, yet, as noted earlier, budgetary cycles continue to be one or two years in length, meaning that such planning is not possible. A move towards longer funding cycles would be welcome and give some stability to a number of sector organisations.”¹⁵³

179. This view was shared by the Community Transport Association:

“At the moment, the administration of local and central government funding means they only receive funding for a one year period. This makes it difficult for operators to develop a sustainable service and seems in conflict with the ways of working set out in the Well-being of Future Generations Act which promotes the importance of long term decisions and preventative measures. Short term funding decisions make long term planning extremely difficult.”¹⁵⁴

180. The Future Generations Commissioner acknowledged the challenges involved in predicting future budgets too far in advance, but that in turn causes difficulties for local authorities and others in planning for the future. She suggested that a way forward would be by the Government “setting a course” by stating:

“‘These are our priority areas’, ‘This is what we want to achieve’. Some years we may make more progress towards those things because the budget settlement might be better and other years we might only take baby steps

¹⁵¹ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraphs 375 and 376

¹⁵² Welsh Government, **Draft Budget 2018-19 narrative**, paragraph 1.3

¹⁵³ Written evidence, Finance Committee, WGDB_18-19 07, Wales Council for Voluntary Action

¹⁵⁴ Written evidence, Finance Committee, WGDB_18-19 05, Community Transport Association

towards them, but the point is setting that course and being really clear on your trajectory to get there.”¹⁵⁵

Strategic Integrated Impact Assessment

181. The Strategic Integrated Impact Assessment (SIIA) (Annex D of the outline draft Budget narrative) considers the impact of the high-level decisions that are detailed in the outline draft Budget and provides an explanation of the process that has informed and shaped decision-making.

182. The SIIA provides a series of aspirations and objectives that the Government is hoping to achieve, under the four themes identified in its **Programme for Government** and Prosperity for All, which in turn link to the Governments 12 well-being objectives, including the key decisions that support those themes.

183. One of the next steps detailed for the Government in the SIIA is to deliver a new framework for impact assessments. The budget narrative states that the project undertaking this work has been informed by the PPIW report “**Reducing Complexity and Adding Value: A Strategic Approach to Impact Assessment in the Welsh Government**”. Amongst the objectives for this framework is to integrate “the impact assessment process with the substantive direction of the Well-being of Future Generations Act”.

184. Anne Meikle told the Committee of her concern that the SIIA didn’t look at the likely impact of decisions:

“It does it no more this year than it did it last year. It doesn’t attempt to do it, as far as I can see. There is some general discussion about how the various bits of spend might benefit different goals, but there’s not what I would call a sort of evidence base of what actually is the likely impact of this, overall or in individual bits.”¹⁵⁶

185. In terms of whether the SIIA provides a clear picture of both the expected positive and negative impacts of the budget, Hayley Richards told the Committee that it does not provide any explanations as to how decisions were arrived at:

“The appraisal is published alongside the budget, which gives you the positive outcomes of the decisions made, but at no point in that appraisal can you see how they came to that decision and what decisions, if any, they discounted because the outcomes weren’t so good. So, we can’t make an informed choice as to whether they’ve made the right decision because we can’t see what other priorities they discounted.”¹⁵⁷

186. The Future Generations Commissioner told the Committee that although the WFG Act had been referenced in the SIIA, it was not clear “where the line of sight is back to the well-being goals”.¹⁵⁸

187. The Commissioner told the Committee that she would like the SIIA to have included the “thought process” applied to the decisions that had been taken on the budget.

¹⁵⁵ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 119

¹⁵⁶ Finance Committee, Record of Proceedings 15 November 2017, paragraph 56

¹⁵⁷ Finance Committee, Record of Proceedings 15 November 2017, paragraph 95

¹⁵⁸ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 135

“The Government have taken some difficult spending decisions. It’s not clear, I have to say—again, maybe this is something that we might get on to later—it’s not clear from the impact assessment how those different things have been weighed up, and that is an issue going forward. Until we see that, we can’t really understand how that decision-making process has taken place.”¹⁵⁹

188. The Commissioner elaborated upon this further during the session:

“I’d like to see throughout these impact assessment documents how that thought process is actually taking place, and I don’t think that we see that here at the moment. Now, I suppose that, if they did that comprehensively, that would be a huge document to do, but I would like to see, you know, even just a flavour, through appendices or what have you, of the thought process that has gone into one of these.”¹⁶⁰

