

# Scrutiny of the Welsh Government's Draft Budget 2021-22

February 2021



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# Scrutiny of the Welsh Government's Draft Budget 2021-22

February 2021



# About the Committee

The Committee was established on 22 June 2016. Its remit can be found at: [www.senedd.wales/SeneddFinance](http://www.senedd.wales/SeneddFinance)

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## Committee Chair:



**Llyr Gruffydd MS**  
Plaid Cymru

## Current Committee membership:



**Alun Davies MS**  
Welsh Labour



**Siân Gwenllïan MS**  
Plaid Cymru



**Mike Hedges MS**  
Welsh Labour



**Mark Isherwood MS**  
Welsh Conservatives



**Rhianon Passmore MS**  
Welsh Labour



**Mark Reckless MS**  
Abolish the Welsh Assembly Party

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The following Member attended as a substitute during this inquiry



**Mick Antoniw MS**  
Welsh Labour

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



**Nick Ramsay MS**  
Welsh Conservatives

## Contents

<b>Chair's foreword .....</b>	<b>5</b>
<b>Conclusion and Recommendations .....</b>	<b>6</b>
<b>1. Introduction .....</b>	<b>11</b>
<b>2. Overview.....</b>	<b>17</b>
<b>3. Financing, tax levers and taxbase .....</b>	<b>29</b>
<b>4. Response to COVID-19 .....</b>	<b>38</b>
<b>5. Transformation .....</b>	<b>53</b>
<b>6. Economy, skills and regeneration.....</b>	<b>57</b>
<b>7. Climate Change and Decarbonisation.....</b>	<b>69</b>
<b>8. Understanding inequality and progress.....</b>	<b>76</b>
<b>9. Brexit and EU transition .....</b>	<b>88</b>
<b>Annex A: List of oral evidence sessions .....</b>	<b>95</b>
<b>Annex B: List of written evidence .....</b>	<b>97</b>

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## Chair's foreword

This is the final Draft Budget report of the Fifth Senedd, and for the third consecutive year, the Draft Budget has been produced and scrutinised under exceptional circumstances. This year the pandemic has led to delayed UK fiscal events, which resulted in delays to publication of the Welsh Government's Draft Budget. In turn this has reduced our time for scrutiny, which is particularly concerning given that COVID-19 will have an impact on public spending for years to come.

This Draft Budget, is very much a draft. A lack of forward funding figures, with only a one year revenue funding settlement has made budget-setting even more challenging. The UK Government's Budget is set for 3 March 2021, meaning the Welsh Government's Final Budget will not be able to reflect on its content, so we can be sure of significant changes to in-year allocations – a matter for the next Welsh Government and the next Finance Committee.

Much of this report focuses on funding allocated to respond to the challenges arising from the COVID-19 pandemic. Whilst welcoming the uplift for Health and Social Services, the Committee is concerned about the long term impacts of the pandemic on non-COVID care, such as the sustained pressure on the NHS and healthcare workers to social distance and the reduced number of staff on wards – we have concerns over workforce capacity and mental health.

Local authorities are also under increased pressure and there will be difficult decisions to be made. It is concerning to hear that the increased funding in the local government settlement will not cover all costs pressures, such as those on social care, childcare, and education.

The economic disruption caused by the pandemic has been devastating. Given the path of the pandemic is still unknown, with many businesses still not trading and uncertainty over how quickly business confidence will return, it is sensible to allow some degree of flexibility within the Draft Budget. However, the Committee thinks we could see more ambition from the Welsh Government in its reconstruction plan, and better support packages for businesses.

COVID-19 has brought many challenges and the financial impact on health and the economy have been significant. Whilst it is likely that 2021-22 will still be dominated by responding to the pandemic, and there will clearly be much work to be done by the next Welsh Government and the next Finance Committee, we are hopeful that the focus will shift to recovery during the year.

**Llyr Gruffydd, Chair**

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## Conclusion and Recommendations

**Conclusion 1.** The Committee notes that this is a very draft budget compared to normal, with significant funding held unallocated this year. While understandable, this is not conducive to effective budget scrutiny. .... Page 28

**Recommendation 1.** The Committee recommends that the Welsh Government outlines the implications of, and its response to, the UK Budget as soon as possible, to enable the Committee to reflect on potential changes to the Welsh Government's Budget 2021-22. .... Page 16

**Recommendation 2.** The Committee recommends that the Welsh Government continues to seek commitments from the UK Government that UK fiscal events will normally take place by a specified date to ensure devolved administrations have sufficient time to carry out meaningful budget setting and scrutiny.... Page 28

**Recommendation 3.** The Committee recommends that the Welsh Government continues to seek commitments from the UK Government for multi-year funding settlements to be reinstated in time for next year's budget process. .... Page 28

**Recommendation 4.** The Committee recommends that, to inform scrutiny during the coming financial year, the Welsh Government considers how it can provide up-to-date information on its spending commitments in regard of the pandemic, as well as providing transparency on the finance it has available and the consequential it is receiving. .... Page 28

**Recommendation 5.** The Committee recommends that the Welsh Government urgently formulates a plan for accelerating funding, in the event that there is no agreement on increasing limits on carrying forward funding in the Wales reserve, to prevent any Welsh funding being lost. .... Page 36

**Recommendation 6.** The Committee recommends that the Welsh Government continues to press the UK Government for fair funding in relation to recent decisions that are causing uncertainty or impacting on funding available to Wales such as HS2, shared prosperity fund, pillar funding, legacy coal tips, flood damage and that the current and future Finance Minister updates the Committee on progress. .... Page 36

**Recommendation 7.** The Committee recommends that, where there are ongoing issues regarding funding from the UK Government, the Welsh Government needs to prioritise its finances to ensure there is no delay to funding getting to where it is urgently needed. .... Page 37

**Recommendation 8.** The Committee recommends that the Welsh Government provides further information on the measures in place to ensure any additional health funding from the UK Government is allocated efficiently, making the most effective use of resources available. .... Page 45

**Recommendation 9.** The Committee recommends that the Welsh Government provides further information about how the additional £385 million funding for core NHS services will be used. This should include a breakdown to show how much has been set aside for the pay award for staff and other services, such as the funding intended to support existing service delivery, for example, to address increasing waiting times due to the pandemic..... Page 45

**Recommendation 10.** The Committee recommends that the Welsh Government clarifies how the draft budget allocations address the current issues faced by the NHS in terms of its staff numbers and capacity, as well as those it is likely to experience given the continued impact of the pandemic on its workforce. .... Page 45

**Recommendation 11.** The Committee recommends that the Welsh Government provides for more investment in staff and training to support NHS workers. .... Page 45

**Recommendation 12.** The Committee recommends that the Welsh Government provides further information about the vaccination programme, differentiating between the costs met by the UK Government and those provided for in the Welsh Government's budgets..... Page 45

**Recommendation 13.** The Committee recommends that the Welsh Government clarifies how the allocations for mental health will address issues around the availability of support..... Page 45

**Recommendation 14.** The Committee recommends that whilst tackling the increased levels of mental ill health linked to the pandemic, the Welsh Government ensures that investment is made in preventative measures which consider the wider determinants of mental health, such as skills and employability, education, housing, access to green space and physical activity. .... Page 45

**Recommendation 15.** The Committee recommends that the Welsh Government clarifies how the funding for local government and education supports the current ways of learning and provides sufficient resources to address the negative impact of the pandemic on education, ensuring young people are not falling behind..... Page 52

**Recommendation 16.** The Committee recommends that the Welsh Government clarifies whether the additional funding in the local government settlement is intended to support existing service delivery and what additional funding may be made available outside of the settlement..... Page 52

**Recommendation 17.** The Committee recommends that the Welsh Government considers whether a funding floor for local government for the Final Budget would be suitable..... Page 52

**Recommendation 18.** The Committee recommends that as part of the Minister's consideration into further allocations being made in the Final Budget, the Welsh Government considers transitional funding for social care in 2021-22 so that providers are able to meet the ongoing additional costs in delivering their services during the pandemic..... Page 52

**Recommendation 19.** The Committee recommends that the Welsh Government monitors the impact of the pay award on individual local authorities, including the likely impact on their financial position and the delivery of services..... Page 52

**Recommendation 20.** The Committee recommends that the Welsh Government provides information about the further work being undertaken on the impact of the pandemic on education when it becomes available..... Page 52

**Recommendation 21.** The Committee recommends that the Welsh Government's reconstruction plan is more ambitious in terms of policy and allocations and is addressed more substantially in the Final Budget, and subsequent Supplementary Budgets..... Page 67

**Recommendation 22.** The Committee recommends that the Welsh Government considers whether existing regeneration programmes still represent best value and considers the need to be more focused on supporting growth and investment in skills and employability, particularly in terms of encouraging a sustainable green economy..... 68

**Recommendation 23.** The Committee recommends that the Welsh Government works to simplify the process for accessing business support packages and offers help and better signposting to smaller business, including a "no wrong door" approach for applicants. The Welsh Government should also consider a review of the communication methods for these schemes. ....Page 68

**Recommendation 24.** The Committee recommends that the Welsh Government identifies how the pandemic has changed, or reaffirmed, its priorities in terms of digital connectivity. Changes in this respect should be highlighted in the Final Budget. ....Page 68

**Recommendation 25.** The Committee recommends that the Welsh Government identifies how spend in the Draft Budget on town centres takes advantage of the opportunities arising from the pandemic (e.g. maximising homeworking).  
.....Page 68

**Recommendation 26.** The Committee recommends that the Welsh Government demonstrates how it has changed its approach to climate emergency spend in light of the pandemic and how it intends to maintain the flexibility to adapt to behavioural changes in fulfilling its objective of building a 'greener future'.  
..... Page 75

**Recommendation 27.** The Committee recommends that the Welsh Government prioritises developing a comprehensive assessment of the carbon impact of its spending decisions and considers how it can overcome the limitations identified.  
..... Page 75

**Recommendation 28.** The Committee recommends that the Welsh Government improves communication of financial assistance schemes and reviews the application processes to ease access to support, particularly for vulnerable applicants, with consideration given to implementing a "no wrong door" approach for applicants.....Page 87

**Recommendation 29.** The Committee recommends that the Welsh Government considers how it can improve the relationship between the distributional analysis of public spending in Wales and the prevention agenda.....Page 87

**Recommendation 30.** The Committee recommends that future Strategic Integrated Impact Assessments are strengthened to explain how the causes of poverty and varying impacts on different groups and needs are influencing the Welsh Government's spending allocations. ....Page 87

**Recommendation 31.** The Committee recommends that the Welsh Government sets out how it will undertake a more gender sensitive approach to its future budgets and demonstrates how spending and policy decisions are informed by the impact on gender and other groups, particularly given the evidence that the economic impact of the pandemic will disproportionately affect certain groups.  
.....Page 87

**Recommendation 32.** The Committee recommends that the Finance Minister provides a brief update on the impact of the revised OBR forecasts that will be published with the UK Budget during the Final Budget debate on 9 March.  
.....Page 94

**Recommendation 33.** The Committee recommends that the Welsh Government provides further detail of discussions held with the Chief Secretary of the Treasury on funding relating to pillar transfer and undertakes an impact assessment on the effects that a reduction in overall funding available to agriculture will have on farming and the wider rural economy.....Page 94

**Recommendation 34.** The Committee notes the efforts made by the Welsh Government to engage with the UK Government on the UK Share Prosperity Fund, and recommends that an update is provided on how future funding will be allocated and what role the Welsh Government will have in the process.....Page 94

# 1. Introduction

## The Committee

1. The Finance Committee (the Committee) is a cross party committee of the Welsh Parliament (the Senedd), made up of Members from the political parties represented at the Senedd.
2. Under Standing Order 19, the Committee is responsible for considering and reporting on proposals laid before the Senedd 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 (WCF).<sup>1</sup>

## Scrutinising the Draft Budget

3. A new budget process was agreed by the Senedd on 21 June 2017. This is the fourth Draft Budget to be scrutinised under the new process.
4. The new budget process sets out that two stages of information will be published by the Welsh Government:
  - Outline proposals that set out the high-level strategic spending and financing plans of the Welsh Government; and
  - The detailed Draft Budget in which the Welsh Government will provide budget proposals for each portfolio at the Budget Expenditure Line (BEL) level or equivalent with appropriate supporting narrative.
5. The Wales Act 2014<sup>2</sup> devolved additional fiscal powers to the Senedd. In April 2018, two specific Welsh Taxes came into force: Land Transaction Tax (LTT) and Landfill Disposal Tax (LDT). In April 2019 the Welsh Rate of Income Tax (WRIT) came into force.
6. The Committee recently undertook an inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework. The subsequent report reflects in detail on LTT, LDT and WRIT.
7. The Committee will consider the overall strategic decision making and prioritisation behind the allocations within the outline Draft Budget proposals,

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<sup>1</sup> Standing Orders of the Welsh Parliament

<sup>2</sup> Wales Act 2014

along with taxation and borrowing plans, against the backdrop of public finances and the wider economy.

## Timing of the Welsh Government Budget and the UK Budget

**8.** The new budget process has been in place for four Draft Budget scrutiny cycles. It is important to note that the Draft Budgets for 2021-22, 2020-21 and 2019-20 have been affected by “exceptional” circumstances, predominantly the UK General Election, Brexit and delayed UK fiscal events. This has led to delays to the planned dates of Welsh Government draft budgets and reduced time for scrutiny.

**9.** In September 2020 the UK Government cancelled the autumn Budget and announced a Winter Economy Package to aid the UK economy through the second wave of COVID-19, with the UK Budget expected in March 2021.

**10.** On 29 June 2020, a letter written on behalf of the Committee, the Scottish Parliament's Finance and Constitution Committee and the Northern Ireland Assembly's Committee for Finance was sent to the Chief Secretary to the Treasury, highlighting the importance of timing of the UK budget.

“...we would very much welcome an early indication as possible of the timing of the UK Budget and an assurance that you will give consideration to the impact of that timing on the respective budget processes across all of the devolved nations.”

**11.** On 2 July 2020, the Minister for Finance and Trefnydd (the Minister) wrote to the Committee:

“We don't yet know our 2021-22 budget settlement and until we receive this information we cannot provide certainty on our own 2021-22 budget timetable. We will only know this information when the UK Government concludes its Comprehensive Spending Review (CSR) as opposed to the UK Autumn Budget... the ongoing uncertainty arising from the impact of the COVID-19 Pandemic and the end of the transition period following Brexit inevitably means that this year's budget process will be more challenging for the governments of all four nations across the UK.”

**12.** In this letter, the Minister stated that the Welsh Government was planning to publish the Draft Budget on 8 December 2020, and the Final Budget on 2 March 2021, but suggested that this was subject to the timing of the UK Government's Spending Review.

**13.** The Minister wrote to the Committee again on 29 October 2020, indicating her intention to defer publication of the Draft Budget until 21 December 2020. The Minister stated that:

“Yesterday the UK Government confirmed the Spending Review will take place on 25 November. This announcement comes only days after the UK Government confirmed it had decided to conduct a one-year Spending Review rather than the long-awaited multi-year review. This piecemeal approach to releasing information is very unhelpful and makes the task of planning for and managing our budget an extremely difficult one.”

## Consultation

**14.** Unlike in previous years, the Committee was unable to hear directly from stakeholders about their views on priority areas for the Welsh Government's Budget, due to the social restrictions across the country.

**15.** However, the Committee undertook online engagement activities to seek views on what stakeholders and the general public thought the Welsh Government's spending priorities should be. This digital campaign collected information from a series of Twitter polls hosted on the Committee's Twitter feed, and through a short survey.

**16.** The Committee also issued a pre-budget consultation, inviting organisations and individuals to let the Committee know their expectations of the forthcoming Draft Budget. The consultation focused specifically on the following areas:

- The impact of the Welsh Government's 2020-21 budget including recent funding related to COVID-19;
- How the Welsh Government priorities for 2021-22 should change in response to COVID-19;
- How financially prepared organisations are for the 2021-22 financial year, and how the budget can provide more certainty in planning and managing budgets given the ongoing volatility and uncertainty;
- Whether there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability;
- Whether the Fiscal Framework adequately reflects the impact of the public health emergency in Wales compared to other UK countries.

## Budget focus

**17.** The Committee agreed to continue the approach followed in previous years, whereby budget scrutiny is centred on the four principles of financial scrutiny:

- 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?
- Budget process – Are they effective and accessible? Is there integration between corporate and service planning, and performance and financial management?

**18.** Additionally, the Committee identified a number of areas that Committees considering individual portfolio spending plans should focus on:

- How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised;
- To what extent alleviating climate change should be prioritised in supporting economic recovery;
- Welsh Government policies to reduce poverty and gender inequality;
- Approach to preventative spending and how this is represented in resource allocations;
- Sustainability of public services, innovation and service transformation;
- How evidence is driving Welsh Government priority setting and budget allocations;
- How the Welsh Government should use taxation powers and borrowing;
- Support for businesses, economic growth and agriculture after EU transition ends;
- What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services

that better deliver against the well-being goals in the Well-being of Future Generations Act).

## Plenary debate - Budget priorities 2021-22

**19.** The Committee has previously expressed concern that the Senedd lacks the formal opportunity to debate and potentially influence the Welsh Government's spending priorities prior to the publication of the Draft Budget.

**20.** The previous budget cycle was the first in which the Committee had the opportunity to hold a debate on the Welsh Government's spending priorities. The Committee found this opportunity to be extremely valuable, and was keen to do the same again in anticipation of the Draft Budget 2021-22.

**21.** On 28 May 2020, the Committee wrote to the Business Committee and the Minister, regarding a priorities debate. The Committee stated that:

“COVID-19 will have an impact on public spending for years to come and we believe that holding this debate is vital to ensure the Senedd sets out how it believes the Welsh Government should focus spending over the next financial year.”<sup>3</sup>

**22.** The Business Committee replied to the Committee:

“There was unanimous support for this type of debate being held annually, and with this year's draft Budget being particularly affected by the COVID-19 outbreak, the Business Committee agreed to schedule the debate during the last week before summer recess.”<sup>4</sup>

**23.** A debate on the Welsh Government's spending priorities was held in Plenary on 15 July 2020.

## Committee view

**24.** The Committee notes the difficulties in preparing this Draft Budget due to COVID-19, the uncertainty caused by timing of UK Government spending announcements and post-EU transition arrangements.

**25.** The Committee appreciates that due to the late UK Spending Review on 25 November 2020, the Welsh Government was unable to publish its draft Budget

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<sup>3</sup> [Letter](#) from Finance Committee to Business Committee and the Minister for Finance and Trefnydd, 28 May 2020

<sup>4</sup> [Letter](#) from the Llywydd to the Finance Committee, 4 June 2020

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until 21 December 2020. However, the shortened timescales have impacted on the Committee's ability to seek views on and scrutinise the Welsh Government's proposals.

**26.** The Committee is concerned that this is the third consecutive exceptional year in terms of budget setting, where the lack of forward funding figures has meant that the Welsh Government has only had one year revenue funding and has been unable to progress on recommendations by the Committee to give sectors multi-year funding settlements.

**27.** The Committee notes the announcement from the UK Government that the UK Budget is set for 3 March 2021. It is unfortunate that the timing of the UK Budget means the Welsh Government's final budget will not be able to reflect on the content of the UK Budget.

**28.** The Committee welcomes the unanimous support of the Business Committee for a plenary debate to be held annually on the Welsh Government's spending priorities prior to publication of the Draft Budget.

**Recommendation 1.** The Committee recommends that the Welsh Government outlines the implications of, and its response to, the UK Budget as soon as possible, to enable the Committee to reflect on potential changes to the Welsh Government's Budget 2021-22.

