



Llywodraeth Cymru  
Welsh Government

Welsh Government

# Budget Improvement Plan

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# Introduction

As part of this year’s annual Budget preparations, we have developed a Budget Improvement Plan that outlines our vision, including short-term and medium-term ambitions over the next 5 years, to improve the budget process using the Well-being of Future Generations Act and the five ways of working to drive continuous improvement.

In developing this Plan, we have applied the principles of the Future Generations Commissioner’s ‘journey checker’. It is a tool which has been designed to allow public bodies in Wales to communicate the steps they are taking, or plan to take, to embed the Act.

Our Plan also acknowledges the steps we have already taken in our journey to embed the Act in our approach to the Budget, and how we have built, or plan to build, on this work in future years.

We intend to refine and update our Plan in future years, by publishing an updated five year Plan annually alongside our Draft Budget, to recognise the ongoing nature of driving and sustaining longer term change and outline the measures we have undertaken since the previous year.

# Budget Improvement Oversight

We will establish a Budget Improvement Oversight Group to oversee and help shape these planned improvements to the Welsh Government’s annual Budget process. Work will include developing and testing an agreed vision for what an effective process will look like in the Welsh context and how this helps us to ensure that the Well-being of Future Generations Act demonstrably underpins the Welsh Government’s strategic spending priorities through consideration of our well-being objectives. We will also explore options for setting longer-term plans for the period for which we have a funding settlement. Our intention is that the planned improvements to the budget process will result in greater transparency in the annual Budget documentation to show how the Act has influenced budget decisions.

Given the cross cutting nature of the annual Budget process, our Plan includes our ambitions for different aspects of the Budget. These are summarised below:

**1. Spending Decisions** – To improve existing processes across Welsh Government that identify and develop spending proposals, improve capabilities to prioritise decisions that more clearly align with the well-being goals and ways of working and to explore opportunities to improve longer-term planning.

- **Embedding the Act in budget decisions** – To explore how we can more clearly demonstrate the ways in which the Act is shaping high-level spending priorities, and our medium-term plans to align the annual Budget process and ongoing budgeting activities across the wider organisation to take forward these improvements. This will align with the other work areas which capture the more detailed actions we will take towards embedding the Act.
- **Longer-term financial planning** – To identify how we can further embed longer-term financial planning into annual budget preparations drawing on sources such as the Future Trends Report and approaches such as scenario modelling.
- **Prevention agenda** – To demonstrate how we are taking forward the prevention agenda, building on the working definition agreed in 2019 with a focus on how we deploy our resources to support a shift in preventative activities.
- **Responding to climate change and biodiversity** – To review how we need to change our budgetary approaches to respond to the challenges of climate change; including minimising carbon impacts and increasing biodiversity, based on current and emerging evidence.
- **Transparency of Budgetary data** – To demonstrate our plans to publish financial data in more open and accessible formats to support its use.

## **2. Fiscal & Economic Analyses and Assessing Impact:**

- **Fiscal Analyses** – To develop capability to understand the distributional impact of both public spending and taxation decisions.
- **Economic Analyses** – Developing the Chief Economist's report to reflect the well-being goals, and developing Value for Money guidance to include consideration of the Act.
- **Assessing Impact of budget decisions to improve outcomes** – To improve our processes around decision-making on spending proposals to better link spending to outcomes. This includes work to revisit and clarify purpose of the Strategic Integrated Impact Assessment (SIIA) of the budget and the evidence-base underpinning it and exploring and developing a gender budgeting approach.

**3. Infrastructure Planning** – Using the opportunity presented by the successor to the current Wales Infrastructure Investment Plan, this work stream aims to improve how we consider and align strategic priorities and decisions on capital investment, noting the long-term nature of capital expenditure and the need for greater integration. Opportunities to ensure alignment between long-term infrastructure planning and the capital budgeting process will be explored.

