

Welsh Government Draft Budget 2021-22

February 2021

Introduction

1. This report sets out the Equality, Local Government and Communities Committee's views on the Welsh Government's draft budget 2021-22 in relation to the policy areas within our remit.
2. Along with the Finance Committee's report, and that of the other Senedd committees, this report is intended to inform the Senedd's debate on the draft budget, which is scheduled for 9 February 2021.
3. We would welcome a response to our report and recommendations.

The Welsh Government's draft budget 2021-22

4. On 21 December 2020, the Welsh Government published its draft budget proposals for 2021-22. The provisional Local Government settlement was published on 22 December 2020.
5. The Main Expenditure Group ("MEG") that falls within our remit is Housing and Local Government. The specific elements within this MEG which are relevant to our remit are Local Government, Communities, Equality, Housing, Regeneration and Community Safety. There are also elements relevant to us in the Central Services and Administration MEG (those that relate to equalities).

The Committee's approach to scrutiny

6. On 14 January 2021, we heard oral evidence from representatives of the Welsh Local Government Association ("WLGA") in relation to the provisional Local Government settlement.



7. On 21 January 2021, we heard evidence from the Minister for Housing and Local Government, the Deputy Minister for Housing and Local Government and the Minister for Finance and Trefnydd. We also held a separate session with the Deputy Minister and Chief Whip looking at equality aspects of the budget.

1. Local Government

COVID-19 response and financial support

8. Local government has been at the forefront of the response to the pandemic, providing key services and support to the most vulnerable in society. The financial cost of responding to the crisis has been significant. In responding to the Finance Committee’s consultation on the draft budget, the WLGA noted that “Councils’ response has been greatly assisted by in year additional funding from Welsh Government”, which it states has brought “temporary stability to allow councils to respond to the pandemic”.¹

9. Local authorities have seen additional expenditure pressures, as well as experiencing significant income loss. Falling collection rates from local taxes and limited income from sales and charges have added to the existing financial pressures on local government.

10. The draft budget only partially deals with the impact of COVID-19, since a significant proportion of the funding for the response to the crisis is provided through emergency funding. As the Minister for Housing and Local Government (“the Minister”) noted in her statement on the provisional settlement:

“A wide range of services of course have been significantly impacted by the pandemic. As the Finance Minister’s statement on the budget made clear, we recognise the need to continue to provide funding to support Local Government’s response to the pandemic. This will be considered separately and does not form part of this Settlement.”²

11. The budget seeks to mitigate some of the indirect impacts of the pandemic, such as providing revenue within the settlement to replace that lost via non-

¹ Equality, Local Government and Communities Committee, 14 January 2021, paper 1.

² Written Statement by the Welsh Government, Provisional Local Government Settlement 2021-22, 22 December 2020

domestic rates (“NDR”) income. NDR would normally provide local government with around £1 billion in funding towards local services.

12. The WLGA explained to us how responding to the pandemic had also impacted local authorities’ Medium Term Financial plans agreed as part of previous budget processes:

“It has inevitably affected our ability to plan, to make savings, to transform, both in this year and in the year to come. Lots of savings measures have become more difficult and have been delayed because of the impact of COVID; others have been just made unviable.”³

The provisional Local Government settlement

13. The Welsh Government’s provisional Local Government settlement for 2021-22 provides an overall increase of £176 million (before adjustments). This is equivalent to a 3.8% increase on a like for like basis. The Minister told us that the settlement was aimed at tackling the inequalities in society which have become more stark during the pandemic. She said that provisions have been included to help local authorities deliver additional requests for services such as for social care, homelessness, free school meals and the Council Tax Reduction Scheme (“CTRS”).⁴ In responding to the provisional settlement, Councillor Andrew Morgan, leader of the WLGA stated in a press release:

“This is a welcome settlement as it provides investment for local services and gives councils some certainty they need to plan in unpredictable times.”⁵