## 2. Overview

**29.** The Welsh Government laid the Draft Budget for 2021-22 on 21 December 2020. It sets out changes to devolved taxation in Wales and also the funding each Welsh Government department will receive. A number of documents were published alongside the Draft Budget:

- A narrative including strategic integrated impact assessment.
- Budget Improvement Plan, building on the first plan published with last year's draft budget, aiming to improve the budget process using the Well-being of Future Generations Act (WFG Act) and the five ways of working to drive continuous improvement.
- Detailed budget tables and annex to track Main Expenditure Group (MEG) changes to last final budget.
- Chief Economist's report 2020, providing a summary of economic developments and economic and fiscal prospects.
- Distributional analysis, aiming to measure the impact of devolved public spending for people in Wales by income.
- The Office of Budget Responsibility (OBR) also published their Welsh taxes outlook - December 2020, forecasts for devolved Welsh taxes along with other documentation.

**30.** The Draft Budget is published in the context of considerable uncertainty regarding the COVID-19 pandemic and any funding the Welsh Government may receive as a result of additional spending allocations by the UK Government. There are also uncertainties surround trading relations after Brexit.

### Finances in 2020-21

**31.** As a consequence of COVID-19, funding throughout 2020-21 has been subject to various in-year changes. There will be an extra supplementary budget for 2020-21 to manage the additional funding, and the associated changes to allocation.

**32.** The Minister stated that unallocated reserves are around £800 million this financial year and that significant allocations are planned in the next

supplementary budget. However, with the path of the pandemic unknown it is difficult to predict the level of reserves that will remain at the end of the year.<sup>5</sup>

**33.** The Supplementary Estimates process in Westminster will confirm the final funding position for the Welsh Government for the 2020-21 financial year. There are likely to be a number of additional consequentials for the Welsh Government.

**34.** The OBR said the UK Government was making dramatic fiscal decisions in-year, leading to in-year consequentials which are in excess of the limited carry forward arrangements for Wales. In the coming years, the OBR would like to see a return to medium term budget planning, with multi-year rather than one year settlements.<sup>6</sup>

### Headline Figures for the 2021-22 Draft Budget

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**35.** The Draft Budget confirms that £766 million will be provided via Barnett consequentials relating to COVID-19 funding in 2021-22. This is less than the £5 billion in consequentials Wales has received so far during 2020-21. Additional consequential funding may be made available to the Welsh Government by the time the Final Budget is ready for publication, or during the course of 2021-22, depending on the pandemic.

**36.** Compared to the Final Budget 2020-21, the Draft Budget commits to providing an additional £420 million for health and social services and £176 million to support pressures on schools and social services. The Draft Budget also includes allocations of:

- £40 million in additional funding for the Housing Support Grant;
- £20 million to support active travel;
- Over £20 million to meet sixth form and further education demographic pressures;
- £8.3 million to support curriculum reform;
- £9.4 million to support community and school mental health services;
- £274.7 million for investment in the rail and metro network;

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<sup>5</sup> Finance Committee, RoP, 8 January 2021, paragraph 18

<sup>6</sup> Finance Committee, RoP, 13 January 2021, paragraph 14

- £36.8 million in additional funding for social housing, taking the total budget to £200 million for the forthcoming year;
- £5 million to develop the National Forest and to invest in biodiversity.

**37.** The provisional Local Government Settlement for 2021-22 was published on 22 December 2020, with £4.65 billion funding for local authorities in core revenue funding and non-domestic rates funds.

**38.** The Minister confirmed that there will be allocations made between the Draft Budget and the Final Budget, depending on the course of the pandemic:

“What I do intend to do at the draft budget is make a number of allocations in relation to COVID, but then consider how the pandemic progresses between draft and final and make some further allocations there, with the potential, of course, to hold some back for a future Government to allocate in-year.”<sup>7</sup>

#### Departmental Allocations

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**39.** Apart from the unprecedented uncertainties caused by the pandemic, there are also a number of factors which make the usual comparisons made at budget time difficult.

**40.** Year-on-year comparisons are usually made between the latest Supplementary Budget and the Draft Budget. Since the 2020-21 Final Budget there has been around £5 billion additional funding, making year-on-year comparisons difficult.

**41.** The infographic below outlines the allocations by portfolio in the Draft Budget. Typically, the Draft Budget would be compared with the most recent Supplementary Budget. In this case, this would mean comparison with the Second Supplementary Budget 2020-21 (October 2020). However, to provide a more relevant baseline when comparing year-on-year spend, comparisons are made with the Final Budget for 2020-21.

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<sup>7</sup> Finance Committee, RoP, 16 December 2020, paragraph 8

# Welsh Government Draft Budget 2021-22

Changes between the **Revenue\*** Departmental Expenditure Limits in the Draft Budget 2021-22, from the Final Budget 2020-21 (restated to enable comparison and including £231m direct payments farm subsidies, but excludes subsequent 2020-21 COVID and other allocations)



\*Revenue allocations consist of day to day running costs such as staff pay and the purchase of consumable goods and services.

Revenue by portfolio		Year on year change
	<b>Health and Social Services</b> £8,682m	<b>+5.2%</b> <b>+£425m</b>
	<b>Housing and Local Government**</b> £4,190m	<b>+6.8%</b> <b>+£268m</b>
	<b>Education</b> £1,625m	<b>+3.7%</b> <b>+£57m</b>
	<b>Economy and Transport</b> £773m	<b>+4.9%</b> <b>+£36m</b>
	<b>Environment, Energy and Rural Affairs***</b> £529m	<b>+6.6%</b> <b>+£33m</b>
	<b>Central Services and Administration</b> £378m	<b>+3.9%</b> <b>+£14m</b>
	<b>Mental Health, Wellbeing and the Welsh Language</b> £274m	<b>+4.0%</b> <b>+£11m</b>

\*\* Excludes £1.1bn non-domestic rates income.

\*\*\* For the purposes of showing a like-for-like year on year comparison, £231.145m in respect of direct payments funding for farm subsidies has been included which reflects an adjustment made in the First Supplementary Budget 2020-21.

Figures are rounded, please refer to the Welsh Government Draft Budget 2021-22 for exact figures.

**42.** The Welsh Government's allocated core revenue budget for 2021-22 is around £16.5 billion, the majority of which is allocated to Health and Social Services. There is considerable additional funding across all portfolios, with the most significant increases in financial terms for Health and Social Services (£425 million) and Housing and Local Government (£268 million). The Draft Budget also provides for an initial package of £77 million in COVID-19 funding, to support the provision of free school meals and to ensure the continuation of the contact tracing programme.

**43.** The Committee asked the Institute for Fiscal Studies (IFS) and Wales Fiscal Analysis (WFA) how the Draft Budget 2021-22 compared to a 'normal' (i.e. pre-pandemic) year. WFA suggested the growth in core budget "broadly continues the trend seen over the most recent two years in the Welsh budget ... certainly differs from the austerity budgets" seen up until 2018. However, he went on to say that the budget was "much more of a draft than usual"<sup>8</sup> owing to the uncertainty around the pandemic.

**44.** WFA estimated that the average unallocated fiscal resource at the time of the Draft Budget had been around £162 million across this parliamentary term, compared to £811 million in the 2021-22 Draft Budget, five times the average amount.<sup>9</sup>

**45.** WFA suggested that the UK Government was also holding a very large COVID-19 reserve for 2021-22 (about £21 billion). This could result in an additional £660 million for the Welsh Government if funding was "allocated in the same way that we've seen so far". However, it noted that the Welsh Government could not "bank on that funding".<sup>10</sup>

## Prioritisation process

**46.** The Minister described to the Committee how budgetary decision making had changed during the pandemic, through to the Draft Budget prioritisation and deciding allocations. Ministers have been meeting frequently during the pandemic to discuss addressing key issues as they arose, the work led by the Counsel General and Minister for European Transition, Jeremy Miles MS on reconstruction and recovery; and other analyses. Over that period the Minister had at least two bilateral meetings with each Minister and also Cabinet discussions on priorities. So while the Welsh Government only had four weeks to put together the

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<sup>8</sup> Finance Committee, RoP, 13 January 2021, paragraph 209

<sup>9</sup> Finance Committee, RoP, 13 January 2021, paragraph 210

<sup>10</sup> Finance Committee, RoP, 13 January 2021, paragraph 211

Draft Budget after the UK Spending Review, the Minister felt that by undertaking this cross-sectoral work she was able to put together a budget that reflected the concerns raised.<sup>11</sup>

**47.** The Minister stated that one of the main differences compared to previous years was a more centralised approach to budgeting, with the Minister making “individual specific allocations to particular schemes and projects and priorities” rather than general uplifts to departments.<sup>12</sup>

**48.** The Minister went on to say:

“... you'll see that across the entire budget in various ways, so I think that it is possible to link allocations with those outcomes, and to be able to monitor them in a very clear and transparent way, both for Government, committee, and, I think, for your constituents as well.”<sup>13</sup>

## Capital expenditure

**49.** The Draft Budget narrative details that capital funding is due to reduce by £131 million, with a £60 million increase to general capital offset by a £191 million reduction to Financial Transactions Capital (FTC). Whilst the Chief Economist's report details that UK general capital Departmental Expenditure Limits (DEL) is set to increase by 19 per cent between 2020-21 and 2021-22.

**50.** WFA suggested “the Welsh Government should make full use of its capital borrowing limit in 2021-22 (of £150 million)”.<sup>14</sup>

**51.** The Minister highlighted in her foreword to the Draft Budget 2021-22, that the capital settlement meant there was a “limit on what capital priorities and pressures we can recognise centrally as part of this budget round”.

**52.** Both David Phillips, IFS and WFA suggested that capital funding was important to the recovery. WFA reiterated that borrowing was more sustainable due to low interest rates at present. However, he went on to outline the importance of long-term planning for capital budgeting, suggesting that the long

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<sup>11</sup> Finance Committee, RoP, 8 January 2021, paragraph 104

<sup>12</sup> Finance Committee, RoP, 8 January 2021, paragraph 111

<sup>13</sup> Finance Committee, RoP, 8 January 2021, paragraph 116

<sup>14</sup> Written evidence: Wales Fiscal Analysis

term time planning horizons were not there, with the Spending Review only providing a one-year time horizon.<sup>15</sup> David Phillips, IFS, agreed, noting:

“...when there’s a lack of a time horizon to plan projects, that means it is more likely that spending will be, if you like, less wise or less well planned, or even just less deliverable. What we’ve seen sometimes in the past, when there have been large increases in capital spending announced, is that if that comes with too short a lag, it doesn’t get spent.”<sup>16</sup>

## Taxation

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**53.** The Draft Budget set out that the Welsh Government is primarily funded by a block grant from the UK Government, but that the devolution of tax powers means that in 2021-22 around 17 per cent of Welsh Government spending will be funded from tax revenue.

**54.** There are some changes to devolved taxation:

### **Land Transaction Tax (forecast £231 million, down £57 million from March forecast)**

- The temporary tax reductions put in place in 2020 ends after 31 March 2021.
- From 22 December 2020, the higher rate for purchases of an additional property rises from 3 per cent to 4 per cent on top of standard rates. The OBR estimates that increasing these rates will increase revenue by **£16 million** a year.
- From 22 December 2020, the zero rate for both non-residential rates increases from £150,000 to £225,000. The OBR estimates that increasing these thresholds will decrease revenue by around **£1 million** a year.
- Other rates are unchanged.

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<sup>15</sup> Finance Committee, RoP, 13 January 2021, paragraph 227

<sup>16</sup> Finance Committee, RoP, 13 January 2021, paragraph 230

### **Landfill Disposals Tax (forecast £33 million, a £1 million reduction on March forecast)**

- Rates increase in line with the Retail Price Index of around 2.7 per cent, in line with UK Government policy and rates published in March 2020 UK Budget.<sup>17</sup>

### **Income tax forecast for 2021-22 is £2.064 billion down £209 million on the March forecast.**

- Income tax levels are unchanged. In the absence of UK policies in this area, the OBR has assumed that most personal allowance and higher rate thresholds will be increased in line with Consumer Price Index inflation by the UK Government.
- The Draft Budget narrative details the block grant adjustment for income tax in 2021-22 is £2,099 million for income tax and £254 million for fully devolved taxes.
- The OBR notes that the proportion of Wales' share of UK income tax and population have been falling year-on-year.

### **Non-domestic rates**

- In 2020-21, emergency COVID-19 measures included additional non-domestic rate (NDR) relief schemes and funds and grants for businesses.
- The Welsh Government has decided to freeze the NDR multiplier for 2021-22. The Draft Budget narrative sets out work that will take place in advance of the revaluation to take effect from 1 April 2023, plus what impact this revaluation could have on the taxbase and potentially reforming NDR appeals.

**55.** While the changes to LDT and LTT are detailed in the Draft Budget documentation, the regulations are scrutinised and passed separately.

**56.** The Committee considered the regulations during the first evidence session with the Minister and reported on:

- [The Landfill Disposals Tax \(Tax Rates\) \(Wales\) \(Amendment\) \(No. 2\) Regulations 2020](#)

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<sup>17</sup> HMRC: [LANDFILL TAX BRIEFING](#) - March 2020

The changes to the LDT rates are proposed to take effect on 1 April 2021. The standard and lower rates are set to increase in line with inflation and will be equivalent to UK rates, subject to any changes in the UK Budget 2021. Wales also has a higher rate for unauthorised disposals, this will increase at the same rate as higher rate so the deterrent effect is not diminished.

- **The Land Transaction Tax (Specified Amount of Relevant Rent) (Wales) (Amendment) Regulations 2021**

These regulations amend anti-avoidance to apply to those who pay significant amounts of rent. The uplift in the zero rate bands for non-residential properties necessitates an uplift in the specified amount of relevant rent so as to maintain the same relationship between the size of the zero rate band and the relevant rent amount. These regulations amend the zero rate band to £13,500, a 50 per cent increase, the same percentage increase is made to the zero rate bands. Where the relevant rent is the specified amount (£13,500) or greater, the zero rate band for consideration other than rent is disapplied and that consideration is taxed at the next tax band.

- **The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2020**

The regulations increased rates on additional, or 'second', properties. This is an additional charge which may apply where an individual who already owns one or more residential properties buys a further residential property.

At the lowest price threshold, on properties worth up to £180,000, the rate has increased to 4 per cent, up from 3 per cent. The other bands have all increased by 1 per cent, subject to agreement in the Senedd, effective from 22 December 2020, compared with the previous rates that had been in place since 1 April 2019.

The stated intention of increasing the higher residential rates is to raise revenue and to fund lowering the non-residential rates, which is targeted at small and medium enterprises, including those operating in the foundational economy.

**57.** There has been some criticism about the lack of warning of the increase in thresholds.<sup>18</sup> The Explanatory Memorandum to the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2020 states that the Welsh Government has “engaged with professional bodies to help communicate these changes to Welsh taxpayers”.

**58.** The regulations will be voted on in Plenary on 2 February 2021.

## Long term financial implications for Welsh Government

**59.** WFA described in its report 'Austerity is over - for now', that the real terms increase in both 2019-20 and 2020-21 was a “step-change in the path of the Welsh resource budget”.

**60.** WFA and the IFS have noted the UK Government Spending Review cut back previously pencilled-in increases in day-to-day spending by £10 billion in 2021-22, and by £13 billion in 2024-25. WFA suggests that “unless revised, these spending plans suggest a bleaker outlook for the Welsh budget over the medium term and may possibly mean a return to austerity for some areas of the budgets”.<sup>19</sup>

**61.** However, David Phillips, IFS, commented:

“The first thing I’d note is that while £10 billion has been taken out of the core budget in cash terms, the real-terms reduction is a little bit smaller. Inflation is a little bit lower than they thought it was going to be. Also, the budget is still increasing in cash terms and real terms, but over the two years from 2020-21 and 2021-22, real-terms budgets are going up 4 per cent a year—in real terms each year. But, of course, it still is less money than was initially planned to be spent in this year. I think the difficult thing in saying, ‘What is the implication for the Welsh Government?’ per se is that this was the first time we actually had departmental allocations of that money. So, we don’t know where this £10 billion was otherwise going to be spent. If we hadn’t had this, we don’t know how much extra the Welsh Government would have got. We know about £4 billion of the £10 billion comes from overseas aid. We don’t know where the other £6 billion would have been spent had it not been cut from the budget.”<sup>20</sup>

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<sup>18</sup> BBC, Land transaction tax: 'Chaos' over changes for second homes, 22 December 2020.

<sup>19</sup> Wales Fiscal Analysis, Welsh Budget Outlook 2020.

<sup>20</sup> Finance Committee, RoP, 13 January 2021, paragraph 219

**62.** WFA did not expect this change to make a significant difference for 2021-22, however, it went on to say that this may be more apparent in 2022-23 and 2023-24:

“If you look at the projected size of the Welsh budget over the next three years, pretty much all of the growth comes from NHS increases and school spending and increases in England. Everything else doesn’t grow at all, even in nominal terms. So, that means that the consequential passes on, if the Welsh Government passes on those consequential to healthcare in Wales—that potentially means austerity for other areas of the budget.”<sup>21</sup>

**63.** David Phillips, IFS, also outlined some of the potential issues that might arise from the economic downturn, noting that “economic crises are associated with an increase in long-term health conditions, particularly mental health conditions, and that will potentially require investment”.<sup>22</sup>

## Committee view

**64.** The Committee notes that during 2020-21 large funding consequential have been made in-year, with little or no notice for the Welsh Government. There have also been issues with the transparency of these consequential, and how they are calculated. This has resulted in the Committee having limited information regarding consequential and conflicting statements from UK and Welsh Governments. While the funding guarantee provided some welcome certainty, there is no guarantee in place for 2021-22. With the Welsh Government holding significant reserves, potential changes to overall funding expected following the March UK Budget and further in-year consequential linked to the continuing pandemic, this is clearly a very “draft” Draft Budget.

**65.** The Committee notes that due to the circumstances surrounding the formulating of this Draft Budget, there are likely to be changes between the Draft and Final Budgets, and substantial in-year revisions are likely to persist next year as the pandemic extends into 2021-22.

**66.** The majority of the £766 million funding linked to COVID-19 announced as part of the UK Spending Review is unallocated and there is a potential for further allocations in the UK Budget on 3 March. There could also be changes to 2020-21 funding in the Supplementary Estimates, which in turn could impact on the level

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<sup>21</sup> Finance Committee, RoP, 13 January 2021, paragraph 223

<sup>22</sup> Finance Committee, RoP, 13 January 2021, paragraph 233

of reserves that the Welsh Government can take forward into 2021-22. Whilst recognising the reasons behind the uncertainty in funding, this uncertainty hampers the scrutiny process.

**67.** The Committee appreciates the efforts that the Minister has made to describe and manage the prioritisation process more centrally this year.

**68.** It will be crucial that the Sixth Senedd and the next Finance Committee are able to effectively scrutinise decision making and the allocation process, and it will be important that the next Welsh Government and Finance Minister provide sufficient information to aid the scrutiny process.

**69.** Considering the tax regulations at the same time as the scrutiny of the Draft Budget was beneficial, however the Committee did consider that, in line with conclusions in the [Inquiry into a legislative budget process report](#), it would be more prudent for the budget and tax resolutions to be considered by and voted upon in the Senedd at the same time.

**Conclusion 1.** The Committee notes that this is a very draft budget compared to normal, with significant funding held unallocated this year. While understandable, this is not conducive to effective budget scrutiny.

**Recommendation 2.** The Committee recommends that the Welsh Government continues to seek commitments from the UK Government that UK fiscal events will normally take place by a specified date to ensure devolved administrations have sufficient time to carry out meaningful budget setting and scrutiny.

**Recommendation 3.** The Committee recommends that the Welsh Government continues to seek commitments from the UK Government for multi-year funding settlements to be reinstated in time for next year's budget process.

**Recommendation 4.** The Committee recommends that, to inform scrutiny during the coming financial year, the Welsh Government considers how it can provide up-to-date information on its spending commitments in regard of the pandemic, as well as providing transparency on the finance it has available and the consequential it is receiving.

### 3. Financing, tax levers and taxbase

**70.** Many of the themes covered in this chapter have recently been examined in the Committee's report into the Implementation of the Wales Act 2014 and operation of the Fiscal Framework. Rather than repeating the work in that report, this chapter covers the themes specifically in relation to this Draft Budget and should be considered alongside the other report for the Committee's wider analysis.