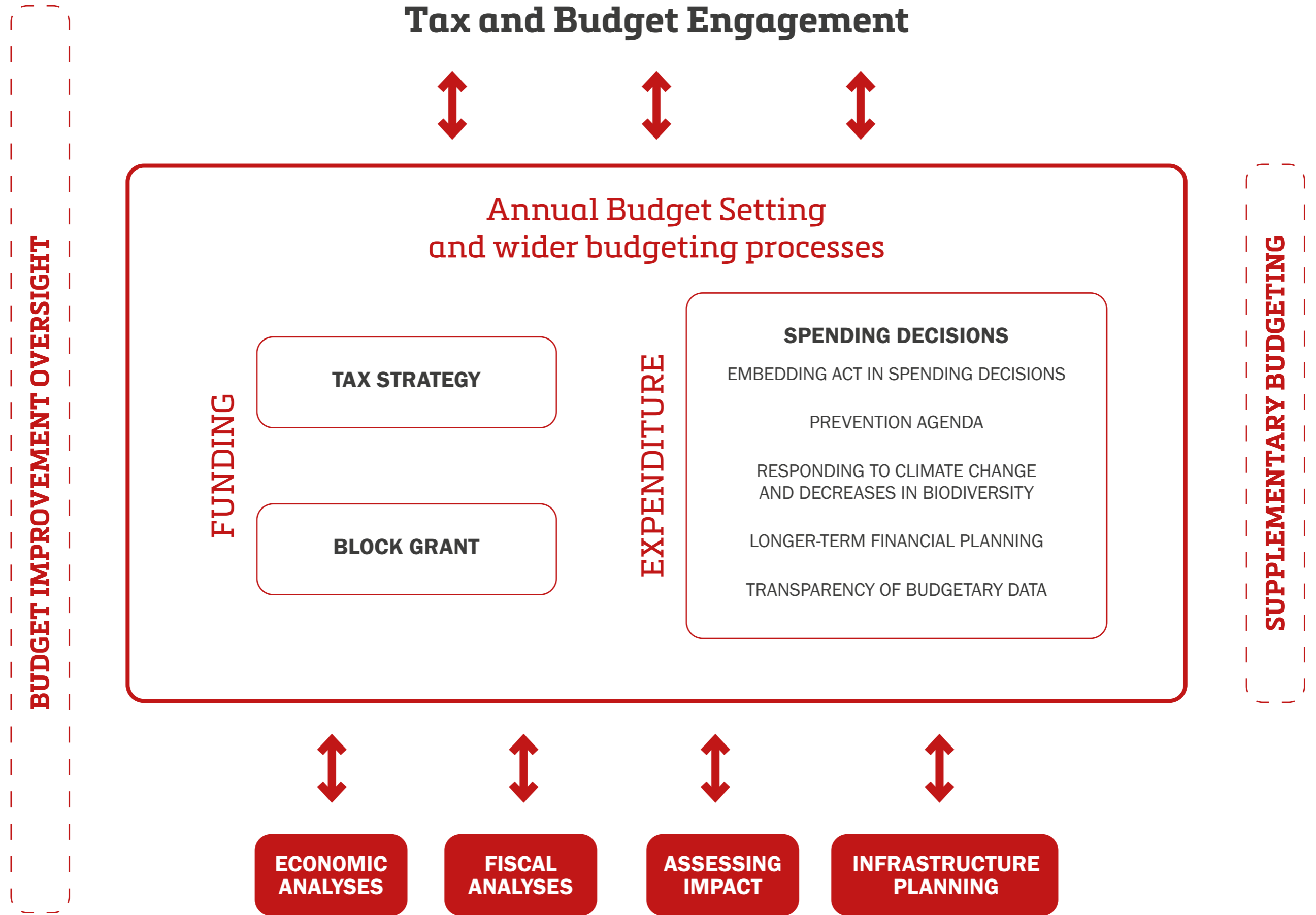
**4. Supplementary Budgets** – To develop a more comprehensive account on significant allocations from reserves. Consider developments occurring in other areas of the budget planning process and assess if and how these are appropriate for the supplementary budget process.

**5. Taxation Strategy** – To demonstrate how we are taking forward delivery under our tax policy framework aligned with our five tax policy principles. This area will explore how we can raise revenue to fund public services as fairly as possible. Tax should help deliver wider fiscal and policy objectives. We will ensure tax policy is simple, clear, progressive and stable, with legislative and administrative clarity and efficiency.