189. The Commissioner suggested that instead of the “plethora of impact assessments” undertaken by the Government as part of its policy decisions, the Future Generations Act could be an “overarching framework for all of the impact assessments”.¹⁶¹

190. In response to questioning from the Committee as to whether she would see value in her office having a role in assessing the budgetary process and the budget narrative as part of the wider debate and discussion on the budget, the Commissioner commented that she believed that to be “a really interesting proposition”. She agreed that an in-depth assessment of what the budget means for now and for the future would be “really quite useful”.¹⁶²

Collaboration

191. The outline draft Budget narrative notes the importance of collaboration to achieve objectives. The SD Alliance also suggested that the use of financial arrangements, such as pooled budgets and other mechanisms that require public bodies and Government departments to collaborate are important in achieving multiple well-being objectives,¹⁶³ this was reiterated in the Commissioner’s written evidence in regard of PSBs and preventative spend:

“We cannot miss this opportunity to use the legislation to break down organisational siloes and meaningfully collaborate at the practical as well as strategic level.”¹⁶⁴

192. The budget narrative also highlights this as important, stating:

“Our approach to this Budget recognises the need to begin that process of integrated working, supporting our priorities by pooling resources, recognising the need for public services to work together towards common objectives to

¹⁵⁹ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 39

¹⁶⁰ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 136

¹⁶¹ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 137

¹⁶² Finance Committee, Draft Record of Proceedings 23 November 2017, paragraphs 138 - 142

¹⁶³ Written evidence, Finance Committee, WGDB_18-19 17 Sustainable Development Alliance

¹⁶⁴ Written evidence, Finance Committee, WGDB_18-19 23, Future Generations Commissioner for Wales

focus on the needs of people and investing in long-term solutions to the challenges we face for achieving prosperity for all.”¹⁶⁵

Tackling poverty

193. Dr Victoria Winckler expressed the view a number of times that there is more that the draft Budget could do to tackle inequality and poverty. She expanded on this:

“It’s there to some extent. It’s there in the pupil development grant, it’s there in a budget line up for the foundational economy, it’s there in the ethical procurement code—I forget its proper name—but it needs—. I wouldn’t want to be completely critical, but I think it can go further, and, in particular, I don’t think we see the health budget addressing health inequalities as much as it could, and I think, particularly in the economy, it is the south Wales Valleys and rural Wales that really need the big economic push, and you don’t get a sense of that in the budget.”¹⁶⁶

194. With regards as to whether the draft Budget provides sufficient support for affordable housing, Dr Victoria Winckler stated that there was a huge challenge in meeting the targets. She suggested two solutions: use of more innovative construction techniques (such as prefabrication); and procurement – less multiple sub-contracting so more control over community benefits is stronger.¹⁶⁷

195. Dr Victoria Winckler suggested that there is more information in the budget, and better links to drivers of ill health, than in previous years. However, she stated that the main difficulty with the budget documentation is comparing budget allocations to the scale of need, for example providing information on the number of homes that aren’t warm enough or are unfit for human habitation.¹⁶⁸

196. The Cabinet Secretary told the Committee that he shared anxieties about the impact of the roll-out of universal credit, saying:

“The amount of money that has been taken out of the poorest communities in Wales as a result of welfare benefit cuts has a direct impact on Welsh public services. It drives people through the door of public services, because they simply aren’t able to manage in the way that they would have been able to otherwise.”¹⁶⁹

197. He went on to say that the Government tried to “use the money we have got to mean that there is more money left in the pockets of those people who are affected by those changes, and then to allow them to manage a little bit better”, and cited examples council tax, free prescriptions, advice services, the school holiday enrichment programme and the discretionary assistance fund to illustrate this.¹⁷⁰

198. The Cabinet Secretary provided further detail to the Committee on the measures in the draft Budget to invest “in both people and places”. He cited the £220 million to deliver 100,000 high quality apprenticeships and new money to accelerate the implementation of the childcare offer as

¹⁶⁵ Welsh Government, [Draft Budget 2018-19 narrative](#), paragraph 1.17

¹⁶⁶ Finance Committee, Record of Proceedings 25 October 2017, paragraph 77

¹⁶⁷ Finance Committee, Record of Proceedings 25 October 2017, paragraph 129

¹⁶⁸ Finance Committee, Record of Proceedings 25 October 2017, paragraph 41

¹⁶⁹ Finance Committee, Record of Proceedings 5 October 2017, paragraph 429

¹⁷⁰ Finance Committee, Record of Proceedings 5 October 2017, paragraphs 430 - 432

examples of how the budget will “allow people’s lives to be better aligned with the economy, and the ability to participate in the economy”.¹⁷¹

Committee view

199. In its report on the draft Budget 2017-18, the Committee noted that it hoped by this year to see “vast improvements” by the Government in implementing the Well-being of Future Generations Act.

