The Socio-economic Duty

Explanatory Memorandum to the Equality Act 2010 (Authorities subject to a duty regarding Socio-economic Inequalities) (Wales) Regulations 2021

This Explanatory Memorandum has been prepared by the Communities and Tackling Poverty Directorate and is laid before the Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Member's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of The Equality Act 2010 (Authorities subject to a duty regarding Socio-economic Inequalities) (Wales) Regulations 2021. I am satisfied that the benefits justify the likely costs.

Jane Hutt

Deputy Minister and Chief Whip

9 February 2021

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List of abbreviations

2010 Act The Equality Act 2010

EHRC Equality and Human Rights Commission

ELGC Equality, Local Government & Communities

Committee

PSED Public Sector Equality Duty

The Duty The Socio-economic Duty

The Regulations The Equality Act 2010 (Authorities subject to a

duty regarding Socio-economic Inequalities)

(Wales) Regulations 2021

Relevant public bodies The following Welsh public authorities will be

captured by the Duty, as they meet the 'relevant authority' test set out in section 2(6) of the 2010

Act:

Welsh Ministers;

Local Health Boards;

NHS Trusts;

Special Health Authorities (which operate on a Walso and health):

a Wales only basis);

A county council or county borough council

the Welsh Revenue Authority;

• Fire and Rescue Authorities; and

National Park Authorities.

PART 1 – EXPLANATORY MEMORANDUM

1. Description

- 1.1 For the Socio-economic Inequality Duty to have effect in Wales, it is necessary to commence Part 1 of the 2010 Act.¹ Section 1 sets out the Duty itself and once commenced, will apply to the relevant Welsh public bodies listed in section 1(3) of the 2010 Act¹. Section 2(4) of the 2010 Act² provides the Welsh Ministers with the power to make regulations, which will add to the list of in section 1(3) of the 2010 Act¹, specifying relevant public bodies to whom the Duty will apply in Wales. Section 2 of the 2010 Act² was commenced in November 2019 in advance of the consultation. On 31 March 2021, the proposed date for the Duty to come into force, the remainder of Part 1 of the 2010 Act¹, sections 1 and 3 will be commenced by further Order.
- 1.2 This Explanatory Memorandum, including the RIA, covers the impact of enacting the Duty on those public bodies listed in the Regulations.
- 1.3 The Regulations are a legislative mechanism designed to help address inequalities in Wales. The Regulations, coupled with the Commencement Orders³ (one of which has already been made, and the other of which will commence the Duty itself under section 1 of the 2010 Act¹) will build on the good work of public bodies in Wales in tackling inequalities and build on the provisions within the Well-being of Future Generations (Wales) Act 2015⁴ to create 'a more equal Wales'.
- 1.4 The Regulations will list the relevant public bodies, who will be under a statutory duty, when making strategic decisions, such as deciding priorities and setting objectives, to consider how their decisions might help to reduce the inequalities associated with socio-economic disadvantage.
- 1.5 In summary, these Regulations will amend section 1(3) of the 2010¹ Act by adding relevant Welsh public authorities to the list, so that when section 1 of the 2010 Act¹ is commenced, the Duty will apply to those Welsh bodies listed.

2. Matters of special interest to the Legislation, Justice and Constitution Committee

2.1 None.

¹ https://www.legislation.gov.uk/ukpga/2010/15/part/1

² https://www.legislation.gov.uk/ukpga/2010/15/section/2

³ The Equality Act 2010 (Commencement No. 14) (Wales) Order 2019; Commencement order - The Equality Act 2010 (Commencement No. 15) (Wales) Order 2021

⁴ http://www.legislation.gov.uk/anaw/2015/2/contents/enacted

3. Legislative background

- 3.1 'Equal opportunities' is a reserved matter in accordance with Part 1, Schedule 7A of the Government of Wales Act 2006⁵. However, the Welsh Ministers have specific powers in the 2010 Act⁶, which includes the power to commence Part 1 of the 2010 Act¹ (the Socio-economic Inequality Duty).
- 3.2 Under Part 1 of the 2010 Act¹ 'as enacted', the Welsh Ministers were required to consult with a Minister of the Crown before making regulations and were required to take into account guidance issued by a Minister of the Crown. Section 45 of the Wales Act 2017⁷ amended the 2010 Act⁶ as follows:
 - by removing the requirement for the Welsh Ministers to consult with a Minister of the Crown before making regulations under section 2 of the 2010 Act²:
 - by providing a mechanism for the Welsh Ministers to commence Part 1 of the 2010 Act¹ for relevant Welsh public bodies;
 - by providing that public bodies exercising the duty in relation to devolved functions, must take into account guidance issued by the Welsh Ministers.
- 3.3 Section 2(4) of the 2010 Act² gives the Welsh Ministers the power to make regulations to amend section 1 of the 2010 Act¹. These Regulations add relevant Welsh public bodies to the current list of bodies in section 1(3) of the 2010 Act.¹ Section 2(6) of the 2010 Act defines a 'relevant authority' for the purpose of the regulation-making power in section 2(4) of the 2010 Act².
- 3.4 Once the Regulations are in force, the relevant Welsh bodies will be listed in section 1(3) of the 2010 Act.¹
- 3.4 In accordance with sections 209(2), (3)(a) and (6) of the 2010 Act⁶, a draft of these Regulations has been laid before the Senedd for their approval, following the draft affirmative procedure.
- 3.5 These Regulations should be read in conjunction with the Equality Act 2010 (Commencement No. 14) (Wales) Order 2019³ ("the 2019 Order") and the Equality Act 2010 (Commencement No. 15) (Wales) Order 2021 ("the 2021 Order"). The 2019 Order³ came into force on 22 November 2019. The 2019 Order commenced section 2 of the 2010 Act² which gave the Welsh Ministers the power to make regulations, to amend section 1 of the 2010 Act¹ (these Regulations). Section 2 of the 2010 Act² was commenced in advance of the launch of the consultation A More Equal Wales Commencing the Socioeconomic Duty8.

⁵ http://www.legislation.gov.uk/ukpga/2006/32/contents

⁶ https://www.legislation.gov.uk/ukpga/2010/15/contents

⁷ https://www.legislation.gov.uk/ukpga/2017/4/section/45

⁸ https://gov.wales/equality-act-2010-commencing-socio-economic-duty

- 3.9 A separate statutory instrument, the 2021 Order will be required in order to commence the Duty itself under section 1(1) of the 2010 Act^{Error! Bookmark not} defined. This Order will come into force on 31 March 2021.
- 3.10 These Regulations will come into force on 30 March 2021, so that the relevant Welsh public bodies to be captured by the Duty are already listed in section 1(3) of the 2010 Act¹ before the Duty comes into force on 31 March 2021.

4. Purpose and intended effect of the legislation

Overall policy and objectives

- 4.1 When the 2010 Act⁶ was enacted, the Duty lay dormant on the statute book, as the UK Government elected not to commence it. The Wales Act 2017⁹ legislated for a new model of Welsh devolution, which included the power for the Welsh Ministers to commence the Duty in Wales.
- 4.2 In his manifesto¹⁰ in November 2018 the First Minister made a commitment to use these powers to commence the Duty. Subsequently, in June 2019, via an Oral Statement in Plenary¹¹, the Deputy Minister and Chief Whip affirmed that this work would begin, alongside other activities to strengthen and advance equality and human rights in Wales.
- 4.3 This Government strives to create a country within which inequalities do not exist. Decades of EU membership has produced a legacy of benefits in Wales, covering many aspects of daily life. Examples being employment rights, environmental rights and health and safety regulations. However, leaving the EU brings great uncertainty and will likely increase the inequalities which currently exist (paragraphs 4.13 4.25).
- 4.4 Separately, Covid-19 is increasing the current inequalities which exist in Wales¹², and the evidence shows there is an indisputable link between inequality and socio-economic disadvantage¹³ (by socio-economic disadvantage we mean living in less favourable social and economic circumstances than others in the same society¹⁴).
- 4.5 The First Minister has been clear throughout the crisis that the Welsh Government puts equality and human rights considerations at the centre of the response to the pandemic and recovery in Wales.
- 4.6 The Welsh Government published the approach it has taken in assessing when conditions to enable specific lockdown restrictions can be eased in

⁹ http://www.legislation.gov.uk/ukpga/2017/4/contents/enacted

¹⁰ https://skwawkbox.org/wp-content/uploads/2018/11/manifesto-english-print.pdf

¹¹ http://www.senedd.tv/Meeting/Archive/9a062b5c-4b24-424a-aede-752801c882c3?autostart=True

¹² https://gov.wales/socio-economic-duty-examples-inequalities-outcome

 $^{13\} https://www.futuregenerations.wales/wp-content/uploads/2020/06/Chap-3-Equal.pdf - Page\ 9$

¹⁴ https://gov.wales/sites/default/files/publications/2020-07/commencing-socio-economic-duty-factsheet.pdf

'Leading Wales out of the coronavirus pandemic: a framework for recovery'¹⁵ on 24 April and 'Unlocking our society and economy: continuing the conversation'¹⁶ on 15 May. Both of these documents, and other measures put in place to control the spread of Covid-19, such as the firebreak lockdown, embody the Welsh Government's commitment to ensuring decisions sought to deliver a 'high positive equality impact'.