**6. Tax and Budget engagement** – To develop a strategic approach to engagement on the Budget, from raising awareness of public spending and taxation; engaging meaningfully with key stakeholders and individuals impacted by budget decisions to discuss and consider their views; and working collaboratively with stakeholders to shape improvements to spending and taxation proposals.

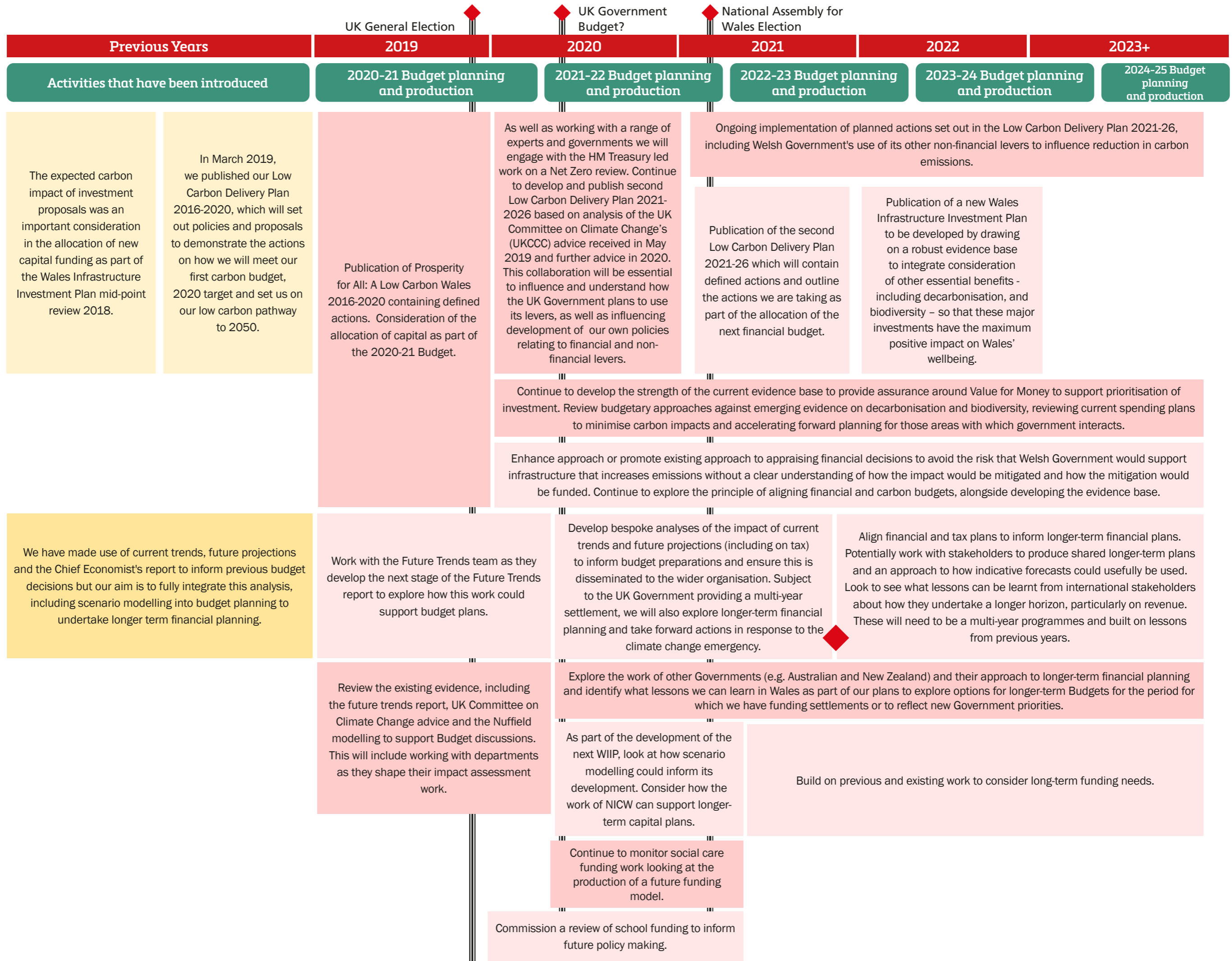
The conceptual diagram on the next page sets out the relationship between the different aspects of the annual Budget included in this Plan, and summarised above.

How does it all work together?