200. The Committee notes the explanations provided by the Cabinet Secretary as to how the Government has attempted to align aspects of the draft Budget proposals to the Well-being of Future Generations Act, and accepts that it will take time to fully embed this new approach into the development of policies and budgets. It acknowledges that the Government chose to focus on the three specific areas of procurement, decarbonisation and participatory budgeting and that the Future Generations Commissioner has been involved with the Government on these. Nevertheless, the Committee is disappointed that the improvements it had hoped for are not evident, and believes that the Government needs to do more to ensure that there is clear correlation between the Well-being of Future Generations Act, the national strategy ‘Prosperity for All’ and the draft Budget proposals and re-iterates its expectation to see a greater explanation of this in the draft Budget next year.

201. The Committee agrees with stakeholders that procurement is an area that cuts across all of the well-being goals and welcomes the work being done by the Government, the Future Generations Commissioner and the National Procurement Service to develop best practice across the public sector. The Committee would be interested in receiving an update on the outcome of the procurement pilots, and whether these will be developed further.

202. The Committee noted the difficulties in defining preventative spending in its report on last year’s draft Budget, and welcomes the Cabinet Secretary’s attempt to address this by establishing a third sector group to consider a definition. However, it acknowledges the difficulties in being able to agree on a final definition and the Cabinet Secretary’s caution as to whether that would be in place in time for next year’s draft Budget. The Committee looks forward to receiving an update from the Cabinet Secretary following his meeting with the third sector group.

203. The Committee welcomes the identification of preventative spend in the draft Budget as investment priority, however, particularly in the case of the health service it remains concerned that the additional resources are being invested in the NHS every year are not leading to a reduction in the demand for services.

204. The Committee believes that effective public engagement should play a crucial role in the budget process in order for the Welsh public to understand how finances are prioritised and notes with interest the work undertaken by the Government with the Wales Council for Voluntary Action and Citizens Cymru Wales. The Committee welcomes the approach of engaging the public in this way and would be keen to understand the results of the pilots and how they will be taken forward.

205. The Committee notes that this draft Budget includes provisional revenue and annually managed expenditure figures for 2018-19 and 2019-20, however it acknowledges that short term funding cycles provide less certainty for organisations, particularly local government and local health boards in planning for the future.

¹⁷¹ Finance Committee, Draft Record of Proceedings 23 November 2017, paragraph 371

206. The Committee notes the evidence from stakeholders that the Strategic Integrated Impact Assessment did not provide details as to how decisions taken on the draft Budget were arrived at, and is concerned by the perception that the SIIA is no different to last years. The Committee believes that the impact assessments provided alongside future draft budgets should provide a clear explanation as to how decisions were arrived upon, including information on both the positive and negative aspects.

207. The Committee is interested in the idea it discussed with the Future Generations Commissioner in relation to her office having a role in assessing the impact of the Government's budgets, particularly around whether decisions made in the budget support the well-being goals or whether the policies will support achieving the goals in future.

Recommendation 7. The Committee re-iterates the recommendation it made in relation to the 2017-18 draft Budget that the Government should demonstrate greater alignment between its draft budgets, the well-being goals and the five ways of working. Future draft budgets should also demonstrate how the Government's allocation of funds will meet the priorities outlined its national strategy, currently Prosperity for All.

Recommendation 8. The Committee recommends that the strategic integrated impact assessment provided alongside future draft budgets should provide a clear explanation as to how decisions were arrived upon.

Recommendation 9. The Committee recommends that the Cabinet Secretary consider the suggestion that the Future Generations Commissioner has a role in assessing the impact of Government's budget in supporting the well-being goals, both in the short and longer term.