14. Despite welcoming the settlement on the whole, WLGA representatives, commented on the uncertainty created by publishing single-year settlements:

“...it's not a multi-year settlement, so obviously we don't have that certainty for future years.”⁶

³ Equality, Local Government and Communities Committee, Record of Proceedings, 14 January 2021, paragraph 40

⁴ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 9

⁵ [Equality, Local Government and Communities Committee, 14 January 2021, paper 1](#)

⁶ Equality, Local Government and Communities Committee, Record of Proceedings, 14 January 2021, paragraph 6

15. WLGA representatives went on to explain that, despite welcoming the settlement, the funding was not sufficient to cover all local authority costs:

“...we're in a position where it doesn't mean that there won't be any savings, and it doesn't mean that there won't be any increase in council tax. It's not enough to pay for what we need now, and that's the challenge we have in local government.”⁷

16. The Minister in her statement on the settlement noted that a funding floor has not been provided:

“I am not minded to provide for a funding floor for this year given the increased settlement for 2020-21 and the proposed allocations I am announcing today for 2021-22. I have accordingly allocated all the funding available up front.”⁸

17. Although all local authorities received an increase in funding, two authorities in particular – Ceredigion (+2%) and Wrexham (+2.3%) received lower increases compared to the overall funding increase of 3.8%. The WLGA believe a funding floor is needed for the benefit of those authorities whose funding increases are lower than others’ and told us that it would:

“...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.”⁹

18. The WLGA added:

“...the funding floor would help to create what may look like a fairer settlement for all.”¹⁰

19. The Minister explained that a funding floor had been provided in previous settlements to prevent some authorities facing negative impacts on their budgets that went beyond a certain threshold. The Minister acknowledged the call from

⁷ Equality, Local Government and Communities Committee, Record of Proceedings, 14 January 2021, paragraph 77

⁸ Written Statement by the Welsh Government, [Provisional Local Government Settlement 2021-22, 22 December 2020](#)

⁹ Equality, Local Government and Communities Committee, Record of Proceedings, 14 January 2021, paragraph 22

¹⁰ Equality, Local Government and Communities Committee, Record of Proceedings, 14 January 2021, paragraph 24

the WLGA, however, she reiterated that a floor had not been provided as the settlement provided an increase in funding for all 22 local authorities.¹¹ In addition, the Minister said that no extra resources were available to provide a funding floor, so doing so would result in redistributing existing allocations within the settlement, which would inevitably impact on the other authorities.¹² She explained some of the difficulties with a funding floor, particularly its artificial nature, and that it is difficult to 'get away' from it and to make funding equitable in future years.¹³ The Minister emphasised that the allocations to each authority were calculated using the funding formula agreed by the Distribution Sub Group, which all local authorities and the WLGA are members of.¹⁴ The funding formula has been an issue we have explored in previous years' scrutiny of draft budgets.

20. We acknowledge that funding floors have been necessary in previous years where less generous settlements would have resulted in significant reductions in funding for some local authorities, should a floor not have been in place. We also realise that some local authorities will receive lower than average increases in 2021-22, and that there is disparity between the authorities receiving the largest increase, and those receiving the lowest budget increases. However, all authorities will receive an increase in 2021-22. We welcome the Minister's commitment to continue to work with local authorities to discuss the on-going support they will need in-year to respond to the challenges of the pandemic.

Non-Domestic Rates

21. Non-domestic rates form a significant chunk of the revenue funding for local government. With businesses struggling to remain open and pay their way during the crisis, this will inevitably lead to a reduction in tax receipts in the future. Wales Fiscal Analysis in its **Welsh Budget Outlook 2020 briefing** notes that:

“...if councils are less successful at collecting non-domestic rates (NDR) from businesses this year, this will impact the amount available for redistribution as part of the local government settlement in 2021-22. The Welsh Government is providing additional grant funding to local

¹¹ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 31

¹² Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 40

¹³ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 31

¹⁴ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 44

authorities to cover any reduction in tax revenue directly resulting from the non-domestic rates relief and grants made to businesses. But under the current setup, local authorities will bear the risk of any reduction in collection rates – and this will impact the amount they have available to spend in future years.”