		Previous Years		UK General Election	2019	UK Government Budget?	2020	National Assembly for Wales Election	2021	2022	2023+
		Activities that have been introduced			2020-21 Budget planning and production		2021-22 Budget planning and production		2022-23 Budget planning and production	2023-24 Budget planning and production	2024-25 Budget planning and production
Spending Decisions	Embedding Act in Spending Decisions	Since 2017, the Finance Minister has held an annual 'lessons learnt' meeting with the Future Generations Commissioner and senior finance officials to reflect on the latest budget and discuss improvements for the next budget round.	Aligned spending plans to the key themes and well-being objectives of Prosperity for All, and developed working definition of Prevention.	New approach to focus on cross-cutting priorities to maximise the impact of resources. Budget preparations have been shaped by eight priority areas of early years, social care, housing, skills and employability, better mental health, decarbonisation, poverty and biodiversity. We recognise these eight areas as having the greatest potential contribution to long-term prosperity and well-being.	Review outcomes from the cross-cutting approach to the 2020-21 Budget and consider the value and feasibility of adopting a similar (or adapted) approach for future budgets.	Consider the potential to reorganise the Budget structure to support demonstration of cross-government working and improved delivery of Welsh Government's well-being objectives. Give consideration to how this could work alongside the organisational MEG-level decision making.	Subject to Budget restructure, review the alignment of existing activities to identify opportunities for further collaboration across the organisation.	Aim to embed an approach where spending proposals are developed by considering their long-term benefits, balanced against short-term needs, their ability to prevent problems occurring or getting worse, and have been influenced following consultation and engagement with stakeholders impacted by the activity.			
		Internal budget bilaterals held with Ministers included focus on how we embed the Act in spending decisions.	Presented case studies in budget documentation highlighting the considerations given to the five ways of working in spending decisions.	Budget narrative focuses on the <i>Prosperity for All</i> priority areas supplemented by Poverty and Biodiversity priorities; and outlining how the Budget aligns with the WFG Act.	Engage with stakeholders (internal and external) to explore how Budget narrative can more clearly demonstrate how the Act has influenced decisions taken including the five ways of working and our Well-being objectives.	In context of a new administration, review the approach to budget communication, spending decisions and improvements to the budget process, working collaboratively with key stakeholders.	Subject to the new administration, review the approach on how we can measure the progress of our activities in delivering on the objective(s) they are aligned to.				
	Prevention Agenda	Developed working definition of prevention and applied definition to selected spending areas within each MEG in 2019-20 Budget.	Focused application of the prevention definition as part of delivery of the <i>"Mental Health Delivery Plan 2019-22"</i> .		Explore the feasibility and value of producing supplementary reports to the main Budget documentation on cross-cutting areas, working collaboratively across Welsh Government and aligning with Departmental publication plans e.g Poverty, Decarbonisation.	Review the application of the prevention working definition as a tool to support a shift in funding preventative activities; consider how best to support wider application of the definition to activities.	Use evaluation to test the practicalities and impact of shifting spend towards preventative activities, and the conditions needed to do this effectively across whole organisation. Consider the need to amend the prevention definition.	Subject to findings from previous work, explore how a whole Budget approach to preventative activity could be best supported. Consider commissioning an external review to test the value and outcomes of applying the prevention definition to Budget lines to support a shift to preventative activities.			
			Work with Departments to explore how to expand the application of prevention definition across all portfolios in all MEGs to support a shift in funding preventative activities. Linked with developments to the policy profession (through the Policy Capability Review), review how the definition can support and demonstrate increased preventative activities. Align this to spending, whilst applying definition to inform this approach. Work collaboratively with Finance teams to deliver training and guidance.								
								Present analysis and insight in Budget documentation to highlight and promote good practice.			
								Exploring a Social Impact Bond model - a public/private outcomes-based investment model to address social issues - by taking a collaborative approach with the social sector and the financial community.			
								Ongoing reflection on lessons learnt on approach to reporting on Prevention activities and progressing Prevention agenda including identifying any tools and further training needed to support wider application.			