#### Economy

**71.** The OBR's '[Economic and Fiscal Outlook report](#)' forecasts indicate that output will not recover to pre-COVID-19 levels until the end of 2022. Whilst the Chief Economist's report indicates that unemployment could potentially increase by 44,000 in Wales.<sup>23</sup>

**72.** The OBR noted the great uncertainty around the economic forecasts, which led to the inclusion of three different scenarios in its UK and Welsh forecasts, conditioned on three key assumptions:

“one was an assumption about the course of the virus; the second were assumptions about the effectiveness of public health restrictions required to try and contain its spread; and the third were assumptions about the roll-out and effectiveness of the vaccine. And depending on different assumptions about those three conditioning elements of the forecast, we've produced an upside scenario, a central scenario and a downside scenario. We also presented—because at the time there was uncertainty about the outcome of the Brexit negotiations—an alternative scenario, in case we ended up leaving the EU without a deal.”<sup>24</sup>

**73.** In the short term, the OBR suggested that forecasts would be closer to its downside scenario. In the medium term, good progress with the vaccination rollout is positive, whereas the more virulent strain of the virus will mean that tougher public health restrictions may be needed for longer.<sup>25</sup>

**74.** Previous OBR forecasts since the EU referendum were based on an “average” free-trade agreement with the EU. This reduced the level of output by about 4 per

<sup>23</sup> Welsh Government, Chief Economist's Report 2020, page 11

<sup>24</sup> Finance Committee, RoP, 13 January 2021, paragraph 23

<sup>25</sup> Finance Committee, RoP, 13 January 2021, paragraph 24 and 25

cent over the long term compared to pre-referendum forecasts. A no-deal Brexit would have further reduced this by 2 per cent over the longer term. The OBR noted independent experts estimated the long-term consequence of the deal was “fairly close” to the 4 per cent assumption, meaning the additional 2 per cent reduction has not materialised.<sup>26</sup>

**75.** There are also some short-term disruptions around trade frictions, which the OBR said it will need to assess in the context of its forecasts, including whether any are likely to remain in some form in the longer term.<sup>27</sup>

**76.** The OBR is reviewing the detail of the trade agreement to assess the accuracy of its estimate of the long-term reduction in output of 4 per cent. Initial analysis is that it did not expect the results to “radically alter” its estimate, although there are service area arrangements that still need to be agreed.<sup>28</sup>

**77.** The Chief Economist's report notes that the UK's fiscal position is “clearly unsustainable over the medium term”.<sup>29</sup>

**78.** The Minister noted that the uncertainty of the economic outlook was linked to “the path of the virus, the effectiveness of the vaccine and the way in which both businesses and individuals respond to the situation that we'll find ourselves in”. To deal with the uncertainty the Minister detailed:

“I've held back significant resource in our reserve for next year. I do, as I said to committee, intend to make some allocations between the draft budget and the final budget, but I would expect there to be some more for an incoming government to respond as well.”<sup>30</sup>

## Devolved taxes

### Devolved tax forecasts

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**79.** Whilst the forecast revenues from the devolved taxes have fallen<sup>31</sup>, most of the reductions to the OBR tax forecasts for Wales are based on the UK-wide position. The OBR does not consider there is evidence that income tax liabilities in

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<sup>26</sup> Finance Committee, RoP, 13 January 2021, paragraph 30

<sup>27</sup> Finance Committee, RoP, 13 January 2021, paragraph 34

<sup>28</sup> Finance Committee, RoP, 13 January 2021, paragraph 31

<sup>29</sup> Welsh Government: Chief Economist's Report 2020

<sup>30</sup> Finance Committee, RoP, 20 January 2021, paragraph 8

<sup>31</sup> Welsh Government, Chief Economist's Report 2020

Wales would be impacted more or less than the UK average due to the pandemic.<sup>32</sup>

**80.** While the proportion of UK income tax collected in Wales has been reducing, the OBR does not expect the drivers that have caused this, such as the personal allowance increasing dramatically over the past decade, to continue. Going forward the OBR does not expect significant divergence from UK income tax receipts growth:

“We do make one adjustment, which is an adjustment for population. What we do think we know with some certainty, and based on the ONS projections, is the fact that the Welsh population is declining relative to the UK population. That lowers the forecast by about 1 per cent over the five years of the forecast, but other than that, we don't forecast significant diversion in the earnings base for taxation between Wales and the UK.”<sup>33</sup>

**81.** Responding to concerns over the uncertainty in the tax forecasts, the Minister said:

“...the Office for Budget Responsibility said that it does not believe there is evidence that income tax liabilities in Wales would be impacted more or less than the average due to the pandemic. I think that's a helpful analysis for us. We will receive the outturn information for Welsh rates of income tax for 2019-20 later this year, and that will be a very important and interesting point for us in Government, and I'm sure for committee as well, and although it won't directly impact on our budget for 2021-22, it may impact both the tax forecasts and the block grant adjustments for future years. So, that's why it's advisable that we consider a range of scenarios, which we've done, and you've seen that in the chief economist's report, which is published alongside the draft budget.”<sup>34</sup>

## Tax data

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**82.** The Committee followed up on concerns regarding the use of, availability of and steps to improve more Welsh specific data to inform economic and tax forecasts and also for more granular information for policy formation.

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<sup>32</sup> Finance Committee, RoP, 13 January 2021, paragraph 41

<sup>33</sup> Finance Committee, RoP, 13 January 2021, paragraph 47

<sup>34</sup> Finance Committee, RoP, 20 January 2021, paragraph 9

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**83.** The Minister suggested that data availability is improving and that the publication of monthly earnings and real time employment statistics from the Pay As You Earn (PAYE) system was helpful.<sup>35</sup>

**84.** She mentioned that Welsh Government officials are involved in an income tax working group which looks particularly at tax data. This group works alongside the OBR, HMRC, Scottish Government and the Scottish Fiscal Commission to “improve the kind of data we are receiving”.<sup>36</sup>

### Changes to the devolved taxes

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*“... abolish Land transaction tax for all first time buyers and advertise it - draw young graduates into Wales”*

*“Raise taxation only for the highest earners. Close tax loopholes”*

Digital engagement- June 2020

**85.** On 22 December 2020, changes to the tax bands for non-residential Land Transaction Tax (LTT) were made through The Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2020. The Confederation of British Industry (CBI) and Wales Tourism Alliance (WTA) welcomed these changes.<sup>37</sup>

**86.** Regarding non-domestic rates, the Minister highlighted the significant financial costs of the current COVID-19 related support schemes and suggested that the continuation or replacement for such significant schemes would need to follow announcements of further funding coming from the UK Government.

**87.** Referring to COVID-19 related support schemes, the Minister expected the UK Government to make an announcement “early in this calendar year”, and then the Welsh Government would have an:

“...understanding of any additional support that might be made and the consequential available to us then, then we’ll be able to make a decision on that. I would be keen, obviously, to provide support, but I think that when we reflect on the fact that we’ve had only £766 million for COVID for next year, as compared to the £5.2 billion this year, any scheme that really looks to support these sectors with rate relief would

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<sup>35</sup> Finance Committee, RoP, 8 January 2021, paragraph 59

<sup>36</sup> Finance Committee, RoP, 8 January 2021, paragraph 59

<sup>37</sup> Finance Committee, RoP, 15 January 2021, paragraph 237 and 239

take out, really, that funding that we've had for all of COVID for next year. So, we await keenly the UK Government's decision as soon as possible."<sup>38</sup>

**88.** The Minister confirmed that the NDR revaluation process would take place in 2023 and would be consistently applied across Wales and England. Extensive preparatory work would be required, including the re-assessment of all non-domestic properties to reflect updated information, including market conditions. The pandemic was likely to impact on this, although the Minister noted "we have yet to grasp exactly what that might look like".<sup>39</sup>

## Fiscal Framework

*"Renegotiate our settlement"*

*"Request that Wales receives 30p of every £1 of tax collected instead of 10p"*

*"@WelshGovernment Could demand more fiscal powers from @UKGovWales so the @WelshGovernment would have more options to increase its revenue."*

Digital engagement: June 2020

**89.** The Draft Budget narrative shows that the Welsh Government held reserves of £811 million fiscal revenue, £109 million general capital and £5 million FTC funding.

**90.** The Minister acknowledged that the Welsh Government was holding "some significant reserves"<sup>40</sup> but told the Committee "we do expect to need to make additional allocations"<sup>41</sup>.

**91.** Significant allocations have been made through the Barnett formula in 2020-21. However, issues with this process has led to the UK Government moving to a system of 'guarantees' for devolved governments. WFA noted that funding guarantee has provided "some welcome certainty for devolved government"<sup>42</sup>.

<sup>38</sup> Finance Committee, RoP, 8 January 2021, paragraph 69

<sup>39</sup> Finance Committee, RoP, 8 January 2021, paragraph 73

<sup>40</sup> Finance Committee, RoP, 8 January 2021, paragraph 13

<sup>41</sup> Finance Committee, RoP, 8 January 2021, paragraph 13

<sup>42</sup> Written evidence: Wales Fiscal Analysis

**92.** However, the Minister outlined to the Committee that transparency was “still quite poor” and noted difficulties in reconciling and keeping track of UK Government funding guarantees.<sup>43</sup>

**93.** The IFS has previously questioned the adequacy of the Barnett formula in allocating funding for the pandemic. In March 2020, the IFS noted that demographic differences (including age of population and economic factors) such as a higher share of businesses having lower rateable values in Wales compared to England (and therefore potentially increasing cost of grant funding), as reasons for bypassing the formula altogether.

**94.** However, in terms of tax, WFA suggested the fiscal framework was working in Wales' favour, noting:

“I think, at the moment, given where we are, in terms of public spending and the economy, it's just keeping our heads above water for the moment, because right now our favourite topic of the fiscal framework is kicking in in a way that is quite helpful to the Welsh budgetary position. So, you're exactly right that we've had a big reduction in the forecast tax receipt, particularly in income tax, but that's almost entirely offset by a smaller reduction to the Welsh block grant.”<sup>44</sup>

## Funding flexibilities

*“... increase borrowing to spend on projects with a long-term return on capital”*

*“Borrowing money is not usually economically sensible.”*

Digital engagement- June 2020

**95.** The Draft Budget narrative calls for broader flexibilities around borrowing, in terms of annual and aggregate limits.

**96.** In March 2020, the IFS suggested flexibilities to borrowing limits might be appropriate due to the pandemic. The Future Generations Commissioner<sup>45</sup> (the

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<sup>43</sup> Finance Committee, RoP, 16 December 2020, paragraph 10

<sup>44</sup> Finance Committee, RoP, 13 January 2021, paragraph 246

<sup>45</sup> Written evidence: The Future Generations Commissioner, November 2020

Commissioner) and Wales Council for Voluntary Action (WCVA)<sup>46</sup> also supported an increase in borrowing limits, to deal with the public health emergency.

**97.** Colleges Wales agreed there was a need for flexibility, stating:

“There should be some flexibility around the existing Fiscal Framework as the ongoing costs and impact of COVID-19 continue to emerge and to be understood. The Welsh Government should have all necessary channels available, including more flexible annual and/or overall limits to Welsh Government borrowing, to respond to the public health emergency and to adequately provide support should local lockdowns for example, continue to be a feature of 2021.”<sup>47</sup>

**98.** Updating the Committee, the Minister said she hoped for a response towards the end of January 2021 from the UK Government to her request for flexibility to carry forward to 2021-22 any unspent COVID-19 funding above existing limits to the Wales Reserve.<sup>48</sup>

**99.** WFA considered that flexibility should be afforded to the Welsh Government, citing previous years as a precedent:

“The UK government has agreed some flexibility over previous years when late changes were made to the Welsh Government's block grant via the UK Supplementary Estimates. As in the case of current borrowing powers, the rules governing the Wales Reserve should be amended to reflect the heightened uncertainty which the Welsh Government faces this year and will likely face over coming years.”<sup>49</sup>

## Committee view

**100.** The Committee notes that the forecasts from the OBR have been provided with a range of scenarios, because of the circumstances in which the forecasts were prepared. Hopefully, the updated forecasts published in March 2021 will provide a firmer basis for understanding the Welsh economy and informing policy decisions.

**101.** The Committee is concerned that at the time of formulating and scrutinising this Draft Budget, there has been no decision made by the UK Government on

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<sup>46</sup> Written evidence: Wales Council for Voluntary Action

<sup>47</sup> Written evidence: Colleges Wales

<sup>48</sup> Finance Committee, RoP, 8 January 2021, paragraph 13

<sup>49</sup> Written evidence: Wales Fiscal Analysis

the Welsh Government's ability to carry forward additional funding or increased borrowing, particularly during the pandemic. The Welsh Government's ability to plan and implement policies has been hampered by not knowing funding consequential until policies are announced by the UK Government and is further constrained by limits to end of year flexibilities. While this has been helped by the implementation of funding guarantees, uncertainty around funding that would be available in-year persists. The Committee considers that retaining the existing limits is unhelpful and does not allow for effective financial management.

**102.** The ambiguity around funding, the path of the pandemic, along with the changing economic and tax forecasts creates a great deal of uncertainty for the Welsh Government and stakeholders. Consideration needs to be given as to how this uncertainty can be effectively managed.

**103.** As mentioned in the previous chapter, the Committee recognises that decisions on the in-year funding for 2021-22 will be a matter for the next Welsh Government, however, consideration will need to be given as to how the Senedd is informed of changes in allocations.

**104.** The Committee believes that the funding consequential provided following policy decisions made in Westminster is crucial for in-year support. However, if the UK Government's inflexibility regarding carrying forward reserves leads to funding being lost to Wales, the Welsh Government should consider options, such as accelerating funding provided to key areas to avoid this happening.

**105.** As part of the Committee's scrutiny of the Chancellor of the Exchequer's Spending Review, the Committee wrote to the Chief Secretary to the Treasury asking for his views in relation to the funding announcements to Wales including the agricultural sector shortfall, Shared Prosperity Fund and HS2 funding. The Committee is awaiting a response to this letter.

**Recommendation 5.** The Committee recommends that the Welsh Government urgently formulates a plan for accelerating funding, in the event that there is no agreement on increasing limits on carrying forward funding in the Wales reserve, to prevent any Welsh funding being lost.

**Recommendation 6.** The Committee recommends that the Welsh Government continues to press the UK Government for fair funding in relation to recent decisions that are causing uncertainty or impacting on funding available to Wales such as HS2, shared prosperity fund, pillar funding, legacy coal tips, flood damage and that the current and future Finance Minister updates the Committee on progress.

**Recommendation 7.** The Committee recommends that, where there are ongoing issues regarding funding from the UK Government, the Welsh Government needs to prioritise its finances to ensure there is no delay to funding getting to where it is urgently needed.

## 4. Response to COVID-19

### COVID-19

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**106.** The Minister highlighted the uncertainty of the economic outlook which “depends on the path of the virus, the effectiveness of the vaccine and the way in which both businesses and individuals respond to” the pandemic. She said that was one of the reasons she has held back “significant resource” in the Welsh Government’s reserve.<sup>50</sup>

**107.** The Minister confirmed that nearly £700 million of the unallocated reserve is in relation to COVID-19 and that she does intend to make some allocations between the Draft Budget and the Final Budget, but she would “expect there to be some more for an incoming government to respond as well.”<sup>51</sup>

**108.** The Minister said given that “we are operating in extremely uncertain times” and the “growth of the two new strains of the coronavirus”, her decision to allocate only a small part of COVID-19 funding at this initial point in the budget-setting process and “to save a significant amount of that COVID-related funding” until later was justified.<sup>52</sup>

**109.** The Minister said that the Welsh Government has a range of engagement mechanisms with partners to monitor the ongoing response to the pandemic, and Ministers use those discussions to formulate the funding requests they put to her as Minister for Finance. She continued:

“I think that the shadow social partnership council, which the First Minister chairs and which continues to meet fortnightly, has been really useful in terms of understanding the pressures that stakeholders and partners are facing and is helping us to respond to that. I know the Future Generations Commissioner for Wales in her response to you has welcomed this engagement that we’ve had, particularly on spending considerations and decisions through that social partnership approach.”<sup>53</sup>

**110.** The Minister highlighted the large degree of uncertainty as to any additional COVID-19 funding the Welsh Government might receive from the UK

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<sup>50</sup> Finance Committee, RoP, 20 January 2021, paragraph 8

<sup>51</sup> Finance Committee, RoP, 20 January 2021, paragraph 8 and 11

<sup>52</sup> Finance Committee, RoP, 8 January 2021, paragraph 7

<sup>53</sup> Finance Committee, RoP, 20 January 2021, paragraph 21

Government. She considered “there would be some additional funding beyond the funding” already received in the settlement, but “it’s very difficult to say just what that might be”.<sup>54</sup> She said:

“this next financial year we will only have, as things stand at the moment, £766 million of additional funding for COVID, and that compares, of course, with the £5 billion that we’ve had in this financial year. We also know that the UK Government has only allocated around £32 billion of £55 billion that they’ve set aside for COVID, but we understand that a significant part of that residual will be for UK-wide measures—so, the continued roll-out of the vaccination programme, for example, the work of the lighthouse labs, and so forth.”<sup>55</sup>

**111.** The Minister highlighted that generally the Welsh Government gets “almost no advance warning of additional funding” coming to Wales from the UK Government and that often it finds “out about announcements at the same time as everybody else”.<sup>56</sup>

## The NHS and social services

*“The Health Service has spoken for itself during the pandemic.”*

*“Health should be a priority”*

Digital engagement- June 2020

**112.** The Minister stated that the Draft Budget sets out more than £385 million of additional funding for core NHS services, taking the total NHS funding in 2021-22 to more than £8.4 billion.<sup>57</sup>

**113.** The Minister confirmed this was a “significant uplift to the health and social services main expenditure group” and that was in recognition of the important role that “health plays in this agenda”.<sup>58</sup>

<sup>54</sup> Finance Committee, RoP, 20 January 2021, paragraph 80

<sup>55</sup> Finance Committee, RoP, 20 January 2021, paragraph 80

<sup>56</sup> Finance Committee, RoP, 20 January 2021, paragraph 77

<sup>57</sup> Finance Committee, RoP, 20 January 2021, paragraph 52

<sup>58</sup> Finance Committee, RoP, 8 January 2021, paragraph 8

**114.** The Minister said that the Minister for Health and Social Services (the Health Minister) has identified particular areas where priority will need to be placed, including:

“...the continuation of the roll-out of the mass vaccination programme, the further support for the test, trace, protect programme, and that includes maintaining NHS capacity within our Welsh labs here in Wales, and the further expansion of community testing as well. He’s also clear that we have to maintain the additional capacity in field hospitals and within the core estate as well, as long as they are necessary, and obviously maintain that supply of PPE for health and social care, and then, when conditions allow, to start resuming the more routine work of the NHS and addressing what are really significant backlogs as well. So, those will be the priority areas.”<sup>59</sup>

**115.** The Health Minister told the Health, Social Care and Sport Committee (HSCS Committee) that the Welsh Government would need to make some provision for potential local health board overspends in its budget.<sup>60</sup> However, he noted that the Welsh Government had not yet received the forecast plans from the NHS bodies.<sup>61</sup>

#### NHS staff

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**116.** The Welsh NHS Confederation highlighted the extent of NHS spending on agency staff needed to support staff on the frontline during the pandemic<sup>62</sup>:

“I think the pandemic has shone a light, really, on how close we’re sailing to the wind in terms of staff numbers and staff capacity, and I think, before the pandemic struck, there were worryingly high vacancy rates in parts of Wales in certain front-line health professionals.”<sup>63</sup>

**117.** The Welsh NHS Confederation said that the workforce had been the “key limiting factor in terms of our ability to deal with the pandemic”. Investment was needed in the workforce and training of health professionals for the future and

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<sup>59</sup> Finance Committee, RoP, 20 January 2021, paragraph 41