08. Impact of the decision to leave the EU on the Welsh Government budget

208. Wales currently receives EU funds through the Structural Funds programmes, the Common Agricultural Policy, the Rural Development Programme, the Ireland-Wales European Territorial Co-Operation Programme and the European Maritime Fisheries Fund. This funding totals £650 million per financial year, of which £370 million is from structural and investment funds.¹⁷² While these sit outside the Government's budget, it manages and spends these funds. The Sheffield Political Economy Research Institute has calculated that Wales receives considerably more per capita in Structural Funds than anywhere else in the UK.¹⁷³

209. In October 2016, the UK Government announced a funding guarantee for projects approved up until the point at which the UK leaves the EU.¹⁷⁴ This guarantee covered EU funding for structural and investment fund projects, and means that funding for these projects will happen even after the UK leaves the EU.

210. The Government's White Paper, *Securing Wales' Future*, calls for the EU funding that Wales receives to be replaced by an adjustment to the block grant over the long-term, once the UK Government's guarantee expires.¹⁷⁵

211. The Assembly's External Affairs and Additional Legislation (EAAL) Committee discussed the impact of exchange rate fluctuations on allocating funds during its inquiry into the future of regional policy.¹⁷⁶ In March 2017, the Cabinet Secretary noted that the devaluation of the pound meant that Wales had £130 million additional structural funds than previously.¹⁷⁷ The Cabinet Secretary said that he intends to commit 80 per cent of European funds under the 2014-20 programme by the end of 2017.¹⁷⁸

Evidence

212. As part of its **Resilience and Preparedness inquiry**, the External Affairs and Additional Legislation Committee heard from Dr Victoria Winckler from the Bevan Foundation, Michael Trickey from Wales Public Services 2025, the Welsh NHS Confederation and WLGA. Michael Trickey told the Committee that businesses and public services are in an extraordinary position of having to cope with a potentially very wide span of Brexit scenarios.¹⁷⁹ Dr Victoria Winckler said that there is work to be done to begin to sketch out what the parameters of a 'no deal' scenario might mean.¹⁸⁰ Despite recognising that the changing situation makes scenario and contingency planning quite challenging, both felt that any scenario planning undertaken thus far seemed relatively limited.¹⁸¹

¹⁷² [Cabinet Secretary for Finance and Local Government, Evidence Paper to External Affairs and Additional Legislative Committee, 20 March 2017](#)

¹⁷³ [Figure 3, UK regions and European structural and investment funds, British Political Economy Brief No. 24, Sheffield Political Economy Research Institute](#)

¹⁷⁴ [Further certainty on EU funding for hundreds of British projects, 3 October 2016](#)

¹⁷⁵ [Securing Wales' Future, Transition from the European Union to a new relationship with Europe](#)

¹⁷⁶ [Inquiry into the future of regional policy - what next for Wales?, June 2017](#)

¹⁷⁷ [National Assembly for Wales, External Affairs and Additional Legislation Committee, Record of Proceedings, 20 March 2017, Paragraph 15](#)

¹⁷⁸ [External Affairs and Additional Legislation Committee, Record of Proceedings, 20 March 2017, Paragraph 16](#)

¹⁷⁹ External Affairs and Additional Legislation Committee, Record of Proceedings, 23 October 2017, paragraph 7

¹⁸⁰ External Affairs and Additional Legislation Committee, Record of Proceedings, 23 October 2017, paragraph 4

¹⁸¹ External Affairs and Additional Legislation Committee, Record of Proceedings, 23 October 2017, paragraphs 11-12

213. Michael Trickey also gave evidence to the Finance Committee alongside his Wales Public Services 2025 colleague Dr Daria Luchinskya, the Wales Governance Centre and the Institute for Fiscal Studies. When asked whether he believes that the draft Budget sufficiently prepares for Brexit, he said:

“My concern about the Brexit process is that a lot of decisions are going to come very fast at the end of the process. It is quite difficult to know exactly what form those decisions are going to take. We can work out the areas that they are going to be in, but precisely what the implications of those are going to be is difficult to forecast. But I do think there is an issue about a kind of contingency preparation for this, albeit in a very, very difficult situation, where it’s so fluid. But the capacity of the UK Government and the Welsh Government to handle a rush of late decisions is going to be extremely highly and strongly tested, I think.”¹⁸²