- 4.7 Additionally, within 'Coronavirus reconstruction: challenges and priorities' 17 the Welsh Government set out its key approaches to reconstruction. Across all of the eight priorities listed, there is a commitment to focus efforts on supporting those who have been most adversely affected by the Covid-19 crisis. These include children and young people, women, those in low paid and insecure employment, Black, Asian and Minority Ethnic people and disabled people.
- 4.8 Commencing the Duty will therefore contribute to meeting these commitments by helping eliminate inequalities in Wales, targeting those experiencing socioeconomic disadvantage.

<u>Current legislative position:</u>

- 4.9 Equality is an issue that concerns everyone. Public authorities make decisions on a daily basis and each of these has the potential to have a significant effect on people's lives. In making these decisions, public authorities must comply with a number of statutory duties.
- 4.10 Section 149 of the 2010 Act¹⁸ introduced a single Public Sector Equality Duty (PSED), or "general duty", requiring public authorities and other bodies carrying out public functions, to have due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 4.11 Although the 'general duty' drives sound decision-making in relation to equalities, it focuses on relevant protected characteristics set out in Section 149(7) of the 2010 Act¹⁸. It does not require public bodies to consider the impact of these decisions on those individuals who experience socioeconomic disadvantage. Instead it simply encourages public bodies to understand how different groups of people with protected characteristics will be affected by their activities, so that the design and delivery of policies and services takes account of the needs of those groups. This means individuals

¹⁵ https://gov.wales/leading-wales-out-coronavirus-pandemic-html

¹⁶ https://gov.wales/unlocking-our-society-and-economy-continuing-conversation

¹⁷ https://gov.wales/coronavirus-reconstruction-challenges-and-priorities

¹⁸ https://www.legislation.gov.uk/ukpga/2010/15/section/149

- who experience socio-economic disadvantage are often overlooked when public bodies make strategic decisions.
- 4.12 The Children and Families (Wales) Measure 2010¹⁹ places a duty on Welsh Ministers and named public bodies to set objectives for tackling child poverty and report on the actions they take which help to achieve their objectives. The legislation aims to improve the lives of those who are most vulnerable by supporting better economic outcomes for families and tackling the inequalities associated with poverty.
- 4.13 Additionally, action to enable people to fulfil their potential no matter what their socio-economic background and circumstances was strengthened through the Well-being of Future Generations Act 2015⁴, particularly, the 'More Equal Wales' goal and "A Wales of cohesive communities" goal. The Act seeks to guide the exercise and functions of public bodies to consider how they are meeting the needs of current generations without compromising the ability of future generations to meet their own needs, and to better address long-term challenges such as inequalities of outcome when taking decisions, it provides for a single principle ('the sustainable development principle'). The Socioeconomic Duty complements and enhances this principle.
- 4.14 Although public authorities in Wales must comply with a number of statutory duties, including ones which seek to embed equality consideration throughout, more is needed to be done to eliminate inequalities of outcomes associated with socio-economic disadvantage.
- 4.15 The Duty in section 1 of the 2010 Act¹, once commenced, will introduce a new statutory duty which places an obligation on relevant bodies, when taking strategic decisions, to have due regard to the need to reduce the inequalities of outcome resulting from socioeconomic disadvantage.
- 4.16 The explanatory notes²⁰ accompanying the 2010 Act⁶ describe inequalities of outcome in respect of the Duty to mean:
 - "Such inequalities could include inequalities in education, health, housing, crime rates, or other matters associated with socio-economic disadvantage. It is for public bodies subject to the Duty to determine which socio-economic inequalities they are in a position to influence."
- 4.17 Commencing the Duty will not compete with or override other duties such as the PSED,²¹ child poverty legislation²² and the Well-being Duty under the Well-being of Future Generations Act⁴. It is intended to complement these duties by further contributing towards Wales' long-term well-being goals. The aim is therefore for the Duty to become a further mechanism in supporting the most vulnerable in our society. By requiring relevant public bodies to make better decisions, ones which place consideration of inequalities of outcomes

¹⁹ https://www.legislation.gov.uk/mwa/2010/1/pdfs/mwa_20100001_en.pdf

²⁰ https://www.legislation.gov.uk/ukpga/2010/15/notes/division/3/1/1

²¹ https://www.gov.uk/government/publications/public-sector-equality-duty

²² https://www.legislation.gov.uk/mwa/2010/1/pdfs/mwa_20100001_en.pdf

arising from socio-economic disadvantage at their heart, it will further help tackle the uncertainty of EU exit and our recovery from Covid-19. This will allow us to move towards the construction of a fairer and more prosperous Wales.

- 4.18 Through implementation, the Duty will aim to help public bodies maximise their contribution to addressing such inequalities, and also meet their obligations under the Human Rights Act 1998²³ and where relevant, international human rights law. International treaties with economic and social rights include:
 - International Covenant on Economic, Social and Cultural Rights (ICESCR)²⁴;
 - International Covenant on Civil and Political Rights (ICCPR)²⁵;
 - United Nations Convention on the Rights of the Child (UNCRC)²⁶;
 - United Nations Convention on the Rights of Persons with Disabilities (UNCRPD)²⁷;
 - United Nations Convention on the Elimination of All Forms of Discrimination against Women (UNCEDAW)²⁸;
 - United Nations Convention on the Elimination of All Forms of Racial Discrimination (UNCERD)²⁹; and
 - United Nations Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT)³⁰.
- 4.19 It is important that Welsh public bodies lead by example, and are making the best possible decisions they can in the context of equalities. The aim of the Duty is therefore to ensure better, more rounded decision making, which will consider the impact of strategic decisions on those who face socio-economic disadvantage, leading to more equal outcomes in society.

The problem being addressed

- 4.20 Never has there been a more pertinent time to act. Last summer we saw the "Black Lives Matter" protests which highlighted systemic and structural racism in our society.
- 4.21 The Covid-19 outbreak has also brought huge challenges to our communities. It has become clear that certain groups have been affected more than others for example, ethnic minority communities, disabled people, women, and young people.

²³ https://www.legislation.gov.uk/ukpga/1998/42/contents

²⁴ https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx

²⁵ https://www.ohchr.org/EN/ProfessionalInterest/Pages/CCPR.aspx

²⁶ https://www.ohchr.org/en/professionalinterest/pages/crc.aspx

²⁷ https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=IV-15&chapter=4&clang=_en

 $^{28\} https://www.ohchr.org/EN/ProfessionalInterest/Pages/CEDAW.aspx$

²⁹ https://ohchr.org/EN/ProfessionalInterest/Pages/CERD.aspx

³⁰ https://humanrightstracker.com/en/un-treaty/cat/

- 4.22 The impact of school closures on children's education, and the effects of the deepest recession in history on jobs and earning prospects for young people entering the labour market this year will undoubtedly be damaging, long-lasting and felt much more acutely by those who are already socioeconomically disadvantaged i.e. lower paid workers who are three times as likely to have lost their job or been furloughed as high earners, and are more than twice as likely to do jobs exposing them to health risks³¹.
- 4.23 Recent statistics highlight continuing socio-economic disadvantage in Wales. For example, Households Below Average Income Data³² published in March 2020 shows that:
 - Nearly a quarter of all people in Wales (23 per cent) were living in relative income poverty (after housing costs) between 2016-17 and 2018-19.
 - Children are the age group most likely to be in relative poverty; 28 per cent of children compared to 19 per cent of pensioners.
- 4.24 In addition, the Well-being of Wales Report 2018-19³³ states:
 - Over two fifths (42 per cent) of those who were single parents were in material deprivation in 2018-19 and 3 per cent of households said they had received food from a food bank in the last 12 months.
 - In 2018, an estimated 12 per cent of households were living in fuel poverty.
 - The proportion of people with a limiting long-term illness or disability living in a household in material deprivation in 2018-19 remained twice as high (21 per cent) as for those who were not disabled (10 per cent).
 - In 2018-19 a higher percentage of females (15 per cent) were classed as materially deprived (that is, unable to afford certain things such as keeping the house warm enough) relative to males (12 per cent).
 - In recent years (2013-14 to 2017-18) people who were living in households where the head of the household was from a non-White ethnic group were more likely to be in relative income poverty (31 per cent) compared with those where the head of the household was from a White ethnic group (23 per cent).
 - In 2018-19 a lower proportion of adults who identified as heterosexual were in material deprivation (13 per cent) compared with those who did not identify as heterosexual (20 per cent).
- 4.25 The Equality and Human Rights Commission (EHRC) in its recent report 'Is Wales Fairer (2018)'³⁴ highlighted the gap in the experiences and

³¹ https://www.resolutionfoundation.org/publications/a-new-settlement-for-the-low-paid/

 $^{32\} https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201819$

³³ https://gov.wales/sites/default/files/statistics-and-research/2019-11/well-being-of-wales-2019.pdf

³⁴ https://www.equalityhumanrights.com/en/publication-download/wales-fairer-2018

opportunities of people from different socio-economic backgrounds. In the foreword to the report it stated:

"Deepening poverty in Wales is leading to an even starker gap in the experiences and opportunities of people born into different socio-economic backgrounds. Our findings show that this gap has widened in particular for women, disabled people, and some ethnic minority groups. Men born in the most deprived areas of Wales have over eight years less life expectancy than those born in the least deprived areas, disabled people face an education attainment gap, and high levels of racism and violence against women are a reality for many people living in Wales today. Unless these inequalities are addressed now, the disadvantage that too many people in Wales face could become entrenched for generations to come."