22. On 15 December 2020, the Welsh Government announced a freeze of the non-domestic rates multiplier for 2021-22. The Welsh Government’s evidence paper notes that:

“The multiplier is an integral part of determining ratepayers’ bills. This decision will ensure, prior to applying any reliefs, that there is no increase in the amount of rates businesses and other ratepayers pay next year. Capping the NDR multiplier increases to CPI, rather than RPI, between 2018-19 and 2020-21, alongside freezing the multiplier in 2021-22 will result in ratepayers in Wales saving over £90 million on their rates bills since 2018-19.”¹⁵

23. The WLGA acknowledged the possibility that freezing the NDR multiplier could have an impact on future settlements.¹⁶ However, the Minister for Finance did not believe this to be the case as funding had been provided to cover the costs of freezing NDR and that this would be baselined into calculations for future years.¹⁷

24. The Minister for Finance explained that the settlement included an additional £35m to cover the estimated loss of income as a result of the decrease in NDR collection. The Welsh Government acknowledged that £35m is an estimated amount and assured us that it would continue to monitor the impact of reduced NDR collection rates on local authorities.

25. We welcome the allocation of £35m and the commitment to continue to monitor the impact of reduced collection rates. It will be important to ensure that

¹⁵ [Written Statement by the Welsh Government, Freezing the non-domestic rates multiplier for 2021-22](#), 15 December 2020

¹⁶ Equality, Local Government and Communities Committee, Record of Proceedings, 14 January 2021, paragraph 118

¹⁷ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 70

this impact is fully assessed to understand the actual costs and whether further resources will be required to cover additional loss of income.

Recommendation 1. We recommend that the Welsh Government assess the impact of reduced Non-Domestic Rates collection to fully understand the actual costs, and should ensure that any further resources required to cover additional loss of income are provided to local authorities.

Council Tax and the Council Tax Reduction Scheme

26. The reduction in local tax collection rate has been significant in some parts of Wales as a result of the pandemic. The WLGA has previously provided evidence that states across Wales, there has been an average reduction of 1.4 percent in collection rates compared to the same time last year. The WLGA noted in its evidence on the impact of COVID-19 on local government that the variation ranged from a “0.8% reduction at one end of the range to 2.6% at the other.”¹⁸

27. The Welsh Government has maintained CTRS funding at £244 million for 2021-22. This figure has remained unchanged since the scheme replaced the Council Tax Benefit which was abolished by the UK Government in 2013. The last **CTRS Annual Report 2019-20** noted that:

“The total recorded value of reductions provided through CTRS in Wales for 2019-20 was approximately £271.9m, compared to £260.9m in 2018-19, an increase of approximately £11m (4.0%).”

28. The pandemic has resulted in an increase in claims for the CTRS as people see their income decrease suddenly or cease altogether. The WLGA, in its written evidence to us in July stated that:

“Local authority Treasurers have indicated an out-turn figure for additional CTRS pressure of £2.85m for the first quarter and the caseload will only increase as individuals come off the furlough scheme and as a result of anticipated job losses.”

29. WLGA representatives acknowledged the increase in demand for CTRS and hoped that funding would continue to enable a 100 per cent relief scheme to continue in Wales:

¹⁸ [Equality, Local Government and Communities Committee, 16 July 2020, paper 1.](#)

“Welsh Government are working with us to fund that and we'd hope that that arrangement continues, really, because obviously, CTRS is affected by the horrible things that this pandemic has caused, like people's incomes and jobs being affected, so we'd hope—we're in a position in Wales where we have got 100 per cent relief scheme, [] we want to continue that and we want to continue to work with Welsh Government to make sure that that's fundable, moving forwards, even though it's more expensive than it was because of the pandemic. So, that's something that we'd hope continues.”¹⁹

30. The Minister for Finance recently told the Finance Committee that she anticipates making additional allocations before the final budget in relation to CTRS and to local government in relation to council tax collection rates.