214. In terms of preparing a forecast for a ‘no deal’ scenario, he added:

“There are three broad scenarios, aren’t there? You have got the ‘no deal’ scenario, which suddenly seems to have become much more prominent in the last two or three weeks than it had seemed four or five months ago. Then, you’ve got the whole resiling to the World Trade Organization rules and all the rest of the implications of that. I think that there has to be—. I think those are all different scenarios that really do need to be developed and tested, but they will develop over time. You have to start the process off and then add to them as information becomes more definite.”¹⁸³

215. The Committee asked the Wales Governance Centre whether it has revisited the work it published in the lead up to the referendum, **Estimating Wales’ Net Contribution to the European Union**, Dr Ed Poole confirmed:

“We haven’t updated it—the reason being that we don’t have sufficient information on the future shape of the settlement to be able to do a detailed look. It’s something that we are keeping in the pending tray at all times. Clearly, the different settlements that could be negotiated will have very different effects, both on the budget, through how much is available through the block grant being made available from the UK Government, and also how much is being raised in Welsh taxes should there be different economic activity outcomes as well.”¹⁸⁴

216. David Phillips from the Institute for Fiscal Studies added:

“...one of the things that happens at the moment is that the EU regional funds have cliff edges in them and the Welsh Valleys happen to benefit from one of the cliff edges. They get lots of support via what was called Objective 1 but I’m not sure what it’s called now, and then you go beyond, I think, 75 per cent of

¹⁸² Finance Committee, Record of Proceedings, 19 October 2017, paragraph 159

¹⁸³ Finance Committee, Record of Proceedings, 19 October 2017, paragraph 163

¹⁸⁴ Finance Committee, Record of Proceedings, 19 October 2017, paragraph 157

EU gross value added and it massively falls off. There's a question, actually: will the UK system replicate that kind of cliff-edge structure? If it doesn't, that might mean areas a bit above that cliff edge, places like South Yorkshire and some other parts of England, might get a bit more, and Wales could potentially get less. So, actually looking at just what the structure looks like there would matter a lot for Wales.”¹⁸⁵

217. On 20 November 2017, the Cabinet Secretary gave evidence to the External Affairs and Additional Legislation Committee on its **Resilience and Preparedness inquiry**. In relation to preparing for a 'no-deal' scenario, he told the Committee that the Government is entirely opposed to a no-deal Brexit and will not be drawn into planning for something on the basis that no deal is just one other option on a continuum of options. As a result, despite doing some thinking around a no-deal, the Government's focus is on preventing such a scenario.¹⁸⁶ He added:

“the Welsh Government has not given up at all on the advice that we have given throughout this process to the UK Government that a form of Brexit needs to be negotiated that places its top priority on the needs of the economy, and of the Welsh economy from our perspective, where continued participation in the single market and, we believe, at least for what might be an extended transition period, continued participation in the customs union or a customs union, ought to be the ambitions of the UK's negotiating mandate.”¹⁸⁷

218. According to the Cabinet Secretary, the Government takes issue with the idea that a no-deal Brexit is something you can simply prepare for or a condition capable of being mitigated. Despite stating that discussions do happen around the very particular things you might be able to do in the event of leaving the EU without a deal, the Cabinet Secretary said that this detailed preparation does not amount to a plan to protect against a no-deal Brexit or an ability to withstand the impact on Wales.¹⁸⁸ The Cabinet Secretary stated:

“Nothing the Welsh Government can do will be able to mitigate the impact of tariffs being placed on Welsh agricultural products. Nothing the Welsh Government can do will be able to mitigate the harm that will occur when non-tariff barriers suddenly find themselves in the path of businesses that, up until now, have had entirely frictionless trade with our biggest and nearest trading partner. Nothing the Welsh Government will be able to do if the UK Government decides to put border posts in Holyhead and Fishguard.”¹⁸⁹

219. On 5 October 2017, the Committee asked the Cabinet Secretary what consideration had been given to the economic impact that Brexit may have, in the preparation of this budget and the 2019-20 budget. He said:

“At one end of the spectrum, there is £2 million next year and £3 million the year after, as part of the agreement with Plaid Cymru, which is new money, to

¹⁸⁵ Finance Committee, Record of Proceedings, 19 October 2017, paragraph 169

¹⁸⁶ External Affairs and Additional Legislation Committee, Record of Proceedings, 20 November 2017, paragraph 11

¹⁸⁷ External Affairs and Additional Legislation Committee, Record of Proceedings, 20 November 2017, paragraph 18

¹⁸⁸ External Affairs and Additional Legislation Committee, Record of Proceedings, 20 November 2017, paragraphs 61-63, 65-66

¹⁸⁹ External Affairs and Additional Legislation Committee, Record of Proceedings, 20 November 2017, paragraph 66

help with Brexit impacts. That will be to try and assist businesses in Wales to look to find new markets, to be able to do more overseas in terms of trade and so on. So, in the grand scheme of things, in a relatively modest sense, we are making that specific preparation.