- 4.26 Chwarae Teg's 'State of the Nation' report 2020³⁵ confirmed that women are at greater risk of poverty than men. Factors that influence this are that women are more likely to be the second earner in a household and to work part-time and they are more likely to work in sectors characterised by low pay. Many women may also be at greater risk of poverty as a result of relationship breakdown due to women's more limited independent income. This can have knock-on effects on their children as 90 per cent of single parents are women.
- 4.27 The Future Generations Commissioner for Wales report 'The Future Generations Report 2020; Chapter Three: progress against the well-being goals '36 details the link between poverty and socio-economic disadvantage and explains how public bodies can help eliminate these inequalities. It states:

"Whilst there has been significant progress in some areas of life over recent decades, the fact remains that our society in the 21st century is far less equal than it should be.

There is more work needed for public bodies to apply an equality lens to their well-being objectives and to align them with their equality objectives.

Inequality in terms of socio-economic status as well as race, gender, disability, age, sexual orientation, religion and belief (often described as those with protected characteristics) intersects across every one of our national well-being goals."

As such the report includes several recommendations for the Welsh Government to ensure alignment with the requirements of the Well-being of Future Generations (Wales) Act 2015⁴ through implementation of the Duty, including recommendation 190:

"Ensure that [the Welsh Government] is using levers such as the Public Sector Equality Duty; socio-economic duty and the Social Partnerships (Wales) Bill, in ways that align to the requirements of The Well- being of

³⁵ https://chwaraeteg.com/wp-content/uploads/2020/01/State-of-the-Nation-2020.pdf

 $^{36\} https://www.futuregenerations.wales/wp-content/uploads/2020/06/Chap-3-Equal.pdf$

Future Generations (Wales) Act 2015 - particularly setting, delivering and reporting on well-being Objectives."37

4.28 The First Minister's 'BAME Covid-19 Socio-economic Sub Group's Report'^{38,} published in June 2020, placed race inequality in Wales in the context of Covid-19 and socio-economic disadvantage. The report's executive summary states:

"Although the coronavirus pandemic has created widespread fears and risks to lives and livelihoods across communities in Wales and around the world, the impacts on Black, Asian and Minority Ethnic groups have been especially profound. Members of BAME communities are disproportionately contracting and dying from the Covid-19 disease, with available statistics suggesting that British BAME groups are up to two times more likely to die from the disease than their white counterparts."

- 4.29 The report focuses on a number of areas where the impact of race inequality is particularly evident. These include health and social care, security of employment and income, housing and education. The report finds that the overall theme running through these areas is the impact of the longstanding racism and disadvantage and the lack of BAME representation within decision making to effect better socio-economic outcomes. The report makes recommendations for addressing each of the factors identified that position race equality concerns at the heart of decision-making in government, and recognises the Duty as a means of helping the reduction of inequalities associated with socio-economic disadvantage when making strategic decisions.
- 4.30 Most recently, in August 2020, The Welsh Parliament Equality, Local Government and Communities Committee published a report "Into sharp relief: inequality and the pandemic"³⁹. The report states:

"During the pandemic, our chances of dying, losing jobs or falling behind in education have in part been determined by our age, race, gender, disability, income and where we live. The virus and the response to it is widening existing inequalities, by reducing the incomes and increasing risks disproportionately for some groups of people."

4.31 Amongst the report's 44 recommendations was one (recommendation 8) aimed directly at the implementation of the Socio-economic Duty:

"Recommendation 8

The Welsh Government should adhere to the spirit and intent of the Socioeconomic Duty in all of its decision-making until it is commenced in March

 $^{37\} https://www.futuregenerations.wales/wp-content/uploads/2020/06/Welsh-Government-Recommendations.pdf$

³⁸ https://gov.wales/black-asian-and-minority-ethnic-bame-covid-19-socioeconomic-subgroup-report

 $^{39\} https://senedd.wales/laid\%20 documents/cr-ld 13403/cr-ld 13403-e.pdf$

- 2021, and develop interim arrangements to monitor how it is meeting the spirit of the duty ahead of full commencement."
- 4.32 In light of aforementioned challenges surrounding EU exit and Covid-19, the above evidence shows that further progress is needed to create a society which enables people to fulfil their potential no matter what their background or circumstance.
- 4.33 Unless these inequalities are addressed now, the disadvantage that many people in Wales already face could become entrenched for generations, therefore in response, commencing the duty is a priority for this Government.

Improvements the subordinate legislation will make to the current situation

- 4.34 To address the above, Welsh Ministers will be using their powers to place a statutory duty on relevant public bodies when taking strategic decisions such as deciding priorities and setting objectives, to have due regard to the need to reduce the inequalities of outcome that result from socio-economic disadvantage.
- 4.35 Commencing the Duty will be a key step in ensuring the Welsh Government's policy commitment to strengthening and advancing human rights, as it will address unequal outcomes. It will build on the Well-being of Future Generations Act 2015⁴ by providing Wales with an opportunity to do things differently. Tackling inequality will be firmly at the heart of strategic decision-making for relevant public bodies. Application of the Duty will support the achievement of the national well-being goals set out by the Well-being of Future Generations Act 2015⁴.
- 4.36 The Duty will form part of a framework that seeks to build on the positive steps already taken by public bodies to address inequality, including measures to promote the well-being of future generations through sustainable development, and plans to strengthen social partnership arrangements ⁴⁰ and advance fair work ambitions.
- 4.37 More detailed information on the expected benefits are contained within Option 2 in Part 2 the RIA on page 19.

Who will be affected by the legislation

- 4.38 The Duty will apply to public bodies with strategic functions, who fall within the definition of a 'relevant Authority' in section 2(6) of the Equality Act 2010². Paragraph 4.10 summarises the purpose of the duty, with the RIA containing details of the expected impact.
- 4.39 There will also be an impact on the EHRC as the regulator of the 2010 Act⁶. In relation to the Duty, the EHRC has the power to promote and provide advice and guidance, and publish research. Also, if a relevant public body fails to

 $^{40\} https://gov.wales/written-statement-more-equal-wales-strengthening-social-partnership$

- perform the duty, an individual or group whose interests are adversely affected by that public body's decision, may be able to bring a judicial review claim against that authority the Commission may support any such challenge, or take such a challenge itself.
- 4.40 There is also an impact on the Welsh Government in both supporting those public bodies captured by the Duty and assisting Welsh Ministers discharge their duty. There is also an impact on third sector organisations, who within the statutory guidance produced to support the Duty, will play a pivotal role as stakeholders to help influence relevant public bodies.
- 4.40 Most importantly, the biggest positive impact is expected to be on those in society who are experiencing socio-economic disadvantage.

The risks if this subordinate legislation is not made

- 4.41 If the Duty is not introduced, the inequality seen in Wales (as described above in paragraphs 4.20-4.33) will persist and will likely escalate causing inequalities for generations to come. As explained, the exit from the EU and the effects of the Covid-19 pandemic continue to bring immense uncertainty in relation to equality and human rights. The Duty will therefore help minimise the adverse impact of these events on equality and human rights.
- 4.42 If the Duty is not commenced, the leadership role and culture within relevant public bodies concerning socio-economic disadvantage will remain the same and an important opportunity to effect a wholesale change in current decision-making processes will be missed. There will be no mechanism to ensure relevant public bodies make better decisions through consideration of the inequalities of outcomes associated with socio-economic disadvantage.
- 4.43 Not commencing the Duty would minimise the opportunity to put engagement with those very people affected by decisions, those who suffer socioeconomic disadvantage, at the heart of decision making. It would mean overlooking an opportunity to create a culture change in the way that strategic decisions are evidenced, are made in a transparent way and are openly challenged. Most importantly, the opportunity to realise the difference this Government wants to make to the lives of people in Wales now and in the future will not be grasped, making it harder to attain the goals under the Wellbeing of Future Generations Act 2015⁴.
- 4.44 More information on the expected dis-benefits of not producing the Regulations is contained within Option 1 in Part 2 of the RIA on page 17.