<sup>60</sup> HCSC Committee, RoP, 13 January 2021, paragraph 24

<sup>61</sup> HCSC Committee, RoP, 13 January 2021, paragraph 44

<sup>62</sup> Finance Committee, RoP, 13 January 2021, paragraph 157

<sup>63</sup> Finance Committee, RoP, 13 January 2021, paragraph 157

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this was not just restricted to doctors and nurses but the wider disciplines including staff in the community, such as GP surgeries and pharmacies.<sup>64</sup>

**118.** The Health Minister told the HSCS Committee the “biggest element” of the increase in funding for the delivery of core NHS services related to the pay increases for NHS staff. However, the Welsh Government had yet to receive the recommendations from the pay review process and “so we’re needing to make some sort of provision”.<sup>65</sup>

### Vaccination programme

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**119.** The Minister confirmed that £27 million has already been allocated in the Draft Budget for the roll-out of the vaccine programme, and £10 million funding for the Test, Trace and Protect programme. She said “there can’t be any kind of stop in delivery on these important aspects” and has therefore provided “certainty in the budget.”<sup>66</sup>

**120.** The Minister’s official clarified that the funding for the vaccination programme is a combination of Welsh Government and UK Government funding:

“it’s the UK that’s acquiring the supplies of vaccine and distributing the supplies of vaccine around the UK, and then it’s the Welsh Government that’s funding the delivery of that vaccination programme in Wales. I think that’s a kind of additional complexity in terms of understanding and scrutinising the costs of the programme and how those costs break down between the different administrations, and I think that’s something we’ll need to reflect on going forward with the UK Government about how we kind of provide information about that in a way that enables proper scrutiny of the cost of delivering the programme.”<sup>67</sup>

**121.** The Health Minister told the HSCS Committee that he expected to continue to supply PPE for a “significant period of time”, and that “testing isn’t going to go away” and it “will be a more significant issue if we’re able to return to international travel again”.<sup>68</sup>

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<sup>64</sup> Finance Committee, RoP, 13 January 2021, paragraph 157

<sup>65</sup> HCSC Committee, RoP, 13 January 2021, paragraph 48

<sup>66</sup> Finance Committee, RoP, 20 January 2021, paragraph 28

<sup>67</sup> Finance Committee, RoP, 20 January 2021, paragraph 47

<sup>68</sup> HCSC Committee, RoP, 13 January 2021, paragraph 17 and 18

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**122.** The Welsh NHS Confederation said the ongoing costs of PPE, field hospitals and the Test, Trace, Protect programme would significantly impact on the financial stability of local health boards.<sup>69</sup>

#### Non-COVID care and mental health

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**123.** The Health Minister told the HSCS Committee about the “costs in human and financial terms” of delaying non-COVID care. He said:

“...over this next year, I hope we’ll be looking to the serious business of financial recovery and healthcare recovery, and that will mean looking to turn on new activity at the same time that we’ll still be dealing with the consequences for our staff of all they’ve done within the pandemic.”<sup>70</sup>

**124.** The Welsh NHS Confederation said that providing non-COVID care is much more difficult because of social distancing, adding:

“there are approximately half the number of people on a ward that would normally be there for recovery post surgery, and things happening in community care. There will definitely be a very large cost—very difficult to put a figure on—to enable services to recover. It’s an enormous challenge and probably as big a challenge as COVID itself.”<sup>71</sup>

**125.** This view was echoed by WFA who suggested that productivity would likely decline in the NHS due to restrictions, such as social distancing, noting:

“... if productivity is about 5 per cent lower next year, that means additional costs of about £400 million. So, given the funding that hasn’t been allocated yet, COVID funding, a lot of that’s going to be swallowed up by the NHS, I would think.”<sup>72</sup>

**126.** In December, the HSCS Committee published its report [Inquiry into the impact of the COVID-19 outbreak, and its management, on health and social care in Wales: Report 2 – Impact on mental health and wellbeing](#). In this report, the HSCS Committee raised concerns about people’s access to mental health services

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<sup>69</sup> Written evidence, Welsh NHS Confederation

<sup>70</sup> HCSC Committee, RoP, 13 January 2021, paragraph 7

<sup>71</sup> Finance Committee, RoP, 13 January 2021, paragraph 188

<sup>72</sup> Finance Committee, RoP, 13 January 2021, paragraph 272

and reported that it had heard worrying evidence about the availability of support.<sup>73</sup>

**127.** The Minister said that mental health services are “going to be a huge priority going forward” which she felt was reflected within the Draft Budget. She added:

“We’re allocating an additional £42 million for mental health-related activity next year, and that includes £20 million additional funding within health and social services to increase mental health support across a range of areas, including increased support for front-line non-clinical services, all-age crisis support, memory assessment services, and support for the clinical pathway through the 111 telephone service.”<sup>74</sup>

## Committee view

**128.** The Committee acknowledges the impact of the uncertainty around the path of the pandemic and the total amount of funding that will be available in 2021-22. The Committee notes that this has been further exacerbated by the growth of new strains of the virus. Whilst the Committee accepts it is prudent for the Welsh Government to retain reserves at the level in this Draft Budget, this does make it difficult for the Committee to come to a view on allocations made to respond to the pandemic.

**129.** The Committee notes the Minister expects that further COVID-19 funding will come to Wales from the UK Government given that the UK Government has only allocated £32 billion of the £55 billion that it has set aside for COVID-19. Whilst the Committee recognises the challenges of making funding decisions during a pandemic with the situation changing rapidly, it is unacceptable that the UK Government provides little advance warning of additional funding coming to Wales. This has been an area of concern for the Committee prior to the pandemic as it is clear the lack of forewarning of funding announcements causes budget management issues for the Welsh Government.

**130.** The Committee welcomes the central role played by the Minister in discussing issues and prioritising resources, both in-year and during draft budget preparations. The Committee believes the Welsh Government needs to have systems in place to ensure that when consequential funding is received it can prioritise and deliver funding quickly and effectively.

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<sup>73</sup> [Senedd press release, “A perfect storm of mental illness” Health Committee hears, 17 December 2020](#)

<sup>74</sup> Finance Committee, RoP, 20 January 2021, paragraph 29

**131.** The Committee recognises the uplift to the Health and Social Services MEG, which reflects the important role that health plays in dealing with the pandemic. However, it is not clear how much resource has been identified for the pay rise for NHS staff and hence, what additional funding will be available to respond to the pandemic, as well as non-COVID services. The Committee believes that the impact of the pandemic means it is likely that additional funding will need to be allocated to support the NHS and social care during 2021-22, and this may result in deferring the delivery of non-COVID health care and other public sector services. This is an issue and the Committee considers additional work should be undertaken to ensure the resilience of the public sector in Wales.

**132.** The Commissioner considers that the allocated £25 million for NHS transformation is not enough, and the Committee considers that if the NHS is to be supported effectively this may need to be increased.

**133.** The NHS Confederation highlighted that there were significant workforce capacity issues before the pandemic, which the pandemic has exacerbated. Going forward there is a need both for more investment in staff and training and to support NHS workers.

**134.** It is essential that the vaccine roll-out continues at pace and the Committee welcomes the certainty of funding provided in the Draft Budget for the vaccine programme and for Test, Trace and Protect. However, the Committee does have concerns about the transparency of funding for the vaccination programme which is made-up of a combination of Welsh and UK Government funding. The Committee believes the Welsh Government must consider the transparency of the information it provides on the vaccination programme to enable scrutiny of the cost of delivery.

**135.** The Committee is concerned about the impact of the pandemic on non-COVID care and the concerns of the Welsh NHS Confederation that the costs to enable services to recover will be significant and “probably as big a challenge as COVID itself”.

**136.** The Health Minister acknowledges that delaying non-COVID care will have costs in human and financial terms and, whilst it is to be expected that there will be an increase in non-COVID care over the next year, the Committee is concerned that there will be sustained pressure on the NHS and healthcare workers because of the need to social distance and the reduced number of staff on wards.

**137.** The Committee is concerned to note the findings of the Health, Social Care and Sport Committee’s report on the impact of the pandemic on mental health

and wellbeing. The Committee welcomes the Minister's view that mental health services will be a priority for the Welsh Government going forward. However, the Committee believes the impact of the pandemic on mental health will be considerable over the next year and beyond.

**Recommendation 8.** The Committee recommends that the Welsh Government provides further information on the measures in place to ensure any additional health funding from the UK Government is allocated efficiently, making the most effective use of resources available.

**Recommendation 9.** The Committee recommends that the Welsh Government provides further information about how the additional £385 million funding for core NHS services will be used. This should include a breakdown to show how much has been set aside for the pay award for staff and other services, such as the funding intended to support existing service delivery, for example, to address increasing waiting times due to the pandemic.

**Recommendation 10.** The Committee recommends that the Welsh Government clarifies how the draft budget allocations address the current issues faced by the NHS in terms of its staff numbers and capacity, as well as those it is likely to experience given the continued impact of the pandemic on its workforce.

**Recommendation 11.** The Committee recommends that the Welsh Government provides for more investment in staff and training to support NHS workers.

**Recommendation 12.** The Committee recommends that the Welsh Government provides further information about the vaccination programme, differentiating between the costs met by the UK Government and those provided for in the Welsh Government's budgets.

**Recommendation 13.** The Committee recommends that the Welsh Government clarifies how the allocations for mental health will address issues around the availability of support.

**Recommendation 14.** The Committee recommends that whilst tackling the increased levels of mental ill health linked to the pandemic, the Welsh Government ensures that investment is made in preventative measures which consider the wider determinants of mental health, such as skills and employability, education, housing, access to green space and physical activity.

## Local Government

### Local Government Funding

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**138.** The Minister confirmed that public services had been prioritised in the allocations and that she had given local authorities the “best possible settlement” with a £176 million uplift.<sup>75</sup>

**139.** The Welsh Local Government Association (WLGA) welcomed the additional funding provided in the Draft Budget, which reflected an additional £172 million (or 3.8 per cent) in overall core funding for local government compared with 2020-21 (after adjustments for transfers in).<sup>76</sup>

**140.** The WLGA noted while 17 local authorities were within 0.5 per cent of the average of 3.8 per cent, two local authorities were due to receive an increase of less than 3 per cent (Wrexham and Ceredigion).<sup>77</sup> It said WLGA leaders had written to the Minister on 11 December 2020 to ask for a funding floor, adding:

“I think when the Minister published the settlement, she made clear why she wasn't putting that floor in, but we still think that there is a discussion to be had there. There's an open door and I think we'll still press for a floor in the settlement uplifts.”<sup>78</sup>

**141.** The Leader of Torfaen County Borough Council told the Equality, Local Government and Communities Committee (ELGC Committee) that:

“we'll continue to campaign and to lobby for a separately funded floor within the settlement, to try and provide certainty to those councils that are at one end of the spectrum, especially at a time when there's so much uncertainty elsewhere in our budgets.”<sup>79</sup>

**142.** The Leader of Conwy County Borough Council added:

“I think the range this time should be considered by Members of the Senedd in terms of the range of the settlement provided to local authorities. I'm not sure it's usually that wide; I think it goes from a 2 per cent increase up to 5.6 per cent. A number of local authorities are

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<sup>75</sup> Finance Committee, RoP, 8 January 2021, paragraph 8

<sup>76</sup> Finance Committee, RoP, 13 January 2021, paragraph 97

<sup>77</sup> Finance Committee, RoP, 13 January 2021, paragraph 101

<sup>78</sup> Finance Committee, RoP, 13 January 2021, paragraph 101

<sup>79</sup> ELGC, RoP, 14 January 2021, paragraph 22

around the average, which is understandable. But I think the funding floor would help to create what may look like a fairer settlement for all, if that funding floor was provided, and again, just to mitigate that range, with those right at the bottom having to, in a very short space of time, understand how it's going to impact their budget planning.”<sup>80</sup>

**143.** The Minister noted that the settlement had been welcomed by the WLGA but she said that did not take away from the fact that “local authorities are under a great deal of pressure and continue to have to make difficult decisions”.<sup>81</sup>

**144.** The Minister said that in setting the overall settlement she had also responded to the negative impact of the pandemic on NDR collection.<sup>82</sup> She continued:

“the baseline settlement cash increase of £176 million does reflect a larger increase in the revenue support grant to compensate for the fall in NDR. It also accounts for the impact of freezing the NDR multiplier for next year as well. It's important to recognise that this settlement isn't the only source of funding for local authorities; they also have council tax and fees and charges, which they can also raise income from. But, as I say, these are difficult decisions.”<sup>83</sup>

**145.** The Minister recognised the pressure on local authorities in terms of the council tax reduction scheme and the reduced collection rate of council tax, and she said that discussions with the WLGA were continuing to monitor the financial impact.<sup>84</sup>

**146.** The WLGA said that local authorities in Wales had worked with Welsh Government officials during the pandemic. While there were some frustrations with the claims process, local authorities had received additional funding to meet their additional costs due to COVID-19 and had been compensated for the loss of income as a result of it.<sup>85</sup>

**147.** The WLGA said:

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<sup>80</sup> ELGC, RoP, 14 January 2021, paragraph 24

<sup>81</sup> Finance Committee, RoP, 20 January 2021 paragraph 64

<sup>82</sup> Finance Committee, RoP, 20 January 2021, paragraph 65

<sup>83</sup> Finance Committee, RoP, 20 January 2021, paragraph 65

<sup>84</sup> Finance Committee, RoP, 20 January 2021, paragraph 66

<sup>85</sup> Finance Committee, RoP, 13 January 2021, paragraphs 121 and 123

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“I don't think we're too worried about funding services this year because, as I said, that COVID fund, that is now a fund of about, I think the total is about £557 million, of which there is still about £255 million remaining in the budget. There are still claims for quarter 3, both in terms of additional pressure and income loss to go in, so that's fine...”<sup>86</sup>

**148.** However, there was a “question mark over COVID funding in 2021-22”. The WLGA had been assured it would soon be discussed with the Welsh Government and would be addressed in the final budget announcement.<sup>87</sup>

**149.** The Chief Executive of Gwynedd Council said the Provisional Settlement would meet the inflationary pressures it was expecting but would not cover all costs pressures, such as those on social care, childcare, and education. Those pressures will “have to fall on the council tax”.<sup>88</sup>

**150.** The WLGA quantified the costs pressures on local authorities to be £279 million for 2021-22, of which £174 million (or 63 per cent) is attributable to workforce costs (including social care commissioning costs). It stated demand pressures amounted to £72 million which is “mostly down to social care”, and other inflationary pressure of £33 million.<sup>89</sup>

**151.** The Minister stated that local government was “one of the key areas for potential additional allocations between the draft and final budget”.<sup>90</sup>

## Funding Social Care

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**152.** In terms of pressures on specific services, the WLGA noted “quite a substantial part of the hardship fund is allocated for social care”. It had been told providers of social care had found this funding “essential just in order to survive”<sup>91</sup>. There had been calls for “some kind of transition funding going into next year”.<sup>92</sup>

**153.** In relation to social care, the Minister said:

“We were able to put in place the £500 million—at least £500 million—of additional support for local authorities, and that's been really

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<sup>86</sup> Finance Committee, RoP, 13 January 2021, paragraph 126

<sup>87</sup> Finance Committee, RoP, 13 January 2021, paragraph 126

<sup>88</sup> Finance Committee, RoP, 13 January 2021, paragraph 99,

<sup>89</sup> Written evidence, Welsh Local Government Association

<sup>90</sup> Finance Committee, RoP, 20 January 2021, paragraph 66

<sup>91</sup> Finance Committee, RoP, 20 January 2021, paragraph 154

<sup>92</sup> Finance Committee, RoP, 13 January 2021, paragraphs 131 and 154

instrumental in meeting some of the challenges that local authorities are facing in terms of social care provision locally. We have, of course, had the national uplift in rates to meet the additional costs for in-house and commissioned adult social care provision across domiciliary care, residential care and supported living, and local authorities, of course, have been able to access additional funding through the hardship fund to provide some market stability in terms of voids and other exceptional, unpredictable or emergency experiences that the social care sector has been facing as well. That fund has been well utilised and is still there for local authorities through the end of this financial year. But, as I say, we're considering how best to meet these additional needs next year."<sup>93</sup>

### Public Sector Pay Award

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**154.** In a letter to Leaders of Councils in Wales regarding the Provisional Local Government Revenue and Capital Settlements for 2021-22, the Minister for Housing and Local Government noted the Welsh Government did not receive any additional funding through the Barnett formula to provide for public sector pay awards next year, with the exception of the NHS and those on the lowest wages. She said the implications of pay awards in 2021-22 would therefore need to be accommodated within local government budgets.<sup>94</sup>

**155.** The WLGA was not able to quantify the impact, but told the Committee "whatever the outcome of any pay award is will have a significant impact on our budgets". The pay cost for teachers and those staff on National Joint Council terms was £3.8 billion, with every 1 per cent increase therefore estimated to cost £38 million.<sup>95</sup> The WLGA added:

"The pay increase this year was around about 2.75 per cent ...In our own assessment of pressures for 2021-22 we actually just rolled over the assumptions for this year. Now, if that doesn't transpire, obviously, our assessment of pressures is going to be a lot lower than what we'd assessed prior to Christmas. So, big figures involved there."<sup>96</sup>

**156.** The Chief Executive of Gwynedd Council said that most chief executives had assumed that a rise of 2.5 per cent would be for those on the lower income levels

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<sup>93</sup> Finance Committee, RoP, 20 January 2021, paragraph 68

<sup>94</sup> ~~Letter from the Minister for Housing and Local Government~~, 22 December 2020

<sup>95</sup> Finance Committee, RoP, 13 January 2021, paragraph 165

<sup>96</sup> Finance Committee, RoP, 13 January 2021, paragraph 167

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only; there would not be a pay award for other workers and teachers. While some local authorities held balances (or reserves) that could be used to fund these costs, others did not and “they’re going to be in a more problematic situation than those with balances”.<sup>97</sup>

## Education

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**157.** The Chief Executive of Gwynedd Council also noted that one of the main risks related to children, particularly those from disadvantaged backgrounds, was being left behind in their education as a result of the pandemic. He stated:

“I would hope that there will be specific grant resources coming through the system for us to be able to do something about this situation. Otherwise, we’re going to be doing it while trying to maintain the education system at the same time. ... we’re going to be seeing children falling behind, and particularly in the early years, because if you lose them there, you lose them forever, and that’s the major problem that we face.”<sup>98</sup>

**158.** The Minister said she shared the concerns about disadvantaged learners and that it was also a real concern to the Minister for Education.<sup>99</sup> She added:

“That’s why, in July, she announced an additional £29 million of funding to recruit, recover and raise standards in Welsh schools, in response to the impact of the pandemic. Of that funding, £12 million you’ll find in the draft budget for next year, and this was really about recruiting, I think I’m right in remembering, 700 [correction: around 700] full-time equivalent staff members to support children, particularly in years 7, 11, 12 and 13, and children with additional needs, to not slip back in their learning as a result of the pandemic. I know that local authorities are reporting really good recruitment and progress in that area already, so that’s something that we are maintaining through additional funding into next year’s budget.”<sup>100</sup>

**159.** The Minister confirmed that the Welsh Government had been able to make some in-year allocations, with the Minister for Education announcing nearly £12

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<sup>97</sup> Finance Committee, RoP, 13 January 2021, paragraph 169

<sup>98</sup> Finance Committee, RoP, 13 January 2021, paragraph 193

<sup>99</sup> Finance Committee, RoP, 20 January 2021, paragraph 70

<sup>100</sup> Finance Committee, RoP, 20 January 2021, paragraph 70

million of additional funding for devices, particularly laptops, to help disadvantaged learners.<sup>101</sup>

**160.** The Committee asked the Minister whether there would be any funding available to meet the additional costs of 'catching up' with education, particularly for children from disadvantaged backgrounds and those in early years. She said:

"I'm always having further discussions and bilaterals with all of my colleagues about what their future plans are, particularly in terms of recovery and reconstruction work, alongside the immediate response to the crisis. I do think the additional funding that we've announced for learner catch-up particularly is an important start in the process, but I know that the education Minister has undertaken some further work as to how we can ensure that we respond to the very negative impact that the pandemic has had on young people and their learning."<sup>102</sup>

### Committee view

**161.** The Committee notes the Minister's view that public services have been prioritised in the Draft Budget and that local authorities have been given the "best possible settlement". Whilst the WLGA has welcomed the additional funding provided in the Draft Budget, the Committee acknowledges that WLGA leaders have called on the Minister to provide a funding floor.