“I'll be expecting to make further allocations in respect of the council tax reduction scheme and the impact that has been felt by local authorities in that respect as a result of the pandemic, and, in terms of local government, collection of council tax as well, because that's clearly been impacted by the pandemic.”²⁰

31. The Minister for Finance reiterated this to our Committee, acknowledging the increased demand for CTRS due to the pandemic and the “significant impact” this was having. She acknowledged that the £244m allocated for the CTRS remained at the same level as when it was first introduced in 2013, but added that the demand was lower than in 2013.²¹

32. Councils have worked throughout the pandemic to deliver local services and have seen an increase in demand . All services must be funded and council tax is a key element of funding for local authorities, particularly now that other income sources such as revenue collected from leisure and entertainment events have disappeared. However, we also know that many people are struggling financially as a result of the pandemic, therefore the importance of the CTRS to assist people on lower incomes has never been greater. The Welsh Government has a responsibility to ensure that those eligible for the relief can access it and that local

¹⁹ Equality, Local Government and Communities Committee, Record of Proceedings, 14 January 2021, paragraph 132

²⁰ [Finance Committee, Record of Proceedings, 8 January 2021, paragraph 14](#)

²¹ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraphs 74-77

authorities are compensated for the impact of the increased demand for benefit on their revenue collection.

33. We welcome the commitment from the Minister for Finance to review the allocation for CTRS ahead of the Welsh Government's final budget and believe this should be a priority area for additional resource. Our work on the impact of the pandemic has demonstrated that those on lower incomes are more adversely affected, therefore further action to mitigate these inequalities must be a priority for the Welsh Government.

34. As part of our work looking at benefits in Wales, we called for the Welsh Government to take action to improve the take-up of all benefits in Wales, both devolved and non-devolved.²² This was accepted in principle. Since the outset of the pandemic, more people have been accessing the benefits system. As a result, we believe that full implementation of this recommendation has never been more important.

Recommendation 2. We recommend that the Minister for Finance reviews the allocation in the provisional Local Government Settlement for the Council Tax Reduction Scheme and increases this allocation in the final budget for 2021-22. The Welsh Government should work with local government to assess how much additional resource is required to cover the increase in demand for the scheme.

Recommendation 3. We recommend that the Welsh Government takes action to increase take up of the Council Tax Reduction Scheme to ensure access for all who are eligible. We re-iterate the recommendation from our report on benefits in Wales that the Welsh Government takes action to improve the take up of all benefits in Wales, both devolved and non-devolved. We ask that the Welsh Government provides us with an update in progress in improving take-up of benefits.

2. Housing

Homelessness and housing support

35. The Welsh Government launched its **homelessness strategy** in October 2019 with a pledge to make homelessness "rare, brief and unrepeated". In March 2020, the initial phase of the homelessness response to COVID-19 focused on ensuring

²² Equality, Local Government and Communities Committee, **Benefits in Wales: Options for better delivery, October 2019**

everyone had accommodation where they could self-isolate if necessary and could follow public health advice on basic hygiene, hand washing and social distancing. £50m was provided by the Welsh Government to support this work in 2020-21. Phase 2 focuses on permanent accommodation and services, although Phase 1 is ongoing and there will continue to be a need for temporary accommodation.