At the other end of the spectrum, one of the real challenges in trying to craft this budget is that we don't have a new comprehensive spending review. So, one of the reasons why I'm only able to lay a two-year revenue budget is that, for the year after that, we don't have figures yet from the UK Government as to what the spending envelope for the Welsh Government is likely to be."¹⁹⁰

220. During the final evidence session, the Cabinet Secretary highlighted the Brexit specific allocations in the draft Budget:

"There is the agreement that we had with Plaid Cymru, for example, that has money in both years for Brexit preparedness, and for the preparation of a business portal, which will help businesses in their approach to Brexit. So, that is very specific money in the Brexit field. There are some other Brexit-related allocations in the budget: there's an additional £5.4 million in capital, for example, for the rural development plan in match funding. Because one of the things that we are determined to do as a Government is to maximise the draw-down of European funds while they are available to us, and in order to get the maximum out of the RDP, we think that providing a bit more match funding will allow us to draw down the maximum impact there. So, there's more money in the budget for that. There is a sum of money, which I think is £5 million, but I would have to check to be completely accurate, to allow us to improve the rural payments system so that it is capable of dealing with the post-Brexit scenario."¹⁹¹

221. The Cabinet Secretary indicated that expenditure on the large-scale preparations taking place in Whitehall, such as hundreds of extra people being employed in the Department for Environment, Food and Rural Affairs and setting up a whole new Department for Exiting the European Union, had not resulted in consequential funding for Wales. He confirmed that the Welsh Government will receive consequential funding of at least £3.7 million from the £250m previously identified by the Chancellor of the Exchequer to prepare for a 'no deal' scenario. He said that the funding is for 2017-18 and the final amounts are subject to further negotiation.¹⁹²

222. In relation to consequential funding from the Chancellor's announcement in the UK Budget Autumn 2017 and the allocation of £3bn over the next two years to prepare the UK for Brexit, the Cabinet Secretary said that the Government would "now be working to see what we will get as a result of the additional sums that were announced yesterday".¹⁹³

223. With regards to the Government's target of committing 80 per cent of European funds under the 2014-20 programme by the end of 2017, the Cabinet Secretary told the Committee that it was "on track in the broad sense" but highlighted that fluctuations in the exchange rate could result in

¹⁹⁰ Finance Committee, Record of Proceedings, 5 October 2017, paragraphs 418-419

¹⁹¹ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 303

¹⁹² Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 304

¹⁹³ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 308

“more money to spend and a diminishing period of time in which to do so”.¹⁹⁴ Current funding arrangements are based on a currency rate of €1.17 to the pound. He went on to say:

“I don’t believe we’ve had any specific commitments from the UK Government to help us out if the exchange rate were to fluctuate in that way, because...in terms of match funding, it does have a direct impact on our funds as well. Not only do we get more European money that we can spend, but we’ve got to find more of our own money in order to be able to do that. But, in a way, Chair, the bigger problem is not so much finding the money; it’s finding the projects that are in a sufficient state of readiness in that very short window of time to spend that money sensibly.”¹⁹⁵

224. The Committee questioned whether there is any capital expenditure for the preparation and the capacity of Welsh ports. The Cabinet Secretary indicated that the Government is very closely engaged in the terms of any arrangement with Ireland and “if there were capital expenditure needed in those ports as a result of decisions that the UK Government, in the end, is responsible for, then we would have to look to them to make sure that they bore the consequences”.¹⁹⁶ He continued:

“I see how there may be some aspects that they would wish to negotiate with us, but the fundamental issue would be that, if the UK Government concludes an agreement with the European Union that requires there to be extensive new customs arrangements at Welsh ports, they would have to fund the consequences of that agreement—they couldn’t look to us.”¹⁹⁷

Committee view

225. The Committee notes the contingency allocations in this year’s draft Budget but is concerned that the uncertainty in relation to Brexit is impacting on investment decisions being made by businesses now. The Committee believes that more investment is needed in preparing for and communicating decisions being made in relation to leaving the European Union, including the possibility of a no-deal scenario.