**162.** The Committee welcomes that, in setting the overall settlement for local authorities, the Minister has responded to the negative impact of the pandemic on non-domestic rate collection. However, the Committee notes the pressure on local authorities in terms of the council tax reduction scheme and the reduced collection rate of council tax.

**163.** The Committee is concerned to hear that the increased funding in the local government settlement will not cover all costs pressures, such as those on social care, childcare, and education. Furthermore, it is worrying to hear that providers of social care had found funding awarded via the Local Authority Hardship fund for 2020-21 was essential "just in order to survive" and have called for transition funding going into next year.

**164.** The Welsh Government did not receive any additional funding through the Barnett formula to provide for public sector pay awards, with the exception of the NHS and those on the lowest wages. The Committee is concerned that the

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<sup>101</sup> Finance Committee, RoP, 20 January 2021, paragraph 71

<sup>102</sup> Finance Committee, RoP, 20 January 2021, paragraph 73

implications of pay awards in 2021-22 will be significant and will need to be accommodated within local government budgets. The Committee is disappointed that the related cost pressure will fall to local government given the efforts of its staff in meeting the challenges during the pandemic.

**165.** The Committee is deeply concerned about the risks of children, particularly those from disadvantaged backgrounds and those in early years, falling behind in their education as a result of the pandemic. The Committee would welcome information about how the funding allocations support 'catching up' while also delivering the current ways of learning.

**Recommendation 15.** The Committee recommends that the Welsh Government clarifies how the funding for local government and education supports the current ways of learning and provides sufficient resources to address the negative impact of the pandemic on education, ensuring young people are not falling behind.

**Recommendation 16.** The Committee recommends that the Welsh Government clarifies whether the additional funding in the local government settlement is intended to support existing service delivery and what additional funding may be made available outside of the settlement.

**Recommendation 17.** The Committee recommends that the Welsh Government considers whether a funding floor for local government for the Final Budget would be suitable.

**Recommendation 18.** The Committee recommends that as part of the Minister's consideration into further allocations being made in the Final Budget, the Welsh Government considers transitional funding for social care in 2021-22 so that providers are able to meet the ongoing additional costs in delivering their services during the pandemic.

**Recommendation 19.** The Committee recommends that the Welsh Government monitors the impact of the pay award on individual local authorities, including the likely impact on their financial position and the delivery of services.

**Recommendation 20.** The Committee recommends that the Welsh Government provides information about the further work being undertaken on the impact of the pandemic on education when it becomes available.

## 5. Transformation

### NHS

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**166.** The Draft Budget notes that the Welsh Government will “continue investing in transforming the delivery of health services with new service models, technologies, and treatments”.<sup>103</sup>

**167.** While noting that the Welsh Government’s approach to funding has supported delivery of some digital solutions during the pandemic, the Welsh NHS Confederation highlighted that its response to COVID-19 had “created a need to radically rethink and accelerate the way the service interreacts with patients and deliver care”. It said:

“There are future opportunities to accelerate the shift to data driven, value-based and locally delivered models of care. It is important that the Welsh Government’s investment priorities in 2021-22 include a significant digital aspect. This means safeguarding and developing the infrastructures that NHS Wales organisations have already developed nationally and locally, but also ensuring that transformations in patient pathways continue to support not only the COVID-19 recovery, but also the transition more generally to a healthier Wales.”<sup>104</sup>

**168.** The Welsh NHS Confederation reported that the delivery of savings remained a challenge and NHS bodies were currently forecasting that they will not deliver a “significant proportion” of planned recurring savings needed in 2020-21 to improve the underlying position. It noted that “further efficiency savings are required to help secure financial sustainability and support service and quality improvements going forward”.<sup>105</sup>

**169.** While acknowledging that it does not solely rely on funding, the Commissioner said there is “very limited recognition” in the Draft Budget of the Welsh Government’s responsibility in leading the way and taking steps to ensure that positive new ways of working are supported to continue. She does not think enough priority is given to prevention and transformation to “meet the scale of the public health challenge that lies ahead of us”.<sup>106</sup>

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<sup>103</sup> Welsh Government Draft Budget 2021-22 narrative, page 17

<sup>104</sup> Written evidence: The Welsh NHS Confederation

<sup>105</sup> Written evidence: The Welsh NHS Confederation

<sup>106</sup> Written evidence: Future Generations Commissioner for Wales, January 2021

*“NHS services are vital but they currently consume almost half of WG’s budget ... Investing in other areas including local authorities, environment, education and the economy will help to create a system change that prioritises prevention”*

Digital engagement- June 2020

**170.** The Minister confirmed that the Draft Budget included £25 million to support transform services in the NHS, £10 million for Public Health Wales and £30 million for primary care, including new treatments and new technologies. She added:

“The role of good mental health in prevention is also well understood, so we’re providing an additional £20 million [correction: £42 million] in the budget to increase mental health support across a range of areas, and also, really importantly, an [correction: this includes an] additional £4 million to support the roll-out of CAMHS in the schools in-reach pilot across Wales. We want to expand that because of the importance of that low-level support for children’s mental health. The way in which that promotes positive well-being is an important preventative step.”<sup>107</sup>

**171.** The Commissioner does not consider the additional investment of £25 million, to support the transformation of services, is “sufficient to embed genuinely transformative changes across the NHS, when put in the context of the entirety of NHS funding in 2021-22 which is £8.4bn”. She would like to see this funding “scaled up alongside greater clarity on how the broader health system will embed new ways of working and prioritise the prevention of ill health”. She added:

“In addition to tackling the increasing levels of mental ill health that are linked to the lockdowns, priority must be given to investment in the interventions that evidence shows will prevent mental ill health, including skills and employability, education, housing, access to green space and physical activity.”<sup>108</sup>

## Other public services

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**172.** The WLGA reported that local government will need to continue to drive efficiencies in its services as a result of COVID-19. Savings are required for investment in “frontline services, local priorities and on-going transformational

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<sup>107</sup> Finance Committee, RoP. 8 January 2021, paragraph 146 and 20 January 2021, paragraph 52

<sup>108</sup> Written evidence: Future Generations Commissioner for Wales, January 2021

change". It noted that local authorities recognised the need to remodel services but they lack the capacity to do it. It also said some savings identified for 2020-21 are "complex and transformation-based meaning that there is doubt about when, and indeed if, these will now occur because of the need to respond to the crisis".<sup>109</sup>

**173.** The WLGA told the Committee that, while some of the claims that have been made around efficiency and transformation in the past have been "overblown" and they rarely materialise, "there is a part for them to play". Local authorities rely on savings and transformational activity to help "bridge budget gaps".<sup>110</sup>

**174.** The WLGA added that some local authorities needed to put their savings plans on hold, citing major difficulties this year and had rolled them over into 2021-22.<sup>111</sup> The Chief Executive of Gwynedd Council noted:

"It's likely that the problem isn't so much with the Government compensating us. That seems to be working well. The problem is with other things that we can't do, such as finding savings and so forth, because we're concentrating so much on COVID."<sup>112</sup>

*"I'd like to see more initial investment in health and education to help catalyse a culture of healthier lifestyles to reduce future strain on the NHS and free up budget in the long term."*

Digital engagement: June 2020

## Committee view

**175.** The Committee recognises that it is difficult to balance the competing needs of dealing with the immediate pandemic whilst delivering short-term savings required to improve the financial position and planning for longer term transformation. However, it is clear that recovery and resilience in the public sector will only be achieved through different ways of working and the Committee would welcome more detail on how the Draft Budget is targeting transformation in the public sector.

**176.** The Committee is concerned that the £25 million allocated to transformative changes across the NHS is not sufficient and agrees with the Commissioner that

<sup>109</sup> Written evidence: Welsh Local Government Association

<sup>110</sup> Finance Committee, RoP, 13 January 2021, paragraph 185

<sup>111</sup> Finance Committee, RoP, 13 January 2021, paragraph 185

<sup>112</sup> Finance Committee, RoP, 13 January 2021, paragraph 124

greater clarity is required on how the broader health system will embed new ways of working and prioritise the prevention of ill health.

## 6. Economy, skills and regeneration

*“Education and health are the obvious priorities, but in a post COVID, post brexit world, the Welsh Government needs to direct funding towards the economy, if Welsh businesses and jobs are to survive.”*

Digital engagement- June 2020

**177.** The Welsh Government's 2021-22 Draft Budget narrative noted that as part of 'creating a sustainable economy', the following funds have been allocated:

- In addition to the £40 million business and regional economic development capital baseline, a further £5 million FTC for the Repayable Fund for SMEs within the Economy Futures Fund.
- An additional £3 million revenue for the Welsh Government's 'Town Centre First' approach and £1.4 million capital for a pilot that aligns with the approach.
- A further £3 million for a fund to support rapid spreading and scaling of good practice across the foundational economy.
- An additional £1.6 million to support the delivery of the new Export Plan.

**178.** The Economy and Transport budget has almost doubled in 2020-21, to close to £3 billion, with significant allocations being made to support businesses through grants and the business rates system. The amount allocated at the Draft Budget effectively reverts to pre-pandemic levels.

### Flexibility in the Budget

**179.** The Federation of Small Businesses Wales (FSB Wales) felt that the Draft Budget did not provide a coherent approach to supporting businesses through the pandemic:<sup>113</sup> It said:

“...this draft budget is a little more of a draft than we're used to seeing. There are more gaps in it. To a certain extent, a lot of the support for business is some of the parts where it's not very clear where the pots of

<sup>113</sup> Written evidence, FSB Wales

funding will come and when they will come. There's more uncertainty there than anywhere else."<sup>114</sup>

**180.** However, the FSB Wales did note that in the circumstances it is "prudent to leave some scope to be able to change things until March."<sup>115</sup>

**181.** The WTA agreed that it's "really important" to have flexibility in the budget given the uncertainty and that there needs to be "room to manoeuvre".<sup>116</sup> It commented that it was "very difficult to write a budget with so many fundamental changes to the way we work and the way we live."<sup>117</sup>

**182.** The CBI said:

"... there are a lot of businesses, clearly, not trading. Until they start coming out of that and trading, there almost needs to be a level of flexibility in what's required, simply to allow people to support those businesses, because the challenge is high numbers of their staff are on furlough, how quickly is business confidence going to return—you know, putting figures on things at the moment might be fairly difficult, because you don't know what sort of shape some of those businesses are in...There needs to be a figure, but, rather than pinpointing it in particular areas, it almost needs to be flexible to be able to react to what sort of shape the business is in after the pandemic, because we simply don't know at the moment, unfortunately."<sup>118</sup>

**183.** The Minister said the Welsh Government has received a "difficult capital settlement" that is £130 million less for the next financial year than for the previous one. She said this, combined with the Welsh Government's borrowing restrictions, has led to constraints "in terms of what we would like to do".<sup>119</sup>

**184.** The Minister said there might potentially be additional capital funding from the shared prosperity fund, or the levelling-up fund, coming to Wales "but as yet we don't have an indication". She said the UK Government's Budget on 3 March 2021 might provide "a much clearer position about potential additional funding

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<sup>114</sup> Finance Committee, 15 January 2021, paragraph 138

<sup>115</sup> Finance Committee, 15 January 2021, paragraph 138

<sup>116</sup> Finance Committee, RoP, 15 January 2021, paragraph 146

<sup>117</sup> Finance Committee, RoP, 15 January 2021, paragraph 273

<sup>118</sup> Finance Committee, RoP, 15 January 2021, paragraph 208

<sup>119</sup> Finance Committee, RoP, 20 January 2021, paragraph 99

for capital, and we might be able to say more about where our priorities would be".<sup>120</sup>

**185.** The Minister continued:

"We've talked at length, I think, in the Senedd Chamber about the mutual investment model, and the role that that's playing in terms of the A465 scheme, which is very closely aligned to our Valleys taskforce objectives. On a smaller level, then, we do have some important allocations additionally this year in respect of regeneration—so, an additional £3 million to support our high streets and town centres, recognising their important economic role, and an additional allocation of £5 million to support the wider regeneration activities through the town-centre loans programme."<sup>121</sup>

### Support for businesses

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**186.** When asked how effective the business support packages implemented by the Welsh Government have been in supporting Welsh businesses during the pandemic, the FSB Wales said it had been "patchy". It added:

"We've been in constant engagement around where these gaps are during the course of the last year, and there are times when we've been able to successfully push for those gaps to be filled."<sup>122</sup>

**187.** The FSB Wales hoped that:

"...the next package will be making continued discussions with the Welsh Government on filling the gaps, as it were, over the next period as well, including businesses that perhaps missed out on not just the support that is vitally needed for their survival, but also those that perhaps missed out on the business development grants in November, where that was first come, first served, and thrown in in 48 hours. While the survival aspect and the immediate support is important, I think that support over the coming—. We're hoping for the next iteration of that to come in the next month or so, and it's important to learn lessons from that and that we look at how that support is targeted and how it is done on merit, if you like, and how we make sure that as many

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<sup>120</sup> Finance Committee, RoP, 20 January 2021, paragraph 100

<sup>121</sup> Finance Committee, RoP, 20 January 2021, paragraph 101

<sup>122</sup> Finance Committee, RoP, 15 January 2021, paragraph 153

businesses are able to put plans in place for the next few years, hopefully to enhance business growth as well.”<sup>123</sup>

**188.** The CBI gave credit to the Welsh Government and the UK Government “for getting money out the door at the speed they have”.<sup>124</sup> It said that the Development Bank had been an advantage for Wales, adding:

“It has enabled us to get money out the door in a far quicker fashion in some respects than maybe other parts of the UK, and maybe that hasn’t been picked up enough—huge credit to the Development Bank of Wales. There’s potential for them to be even more involved, going forward, and possibly directing some of the money through the Development Bank of Wales rather than through local government and possibly Welsh Government may mean that the money gets to businesses quicker than it has been doing.”<sup>125</sup>

**189.** In relation to the Economic Resilience Fund, the CBI highlighted that smaller businesses find it harder “to access the money, because they haven’t got the expertise in the organisation on occasion, so there’s a case there for simplification, going forward.”<sup>126</sup>

**190.** The WTA noted:

“if we’re looking at winners and losers here, the small operator, the sole trader, who really makes up the sense of place in Wales in the context of tourism, have been not disadvantaged, but the freelancers have not been able to access the money that other sectors have. So, that’s been a continual battle to try and get money through.”<sup>127</sup>

**191.** The Committee asked how effective the working relationship between the UK and Welsh Governments had been in the communication of policies and support for business. The CBI said it had been “patchy” but “at the moment that it’s probably better than it’s been for quite some time, and there are some good signs that there is some cross-Government working”.<sup>128</sup>

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<sup>123</sup> Finance Committee, RoP, 15 January 2021, paragraph 155

<sup>124</sup> Finance Committee, RoP, 15 January 2021, paragraph 158

<sup>125</sup> Finance Committee, RoP, 15 January 2021, paragraph 159

<sup>126</sup> Finance Committee, RoP, 15 January 2021, paragraph 173

<sup>127</sup> Finance Committee, RoP, 15 January 2021, paragraph 175

<sup>128</sup> Finance Committee, RoP, 15 January 2021, paragraph 182

**192.** The CBI continued:

“The complexity of the whole situation’s been challenging for businesses throughout. I think, on occasions, the different approaches from the different Governments have really not been helpful here, and it’s just added to the levels of complexity. And, going back to the previous conversation, where we’re getting people accessing funds and suchlike, it’s a minefield anyway, and then, if you layer on another element of complexity, it makes it really tough for people.”<sup>129</sup>

**193.** The FSB Wales agreed that there were complexities in “having such different support over the course of a long time” and said that “a lot of our operators are struggling to navigate the landscape.”<sup>130</sup>

**194.** The FSB Wales did not feel that the Draft Budget provided enough support for self-employed people. It added:

“while it’s not there at the moment, I think it is important that, when we look at the reconstruction and recovery plan, we start looking as well at the economic development side of it a little, have a little more focus on that, because, as we come out of the pandemic, those are going to become more and more important to us as we go on. And I think the role of the self-employed in that respect is going to be important. The role of pushing entrepreneurship is going to be vitally important. So, I think that side of things needs to be addressed more clearly between now and March.”<sup>131</sup>

**195.** The Minister confirmed that around £2 billion of additional support had been provided “to keep as many businesses going and as many jobs in place as we possibly can through the pandemic”. She highlighted that how society has changed will “provide challenges and opportunities for businesses”.<sup>132</sup>

**196.** The Minister explained:

“In terms of town centres, though, and increasing and continuing that footfall to support those businesses in town-centre areas, we’re very much focused on housing-led regeneration within town centres. Mike and I are both here in Swansea, and we’ve seen some good examples

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<sup>129</sup> Finance Committee, RoP, 15 January 2021, paragraph 182

<sup>130</sup> Finance Committee, 15 January 2021, paragraph 190

<sup>131</sup> Finance Committee, 15 January 2021, paragraph 194

<sup>132</sup> Finance Committee, RoP, 20 January 2021, paragraph 104

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of that transforming High Street in Swansea, working alongside the social landlords to do that. We're also providing funding through this budget for the Transforming Towns initiative, which is looking at co-location working hubs, particularly in regard to a number of areas across Wales, and when we have some more information on those co-location hubs."<sup>133</sup>

## The Foundational Economy

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**197.** The FSB Wales welcomed more funding to the foundational economy. It said it was important “we don't look at big, shiny projects alone as a way of emerging from this pandemic” and that the foundational economy has its place in this process. The FSB Wales commented:

“It's important that the foundational economy also looks at small businesses, I think. The move towards what we call the ‘shift’, therefore, to have that foundation of small businesses that are medium sized rather than small, and that'll be our focus, and trying to get the vision in the Senedd for our economy over the next five years to fit with that. We do welcome this, of course, but the £3 million is one small factor here—similar, also, to towns and the other pieces of this budget. It's the same kind of message, therefore: we're very pleased about them, but there will need to be a greater vision for them over the next five years.”<sup>134</sup>

## Employment and developing skills

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**198.** The Commissioner states that as well as the forecast employment impacts of the recession, the crisis could permanently alter the economy, with fundamental shifts in working patterns, behaviours and shifts in the labour market.<sup>135</sup>

**199.** The Commissioner goes on to state that a key area for investment is skills and employability, which has to underpin Wales' recovery from the pandemic. She believes there is “a particular opportunity for Government to make links with the climate and nature emergencies and invest in the development of skills in sectors that are shown to have significant job creation for a green and just recovery”.<sup>136</sup>

**200.** David Phillips, IFS, also emphasised the development of skills as important:

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<sup>133</sup> Finance Committee, RoP, 20 January 2021, paragraph 104

<sup>134</sup> Finance Committee, RoP, 15 January 2021, paragraph 262

<sup>135</sup> Written evidence, The Future Generations Commissioner

<sup>136</sup> Written evidence, The Future Generations Commissioner

“So, the types of jobs that will replace some of those that are lost might differ, might require different skills, might be even in different places. So, thinking about active labour market policies, policies to support areas that are struggling to recover from the crisis, policies to improve education and retraining and so on and so forth, I think they’re going to be really important for the recovery from the crisis and not just Welsh people’s livelihoods.”<sup>137</sup>

**201.** The Commissioner raises concerns that the allocations set out in the Draft Budget are insufficient to keep pace with both rising demand and the rapidly changing labour market, particularly with the furlough scheme ending.<sup>138</sup>

**202.** The Commissioner recommends that the “Government should consider how it can guarantee greater investment in skills and employability for a zero-carbon economy, particularly through enhancing access to sectors well placed for a green recovery”. She also said that programmes should be reviewed to ensure they are designed for the present context, i.e. to support workers into sectors such as care and the zero carbon transition which have significant expected jobs growth.<sup>139</sup>

**203.** In response to the concerns made by the Commissioner, that the allocations set out in the Draft Budget are insufficient to keep pace with a rising demand and rapidly changing labour market, the Minister agreed that “we need to do more in this area”. She added:

“which is why, through this financial year, we’ve made additional funding—the £40 million package I have in mind—regarding the support for employability that we announced earlier on in the year, and some of that was specifically in relation to apprenticeships. So, I’m keen to explore what more we can do, potentially, through the COVID-related funding in that field between the draft and the final budget, and I’m having some further discussions with Ken Skates in that regard. So, this is, as I say, an area where I recognise that there’s important further work to be done, and I hope to say something at the final budget on that.”<sup>140</sup>

**204.** In terms of skills and employment, the Minister said the Welsh Government’s reconstruction plan has been a valuable piece of work. She continued:

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<sup>137</sup> Finance Committee, RoP, 13 January 2021, paragraph 248

<sup>138</sup> Written evidence, The Future Generations Commissioner

<sup>139</sup> Written evidence, The Future Generations Commissioner

<sup>140</sup> Finance Committee, RoP, 20 January 2021, paragraph 145

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“So, the plan itself is the product of more than 2,000 responses that we had to our consultation round-tables, which the Counsel General undertook with Wales-wide and international leading experts and thinkers in this kind of area, and also the work that has been undertaken across Government as well. So, I think that it is an important building block, really, for the recovery. Its immediate plan, though, was to guide the additional funding we provided—that additional £320 million of reconstruction funding—so that we were in a good place to start the recovery.”<sup>141</sup>

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## Impact of COVID-19

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**205.** The IFS has undertaken a geographic analysis of the pandemic on household spending (December 2020). This noted that (at the time of writing) while certain areas of England were still recovering, both Wales and Scotland had, in this aspect, recovered to ‘roughly their pre-crisis levels’ (albeit this may partly reflect the different stages of lockdown during the periods analysed).<sup>142</sup>

**206.** David Phillips, IFS, explained that this partially reflected a shift in consumer behaviour and a lot of the spend was not going in to the local economy, but rather online retailers and service providers. However, he also noted that it was difficult to know how much these trends in consumer behaviour will persist.<sup>143</sup>

**207.** The Commissioner also stated that investment in town and city centres should benefit from as many of the well-being goals as possible – for example supporting remote working, involve the culture sector and can create green infrastructure.<sup>144</sup>

## Digital Connectivity

**208.** The Minister said that whilst the UK Government is responsible for telecommunications and “we don’t get any funding in our settlement in that regard” there are around 70,000 premises in Wales unable to access superfast broadband speeds. The Minister said the Welsh Government is urging the UK Government to recognise broadband as a universal service and estimates the cost of enabling all those properties to be between £91 million and £238 million.<sup>145</sup>

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<sup>141</sup> Finance Committee, RoP, 20 January 2021, paragraph 93

<sup>142</sup> Institute of Fiscal Studies: geographic analysis of the pandemic on household spending

<sup>143</sup> Finance Committee, RoP, 13 January 2021, paragraph 252

<sup>144</sup> Written evidence, The Future Generations Commissioner

<sup>145</sup> Finance Committee, RoP, 8 January 2021, paragraph 177

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**209.** The FSB Wales said “it’s important that the UK and Welsh Governments work together” on issues relating to broadband. It added:

“We wrote a report on infrastructure and in particular the governance and the decision-making process around that. We’d called for a statutory role for the National Infrastructure Commission for Wales. We called for it to be beefed up and for it to do its role around independent evidence of being a non-governmental body that is able to provide for long-term planning across successive Governments, because it could get buy-in across the piece.”<sup>146</sup>

**210.** The Commissioner believes that digital connectivity has become increasingly critical in enabling new ways of working, supporting social and economic well-being over the last 12 months. She states that:

“...there is a need for Government to take a holistic and multi-sectoral approach to expanding digital connectivity, recognising the key role that digital technologies play in relation to work, health, education and other areas of public service delivery, whilst also avoiding any worsening of inequalities.”<sup>147</sup>

**211.** The Commissioner goes on to recommend that:

“in 2021-22 Government invest in a universal basic digital infrastructure, giving every community access to high-quality broadband, targeting funding for broadband in communities which have been hit hardest by the pandemic and currently have the poorest connectivity and expand the offer for all schools in our communities to provide an appropriate digital device for every child and young person in education.”<sup>148</sup>

**212.** The CBI said that “everybody’s been pleasantly surprised” at how well the digital infrastructure has held up during the pandemic but that “in some areas it’s still been a real challenge for people” and more needs to be spent in this area.<sup>149</sup>

**213.** The WTA also called for more training in digital skills. Many business owners are disadvantaged as they have limited digital competency and find it difficult to

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<sup>146</sup> Finance Committee, RoP, 15 January 2021, paragraph 271

<sup>147</sup> Written evidence, The Future Generations Commissioner

<sup>148</sup> Written evidence, The Future Generations Commissioner

<sup>149</sup> Finance Committee, RoP, 15 January 2021, paragraphs 267 and 269

access support that is being provided. This is a particular need in the foundational economy and for small tourism operators.<sup>150</sup>

**214.** The Minister confirmed that “new funding” of £4.9 million has been put in place for the Centre for Digital Public Services. She said the centre is specifically looking at how we can transform the way we deliver public services in Wales through the use of digital services and it was a “really timely investment”.<sup>151</sup>

**215.** The Draft Budget narrative states the Welsh Government is investing an extra £2.8 million in the Public Sector Broadband Aggregation, bringing the total investment to £11.5 million in 2021-22.<sup>152</sup> The Minister added:

“That will provide connectivity and digital services to the public service in Wales, and will enable greater mobility of working from people who are working in the Welsh public services. So, that’s an example of where we’re providing opportunities for more agile working in response to the pandemic.”<sup>153</sup>

## Committee view

**216.** The Committee is disappointed to hear that stakeholders feel the Draft Budget does not provide a coherent approach to supporting businesses through the pandemic. However, the Committee appreciates that given the uncertainty of the pandemic, with many business still not trading and uncertainty over how quickly business confidence will return, it is sensible to allow some degree of flexibility.

**217.** The Committee notes that the Welsh Government has received £130 million less in capital funding for 2021-22 in comparison to 2020-21. The Committee also notes that the Welsh Government is uncertain whether more funding may be allocated by the UK Government following its Budget announcement on 3 March 2021.

**218.** The Committee believes that 2021-22 will still be dominated by responding to the pandemic but is hopeful that the focus will shift to recovery during the year. The Committee is concerned that the Welsh Government’s reconstruction plan lacks ambition in terms of policy and allocations in this Draft Budget.

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<sup>150</sup> Finance Committee, RoP, 15 January 2021, paragraph 259

<sup>151</sup> Finance Committee, RoP, 20 January 2021, paragraph 109

<sup>152</sup> Draft Budget narrative, paragraph 6.98

<sup>153</sup> Finance Committee, RoP, 20 January 2021, paragraph 119

**219.** The Committee is concerned to hear evidence that the implementation of the business support packages has been “patchy” with smaller business finding it harder to access funds. This has been further complicated by the different approaches to business support from different Governments within the UK. The Committee believes there is a need to simplify the process going forward and communication about the support available needs to be stepped up to avoid such confusion in future.

**220.** The Committee is disappointed that the Draft Budget does not provide more support for self-employed and freelance workers. There is also scope for the Draft Budget to have been clearer in the Welsh Government's long term approach to dealing with potential shifts in consumer behaviour towards online retailers and the effect this may have on local economies. It is clear that the Welsh Government needs to rethink previous policies on revitalising town centres in light of the pandemic.

**221.** The Committee agrees with the view that as well as the forecast employment impacts of the recession, the crisis could permanently alter the economy, with fundamental shifts in working patterns, behaviours and shifts in the labour market. The Welsh Government must look to capitalise on the opportunities that may arise due to this. The Committee believes that investment in skills and employability is essential for Wales' recovery from the pandemic.

**222.** Digital connectivity has become increasingly critical in enabling new ways of working through the pandemic. Whilst the Committee recognises that the UK Government is responsible for telecommunications, it is concerned that around 70,000 premises in Wales are unable to access superfast broadband.

**223.** The Committee heard how important digital infrastructure and digital competency has been during the pandemic, but notes that more needs to be done in these areas, especially to ensure consistency and access across Wales. The Committee believes that more needs to be done to support training in digital skills for business and individuals, particularly in the foundational economy.

**224.** The Committee believes the Welsh Government should capitalise on changes in working habits and supporting the “evolution” of town centres, particularly how the Welsh Government's spend supports the move to remote working and the potential for remote-working hubs.

**Recommendation 21.** The Committee recommends that the Welsh Government's reconstruction plan is more ambitious in terms of policy and

allocations and is addressed more substantially in the Final Budget, and subsequent Supplementary Budgets.

**Recommendation 22.** The Committee recommends that the Welsh Government considers whether existing regeneration programmes still represent best value and considers the need to be more focused on supporting growth and investment in skills and employability, particularly in terms of encouraging a sustainable green economy.

**Recommendation 23.** The Committee recommends that the Welsh Government works to simplify the process for accessing business support packages and offers help and better signposting to smaller business, including a “no wrong door” approach for applicants. The Welsh Government should also consider a review of the communication methods for these schemes.

**Recommendation 24.** The Committee recommends that the Welsh Government identifies how the pandemic has changed, or reaffirmed, its priorities in terms of digital connectivity. Changes in this respect should be highlighted in the Final Budget.

**Recommendation 25.** The Committee recommends that the Welsh Government identifies how spend in the Draft Budget on town centres takes advantage of the opportunities arising from the pandemic (e.g. maximising homeworking).

## 7. Climate Change and Decarbonisation

*"During the economic recovery from coronavirus should climate change and sustainability be factored into the Welsh Government's decisions on spending?"*

*Yes 79 percent No 17 percent Unsure 4 percent"*

*"Environment and energy is one of the areas with the lowest spend, as we move forward it is critical that we address the sustainability of our nation for future generations."*

*"Focus on clean green transport making it easier, cheaper, safer and convenient to walk, cycle or use public transport, which will again bring health benefits reducing the burden on health services for primary care allowing greater focus on prevention and wellbeing."*

*"Utilise the environment and stimulate green jobs and income to the WG through green infrastructure projects."*

Digital engagement- June 2020

**225.** The 2020-21 budget, the Welsh Government's first since it declared a climate emergency in April 2019, included £140 million capital investment to support the decarbonisation agenda. The majority of this funding has being maintained in departmental baselines in this Draft Budget, with nearly an additional £80 million to directly support activities that promote decarbonisation and enhance biodiversity.<sup>154</sup>

**226.** The Draft Budget outlines core areas the Welsh Government is investing in "building a greener future", including; housing, combating climate change, and reinvesting in town centres.<sup>155</sup>

**227.** Wales Environmental Link advocates an economic recovery plan that prioritises a "green recovery" from COVID-19, stating "we cannot have an economic recovery without nature's recovery". To help environmental non-governmental organisations (eNGOs) to survive and continue their work, Wales Environmental Link suggests the Welsh Government should:

<sup>154</sup> Welsh Government Draft Budget 2021-22 narrative, page 3

<sup>155</sup> Welsh Government Draft Budget 2021-22 narrative, page 3

- Offer additional flexibility on existing grants to allow environmental projects to be delivered;
- Pay grant funding for work already done and deal with delays in assessing claims;
- Fully reopen or expedite the opening of new funds that were expected as part of the Environmental Growth agenda;
- Provide guaranteed core funding for eNGOs;
- Realign how funding is operated by “recognising that we are in the grip of climate and nature emergencies” and increase long-term investment in nature recovery, through revenue and capital grants.<sup>156</sup>

**228.** The Energy Saving Trust states that “Wales is well placed to capitalise on a number of green recovery opportunities over the next 18 months”, and calls for investment in clean transport and green energy, including wind power, tidal power and wave power technologies.<sup>157</sup>

**229.** The Institution of Civil Engineers calls for a sufficient budget to be provided to support the Active Travel (Wales) Act 2013 and Toward Zero Waste Target 2050, along with further investment in sustainable forms of energy.<sup>158</sup>

**230.** WWF Cymru supports the creation of a green jobs and skills programme, with a focus on transitioning to a green economy that will mitigate the risk from future economic shocks and be more resilient for future generations. It notes; “if the Welsh Government intends to deliver a green and just recovery from COVID then it will be vital that more resources are dedicated to nature and climate”.<sup>159</sup>

**231.** The Marine Conservation Society suggests that the budget should include full costings for new waste prevention initiatives, as well as funding to tackle the nature and climate emergencies in all of their future financial and policy decisions made in the next year, across all portfolios, with the intention of setting nature in Wales on a “path to resilience”. It also pushes for a “Blue Recovery Plan”, with increased funding for marine management and assistance in delivering policy commitments on environmental and marine standards.<sup>160</sup>

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<sup>156</sup> Written evidence: Wales Environment Link

<sup>157</sup> Written evidence: Energy Saving Trust

<sup>158</sup> Written evidence: Institution of Civil Engineers

<sup>159</sup> Written evidence: WWF Cymru

<sup>160</sup> Written evidence: Marine Conservation Society

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**232.** In terms of how the Draft Budget provides support for businesses to adapt to climate change, the FSB Wales acknowledged the budget allocations for decarbonisation and the greening of housing and residential areas, and suggested that the Welsh Government could look further at those initiatives for the private sector.<sup>161</sup>

**233.** The Commissioner noted that advice from the UK Committee on Climate Change (UKCC) to the Welsh Government<sup>162</sup>, suggesting that “the majority of the investment can, and should, be delivered by the private sector”. However, the Commissioner went on to say “achieving this will require supportive policies constructed to give long-term clarity to consumers and confidence to investors”<sup>163</sup>.

**234.** The FSB Wales also noted the investment in electric cars and, whilst acknowledging that the pandemic has led to an increase in preference to travel by car, questioned whether that would continue to be the case over time.<sup>164</sup>

**235.** The WTA acknowledged the impact of changes in behaviours due to COVID-19 measures:

“...when we look at maybe the eight priorities that the Welsh Government have for an economic reconstruction, I fully buy in to those priorities, like climate change, decarbonisation and everything else, but this pandemic has really thrown a spanner in the works in the sense that, if we take transport, for example, it’s now the safest way to travel to go in a car. So, all the hard work we’ve done on public transport, to get people on public transport, is now way down the road.”<sup>165</sup>

**236.** When asked how the Draft Budget will support a green recovery, the Minister said the additional capital funding in the 2020-21 budget was a “really important step forward”, adding:

“...we’ve managed to maintain the vast majority of that additional £140 million funding in next year’s budget, but on top of that put in place a further £80 million of capital to deliver interventions to promote decarbonisation and biodiversity, alongside an additional £17 million of revenue funding as well. Some of that funding, for example, is in terms of active travel, bringing our annual funding next year up to £50 million,

<sup>161</sup> Finance Committee, RoP, 15 January 2021, paragraph 245

<sup>162</sup> [UKCC, Advice Report: The path to a Net Zero Wales](#)

<sup>163</sup> Written evidence: Future Generations Commissioner, January 2021

<sup>164</sup> Finance Committee, RoP, 15 January 2021, paragraph 246

<sup>165</sup> Finance Committee, RoP, 15 January 2021, paragraph 219

which is a huge increase on where we were at the start of this Senedd term.”<sup>166</sup>

**237.** The Minister also highlighted £6 million additional capital funding to deliver the energy efficiency opportunities that will be identified in the NHS decarbonisation strategic delivery plan being developed by the Carbon Trust, and highlighted allocations to reduce the carbon footprint of the National Library of Wales and National Outdoor Centre for Wales, as well as funding towards the net-zero pilot project for schools.<sup>167</sup>

**238.** In terms of ensuring that funding is made available across all portfolios to address the climate emergency, the Minister referred to the cross-ministerial decarbonisation Cabinet sub-committee:

“...that is very much the governance framework that holds departments to account to one another, but also works together, then, to address issues of common concern and is an opportunity, really, for us all to reflect on the fact that each of us has responsibilities in the area of decarbonisation that we need to deliver on, and it’s not purely in the purview of the Minister for Environment, Energy and Rural Affairs.”<sup>168</sup>

**239.** She also referred to the work of the ministerial groups on assets, digital and data and the inter-ministerial group on paying for social care as examples of working together across government.<sup>169</sup>

**240.** The Minister’s official indicated that decarbonisation will be a key feature of the next iteration of the Wales Infrastructure Investment Plan.<sup>170</sup>

## Greenhouse gas impacts of Welsh Government spending

**241.** In its report on the Draft Budget 2020-21, the Committee recommended:

“...that the Welsh Government develops an understanding of the carbon impact of the budget and its spending decisions, and looks at how it can meaningfully demonstrate the carbon impact of future budgets.”<sup>171</sup>

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<sup>166</sup> Finance Committee, RoP, 20 January 2021, paragraph 122

<sup>167</sup> Finance Committee, RoP, 20 January 2021, paragraph 123

<sup>168</sup> Finance Committee, RoP, 20 January 2021, paragraph 129

<sup>169</sup> Finance Committee, RoP, 20 January 2021, paragraph 130

<sup>170</sup> Finance Committee, RoP, 20 January 2021, paragraph 137

<sup>171</sup> Finance Committee, Scrutiny of the Welsh Government's Draft Budget 2020-21, January 2020, Recommendation 15

**242.** The Chief Economist's report explains that the Welsh Government contracted the Welsh Economy Research Unit (WERU) to:

- attempt an experimental/illustrative estimate of greenhouse gases (GHGs) associated with activity connected to the 2020/21 Budget, following established Scottish Government concepts, coverage and techniques as far as practicable;
- allow users to engage in 'what if' scenarios; whereby the illustrative GHG consequences of different spending choices could be assessed in real time by moving expenditure between different expenditure groups;
- report on the key statistical, data and estimation issues that might currently block the development of a realistic and robust estimate of the GHG impacts of Welsh Government spending.<sup>172</sup>

**243.** As a result of this work, the Draft Budget is accompanied by an **initial assessment of the greenhouse gas emissions** associated with the health and social services department allocations for 2020-21. WERU's initial estimate notes:

"...our feeling is that we are some way away from a statistical and modelling architecture that could robustly reflect the 'real world' GHG impacts of Welsh Government spending."<sup>173</sup>

**244.** The Commissioner recommended that the Welsh Government:

"...should assess the carbon impact of their spend, especially major capital spend, and publish details of the overall carbon impact of their budget and major investment and infrastructure decisions."<sup>174</sup>

**245.** In relation to the development of the initial estimate of GHG emissions, the Minister said:

"...at the draft budget, we provided an indicative assessment, based on last year's funding for the health and social care portfolio, to give us an idea of what was possible, and we intend to provide more detail on this year's budget alongside the final budget. So, that's been a really important and useful piece of work, but it also has shown the limitations of this kind of approach as well, because it does provide an estimation of the supplier emission associated with the goods and

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<sup>172</sup> Welsh Government, Chief Economist's report 2020

<sup>173</sup> Welsh Government, Chief Economist's report 2020

<sup>174</sup> Written evidence: Future Generations Commissioner, January 2021

services that the Welsh Government purchases through its budget, but what it doesn't do, then, is go on to model the carbon emissions or the savings associated with the outcomes arising from this spending. I think that's something that could potentially be done at a more granular level on particular interventions within portfolios, rather than, necessarily, the whole Government budget, because, when we think about the Government budget as a whole, around half of it is related to pay, so, actually, if you wanted to go the full extrapolation of all of this, you would look at what individuals were spending their pay on, and what the impact was of that, just because such a large part of our Welsh Government budget relates to pay. I think there's certainly more that we can do to improve our understanding of carbon impacts, but we've made, I think, good progress this year."<sup>175</sup>

## Committee view

**246.** While the Committee welcomes the increased investment and examples of funding allocations outlined by the Minister, it is not clear how the climate change and decarbonisation agenda is being mainstreamed in the budget process. To meet its ambitions, more systemic and transformational change is required. The budget is an opportunity for the Welsh Government to demonstrate its commitment to tackling the climate emergency and it should evidence and emphasise how actions are influencing and driving policy and spending decisions.