5. Consultation

5.1 An eight-week consultation ran from 22 November 2019 to 17 January 2020 on the draft proposals and accompanying draft Regulatory Impact Assessment (RIA) in Part 2.

- 5.2 A separate easy read version of the consultation and consultation response form was made available.
- 5.3 Six consultation events were held across Wales between 12 December and 14 January, with 140 people attending.

Consultation Events	Numbers of attendants
Cardiff - 12 December 2019 - Cardiff All Nations Centre	36
Swansea - 16 December 2019 - Swansea Liberty Stadium	27
Merthyr Tydfil - 18 December 2019 - Merthyr Orbit Centre	26
Conwy - 7 January 2020 - Conwy Business Centre	39
Llandrindod Wells - 9 January 2020 – Welsh Government Buildings	12
Newport – 14 January 2020 – Newport Civic Centre	10
Total	140

- 5.4 The consultation was drawn to the attention of a wide audience of key stakeholders. 98 consultation responses were received:
 - 63 organisations responded by completing the response form;
 - 35 responses came via the online portal, of which 14 were completed and 21 partially completed.
- In addition, notes taken at each of the stakeholder consultation events across Wales, attended by 140 individuals, have also been fed into the analysis.
- 5.6 Feedback received was generally positive with respondents welcoming the Duty. Discussion focused on the implementation of the Duty and the key components of the statutory guidance i.e. what is deemed a strategic decision and which inequalities of outcome the Duty will aim to reduce.
- 5.7 Responses to the consultation will now be used to inform guidance to ensure the Socio-economic Duty works for those relevant public bodies to whom it applies and delivers for the people of Wales.
- 5.8 A summary of responses has been published⁴¹.

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⁴¹ https://gov.wales/equality-act-2010-commencing-socio-economic-duty

PART 2 - REGULATORY IMPACT ASSESSMENT

- 6.1 A Regulatory Impact Assessment has been completed for the Regulations, and it follows below.
- 6.3 The assessment of costs and benefits is centred on the three-year period 2020-21 to 2022-23. If made, the Regulations will list those public bodies to whom the Duty will apply from 31 March 2021. A three-year appraisal period has been chosen, since the costs and benefits are expected to reach a steady state quickly. Costs have been rounded to the nearest £100, some table totals may not sum due to this rounding.
- 6.4 The RIA presents a best estimate of the costs and benefits of the Regulations based upon the available evidence. The analysis has been informed by engagement with key stakeholder representatives of relevant public bodies. Nevertheless, it has been necessary to make a series of assumptions in order to complete the calculations. Any assumptions made are explained in the narrative.
- 6.5 As referenced in paragraph 5.1, an eight-week consultation ran between December 2019 and January 2020 asking for comments on both the draft proposals and its accompanying draft RIA⁴². The responses returned showed that although the majority of respondents agreed with the estimates provided within the draft RIA, there were concerns raised that some costs had been underestimated for larger public bodies, unfortunately additional or alternative data to help inform the final assessment of costs was not suggested.

6. Options

6.6 Two options have been identified and explored:

Option 1: Do nothing - retain the status quo; and

Option 2: Enact the Duty on those public bodies listed in the Regulations requiring those public bodies, when making strategic decisions such as 'deciding priorities and setting objectives', to consider how their decisions might help to reduce the inequalities associated with socio-economic disadvantage.

7. Costs and benefits

OPTION 1: DO NOTHING - RETAIN THE STATUS QUO

Description

7.1 This option would mean continuing as is i.e. not enacting Part 1, Section 1 of the 2010 Act¹ in Wales. This would see existing policies and measures continue to be the driving force to help reduce inequalities in Wales, including

 $^{{\}tt 42\ https://gov.wales/equality-act-2010-commencing-socio-economic-duty}$

the Well-being of Future Generations (Wales) Act 2015⁴, the 2010 Act - Public Sector Equality Duty¹⁸, The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011⁴³, The Rights of Children and Young Persons (Wales) Measure 2011⁴⁴, The Children and Families (Wales) Measure 2010⁴⁵ and the Human Rights Act 1998²³. However as explained in paragraph 4.11, this would mean there is not an express duty requiring public bodies to consider the impact of their decisions on those individuals who experience socioeconomic disadvantage.

7.2 Although public bodies in Wales must comply with a number of statutory duties, including ones which seek to embed equality consideration throughout their decision-making, as explained below more is needed to be done to eliminate inequalities of outcomes associated with socio-economic disadvantage.

Costs

- 7.3 Although no legislative framework changes are proposed by this option, there are potential impacts and costs associated with retaining the status quo if socio-economic inequality is not tackled effectively.
- 7.4 The factors which influence socio-economic disadvantage are complex and are often interlinked, for example health outcomes get progressively poorer across the socio-economic gradient⁴⁶⁴⁷; no/low accumulated wealth leads to households having no/ limited access to basic goods and services such as transport, education and health care services; a lack of social mobility in terms of higher education and career prospects; and discrimination faced by some individuals who have protected characteristics⁴⁸.
- 7.5 Therefore, the costs associated with maintaining the status quo are deemed unquantifiable, hence an estimate has not been provided as it would be so broad that it would not provide value and would be misleading. For example, support for some of those who experience economic disadvantage can be quantified through the costs of benefit packages.
- 7.6 The report by the Bevan Foundation: 'A Welsh Benefit System, and how it can help solve poverty" page 4, details cost incurred through benefits provided by Welsh Government, which exceed £400m annually. In 2018/19, the Department for Work and Pensions (DWP) spent over £5 billion in welfare benefit payments (excluding state pension) claimed by people in Wales⁵⁰.

⁴³ http://www.legislation.gov.uk/wsi/2011/1064/contents/made

⁴⁴ http://www.legislation.gov.uk/mwa/2011/2/contents

⁴⁵ https://www.legislation.gov.uk/mwa/2010/1/pdfs/mwa_20100001_en.pdf

⁴⁶https://www.health.org.uk/funding-and-partnerships/our-partnerships/health-equity-in-england-the-marmot-review-10-years-

⁴⁷ http://www.publichealthwalesobservatory.wales.nhs.uk/inequalities-and-inequities

⁴⁸ https://www.gov.uk/government/publications/social-mobility-in-great-britain-state-of-the-nation-2018-to-2019

⁴⁹https://www.bevanfoundation.org/wp-content/uploads/2020/09/Welsh-Benefits-System-Final-Report-1.pdf

 $^{50\} https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2019$

- 7.7 In a report published by the EHRC: The cumulative impact of tax and welfare reforms, evidence shows relative child poverty in Wales is projected to rise with the UK Government's tax and welfare reforms estimated to push an extra 50,000 children into poverty by 2021-22 (an increase of around 8 percentage points)⁵¹.
- 7.8 In its latest state of the nation report, Poverty in Wales 2020, the Joseph Rowntree Foundation⁵²cites that:

"a combination of low pay, unaffordable housing and a lack of childcare is trapping 700,000 people in poverty. That includes 180,000 children, of which 140,000 live in families already receiving income-related benefits - the social security system is failing to help many families keep their heads above water."

It also reported that;

"Before coronavirus hit, almost a quarter of people in Wales were living in poverty. After a decade of stalling progress, in which that proportion has barely changed, Wales now faces a rising tide of poverty as the Covid recession gathers pace. The pandemic has hit low-paid workers in Wales particularly hard: industries with a large proportion of low-paid jobs, such as the Accommodation, Food & Beverage sector, have seen 78% of jobs furloughed. Those same sectors are most likely to see widespread job losses, and in some areas of over 40% of jobs are in these high-risk, low-paid industries."

7.9 However, it is important to recognise that socio-economic disadvantage is much wider than just poverty. Socio-economic disadvantage is defined in the statutory guidance which will be published when the Duty comes into force, as:

"Living in less favourable social and economic circumstances than others in the same society, which can be disproportionate in communities of interest, (groups of people who share an interest), and communities of place, (people who are linked together because of a geographical location)."

The above therefore only provides an insight into the potential costs of maintaining the status quo (Option 1).

Option 1 Benefits

7.10 The evidence demonstrates that working within the existing legislative and policy framework (i.e. not enacting the Duty), does not have the desired effect of putting socio-economic disadvantage at the heart of strategic decision-making for relevant public bodies. However, this option does offer a minor benefit in comparison, in the form of certainty for the relevant public bodies that the status quo will be maintained.