226. The Committee will be undertaking a specific piece of work next year to examine the Government’s financial preparedness and would welcome further detail from the Cabinet Secretary on the consequential funding allocations and the Government’s proposals for utilising these additional resources.

Conclusion 4. The Committee recognises that UK Government decisions in relation to leaving the European Union could result in demand for capital investment in areas such as ports and agrees that such funding should be borne by the UK Government.

Conclusion 5. The Committee urges the Government to consider the potential for utilising the financial transactions capital announced in the UK Budget for business support and Brexit preparations.

¹⁹⁴ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 310

¹⁹⁵ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 312

¹⁹⁶ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 316

¹⁹⁷ Finance Committee, Draft Record of Proceedings, 23 November 2017, paragraph 320

Annex A – List of oral evidence sessions

The following witnesses provided oral evidence to the Committee on the dates noted below.

Transcripts of all oral evidence sessions can be viewed on the Committee’s website.

Date	Name and Organisation
5 October 2017	Mark Drakeford AM, Cabinet Secretary for Finance Margaret Davies, Deputy Director – Strategic Budgeting, Welsh Government Andrew Jeffreys, Welsh Treasury, Welsh Government
11 October 2017	Dr Edward Jones, Bangor University Dr Helen Rogers, Bangor University
11 October 2017	Andrew Jeffreys, Welsh Treasury, Welsh Government Dyfed Alsop, Chief Executive, Welsh Revenue Authority (WRA) Julian Revell, Head of Fiscal Analysis, Welsh Treasury
19 October 2017	Michael Trickey, Wales Public Services 2025 Dr Daria Luchinskya, Wales Public Service 2025 Dr Ed Poole, Wales Governance Centre David Phillips, Institute of Fiscal Studies
25 October 2017	Auriol Miller, Director, Institute of Welsh Affairs Dr Victoria Winckler, Director, Bevan Foundation
15 November 2017	Anne Meikle, Chair of the Sustainable Development Alliance (WWF Cymru) Annie Smith, Sustainable Development Alliance (RSPB Cymru) Hayley Richards, Sustainable Development Alliance (Oxfam Cymru)
23 November 2017	Sophie Howe, Future Generations Commissioner for Wales Kate Carr, Director of Partnerships, Engagement and Communication, Office of the Future Generations Commissioner for Wales
23 November 2017	Mark Drakeford AM, Cabinet Secretary for Finance Margaret Davies, Deputy Director – Strategic Budgeting, Welsh Government Andrew Jeffreys, Welsh Treasury, Welsh Government

Annex B – List of written evidence

The following people and organisations provided written evidence to the Committee. All [consultation responses and additional written information](#) can be viewed on the Committee's website.

Organisation	Reference
Institution of Civil Engineers Wales Cymru	WGDB_18-19 01
Neath Port Talbot County Borough Council	WGDB_18-19 02
Older People's Commissioner for Wales	WGDB_18-19 03
Betsi Cadwaladr University Health Board	WGDB_18-19 04
Community Transport Association	WGDB_18-19 05
Marine Conservation Society	WGDB_18-19 06
Wales Council for Voluntary Action	WGDB_18-19 07
Welsh Retail Consortium	WGDB_18-19 08
Welsh Refugee Coalition	WGDB_18-19 09
Oxfam Cymru	WGDB_18-19 10
Cardiff Third Sector Council	WGDB_18-19 11
Wales Environment Link	WGDB_18-19 12
Welsh Women's Aid	WGDB_18-19 13
Community Housing Cymru Group	WGDB_18-19 14
Universities Wales	WGDB_18-19 15
National Education Union	WGDB_18-19 16
Sustainable Development Alliance	WGDB_18-19 17
Cymorth Cymru	WGDB_18-19 18
Welsh NHS Confederation	WGDB_18-19 19
Welsh Ambulance Services NHS Trust	WGDB_18-19 20
Undeb Cenedlaethol Athrawon Cymru (Welsh Only)	WGDB-18-19 21
Equality and Human Rights Commission	WGDB-18-19 22
Future Generations Commissioner for Wales	WGDB-18-19 23
National Union of Students Wales	WGDB-18-19 24
Institute of Welsh Affairs	WGDB-18-19 25
Bevan Foundation	WGDB-18-19 26