36. Local authorities have the statutory responsibility to address homelessness, often working in partnership with the third sector. In their written evidence, the WLGA note their concerns over current pressures on services:

“Housing and homelessness financial pressure is a significant concern. To date the revenue funding made available for COVID-19 has helped address rough sleeping. Funding from Rough Sleeping Grant and Housing Support Grant has also assisted but additional issues and challenges will arise due to the new legal duties under section 75(3) of the Housing (Wales) Act 2014. This area that is likely to see demand rise in the medium to longer term because of the increase in unemployment levels.”²³

37. In the draft budget, the Homelessness Prevention Grant allocation has been increased by £4m (cash terms) to £21.9m in 2021-22. This comes from the COVID-19 reserve. The draft budget narrative document notes that:

“The additional funding will enable us to maintain the emergency provision of accommodation and support in the early part of the next financial year as required, and ensure continuity of provision.”²⁴

38. The Housing Support Grant (“HSG”) is the Welsh Government’s principal funding stream for preventing homelessness and supporting independent living. The HSG addresses the housing and housing related support needs of the most vulnerable individuals in society through a range of early intervention, prevention and support mechanisms. The HSG receives an additional allocation of £40m in 2021-22, giving a total allocation of £166.8m.

39. The Minister acknowledged the significant increase in demand for housing during the pandemic, noting that “every local authority has had pressure in this

²³ Equality, Local Government and Communities Committee, 14 January 2021, paper 1

²⁴ Welsh Government Draft Budget 2021-22, paragraph 4.04

area”.²⁵ She reiterated to us that the funding would enable emergency provisions to be maintained through the early part of 2021-22 and that the Welsh Government would monitor this allocation in light of winter pressures and the on-going pandemic to assess what additional resources are required. The Minister commented that the housing sector was pleased with the funding it has received, and that it is aligned with the approach of a rapid shift to re-housing and the recommendations made by the Homelessness Action Group.²⁶

40. We applaud the excellent work done by local authorities and partners in responding to the huge demand for housing during the pandemic and welcome the additional funding allocated in the draft budget. However, we remain concerned that some people are still falling through the gaps, with some people still sleeping rough and not accessing services. This needs to be addressed urgently and there must be sufficient funding to enable this. We are also concerned by the Minister’s comments that the additional funding will enable emergency accommodation and support in the early part of the next financial year. We do not believe that this will provide longer term certainty for those delivering and accessing these services. The improvements that have been achieved in re-housing people into permanent accommodation must continue to be built upon if homelessness is to be eradicated. We therefore believe that allocating additional resources to tackle homelessness should be a priority for the Welsh Government in the final budget.

Recommendation 4. We recommend that the Welsh Government increases allocations that contribute to tackling homelessness in the final budget.

Building Safety

41. In the draft budget narrative document, the Welsh Government sets out its position in relation to the financial impact on individual leaseholders living in high rise residential building affected by fire safety defects who, in some cases, are being asked to pay for remediation works:

“We remain clearly of the view that individual leaseholders should not have to pay for defects and deficiencies in build quality where there is a clear failure to build to standards, and we will continue to press

²⁵ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 114

²⁶ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 118

developers to meet their moral obligations and remediate these buildings.

However, where it is right for government to provide support to ensure the safety of people's homes we are committed to doing so, and doing so now. We recognise the significant mental health concerns and potential for people living in these properties to require additional financial and wider support."²⁷

42. In 2021-22, £32m capital funding has been allocated to support "buildings of 18 metres and over (as outlined in the **Road Map to safer buildings in Wales**, produced by the Building Safety Expert Group) with identified building defects in relation to building safety and will help speed up the pace of works to address fire and structural issues identified."²⁸

43. That total includes grant as well as loan finance. The Welsh Government's paper says there are 148 high rise residential buildings in Wales - 38 in the social sector and 110 in the private sector. The draft budget narrative document notes that £10.6m has been made available for building safety in the 2020-21 financial year.