⁵¹ https://www.equalityhumanrights.com/en/publication-download/cumulative-impact-tax-and-welfare-reforms

 $^{52\} https://www.jrf.org.uk/press/wales-faces-rising-tide-poverty-after-coronavirus$

OPTION 2: ENACT THE DUTY ON THOSE PUBLIC BODIES LISTED IN THE REGULATIONS REQUIRING THESE PUBLIC BODIES, WHEN MAKING STRATEGIC DECISIONS SUCH AS 'DECIDING PRIORITIES AND SETTING OBJECTIVES', TO CONSIDER HOW THEIR DECISIONS MIGHT HELP TO REDUCE THE INEQUALITIES ASSOCIATED WITH SOCIO-ECONOMIC DISADVANTAGE.

Description

- 7.11 This option would place an overarching Duty on relevant public bodies to consider how their strategic decisions help to reduce the inequalities of outcome associated with socio-economic disadvantage.
- 7.12 The new Duty will require relevant public bodies, when taking strategic decisions such as deciding priorities and setting objectives, to have due regard to the need to reduce the inequalities of outcome that result from socio-economic disadvantage.
- 7.13 Considering socio-economic disadvantage will become embedded as an integral part of their strategic decision-making.
- 7.14 The new Duty is not intended to deliver a particular outcome or to ensure a particular level of service is attained; the intent of this option is that when relevant pubic bodies make strategic decisions they actively consider how decisions can be made in a way which maximises that body's ability to reduce inequalities of outcome.

Costs

Preparing for the Duty

- 7.15 Moving relevant public bodies to a position where they are more routinely and actively focusing on reducing socio-economic disadvantage is likely to involve a combination of leadership, cultural and behavioural changes. Between 1 April 2020 and 31 March 2021, a number of steps have been undertaken to provide a range supporting resources, this includes:
 - non-statutory guidance;
 - o a factsheet;
 - o a 'frequently asked questions' document;
 - a scrutiny framework to support decision makers in discharging their duty to have 'due regard' to the Duty;
 - an overview of the inequalities of outcome resulting from socio-economic disadvantage and how these have been further increased as a result of Covid-19;
 - A guide to help public bodies consider opportunities to apply the Socioeconomic Duty, the Public Sector Equality Duty¹⁷ and the Well-being of Future Generations⁴ duties in an aligned way;
 - a presentation to support awareness raising of the Duty;

- a short film for public sector senior leaders and those involved in taking key strategic decisions such as Chief Executives, Chairs, Elected Members, Board Members and Governance Leads.
- o two webinars for senior leaders within relevant public bodies;
- o an explainer film illustrating lived experience; and
- Statutory Guidance.
- 7.16 In preparing for the Duty some costs relating to 2020-2021, the current financial year, will have already been incurred and are irrecoverable even if the Senedd does not pass the legislation.
- 7.17 Table 1a below makes reference to 'a secondee' which the Welsh Government secured on a time limited basis from 1 April 2020 to 31 March 2021 to lead as implementation manager to deliver the above resources alongside Welsh Government Staff. The annual cost of this seconded role was £54,000.
- 7.18 All costs during the period from 1 April 2020 to 31 March 2021 have been absorbed. These costs reflect the opportunity cost of undertaking alternative work if the Duty was not being commenced.
- 7.19 There were no costs associated with the distribution of the supporting resources as only electronic versions are available on the Welsh Government website, all publications were published in HTML, which is most readily consumed by assistive technologies, such as screen readers, and navigated by speech-to-action software, or PDF optimised format to meet accessibility standards.

Table 1a - Opportunity Costs - Welsh Government - Staff cost associated with

development of supporting resources for 2020/21

Activity	Grade	Time	Cost
Opportunity Cost – development of supporting resources	Deputy Director – SCS 1*	0.1	£11,500
Opportunity Cost – development of supporting resources	Executive Band 2 (Grade 7)*	0.2	£16,200
Opportunity Cost – development of supporting resources	Secondee	0.8	£43,200
Opportunity cost – Communication Lead	Management Band 2 (HEO)*	0.2	£9,800
Opportunity cost - Design and typesetting of supporting resources**	Management Band 3 (EO)*	32 days	£5,500
Opportunity Cost – translation of supporting resources***	Management Band 2 (HEO)*	9 days	£2,000
Total			£88,200

Table 1b – Revenue Costs - Welsh Government - cost associated with development of supporting resources for 2020/21

Activity	Cost
Revenue cost – Development suite of short videos demonstrating	£20,000
real life stories	
Revenue cost – Development of an explainer animation	£15,000
Revenue cost – Development webinars	£5,000
Total	£40,000

7.20 To support the aforementioned resources a group of representatives from the relevant public bodies and the third sector provided advice during 2020/21. This group has subsequently been disbanded.

Table 2 - Opportunity costs - Guidance Group staff for 2020/21

Activity	Average (median) earnings in the public sector, 2018*	Number of representatives	Time**	Cost***
Opportunity Cost – Local Authorities	£64,500	3	2 day	£1,800
Opportunity Cost – Local Health Board	£64,500	3	2 day	£1,800
Opportunity Cost – Fire Rescue Authority	£64,500	2	2 day	£1,200
Opportunity Cost – National Parks Authority	£64,500	1	2 day	£600
Opportunity Cost – TUC Cymru	£64,500	1	2 day	£600
Opportunity Cost – WLGA	£64,500	1	2 day	£600
Opportunity Cost - Third Sector	£64,500	2	2 day	£1,200

⁵³ https://wales365uk.sharepoint.com/sites/Intranet-Money/SitePages/Average-Pay-Costs.aspx

^{*} Costs for Welsh Government staff are based on average staff costs for non-senior civil staff pay bands 2019/20⁵³. These include employment on-costs (pensions, national insurance, etc.)

^{**}Based on costs provided in the Regulatory Impact Assessment to support the Health and Social Care (Quality and Engagement) (Wales) Act⁵⁴, table 19, page 77, for the design and typesetting of one resource was four days of an EO – multiplied by 8 for resources identified in paragraph 7.15; ***Based on costs provided in the Regulatory Impact Assessment to support the Health and Social Care (Quality and Engagement) (Wales) Act⁵⁵, table 16, page 76, for translation of 2,000 per day of an HEO – approximately 18,000 words (rounded to the nearest thousand).

^{***}Based on costs provided in the Regulatory Impact Assessment to support the Health and Social Care (Quality and Engagement) (Wales) Act⁵⁶, table 16, page 76, for translation of 2,000 per day of an HEO – approximately 18,000 words (rounded to the nearest thousand).

⁵⁴ https://senedd.wales/laid%20documents/pri-ld12572-em/pri-ld12572-em-e.pdf

⁵⁵ https://senedd.wales/laid%20documents/pri-ld12572-em/pri-ld12572-em-e.pdf

 $^{56\} https://senedd.wales/laid\%20 documents/pri-ld12572-em/pri-ld12572-em-e.pdf$

Total £7,800

*Based on latest ASHE data⁵⁷ the median gross hourly earnings for 'Chief Executives and senior officials' (Occ code 111) in Wales in 2018, 30% uplift has been added to reflect on-costs. Data for the average salary for a public sector worker in Wales is not available. We are therefore unable to calculate the costs of the above representatives with any great certainty. Whilst we have data on the costs for CE/ Senior Mangers we are using this to try and provide a best estimate. However we recognise the actual cost will be significantly lower.

- **1 hour every two weeks for the period of 220 days per year = 15.7 hours rounded to 2 day.

 *** Average annual salary divided by 220 days per year, multiplied by the number of days, multiplied by the number of bodies.
- 7.21 Separately to the above, there are further opportunity costs associated with the consideration of supporting material by staff within relevant public bodies and changes to existing processes and systems to embed the Duty once it is commenced. The estimated opportunity costs associated with staff reviewing the material has been calculated based on the number of staff-hours spent on the training, multiplied by the average cost per hour of those taking part.
- 7.22 Discussions with relevant public bodies, determined larger organisations such as Welsh Ministers, Local Authorities, Local Health Boards, NHS Trusts and Special Health Authorities would need more time up to a maximum of 40 days to possibly train a number of officials across the organisation, review complex governance arrangements and update decision making approaches such as impact assessments. The smaller organisations such as the Fire and Rescue Authorities, National Park Authorities and the Welsh Revenue Authority agreed that a maximum of 18 days would be adequate to undertake a similar task.