**247.** The Committee notes additional capital funding that builds on funding last year. However, it is not clear whether this is just a continuation of pre-pandemic policies, or an acceleration in light of the pandemic. It is evident that the Welsh Government cannot merely continue planned policies from the 2020-21 budget, with the impacts of COVID-19 related measures likely to result in significant societal changes going forward. Within that, there are opportunities that the Welsh Government must look to seize. The Committee would like to understand how the Welsh Government is seeking to assess the short and long term effects on the Welsh economy, and how this is influencing its approach to decarbonisation in a post-pandemic environment. If the Welsh Government's objective is to build a green economy, this must not be peripheral to the Welsh Government's recovery plans and it needs to be clear in demonstrating its ambitions in this area, including in the next iteration of the Wales Infrastructure Investment Plan.

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<sup>175</sup> Finance Committee, RoP, 20 January 2021, paragraph 132

**248.** The Committee also supports the FSB Wales' calls for the Welsh Government to play a more active role in encouraging a fundamental shift to decarbonisation beyond the public sector. It is clear that to deliver the required activity in this area the public and private sectors will need to work closely together.

**249.** The Committee welcomes the development of an estimate of greenhouse gas emissions for the Health and Social Services MEG and notes the Minister's intention to provide more detail on this alongside publication of the Final Budget. Whilst it is a step in the right direction, and the challenges of embedding the carbon footprint in the budget are not underestimated, the Committee is eager for this work to be accelerated.

**Recommendation 26.** The Committee recommends that the Welsh Government demonstrates how it has changed its approach to climate emergency spend in light of the pandemic and how it intends to maintain the flexibility to adapt to behavioural changes in fulfilling its objective of building a 'greener future'.

**Recommendation 27.** The Committee recommends that the Welsh Government prioritises developing a comprehensive assessment of the carbon impact of its spending decisions and considers how it can overcome the limitations identified.

## 8. Understanding inequality and progress

*“People can make valid contributions to society when they have a safe place to live, access to education and health services. These are the factors that need to be perfected before anything else”*

*“I work with young people who are at risk of homelessness or are homeless. More money needs to provide trades for young people to remain in Wales rather than look for work in large cities. Affordable 1 bed properties are needed for young people. More money needs to be spent on support services that are different to ones funded via a Housing Support Grant. Like Youth Innovation Fund. Homelessness is a health issue so they go hand in hand.”*

Digital engagement- June 2020

**250.** In addition to focusing on tackling the direct and indirect impacts of COVID-19, the Welsh Government states that the budget is shaped by its overarching priorities on protecting health and jobs, building a greener future, and driving change for a more equal Wales.<sup>176</sup>

### Disadvantage and inequality

**251.** The Bevan Foundation provides a series of proposals about how the Welsh Government's Budget could “achieve a step-change reduction in poverty”, in line with the recommendations made in its Transforming Wales: how Welsh public services and benefits can reduce poverty and inequality report. The report focussed on two key ideas:

- a new universal essential services system, centred on the idea of investing in meeting people's basic needs by providing services that transform their lives and prospects; and
- a consolidated Welsh Benefits System to replace the presently disjointed nature of devolved Welsh benefit schemes, improving the support to Welsh households.<sup>177</sup>

**252.** The Bevan Foundation advocates:

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<sup>176</sup> Welsh Government Draft Budget 2021-22 narrative

<sup>177</sup> Written evidence: The Bevan Foundation

- significant increases to the Social Housing Grant to fund the construction of 20,000 social homes by 2026;
- allocating extra funding for a new “school start scheme”, which would incorporate the existing Free School Meals and Pupil Development Grant policies presently in place. The new scheme would have additional funding to ensure all children in receipt of Universal Credit get access to the support;
- a reprioritisation of the existing funding in place for the Welsh Government’s 30 hours of free child care programme, so that child care is provided universally to all children over 9 months of age, regardless of their parents’ employment basis;
- reallocating funding currently available through the Discretionary Assistance Fund to a new Welsh Emergency Fund, a right-based scheme to support families as opposed to the current discretionary approach;
- increasing investment into primary and social care to secure better access.<sup>178</sup>

**253.** The Equality and Human Rights Commission (EHRC) recommend that the Welsh Government should use budgetary opportunities to close existing inequalities by implementing recommendations from its ‘[How coronavirus has affected equality and human rights](#)’ and ‘[Is Wales Fairer \(2018\)?](#)’ reports. The recommendations include:

- addressing inequalities in employment in the public sector in Wales;
- putting equality at the heart of their recovery and investment strategies;
- meeting its commitment to bring the socio-economic duty into force by 31 March 2021;
- ensuring that equality and human rights consideration are built into the ongoing response to coronavirus and in planning for any increases in infection rates;

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<sup>178</sup> Written evidence: The Bevan Foundation

- ensuring that victims of domestic violence receive appropriate protection and support, regardless of immigration status.<sup>179</sup>

**254.** Welsh Women's Aid calls for the Welsh Government to re-centre Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) as a priority and at the forefront of policy and ensure that "VAWDASV specialist services are adequately resourced to meet known levels of current demand for support presented in every local authority area". It noted that emergency funding is in place until March 2021, with a "cliff edge in funding post April 2021" and calls on the Welsh Government to establish a national emergency fund to make up for the funding shortfall for frontline services, before delivering a more robust model of funding thereafter.<sup>180</sup>

**255.** The Chief Economist's report outlines that income inequality is lower within Wales than across the UK as a whole, but this reflects the low proportion of high and very high income earners in Wales. However, the Chief Economist notes a wide range of research has found that the recession is impacting particularly on the young, those nearing the end of their working lives, those with lower qualification levels, those in low-paid employment, those in more "fragile" employment and those otherwise disadvantaged (including BAME and other minority groups). The report notes that the impact on lower skilled, lower paid workers is "in part a consequence of the sectoral impact of the recession", with hospitality and retail particularly hard hit.<sup>181</sup>

**256.** The Chief Economist reports that the impact of the pandemic on children and young people and the disruption to their education has "a high risk of permanent scarring", with the greatest impact on the life chances and long-term health and well-being of the most disadvantaged children.<sup>182</sup>

**257.** The Commissioner considers there to be a skills and employability funding shortfall, with budget allocations being "insufficient to keep pace with both rising demand and the rapidly changing labour market".<sup>183</sup>

**258.** Whilst some of the new spending in the Draft Budget targeted at addressing poverty was welcomed by the Bevan Foundation and Joseph Rowntree

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<sup>179</sup> Written evidence: Equality and Human Rights Commission

<sup>180</sup> Written evidence: Welsh Women's Aid

<sup>181</sup> Welsh Government, Chief Economist's report 2020

<sup>182</sup> Welsh Government, Chief Economist's report 2020

<sup>183</sup> Written evidence: Future Generations Commissioner, January 2021

Foundation, both agreed that there were limits to what could be achieved from a short-term one-year plan.<sup>184</sup> The Joseph Rowntree Foundation representative said:

“...we recognise that there are gaps in the budget that have been deliberately left due to the nature of the uncertainty surrounding both COVID-19 and Brexit. Whilst this is understandable, the short-term nature of the budget and its inherent uncertainty mean that there is a lack of medium and long-term spending decisions that would address the systemic root causes of poverty. Whilst additional spending in some policy areas is welcome, they don't really represent any real uplift on previous budgets.”<sup>185</sup>

**259.** Witnesses supported the decision to fund free school meals throughout 2021-22, including school holidays, although the Joseph Rowntree Foundation and Bevan Foundation supported expanded eligibility criteria for access to the scheme, advocating for the scheme to be available to any children from families eligible for Universal Credit.<sup>186</sup>

**260.** Both Foundations suggested that the Welsh Government should use unallocated funds to improve support for those living in poverty. Suggestions included increasing funding for: social housing grants; fuel poverty; employment support and mentoring; personal learning accounts; and investing in laptops with data for children who receive free school meals.<sup>187</sup>

**261.** They also expressed concerns about the deliverability of many of the schemes put in place by the Welsh Government, with issues around accessibility to support due to the complexity of the schemes, coupled with a lack of public knowledge about the support that is available. They supported the development of a coherent, joined-up benefits system, noting that:

“...the Welsh Government's budget in 2019-20 spent as much on all these different pots of money—free school meals, council tax reduction schemes, all of those different pots—as the total universal credit and jobseeker's allowance spend in Wales by the Department for Work and Pensions. So, it's a huge amount of money that Welsh Government is

<sup>184</sup> Finance Committee, RoP, 15 January 2021, paragraphs 5 and 10

<sup>185</sup> Finance Committee, RoP, 15 January 2021, paragraph 5

<sup>186</sup> Finance Committee, RoP, 15 January 2021, paragraphs 51, 55 and 57

<sup>187</sup> Finance Committee, RoP, 15 January 2021, paragraphs 6, 9 and 11-12

spending on these schemes, which are not being used as effectively as they probably could be at the moment.”<sup>188</sup>

**262.** The Minister referred to a number of steps taken to respond to those who are in fragile employment, such as support to find work, pursue self-employment, access education or training, incentives for employers to take on new staff and £6 million Community for Work Plus funding through local authorities to “boost specialist employment advisory support and intensive mentoring”.<sup>189</sup>

**263.** In response to the Commissioner’s views that budget allocations for skills and employability are insufficient, the Minister said:

“...I’m very aware, actually, that we need to do more in this area, which is why, through this financial year, we’ve made additional funding—the £40 million package I have in mind—regarding the support for employability that we announced earlier on in the year, and some of that was specifically in relation to apprenticeships. So, I’m keen to explore what more we can do, potentially, through the COVID-related funding in that field between the draft and the final budget, and I’m having some further discussions with Ken Skates in that regard. So, this is, as I say, an area where I recognise that there’s important further work to be done, and I hope to say something at the final budget on that.”<sup>190</sup>

**264.** In terms of measures to tackle poverty, the Minister highlighted additional funding for the Discretionary Assistance Fund, and further funding for housing support grants, homelessness prevention grants, advice services, free school meals and the school holiday enrichment programme.<sup>191</sup>

**265.** On stakeholders’ calls for a joined-up benefits system, the Minister said:

“I think that we’re already undertaking that kind of rationalisation of existing support, and I would point to two things—first of all, the Working Wales approach, which, essentially, is that single door into support for employment and employability, and I think that that meets the kind of ask that you’ve described there. And also, on housing, the housing Minister is working very much on that kind of ‘no wrong door’ approach to support people who are homeless as well. So, I think that

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<sup>188</sup> Finance Committee, RoP, 15 January 2021, paragraphs 33, 35 and 41

<sup>189</sup> Finance Committee, RoP, 20 January 2021, paragraphs 139 and 141

<sup>190</sup> Finance Committee, RoP, 20 January 2021, paragraph 145

<sup>191</sup> Finance Committee, RoP, 20 January 2021, paragraphs 141-143

what you describe is happening, and perhaps we need to find a way to articulate that more effectively.”<sup>192</sup>

## Strategic Integrated Impact Assessment and Budget Improvement Plan

**266.** The Draft Budget 2021-22 narrative includes a Strategic Integrated Impact Assessment (SIIA), which aims to provide an overview of the strategic evidence that has informed the Welsh Government's spending decisions, in line with its priorities.<sup>193</sup> In the past, the SIIA has been criticised for being formulaic, changing little between years and focussing on positive rather than negative impacts.<sup>194</sup>

**267.** The SIIA accompanying the Draft Budget 2021-22 focusses on the direct and indirect impacts of COVID-19:

- the direct harm of the virus;
- indirect health impact due to reduced supply of non-COVID healthcare;
- harm due to lockdown and social distancing;
- impacts on education and recession.<sup>195</sup>

**268.** In developing the SIIA, the Welsh Government notes:

“This pandemic has also impacted the ability for us to draw on official sources of evidence where data often relates to before the pandemic or we cannot always be certain that any observed changes or differences have been caused directly by the pandemic. In this context, we have welcomed the information presented by our third sector partners during this year, highlighting the impact on protected groups.”<sup>196</sup>

**269.** For the second year, the Welsh Government has provided a Budget Improvement Plan.<sup>197</sup> This is intended to be developmental in nature, taking a five-

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<sup>192</sup> Finance Committee, RoP, 20 January 2021, paragraph 147

<sup>193</sup> Welsh Government Draft Budget 2021-22 narrative, Annex C

<sup>194</sup> Finance Committee, Scrutiny of the Welsh Government's Draft Budget 2020-21, January 2020, Chapter 5

<sup>195</sup> Welsh Government Draft Budget 2021-22 narrative, page 48

<sup>196</sup> Welsh Government Draft Budget 2021-22 narrative, page 48

<sup>197</sup> Welsh Government, Budget Improvement Plan, December 2020

year horizon with a rolling programme of improvements, demonstrating how the WFG Act is being embedded.

**270.** In its report on the Draft Budget 2020-21, the Committee recommended:

“...that the Welsh Government lengthens the period of time covered in the Budget Improvement Plan to reflect the spirit of the Well-being of Future Generations Act and longer term transformational change.”<sup>198</sup>

**271.** The Committee also recommended that future Welsh Government budget documentation clearly sets out “how it is applying its own definition of prevention to expenditure and provides as much information as possible on the outcomes it is aiming to deliver through its preventative strategies”.<sup>199</sup>

**272.** In response, the Welsh Government said “we are committed to supporting a continued shift in investment towards preventative activities as part of our Budget Improvement Plan” and would “set out more clearly the improvements we are making within future budget documentation, including how we take forward our definition of prevention”.<sup>200</sup>

**273.** The Welsh Government states that the updated Budget Improvement Plan demonstrates how it has, or will, build on embedding the WFG Act in future years, including the measures undertaken during the 2021-22 budget cycle. Given the focus on responding to the pandemic, the Welsh Government notes that:

“...we have not been able to progress all of the measures we signalled in last year’s Plan, including the establishment of the Budget Improvement Oversight Group.”<sup>201</sup>

**274.** The Bevan Foundation reported consistent communication with different departments in the Welsh Government:

“I think there are positive things in the budget that show that there has been that engagement in terms of providing money for free school meals, instead of vouchers or hampers, in most local authorities. That’s a good example of where the Welsh Government has listened to the

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<sup>198</sup> Finance Committee, *Scrutiny of the Welsh Government’s Draft Budget 2020-21, January 2020, Recommendation 11*

<sup>199</sup> Finance Committee, *Scrutiny of the Welsh Government’s Draft Budget 2020-21, January 2020, Recommendation 18*

<sup>200</sup> Welsh Government, *Response to the Finance Committee’s report on the Welsh Government’s Draft Budget 2020-21, February 2020*

<sup>201</sup> Welsh Government, *Budget Improvement Plan, December 2020, Introduction*

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evidence. So, there are positive examples, but of course you won't be surprised to hear that we would like to see more being done."<sup>202</sup>

**275.** The Bevan Foundation felt that the SIIA should be expanded further on the causes of poverty and how those impact on different groups and households with specific circumstances and needs, referring to work undertaken by the Joseph Rowntree Foundation that could assist the Welsh Government in doing so.<sup>203</sup>

**276.** The Commissioner said she is "pleased that improvement of the budget process continues to be a priority for the Minister for Finance and her officials". However, the Commissioner has repeated concerns expressed when the first Budget Improvement Plan was published in 2019, that many of the actions are not sufficiently ambitious, particularly in relation to prevention and decarbonisation.<sup>204</sup>

**277.** The Minister's official outlined the Welsh Government's engagement with the Commissioner's office:

"We have regular engagement throughout the year with the commissioner's office around issues like some of the areas we've taken forward in the budget improvement plan. We're regularly engaging with them on some of the new research that they're doing; they're doing a lot of various pieces of research through the New Economics Foundation. So, there's regular engagement throughout the year, throughout the budget, and that's something we always maintain, and we're always very interested in the commissioner's views on certain budgetary matters."<sup>205</sup>

**278.** Alongside the Draft Budget, the Welsh Government has published a [Distributional analysis of devolved public spending in Wales](#), which seeks to analyse how people in different income groups benefit from public spending. It is intended to help the Welsh Government understand and meet the "Socio-economic Duty", which was due to be commenced on 29 September 2020, but has been delayed until 31 March 2021.<sup>206</sup>

**279.** The Commissioner has welcomed the distributional analysis of devolved public spending in Wales and the Welsh Government's "commitment to explore

<sup>202</sup> Finance Committee, RoP, 15 January 2021, paragraph 14

<sup>203</sup> Finance Committee, RoP, 15 January 2021, paragraphs 21

<sup>204</sup> Written evidence: Future Generations Commissioner, January 2021

<sup>205</sup> Finance Committee, RoP, 20 January 2021, paragraph 135

<sup>206</sup> [Welsh Government, Socio-economic Duty](#)

analysing the beneficiaries of public spending by metrics other than income, including protected characteristics". The Commissioner also notes that the distributional analysis states "the inclusion of preventative spend is not well suited to this form of analysis" and suggests that "connections between this distributional analysis and the prevention agenda needs further scoping".<sup>207</sup>

**280.** Addressing the development of a Welsh distributional analysis of public spending, the Minister said:

"The analysis does show that devolved public spending in Wales on health, education and social care provision is progressive with respect to income. That's what you would expect to find, and you would hope to find. The pattern and the degree of progressivity does vary across the public services, and that's understandable too because the socioeconomic profile of service users varies, and also some elements of service provision do have those income-related eligibility requirements attached to them."<sup>208</sup>

**281.** The Draft Budget narrative highlights an additional £0.6 million to triple the Welsh sample size of the Family Resources Survey, to help understand and tackle inequality and poverty and provide better information to monitor distributional impact of policies and spending.<sup>209</sup>

**282.** The Minister told the Committee that this additional funding will provide:

"...a greater level of rich data in order to understand distributional impacts in other areas in future. So, tackling poverty, childcare, local taxation, for example, could all be areas where we expand this work in future."<sup>210</sup>

## Assessing gender and equality impacts

**283.** Chwarae Teg advocated a Feminist Recovery Plan for Wales which develops the recommendations of its Gender Equality Review and "mainstreams equality into policy-making and resource allocation".<sup>211</sup>

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<sup>207</sup> Written evidence: Future Generations Commissioner, January 2021

<sup>208</sup> Finance Committee, RoP, 8 January 2021, paragraph 120

<sup>209</sup> Welsh Government Draft Budget 2021-22 narrative, page 35

<sup>210</sup> Finance Committee, RoP, 8 January 2021, paragraph 121

<sup>211</sup> Written evidence: Chwarae Teg

**284.** The Joseph Rowntree Foundation identified that certain at-risk sectors where significant job losses were likely, including retail and hospitality, would disproportionately affect women and individuals from ethnic minorities. It was hoped that the differing impact of poverty on some groups, including the above, would be reflected further in the SIIA accompanying future draft budgets.<sup>212</sup>

**285.** When asked about progress made in understanding and tailoring policies in the Draft Budget to ensure that gender impact is properly taken into account, the Minister referred to the results of the Personal Learning Account pilot, which aimed to provide vocational retraining of employed people in industry sectors where there is a demonstrable skills shortage. The Minister said the pilot has led to an additional £5.4 million being allocated in this Draft Budget, which “we know will become increasingly important as we move out of the pandemic given the economic crisis that has come about as a result of the pandemic, and this does allow people to maximise their income and their earning potential and move up the ladder within the working environment.”<sup>213</sup>

**286.** On the impact of budget decisions on BAME groups, the Minister highlighted work being undertaken by the Deputy Minister and Chief Whip to develop a race equality action plan for Wales, and indicated that she would be meeting with the Deputy Minister shortly “to better understand what contribution we can be making from a finance perspective”.<sup>214</sup>

**287.** The Minister also outlined specific allocations in the Draft Budget that build on the conclusions from the [First Minister's BAME COVID-19 advisory group report of the socioeconomic subgroup](#) report:

“...you'll see an additional £1.1 million in the draft budget to take forward the actions on the race equality plan, and also investing £100,000 to improve diversity and inclusion in public appointments. I'm allocating £0.6 million to support a range of actions to better reflect black, Asian and minority ethnic history in our cultural sector, and that will seek to help to redress some of the structural inequalities that we have in Welsh society. I'm also increasing the funding for the minority ethnic and Gypsy, Roma, Traveller grant by £1 million. That brings that total for the next financial year to £11 million. I think that's important, because we understand from the research and the evidence that the pandemic is having a particularly negative effect on children from that

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<sup>212</sup> Finance Committee, RoP, 15 January 2021, paragraph 87

<sup>213</sup> Finance Committee, RoP, 8 January 2021, paragraphs 125-126

<sup>214</sup> Finance Committee, RoP, 8 January 2021, paragraph 132

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community, and they've very much been disproportionately affected. So, we're trying to respond within this budget to some of the wider research that we've been doing, so it's not quite the same as the gender budgeting work, but it takes that wider body of research that we have access to and responds to that."<sup>215</sup>

## Committee view

**288.** Never has the need to address and alleviate poverty been more acute, with the pandemic compounding the challenges already faced by low-income and disadvantaged households. The Chief Economist's assessment of those groups impacted the greatest by the recession is alarming and it is clear that action is needed to address inequalities and reduce the risk of deep and persistent poverty.