Spending Decisions
Responding to climate change and decreases in biodiversity
Longer-term financial planning

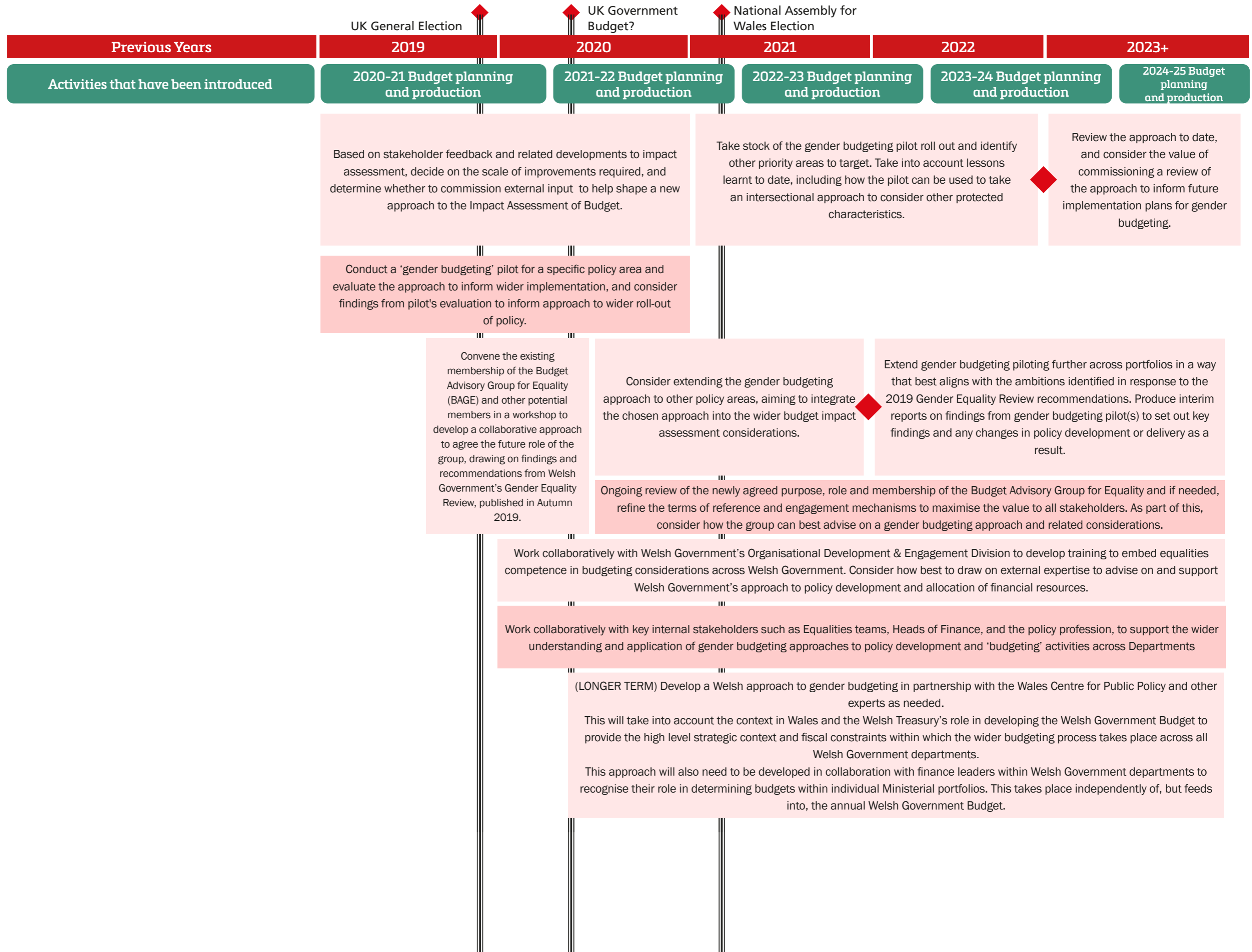


UK General Election

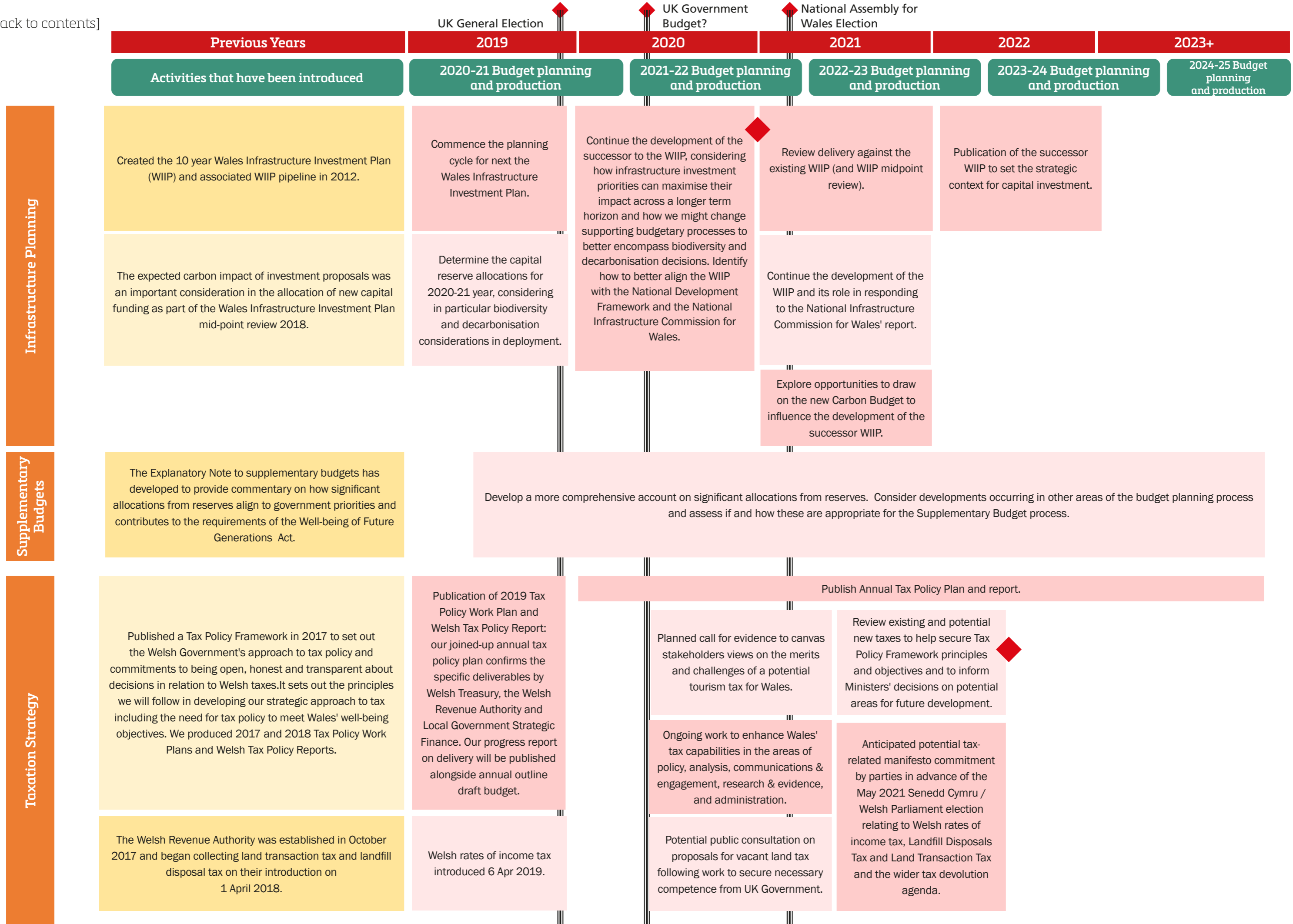
UK Government Budget?