Table 3 - Opportunity costs - Relevant public bodies for 2020/21

Activity	Average Salary	Time	Number of public bodies	Cost***
Opportunity Cost – The Welsh Ministers	£94,500*	40 days	12	£206,200
Opportunity Cost - Local Authorities	£64,500**	40 days	22	£258,000
Opportunity Cost - Local Health Boards	£64,500**	40 days	7	£82,100
Opportunity Cost – NHS Trusts	£64,500**	40 days	3	£35,200
Opportunity Cost - Special Health Authorities	£64,500**	40 days	1	£11,800
Opportunity Cost – Fire and Rescue Authorities	£64,500**	18 days	3	£15,900

 $^{57\} https://www.ons.gov.uk/employment and labour market/people in work/earnings and working hours/bulletins/annual survey of hours and earnings/2020$

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Opportunity Cost – National Park	£64,500**	18 days	3	£15,900
Authorities				
Opportunity Cost – The Welsh	£64,500**	18 days	1	£5,300
Revenue				
Authority				
Total				£630,400

^{*}The determination on Members' Pay and Allowances⁵⁸ shows for 2017-18 the total salary for a Minister (£102,100) and Deputy Minister (£86,785) is averaged at £94,442.50.

Implementation

- 7.23 Implementation of the Duty involves considering socio-economic disadvantage when making strategic decisions. To do this public bodies already have access to a wide range of quantitative and qualitative data, and will be routinely engaging with service users to gather insight. Therefore the costs associated with implementation relate solely to the opportunity costs associated with the consideration of this data through the lens of socio-economic disadvantage.
- 7.24 It has proved extremely challenging to provide a realistic estimate of the time to implement the Duty across the range of relevant public bodies. The original impact assessment undertaken by the UK Government in support of the 2010 Act⁶ provided a useful starting point for drafting the RIA, stating that:

"It is difficult to estimate the cost of legislation, it is taken to be the time required for authorities to familiarise themselves with it, and the time taken on an on-going basis to ensure that appropriate data feeds into the relevant decision-making processes. It is assumed that the first element will, on average, take a senior official (or equivalent) three days (21 hours), including half a day to familiarise themselves with the legislation and then a further two and a half days to integrate consideration of socioeconomic disadvantage into the policy process where this is not already the case. It is assumed that the second element will take a senior official or analyst one day's work each year".

The assumption that compliance will take 21 hours initially and 7 hours on an on-going basis is the main limitation on the accuracy of this impact assessment. It is not known how long it will take authorities to familiarise themselves with the Duty and to adjust their policy processes to accord with it."

^{**}Based on latest ASHE data⁵⁹, the median gross hourly earnings for 'Chief Executives and senior officials' (Occ code 111) in Wales in 2018, 30% uplift has been added to reflect on-costs. All data assumes 220 working days. The same cost calculation methodology used in the RIA of the Well-being of Future Generations Bill has been used.

^{***} Average annual salary divided by 220 days per year, multiplied by the number of days, multiplied by the number of bodies.

⁵⁸ National Assembly for Wales. Determination on Members' Pay - Remuneration Board of the National Assembly for Wales [Internet]. National Assembly for Wales; 2017. Available from: http://www.assembly.wales/Job%20Documents/Cams/Determination/Determination_Sep_17_EN.pdf 59 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2020

- 7.25 The Welsh Government included this initial time assessment in a draft RIA which it consulted upon alongside the commencement of the Duty⁶⁰.
- 7.26 The consultation responses received revealed that whilst the majority agreed with the Welsh Government's initial estimates, the cost had been underestimated for some public bodies. In particular, local authorities and health boards felt that the cost of implementing the Duty was significantly more than estimated. Local authorities felt that the timescales needed to be adjusted to allow for more preparation time and that some factors including elected member's time in scrutinising decisions had been overlooked.
- 7.27 Feedback received indicated that this time input is too low. For example, one local authority stated:

"The costs of implementation are grossly underestimated in the draft RIA. It assesses half a day of a senior officer's time to integrate into the policy process. Making data available across the authority, changing process and procedure and training all relevant staff and members in the first year of implementation will be significant. Thereafter senior officer (decision-maker/report writer) time in properly impact assessing decisions will be significant."

7.28 Despite feeling the estimations were 'unrealistic', respondents found it difficult to estimate how long it would take, stating:

'it is hard to accurately state how long it will take for an authority to familiarise itself with the Duty/guidance and adjust any policies/processes accordingly.'

- 7.29 Respondents made the further point that not all costs will be the same for each organisation, as there may be variations based on size and complexity. The number of strategic decisions relevant public bodies will undertake per annum may also vary i.e. a Local Authority or Local Health Board may make significantly more strategic decisions per annum compared to a National Park Authority or Fire and Rescue Authority.
- 7.30 Welsh Government officials have engaged Scottish counterparts to help identify the opportunity cost of relevant public bodies.
- 7.31 Based on the feedback received from the consultation Welsh Government revised the original estimates upwards across the board from 21 hours in the first year and seven hours over thereafter, to 18 days in the first year as seen in table 3, and 12 days thereafter. These new costings were shared with Scottish colleagues for comment given their experience (in April 2018, Scotland became the first UK nation to commence Part 1 of the Equality Act 2010 The Fairer Scotland Duty⁶¹), with Scottish colleagues giving the following response:

⁶⁰ https://gov.wales/equality-act-2010-commencing-socio-economic-duty

⁶¹ https://www.gov.scot/publications/fairer-scotland-duty-interim-guidance-public-bodies/

"the time and costs you are suggesting looks reasonable. From our experience, different organisations are taking quite different approaches and therefore have different resources available for implementing the FSD. It's impossible to come up with a figure that would reflect what everyone is doing".

7.32 Bearing in mind these difficulties, but not yet being in receipt of evidence to show exactly what the variations may be, the Welsh Government worked closely with representatives of relevant public bodies to agree a best estimate. The revised opportunity costs for public sector bodies is costed below. These costs are reoccurring from 2021/22 onwards.

Table 4 - Opportunity cost – Relevant public sector staff time associated with

implementation 2021/22 and 2022/23

Activity	Average (median) earnings in the public sector, 2018	Time	Number of public bodies	Cost 2021/22***	Cost 2022/23***
Opportunity cost Implementation - The Welsh Ministers	£94,500*	12 Days	12	£61,900	£61,900
Opportunity cost Implementation - Local Authorities	£64,500**	12 Days	22	£77,400	£77,400
Opportunity cost Implementation - Local Health Boards	£64,500**	12 Days	7	£24,700	£24,700
Opportunity cost - Implementation - NHS Trusts	£64,500**	12 Days	3	£10,600	£10,600
Opportunity cost Implementation - Special Health Authorities	£64,500**	12 Days	1	£3,600	£3,600
Opportunity cost Implementation - Fire and Rescue Authorities	£64,500**	12 Days	3	£10,600	£10,600
Opportunity cost Implementation - National Park Authorities	£64,500**	12 Days	3	£10,600	£10,600
Opportunity cost –	£64,500**	12 Days	1	£3,600	£3,600

Implementation - The Welsh			
Revenue Authority			
Total		£203,000	£203,000

^{*}The determination on Members' Pay and Allowances⁶² shows for 2017-18 the total salary for a Minister (£102,100) and Deputy Minister (£86,785) is averaged at £94,442.50.

Cultural changes

7.33 An effect of the Duty will be one where relevant public bodies further support the development of a culture of considering the impact of socio-economic disadvantage. The Duty will therefore change the focus of policy and decision making for strategic decisions, to one which has a strong focus on inequalities. The decisions taken by public bodies may also change as a result of this Duty and those changes might themselves have financial implications. We can't prejudge the costs associated with this shift in culture and any potential financial impacts as a result of future decisions changing, and are therefore unknown, as the resource and time required to deliver this will vary depending on how far along they are in their journey working in this way.

Legal costs

- 7.34 By enacting the Duty, it creates opportunity for legal challenges to decisions on the grounds they do not comply with the Duty i.e. if a relevant public body fails to perform the Duty, an individual or group whose interests are adversely affected by that public body's decision, may be able to bring a judicial review claim against that authority.
- 7.35 Costs provided in the Regulatory Impact Assessment to support the Health and Social Care (Quality and Engagement) (Wales) Act⁶⁴, paragraph 218, page 61 explains:

"While failure to comply with the Duty can be challenged in the courts it is considered unlikely the Duty will amount to an entitlement to an individual receiving a particular service. For example, it was determined in the case of R (Dyer) v Welsh Ministers [2015] EWHC 3712 the statutory regime (the National Health Service (Wales) Act 2006)⁶⁵ was not suitable to create an individual entitlement to service provision and that no public law duties had been breached in relation to collating data as to service provision or in making

^{**}Based on latest ASHE data⁶³, the median gross hourly earnings for 'Chief Executives and senior officials' (Occ code 111) in Wales in 2018, 30% uplift has been added to reflect on-costs. All data assumes 220 working days. The same cost calculation methodology used in the RIA of the Well-being of Future Generations Bill has been used.

^{***} Average annual salary divided by 220 days per year, multiplied by the number of days, multiplied by the number of bodies.