**289.** Whilst the Committee recognises the challenges and limitations placed on the Welsh Government in light of the one-year UK Spending Review, the measures to address poverty and inequality are not considered adequate and stakeholders do not believe they will address the root causes of poverty. This is particularly worrying given the uncertain future facing Wales, due to the pandemic. The Committee acknowledges the Minister's commitment to explore how unallocated COVID-19-related funding can be utilised and urges the Welsh Government to target further funding towards improving support for those living in poverty.

**290.** The Committee supports the calls from stakeholders for the simplification and consolidation of Welsh benefits and would like the Welsh Government to consider how it can streamline and better promote the financial assistance schemes available.

**291.** The Committee recognises that the pandemic has prevented the Welsh Government from progressing the Budget Improvement Plan as much as planned but welcomes the work undertaken to develop the distributional analysis of devolved public spending and the Welsh Government's intention to explore analysing the beneficiaries of public spending by metrics other than income, including protected characteristics. The additional investment in this budget to increase the Family Resources survey is also welcomed. This analysis will be important in understanding the impact of future budgets and should continue to be developed as a priority for the Welsh Government, particularly as individuals from minority groups are likely to be affected disproportionately by the economic recession and associated COVID-19 economic recovery. However, the Committee

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<sup>215</sup> Finance Committee, RoP, 8 January 2021, paragraph 133

shares the Commissioner's concerns regarding the suggestion that preventative spend is not well suited to this form of analysis and agrees that this needs further exploration.

**292.** The Committee notes stakeholders' views regarding the need to consider the causes of poverty and how those causes impact on different groups and needs.

**293.** The Committee acknowledge the results of the Personal Learning Account gender budgeting pilot and its influence on this year's allocation. However, one pilot in two years is insufficient and the Committee can see little evidence of a wider gender budgeting approach emerging. The Committee reiterates its previous calls to develop a gender sensitive budgeting approach and to mainstream and embed equality considerations across the whole budget.<sup>216</sup>

**Recommendation 28.** The Committee recommends that the Welsh Government improves communication of financial assistance schemes and reviews the application processes to ease access to support, particularly for vulnerable applicants, with consideration given to implementing a "no wrong door" approach for applicants.

**Recommendation 29.** The Committee recommends that the Welsh Government considers how it can improve the relationship between the distributional analysis of public spending in Wales and the prevention agenda.

**Recommendation 30.** The Committee recommends that future Strategic Integrated Impact Assessments are strengthened to explain how the causes of poverty and varying impacts on different groups and needs are influencing the Welsh Government's spending allocations.

**Recommendation 31.** The Committee recommends that the Welsh Government sets out how it will undertake a more gender sensitive approach to its future budgets and demonstrates how spending and policy decisions are informed by the impact on gender and other groups, particularly given the evidence that the economic impact of the pandemic will disproportionately affect certain groups.

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<sup>216</sup> [Finance Committee, Scrutiny of the Welsh Government Draft Budget 2020-2021, January 2020](#)

## 9. Brexit and EU transition

### Leaving the EU

**294.** The Chief Economist's report noted the sectors most likely to be effected by a disruptive break from the EU:

"Most, but not all, research has indicated that areas like Wales, that specialise in manufacturing, and have relatively high exports to the EU, will be disproportionately damaged by leaving the single market."<sup>217</sup>

**295.** The Welsh NHS Confederation noted its concerns of the impact of the EU trade deal:

"There will be increased costs. We have serious concerns about the workforce...it's more likely to be the social care workforce that will be more affected than the healthcare workforce due to the salary thresholds related to the agreement."<sup>218</sup>

**296.** The WLGA acknowledged the work of the EU Advisory Group and welcomed the research it had commissioned on the impacts of a EU trade deal. Following the announcement of the EU trade deal, the WLGA noted that concerns regarding the 6 per cent reduction in Welsh exports anticipated from a 'slim' trade deal had been mitigated.<sup>219</sup>

**297.** The Welsh Government's Draft Budget narrative<sup>220</sup> was published on 21 December 2020, before the agreement with the EU was known. The Minister said she now better understood the issues and challenges, and:

"...I might be looking to make some further allocations now between the draft and the final budget in respect of these particular immediate challenges that we're facing."<sup>221</sup>

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<sup>217</sup> Welsh Government, Chief Economist's report 2020

<sup>218</sup> Finance Committee, RoP 13 January 2021 paragraph 203

<sup>219</sup> Finance Committee, RoP 13 January 2021 paragraph 201

<sup>220</sup> Welsh Government Draft Budget 2021-22 narrative, December 2020

<sup>221</sup> Finance Committee, RoP, 8 January 2021, paragraph 181

## The Office of Budget Responsibility – Economic Forecasts

**298.** The OBR noted great uncertainty around the economic forecasts,<sup>222</sup> which led it to a range of scenarios in the UK and Welsh forecasts.<sup>223</sup> Since the OBR's UK forecasts at the end of November, the outlook has changed due to the more virulent strain of COVID-19 and the trade deal between the UK Government and the EU.

**299.** Previous OBR forecasts since the EU referendum were based on an “average” free-trade agreement with the EU. The OBR told the Committee:

“What that did over the long term was reduce the level of output by about 4 per cent relative to our pre-referendum forecast. Had we left the EU without a deal, and basically with no free trade agreement at all, that would have further reduced the level of output by about 2 per cent over the longer term.”<sup>224</sup>

**300.** The OBR noted that independent experts estimated the long-term consequence of the deal was “fairly close” to the 4 per cent assumption, meaning the additional 2 per cent reduction has not materialised.<sup>225</sup>

**301.** The OBR also noted some short-term disruptions around trade frictions, which it will need to assess in the context of its forecasts, including whether any are likely to remain in some form in the longer term.<sup>226</sup>

**302.** The OBR indicated that it is reviewing the detail of the deal to assess the accuracy of its estimate of the long-term reduction in output of 4 per cent. Initial analysis is that it did not expect the results to “radically alter” its estimate, although there are service area arrangements that still need to be agreed. Arrangements around the financial services sector have the highest potential impact.<sup>227</sup>

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<sup>222</sup> Finance Committee, RoP, 13 January 2021, paragraph 23

<sup>223</sup> Welsh taxes outlook, December 2020

<sup>224</sup> Finance Committee, RoP, 13 January 2021, paragraph 30

<sup>225</sup> Finance Committee, RoP, 13 January 2021, paragraph 30

<sup>226</sup> Finance Committee, RoP, 13 January 2021, paragraph 34

<sup>227</sup> Finance Committee, RoP, 13 January 2021, paragraph 31

## Agriculture and the Rural Economy

**303.** The Draft Budget narrative noted the shortfall in UK Government funding to replace EU agricultural and rural development funding in comparison to what had been expected:

“Even where we were provided with funding in the Spending Review, the replacement farm funding provided by the UK Government is £137m less than we would expect for 2021-22, which will have impacts for our rural communities and environment.”<sup>228</sup>

**304.** The Minister confirmed that all funding provided by the UK Government in terms of direct payments would be passed on to farmers.<sup>229</sup>

**305.** The Minister also noted that the shortfall partly relates to the pillar transfer:

“The shortfall in funding partly relates to the £42 million pillar transfer. Now, our decision in December 2019 to make that 15 per cent per transfer for rural development was on the basis that the UK Government would then provide the full replacement funding to us, and we haven't had that transfer of £42 million available to us in the next budget. We think that was wrongly withheld from us.”<sup>230</sup>

**306.** The Minister did not suggest the Welsh Government would seek to compensate for this reduction in the Final Budget by making allocations from existing Welsh Government funds, but indicated that it will continue to strongly press for a transfer of £42 million relating to pillar transfer that has not been received.<sup>231</sup>

**307.** The Minister updated the Committee:

“...we understand from Her Majesty's Treasury officials...that the Chief Secretary is minded not to agree our request for the return of the £42 million. We haven't had that notification formally; we'd expect that through the UK supplementary estimates process, which we're likely to have information on very shortly...As soon as that's confirmed, Chair,

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<sup>228</sup> Welsh Government Draft Budget 2021-22 narrative, December 2020

<sup>229</sup> Finance Committee, RoP, 8 January 2021, paragraph 183

<sup>230</sup> Finance Committee, RoP 8 January 2021, paragraph 184

<sup>231</sup> Finance Committee, RoP 8 January 2021, paragraph 189

obviously I'm keen to clarify that for committee, but also, then, set out what our response would be to that.”<sup>232</sup>

**308.** The Secretary of State for Wales wrote to the Committee on the issue of funding for the Agriculture sector in December 2020. He noted that funding announced at the Spending Review would be supplemented by funding from continuing EU programmes.<sup>233</sup>

## UK Shared Prosperity Fund

**309.** The Draft Budget narrative also highlighted the likely reduction in funding to be received as part of the UK Shared Prosperity Fund:

“The UK Government’s proposal for a UK-wide Shared Prosperity Fund will be worth just £220m next year for the whole UK – a significant reduction compared to the £375m per year from which Wales alone currently benefits through the European Structural and Investment Funds.”<sup>234</sup>

**310.** This issue was raised by the University and College Union, which criticised the UK Government for its “continuing refusal to provide details of the successor Shared Prosperity Fund or give assurances that Wales will receive the same amount of funding as would have been expected had the UK remained within the EU”, whilst also noting the potential strain the Internal Market Bill may have on the Welsh Government’s ability to provide additional funding for higher education.<sup>235</sup>

**311.** The Welsh NHS Confederation noted that clarity is required on the “structures and governance arrangements that will replace EU Structural Funds”, noting that the NHS requires clarity about the funding Wales will receive, how it will be targeted and how it will be administered.<sup>236</sup>

**312.** Similarly, Chwarae Teg noted that the Welsh Government must ensure that funding continues to be available for tackling inequality and poverty, delivered

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<sup>232</sup> Finance Committee, RoP, 20 January 2021, paragraph 149

<sup>233</sup> [Letter from the Secretary of State for Wales, 5 December 2020](#)

<sup>234</sup> Welsh Government Draft Budget 2021-22 narrative, December 2020

<sup>235</sup> Written evidence, University and College Union

<sup>236</sup> Written evidence, Welsh NHS Confederation

through replacement EU funding via a single multi-annual Welsh fund, administered in Wales.<sup>237</sup>

**313.** The FSB Wales outlined concerns regarding the availability of funding for Business Wales from 2022-23 from the UK Shared Prosperity Fund:

“...in the process of the EU funding coming to an end and the role of a shared prosperity fund, the role of Business Wales and the funding of Business Wales is something that we’re worried about, particularly from 2022-23...”<sup>238</sup>

**314.** The WTA highlighted that Wales has been receiving significant funding from the EU for infrastructure projects, so it is eager that replacement funding streams will be available:

“...many of our tourism projects have been funded by European Union money, the infrastructure projects particularly, which maybe, if they’re not specific, do have a real bearing on visitor movements and the ability for destinations to receive visitors. So, we’re really quite concerned about that, and that needs to be thought of.”<sup>239</sup>

**315.** The Minister noted a lack of detail regarding the UK Shared Prosperity Fund:

“We understand that, potentially, the shared prosperity fund, or the levelling-up fund, will be potentially primarily a capital fund, so there might be additional funding from those funds coming to Wales, but as yet we don’t have an indication.”<sup>240</sup>

**316.** In the Committee’s report on the Second Supplementary Budget 2020-21, the Committee recommended:

“... that the Welsh Government works as a matter of urgency to engage with the UK Government and other devolved governments to obtain and publish details of the Shared Prosperity Fund.”<sup>241</sup>

**317.** In response, the Welsh Government said:

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<sup>237</sup> Written evidence, Chwarae Teg

<sup>238</sup> Finance Committee, RoP, 15 January 2021, paragraph 165

<sup>239</sup> Finance Committee, RoP, 15 January 2021 paragraph 218

<sup>240</sup> Finance Committee, RoP, 20 January 2021, paragraph 100

<sup>241</sup> [Finance Committee report, Scrutiny of Welsh Government Second Supplementary Budget 2020-21](#)

“Throughout the process of developing a post-EU regional investment policy, we have been in regular dialogue with our counterparts in other devolved governments and have worked together on common approaches to raise the importance of this issue publicly and politically. We will continue to engage with other devolved governments and press for meaningful engagement with the UK Government, including in regards to how future funding will be distributed and on the role and involvement of the Welsh Government. The Counsel General and Minister for European Transition has written to the Secretary of State for Wales on 22 December to reiterate these points and press for an urgent meeting with both the Communities and Pensions Secretaries as a matter of priority so that we can progress this well in advance of the publication of the Shared Prosperity Funding framework in the Spring.”<sup>242</sup>

## Committee view

**318.** The Committee recognises that the Draft Budget was laid before the deal between the UK Government and EU was agreed and notes the OBR’s approach in producing different economic forecasts to reflect a range of scenarios in its UK and Welsh forecasts.

**319.** The Committee notes that the OBR will be required to publish updated Wales tax outlook forecasts on 2 March, alongside the Welsh Government’s Final Budget, and updated UK economic and fiscal outlook, plus devolved and spending forecasts on 3 March, alongside the UK budget. It is disappointing that these forecasts won’t be in time to be reflected in the Final Budget.

**320.** The Committee is very concerned about the evidence that pillar transfer funding and overall funding available to agriculture and the wider rural economy is likely to be well below the level available in 2020-21.

**321.** The Committee has regularly stated its concern over the lack of clarity and transparency regarding the future UK Shared Prosperity Fund, and these concerns remain. Evidence has highlighted that these concerns are felt by many stakeholders across Wales. It is disappointing that the detail around the UK Shared Prosperity Fund has not been finalised at this stage.

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<sup>242</sup> [Welsh Government response to the Finance Committee report: Scrutiny of Welsh Government Second Supplementary Budget 2020-21](#)

**322.** The Committee welcomes the Welsh Government's efforts to finalise the UK Shared Prosperity Fund, and considers it disappointing that engagement with the UK Government has not improved.

**Recommendation 32.** The Committee recommends that the Finance Minister provides a brief update on the impact of the revised OBR forecasts that will be published with the UK Budget during the Final Budget debate on 9 March.

**Recommendation 33.** The Committee recommends that the Welsh Government provides further detail of discussions held with the Chief Secretary of the Treasury on funding relating to pillar transfer and undertakes an impact assessment on the effects that a reduction in overall funding available to agriculture will have on farming and the wider rural economy.

**Recommendation 34.** The Committee notes the efforts made by the Welsh Government to engage with the UK Government on the UK Share Prosperity Fund, and recommends that an update is provided on how future funding will be allocated and what role the Welsh Government will have in the process.

## 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
8 January 2021	<p><b>Rebecca Evans MS, Minister for Finance and Trefnydd,</b> Welsh Government</p> <p><b>Andrew Jeffreys, Director, Welsh Treasury,</b> Welsh Government</p> <p><b>Margaret Davies, Deputy Director of Strategic Budgeting,</b> Welsh Government</p> <p><b>Matt Wellington, Head of Budget Delivery,</b> Welsh Government</p> <p><b>Anna Adams, Deputy Director, Head of Tax Strategy Policy and Engagement,</b> Welsh Government</p>
13 January 2021	<p><b>Richard Hughes, Chairman,</b> Office for Budget Responsibility</p> <p><b>Andy King, Budget Responsibility Committee Member,</b> Office for Budget Responsibility</p>
13 January 2021	<p><b>Jon Rae, Director of Resources,</b> Welsh Local Government Association</p> <p><b>Dilwyn Williams, Chief Executive,</b> Gwynedd Council</p> <p><b>Darren Hughes, Director,</b> Welsh NHS Confederation</p>
13 January 2021	<p><b>Dr Ed Poole, Senior Lecturer,</b> Wales Governance Centre (Wales Fiscal Analysis)</p> <p><b>Guto Ifan, Research Associate,</b> Wales Governance Centre (Wales Fiscal Analysis)</p> <p><b>David Phillips, Associate Director,</b> Institute of Fiscal Studies</p>
15 January 2021	<p><b>Dr Steffan Evans, Policy and Research Officer,</b> Bevan Foundation</p> <p><b>Gemma Schwendel, Senior Analyst,</b> Joseph Rowntree Foundation</p>
15 January 2021	<p><b>Andrew Campbell, Chairman,</b> Wales Tourism Alliance</p>

	<p><b>Ian Price, Director,</b> CBI Wales</p> <p><b>Dr Llyr ap Gareth, Senior Policy Advisor,</b> FSB Wales</p>
<b>20 January 2021</b>	<p><b>Rebecca Evans MS, Minister for Finance and Trefnydd</b> Welsh Government</p> <p><b>Andrew Jeffreys, Director, Welsh Treasury,</b> Welsh Government</p> <p><b>Margaret Davies, Deputy Director of Strategic Budgeting,</b> Welsh Government</p> <p><b>Matt Wellington, Head of Budget Delivery,</b> Welsh Government</p> <p><b>Anna Adams, Deputy Director, Head of Tax Strategy Policy and Engagement,</b> Welsh Government</p>

## 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.

Reference	Organisation
<b>WGDB_21-22 01</b>	Institution of Civil Engineers (ICE)
<b>WGDB_21-22 02</b>	Hafal
<b>WGDB_21-22 03</b>	Welsh Retail Consortium
<b>WGDB_21-22 04</b>	Welsh Social Enterprise Stakeholder Group
<b>WGDB_21-22 05</b>	Future Generations Commissioner for Wales
<b>WGDB_21-22 06</b>	Marine Conservation Society
<b>WGDB_21-22 07</b>	Oxfam Cymru
<b>WGDB_21-22 08</b>	Royal College of Physicians
<b>WGDB_21-22 09</b>	University and College Union
<b>WGDB_21-22 10</b>	Wales Environment Link
<b>WGDB_21-22 11</b>	Wales Council for Voluntary Action (WCVA)
<b>WGDB_21-22 12</b>	Individual
<b>WGDB_21-22 13</b>	Royal Town Planning Institute (RTPI Cymru)
<b>WGDB_21-22 14</b>	Chwarae Teg
<b>WGDB_21-22 15</b>	Welsh Women's Aid
<b>WGDB_21-22 16</b>	Colleges Wales
<b>WGDB_21-22 17</b>	Wales Co-operative Centre
<b>WGDB_21-22 18</b>	WWF Centre
<b>WGDB_21-22 19</b>	Universities Wales
<b>WGDB_21-22 20</b>	Energy Saving Trust
<b>WGDB_21-22 21</b>	The Welsh NHS Confederation
<b>WGDB_21-22 22</b>	Bevan Foundation
<b>WGDB_21-22 23</b>	Equality and Human Rights Commission
<b>WGDB_21-22 24</b>	Wales Fiscal Analysis

Reference	Organisation
<b>WGDB_21-22 25</b>	Welsh Local Government Association (WLGA)
<b>WGDB_21-22 26</b>	FSB Wales

## Additional information

Title	Date
<u>Written evidence from the Future Generations Commissioner for Wales</u>	January 2021