National Assembly for Wales Election

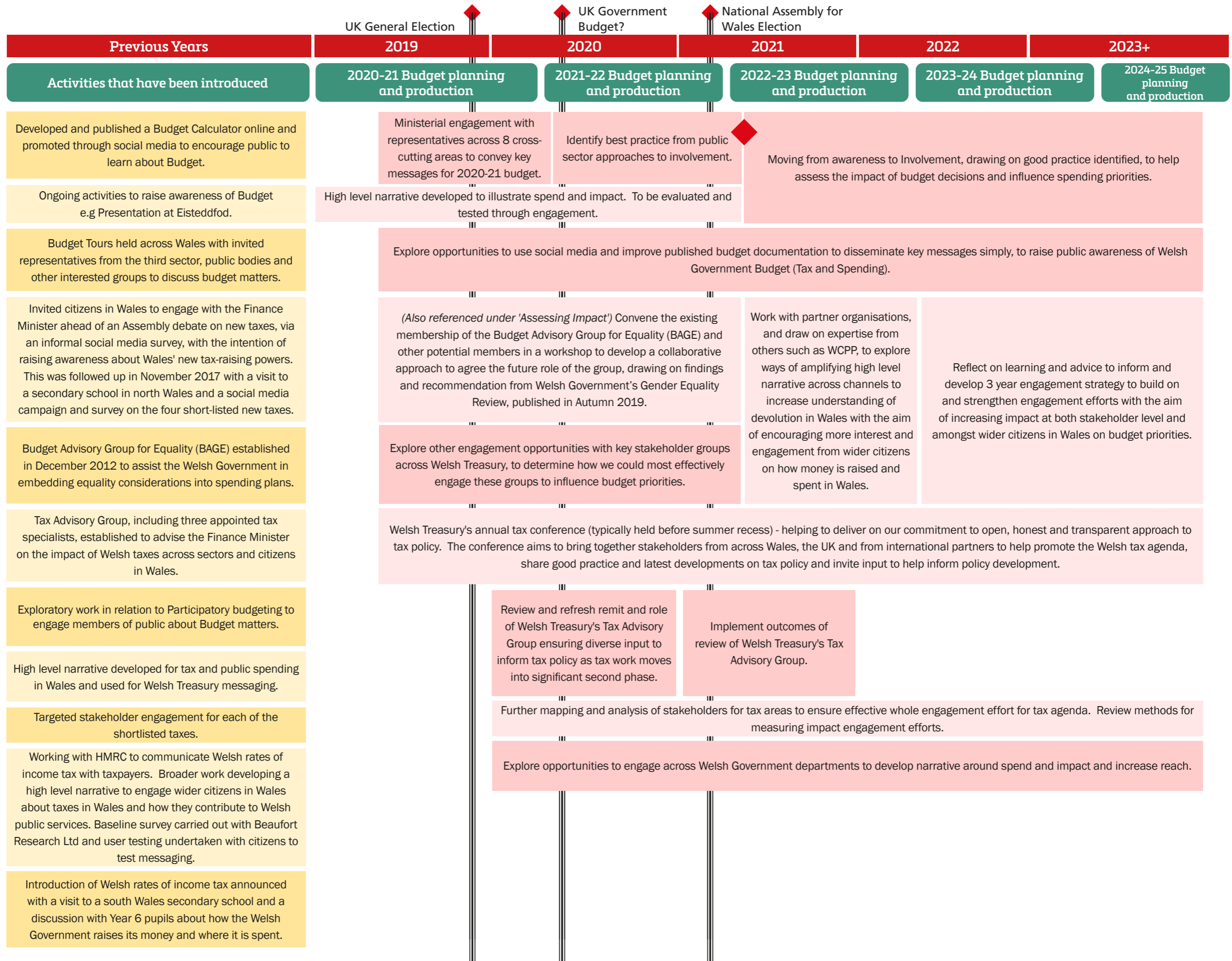
		Previous Years	2019	2020	2021	2022	2023+
			UK General Election	UK Government Budget?	National Assembly for Wales Election		
			2020-21 Budget planning and production	2021-22 Budget planning and production	2022-23 Budget planning and production	2023-24 Budget planning and production	2024-25 Budget planning and production
Fiscal & Economic Analyses and Assessing Impact	Spending Decisions	<p>Published open data commitments in an Open Data Plan since 2016, with the latest commitments on financial engagement published in May 2019.</p> <p>Since the 2018-19 draft Budget, published figures showing departmental budget allocations at Budget Expenditure Level in open data format.</p>	Explore the suitability of existing Welsh Government technology options that could be used to published and analysed more detailed budgetary information.	Publish Budgetary data in a more open format that can facilitate interactive interrogation.	Monitor and evaluate the use of a developed 'budget data tool' and any feedback gathered to inform its ongoing development.		
	Transparency of Budgetary Data						
	Fiscal Analyses	<p>Distributional impact of Public Spending - undertaken research into models used elsewhere which analyse impact of spending across the income distribution.</p> <p>Distributional impact of taxation decisions - established analytical capacity to undertake distributional analysis, providing information on the effect of tax decisions on different households in Wales. Developed a model using Welsh specific data.</p>	Explore potential for developing a specific Welsh model on distributional impact of public spending, using the National Survey for Wales and the Family Resources Survey. Test any model arising from this work to determine its usefulness and credibility.	Consider whether and how a Welsh Distributional Impact Assessment model for public spending could best aid and inform the budgetary process.	Attempt to incorporate Distributional impact capability into the budget impact assessment process.	Develop and pilot an approach to scenario analysis of Budget spending options using distributional data.	Review effectiveness of distributional approach in budget spending scenarios, and decide on whether to fully embed.
	Economic Analyses	Developed Chief Economist's report alongside the annual Budget.	Developed and published guidance on Value for Money, setting out key economic principles on Value for Money (VFM) considerations in Wales, including in the context of the Wellbeing of Future Generations Act.	The 2019 Chief Economist's report will include an account of the fiscal risks associated with climate change.	Continued engagement with FGC officials about potential collaboration to develop a Welsh chapter to the HM Treasury Green Book, which is used to appraise and evaluate government policies, projects and programmes.		