⁶² National Assembly for Wales. Determination on Members' Pay - Remuneration Board of the National Assembly for Wales [Internet]. National Assembly for Wales; 2017. Available from: http://www.assembly.wales/Job%20Documents/Cams/Determination/Determination_Sep_17_EN.pdf

⁶³ https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2020 64 https://senedd.wales/laid%20documents/pri-ld12572-em/pri-ld12572-em-e.pdf

⁶⁵ R (Dyer) v Welsh Ministers [2015] EWHC 3712 (Admin), [2015] MHLO 109 - Mental Health Law Online [Internet]. Mentalhealthlaw.co.uk. 2017 [cited 2 April 2019]. Available from: http://www.mentalhealthlaw.co.uk/R_(Dyer)_v_Welsh_Ministers_(2015)_EWHC_3712_(Admin)_(2015)_MHLO_109

service provision decisions. Therefore, while the potential costs associated with possible challenges by judicial reviews could be significant if they were to materialise, the likelihood of this is considered to be minimal. These costs are unquantifiable as even if a judicial review challenge was to be brought, the costs of judicial reviews vary significantly and therefore this cost is unknown at this stage."

Equality and Human Rights Commission's (EHRC)

- 7.36 The EHRC is required to promote understanding of, and encourage good practice in relation to equality and this will include the Duty. The EHRC is also under an obligation, under section 8(1)(e) to enforce the Equality Act 2006⁶⁶ The EHRC's general duties under sections 11 and 12 of the Equality Act 2006⁶⁷ and general powers under sections 13 and 14 of the 2006 Act are also relevant to the Socio-economic Duty.
- 7.37 There are opportunity costs for the EHRC in deploying their existing staff to undertake regulatory work for the socio-economic Duty. These costs have been calculated and agreed by EHRC, and based on their potential activities and existing staff salaries for staff at an appropriate grade, these are estimated to be £80,200 per annum. These costs have been incurred in supporting the Welsh Government to produce the supporting materials in 2020/21 and are reoccurring from 2021/22 onwards.
- 7.38 As per other areas of its work, the EHRC will prioritise its work programme based on intelligence, and therefore these costs are subject to variation.

Outcomes:

7.39 Option 1 identifies costs associated with not enacting the Duty. However, the Welsh Government is unable to provide a cost of what, if any savings, will occur as a result of enacting the Duty. This is because as explained within Option 1, as referred to at paragraph 7.4, the factors which influence socioeconomic disadvantage are complex and are often interconnected and difficult to unpick. In addition, the Duty will only apply to a limited number of public bodies potentially minimising a system wide change. Therefore, the costs associated with any potential savings are deemed unquantifiable so an estimate has not been provided as it would be so broad that it would not provide value and would be misleading.

Summary of costs:

7.40 The costs set out for development and delivery of a public awareness campaign, training for staff, and development, distribution and review of statutory guidance are summarised in the tables below:

Table 5 – Summary of costs

⁶⁶ https://www.legislation.gov.uk/ukpga/2006/3/section/8#section-8-1-e 67 https://www.legislation.gov.uk/ukpga/2006/3/section/11

2020-21	2021-22	2022-23
£128,200	£0	£0
£206,200	£61,900	£61,900
£259,800	£77,400	£77,400
£83,900	£24,700	£24,700
£35,200	£10,600	£10,600
£11,800	£3,600	£3,600
£17,100	£10,600	£10,600
£16,500	£10,600	£10,600
£5,300	£3,600	£3,600
£600	£0	£0
£600	£0	£0
£1,200	£0	£0
£80,200	£80,200	£80,200
£846,600	£283,200	£283,200
	£128,200 £206,200 £259,800 £83,900 £35,200 £11,800 £17,100 £16,500 £5,300 £600 £600 £1,200 £80,200	£128,200 £0 £206,200 £61,900 £259,800 £77,400 £83,900 £24,700 £35,200 £10,600 £11,800 £3,600 £17,100 £10,600 £16,500 £10,600 £5,300 £3,600 £600 £0 £600 £0 £1,200 £0 £80,200 £80,200

Benefits

Welsh Government

- 7.41 The exact benefits expected in terms of a reduction in the inequalities which result from socio-economic disadvantage, are hard to quantify. For example, it is not possible at this stage to estimate the extent to which the Duty may reduce the welfare payments currently made by the Welsh and UK Governments (see para 7.6) As indicated at para 7.26 above, Scotland was the first UK nation to commence the Socio-economic Duty the Fairer Scotland Duty. However evidence of impact in Scotland has proved difficult to obtain. As explained in paragraph 7.4 socio-economic disadvantage is made up from many interconnected factors which are difficult to isolate. Therefore, it is difficult to know what measurable impact the Duty has had at this early stage. However, there have been examples where the Duty has influenced decision making to help reduce the socio-economic impact.
- 7.42. Enacting the Duty would deliver against commitments made by Ministers, as referred to paragraph 4.2. As mentioned in paragraph 4.17, it compliments other duties, helping provide a clearer focus for relevant public bodies, to

target inequalities which arise from socio-economic disadvantage – in doing so future proofing their decision making in this way. It will help ensure that different public bodies work better together towards a common goal, providing a greater focus and clarity as to what a socio-economic disadvantage looks like in Wales, and taking positive action to eliminate it.

- 7.43 The Duty will help tackle the inequalities of outcome associated with socioeconomic disadvantage which currently exist in Wales, as described in paragraphs 4.20 - 4.30.
- 7.44 Finally, it will further enable Wales to become a leader within the UK in respect of taking action to address inequality, with to date Scotland being the only other UK country to commence the Duty.

Relevant public bodies

7.45 The Future Generation Commissioner, in her recent report⁶⁸ called for a collaborative approach to implementing the Duty, taking the opportunity to integrate it within existing process.

"We need to work together to ensure successful implementation of the Duty, as part of a strategic approach to ending poverty, ensuring that this does not impose another layer of process but instead its aspirations are embedded within the planning and reporting requirements already in place under the Well-being of Future Generations Act 2015."

- 7.46 This approach will help certain public bodies (as the Well-being of Future Generations Act 2015⁴ does not apply to all the bodies listed under the Duty) to build on the good work they have already undertaken in implementing the Act, further strengthening application of the sustainable development principle, which makes sure that certain public bodies when making their decisions, take into account the impact they could have on people living their lives in Wales in the future.
- 7.47 Through implementation of the Duty, relevant public bodies are encouraged to consider data and evidence associated with inequality of outcome as a result of socio-economic disadvantage, to better understand the impact of their decisions. Engaging directly with individuals and communities affected by socio-economic disadvantage will contribute to this understanding. Statutory guidance recommends that public bodies understand where they can achieve the greatest impact in reducing equalities, contributing to creating a fairer Wales for future generations.
- 7.48 The gender equality review also supports an integrated approach, stating in the 2019 report⁶⁹:

⁶⁸ https://www.futuregenerations.wales/wp-content/uploads/2020/06/Chap-3-Equal.pdf 69 https://chwaraeteg.com/wp-content/uploads/2019/09/English-Digital_Summary-GER.pdf

"Lessons must be learnt to ensure that new duties, such as the socioeconomic Duty, are developed and implemented with alignment with existing duties in mind."

- 7.49 Through collaborative working with the Equality and Human Rights Commission and the Office of Future Generations, a mapping tool has been prepared to help public bodies to consider opportunities to apply the Socioeconomic, the Public Sector Equality and the Well-being of Future Generation's duties in an aligned way, reducing burden and taking opportunities to consider socio-economic disadvantage within existing processes. Taking forward a more integrated approach will ultimately improve organisational consideration of equality. By acting in this way, relevant public bodies will gain a greater understanding of the impact of their decisions, maximising their contribution to addressing wider inequalities and, as such, the aims of the PSED¹⁸, thus helping to further meet their obligations under the Human Rights Act²³ 1998 and international human rights law.
- 7.50 In essence, the ultimate outcome of implementation of the Duty, is to achieve better outcomes for those who suffer socio-economic disadvantage and an integrated approach reflects this.

Relevant public bodies and the citizen

7.51 By acting in the spirit intended by the Duty, there are several mutual benefits for both the relevant public bodies themselves and the general public.

Governance:

- 7.52 Within the statutory guidance, which will be published alongside the commencement of the Duty, relevant public bodies will be advised to ensure they keep an audit trail for all decisions made under the Duty. In this context an 'audit trail' should reflect a step by step record of evidence gathered to inform a decision, including evidence:
 - which identifies any likely impacts of such decision in relation to the Socioeconomic Duty; and
 - of how due regard was given including records of changes made to the decision.
- 7.53 Being able routinely to demonstrate this in an open and transparent manner, will ultimately lead to better performance and greater trust and engagement with stakeholders and partner organisations. This supports the principles of good governance in the public sector, as set out in the 'International Framework' 70, in particular principle B:

"Ensuring openness and comprehensive stakeholder engagement - as public sector entities are established and run for the public good, their governing bodies should ensure openness in their activities. Clear, trusted channels of

 $^{70\} https://www.cipfa.org/policy-and-guidance/standards/international-framework-good-governance-in-the-public-sector and all the control of the control of$

communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders. In addition to the overarching requirements for acting in the public interest".