	Assessing Impact of Budget Decisions	<p>First Government in UK to publish a comprehensive equality impact assessment of its spending plans.</p> <p>Established the Budget Advisory Group for Equality (BAGE) to embed equality considerations into our spending plans.</p> <p>Produced a Strategic Integrated Impact Assessment (SIIA) of the Budget since 2015-16.</p> <p>Produced an SIIA of both Detailed and Outline 2019-20 Budgets.</p>	Revisit and continuously develop the existing evidence base that helps inform high-level spending priorities, including sources that demonstrate longer-term trends in Wales.	Work with the Welsh Government finance teams to explore their approach to impact assessment of spending decisions at portfolio level, to inform future plans about the SIIA of the budget.	Identify actions that can be taken under the existing framework in the short-term while taking forward longer term work exploring alternate methods.	Consider the implications of the review of Welsh Government's Integrated Impact Assessment Tool (expected Spring 2020), feedback gathered from Commissioners, and ongoing developments to enact the socio-economic duty as part of the Public Sector Equality Duty in Wales to explore whether new approach to the SIIA of the Budget is needed.	Engage with Commissioners who contributed views to Budget scrutiny, and scrutiny Committees, to explore their views on purpose and aims of the SIIA and how current approach can be developed to meet this clarified purpose.
							<p>(If agreed to pursue) In parallel, commission further work to reconsider the role of impact assessment of Budget decisions, to determine how the following considerations can be reflected to develop a robust and transparent approach to impact assessment of spending decisions:</p> <ul style="list-style-type: none"> <li>- Building on stakeholder's views gathered on its purpose;</li> <li>- How to more effectively and visibly demonstrate the act as the underpinning framework for all other duties;</li> <li>- Developments to the IIA tool;</li> <li>- Developments to the distributional impact assessment of public spending in Wales;</li> <li>- Ambitions for gender budgeting including using a gender lens to take an intersectional approach;</li> <li>- Considering the balance of long-term versus short-term goals and impacts of spending decisions.</li> </ul> <p>Implement an improved impact analysis of the Budget that effectively considers all the developments in previous years, in a way that more clearly demonstrates how the WFG Act underpins all these considerations. This will include addressing recommendations from a commissioned review (if applicable).</p>







Tax and Budget Engagement



# Key

## Review Point

**WFG Act** – Well-being of Future Generations (Wales) Act

**SIIA** – Strategic Integrated Impact Assessment of the budget

**IIA** – Integrated Impact Assessment

**UKCCC** – UK Committee on Climate Change

**WCPP** – Wales Centre for Public Policy

**MEGs** – Main Expenditure Groups

**BELs** – Budget Expenditure Lines

**WIIP** – Wales Infrastructure Investment Plan

**NICW** – National Infrastructure Commission for Wales

**FGC** – Future Generations Commissioner

**BAGE** – Budget Advisory Group for Equality