- 7.54 By acting in this way, relevant public bodies will be able to provide those citizens who experience socio-economic disadvantage with evidence of how they have considered the impact of the strategic decision upon them. It will ensure consideration has been given, and where applicable changes have been made, to reduce the socio-economic impact of a decision. This will contribute to better outcomes for those experiencing socio-economic disadvantage.
- 7.55 Ultimately, working in this open and transparent manner will likely lead to less concerns and complaints regarding how relevant public bodies are making decisions and discharging their responsibility under the Duty.

Engagement:

- 7.56 The statutory guidance also recommends that relevant public bodies should understand where they can have the greatest positive impact in reducing inequalities of outcome. Separately, it recommends that public bodies engage directly with individuals and communities affected by socio-economic disadvantage to inform strategic decision making, for example through consultation and engagement events.
- 7.57 Engaging members of the public who experience socio-economic disadvantage will provide a mutual benefit to the public and to relevant public bodies alike. It will give individuals an opportunity to be involved in influencing strategic decisions that might impact them. It is an opportunity for those experiencing socio-economic disadvantage to have their voices heard, thus allowing for further transparency within the decision making process. It will also provide citizens with greater insight into how relevant public bodies are acting on their behalf, and how public bodies are considering the needs of those experiencing socio-economic disadvantage. Utilising lived experiences will give relevant public bodies a better understanding of the inequalities of outcome which arise from socio-economic disadvantage, contributing to better decision making and ultimately leading to better outcomes.
- 7.58 The Duty will change the way the relevant public bodies tackle socioeconomic disadvantage and its underlying causes, helping to improve the
 long-term economic, social and environmental well-being of the people and
 communities that they strive to help, leaving a better legacy for future
 generations and ensuring Wales is a country where every citizen can thrive,
 not simply a select few.

Third Sector

7.59 The statutory guidance encourages relevant public bodies to adopt the principles set out in the Welsh Government <u>third sector scheme</u> thus providing

benefits to both relevant public bodies and the public, for example the third sector can help:

- transform the way that public services meet present and future demands, by treating people and communities as assets and equals in the design and delivery of services, not only as service receivers;
- make public body resources go much further by encouraging their use in different and new ways which strengthen individuals and communities; and
- by providing effective partnerships based on an appreciation of each party's distinctive contribution.
- 7.60 Whilst the Duty itself would not be asking third sector or local authorities to do anything more than what is required in the third sector scheme, by engaging with the third sector, public bodies will be able to utilise existing networks to extend their reach into the most vulnerable in our society and gain a better understanding of the inequalities communities face.
- 7.61 Through the Covid-19 crisis and the flooding of 2020, the third sector showed how crucial their work with public bodies was in supporting communities. Working collaboratively with public bodies in this way ensures the voices of people are heard and considered, ultimately leading to better outcomes for those experiencing inequalities of outcome.

The citizen

- 7.62 The Duty will benefit the citizens of Wales by helping to reduce the inequality of outcomes by ensuring that relevant public bodies give due-regard to socioeconomic disadvantage when making all strategic decisions.
- 7.63 It will also benefit the citizens of Wales by providing a place to live that benefits everyone and not the select few.

SUMMARY AND PREFERRED OPTION

- 7.64 **Option 1** proposes no change to the current way of working. It is possible that continuing in this way would increase socio-economic disadvantage, for example as stated above at paragraphs 7.6 and 7.7 the evidence shows poverty in Wales is projected to rise. There is therefore a risk associated with this option, as maintaining the status quo would miss the opportunity to reduce the inequalities that result from socio-economic disadvantage.
- 7.65 **Option 2** creates a new overarching Duty requiring relevant public bodies, when making strategic decisions such as 'deciding priorities and setting objectives', to consider how their decisions might help to reduce the inequalities associated with socio-economic disadvantage. This option offers the best way forward to successfully embedding socio-economic consideration as a principle in the heart of decision-making within relevant public bodies. It will help ensure that different public bodies work better together towards a common goal, providing clarity as to what socio-economic disadvantage in Wales looks like, and enabling positive action to move Wales faster on its journey to strengthen

- equality and human rights in Wales. It will also benefit the citizens of Wales by providing a place to live where everyone has an opportunity to prosper and thrive, no matter who they are or where they come from.
- 7.66 While it is not possible to estimate the extent to which the Duty will reduce the costs associated with socio-economic disadvantage (e.g. the UK and Welsh Government's welfare payments), it is clear the costs which have been identified in this RIA for implementing the Duty are very small in comparison. In this context, the Duty would only need to result in a small reduction in socio-economic disadvantage for the benefits to outweigh the costs and justify the additional cost associated with option 2.

8. Consultation

8.1 As referenced to in Section 5, a draft RIA was used as part of the consultation accompanying documentation, and the below reflects, where appropriate the comments received. Paragraphs 7.26-7.28 highlight the comments received on the draft RIA.

9. Competition Assessment

9.1 A competition assessment has been undertaken. There are no detrimental effects on competition. The results are below:

Question	Answer
	yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	No
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	No
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	No
Q4 : Would the costs of the regulation affect some firms substantially more than others?	No
Q5 : Is the regulation likely to affect the market structure, changing the number or size of firms?	No
Q6 : Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No

Question	Answer
	yes or no
Q8: Is the sector characterised by rapid technological change?	No
Q9 : Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No

10. Post implementation review

- 10.1 As explained in paragraph 7.4, the inequalities of outcome associated with socio-economic disadvantage are complex and interlinked to wider determinants.
- 10.2 The implementation approach outlined in the RIA aims to deliver an effective framework for demonstrating outcomes and impacts without excessive additional burden. This approach will underpin the monitoring and evaluation associated with the Duty, making use of routinely collected administrative and survey data, complemented with qualitative evidence from key stakeholders and service recipients.
- 10.3 The statutory guidance supporting the Duty will help public bodies through the identification of a range of ways in which public bodies can better understand inequalities of outcome and where they can have the greatest impact. For example through a wide range of quantitative data and other evidence which they already have access to including:
 - Annual employment data published under the public sector equality duty⁷¹
 - The Equality and Human Rights Commission's report Is Wales Fairer?⁷²
 - The Equality and Human Rights Commission measurement framework for equality and human rights⁷³ setting the indicators for Is Wales Fairer?
 - The Welsh Government's Future Trends report⁷⁴
 - Statistics available from StatsWales⁷⁵ and the Office for National Statistics⁷⁶

⁷¹ https://statswales.gov.wales/Catalogue/Equality-and-Diversity/Public-Sector-Equality-Duty

⁷² https://www.equalityhumanrights.com/en/publication-download/wales-fairer-2018

⁷³ https://www.equalityhumanrights.com/en/publication-download/measurement-framework-equality-and-human-rights

⁷⁴ https://gov.wales/future-trends-2017

⁷⁵ https://statswales.gov.wales/Catalogue

⁷⁶ https://www.ons.gov.uk/

- Relative Income Poverty (Households Below Average Income)⁷⁷
- Persistent Poverty⁷⁸
- Wellbeing and Finances, including Material Deprivation (National Survey for Wales)⁷⁹
- Office for National Statistics Income and Wealth data⁸⁰
- The Welsh Government's Well-being of Wales Report81
- Chwarae Teg's Gender Equality Review 82
- Older Peoples Commissioner for Wales State of The Nation Report.⁸³
- The Welsh Index of Multiple Deprivation (WIMD)84
- End Child Poverty Coalition's local estimates of child poverty⁸⁵
- 10.4 Given the multiple outcomes anticipated as a result of the Duty a programme of monitoring and evaluation activity of the above will be developed to correspond with key activities, and a range of research and evaluation methods will be considered, depending on the nature of the data required.

⁷⁷ https://gov.wales/relative-income-poverty

⁷⁸ https://gov.wales/persistent-poverty

⁷⁹ https://gov.wales/national-survey-wales-wellbeing-and-finances

 $^{80\} https://www.ons.gov.uk/people population and community/personal and household finances/income and we although the community of the commu$

⁸¹ https://gov.wales/well-being-wales-2019

⁸² https://chwaraeteg.com/projects/gender-equality-review/#phase-two

⁸³ https://www.olderpeoplewales.com/en/reviews/SOTN.aspx

⁸⁴ https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Welsh-Index-of-Multiple-Deprivation

⁸⁵ http://www.endchildpoverty.org.uk/child-poverty-in-your-area-201415-201819/