44. The Minister admitted to us that she was not confident the allocated funding would be sufficient to fund the remedial work needed to address all of the deficiencies identified, or whether it would be possible to deliver a fund at all. The Minister emphasised the legal complexities of the situation, particularly around what the Welsh Government is able to put in place for Wales without intervention from the UK Government given that many aspects are non-devolved. We heard from the Minister that the money allocated in this draft budget is an initial fund, although she was unsure as to how it could be accessed.²⁹

45. We note the Minister's openness in addressing the complexities of the situation and the limits around what the Welsh Government can do. This is a very important issue for us and one which we would like to see further action taken urgently. We welcome the willingness from the Welsh Government to address this, which is reflected in the fund allocation in the draft budget, however it is not something Welsh Government can tackle alone. Whilst we welcome the funding allocation, further information about how it will be used is needed if the people

²⁷ [Welsh Government Draft Budget 2021-22](#), paragraphs 6.52-6.53

²⁸ [Welsh Government Draft Budget 2021-22](#), paragraph 6.53

²⁹ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraphs 161-164

affected by this are going to be able to benefit. We will give further consideration to this when we undertake detailed scrutiny of the Welsh Government's White Paper on Safer Buildings in Wales.

Recommendation 5. We recommend that the Welsh Government continues to urgently explore all legal avenues to resolve the complexities of improving the safety of high rise buildings and to work with the UK Government on how this work can be progressed at pace. We would request and update from the Minister for Housing and Local Government ahead of the debate on the final budget.

Discretionary Assistance Fund

46. The draft budget allocation for the Discretionary Assistance Fund ("DAF") is maintained at levels provided during the 2020-21 Final Budget. The Welsh Government's evidence paper notes that additional allocations were made to DAF during the current financial year as a direct consequence of the pandemic:

"In response to Covid-19, Welsh Government have invested an extra £13.9m into the DAF during 2020-21 to support the increasing demands on the fund including the large increase in claims."³⁰

47. The draft budget narrative document notes that between mid-March and November, almost 100,000 COVID-19 related DAF payments were made, around three times more compared with the same period in 2019. The Welsh Government's written evidence notes that "further support for the DAF will be considered as part of the consideration of allocations to make at Final Budget from the Covid-19 reserve".³¹

48. We scrutinised the DAF during our **recent inquiry** into inequality and the pandemic and welcomed the steps taken by the Welsh Government to increase funding and to provide greater flexibility and discretion when awarding payments. However, we were concerned about a lack of awareness of the scheme and called for its rebranding and an advertising campaign. The recommendation was accepted in principle.

49. The Deputy Minister for Housing and Local Government noted the additional demand placed on the DAF as a result of the pandemic and anticipated that such demand would continue. She emphasised that the DAF is a "demand-responsive

³⁰ [Equality, Local Government and Communities Committee, 21 January 2021, paper 1](#)

³¹ [Equality, Local Government and Communities Committee, 21 January 2021, paper 1](#)

fund”, which is constantly monitored and its forecasted spend reviewed. The Deputy Minister added that discussions were being held with the Minister for Finance as to whether additional allocations could be made to the DAF in the final budget.³²

50. In a letter to the Committee following our evidence session, the Deputy Minister for Housing and Local Government stated:

“In terms of the considerations for further support, a range of options beyond the end of March 2020 (when current Covid-19 rules flexibilities are set to end) are currently being developed aimed at mitigating the ongoing impact of the current pandemic, whilst at the same time addressing underlying causes of poverty, improving financial resilience, and reducing dependence on the fund.”³³

51. We recognise the important contribution made by the DAF in providing additional support during the pandemic, which is acknowledged by the Welsh Government. We highlighted in our report on the impact of the pandemic the importance of raising awareness of the fund among those eligible to apply.

Recommendation 6. We recommend that, ahead of the debate on the final budget the Welsh Government provides an update on action it has taken to raise awareness of the Discretionary Assistance Fund among those eligible to apply for its support.

3. Equality considerations in the draft budget

Budget Impact Assessment process

52. The Welsh Government has various legal obligations to assess the impact of its decisions on equality, children and young people, and future generations. The Government publishes an impact assessment alongside its draft budget each year, which has changed significantly in recent years. In 2015-16 many impact assessments were amalgamated into one (the ‘strategic integrated impact assessment’ (“SIIA”)).

³² Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 187

³³ [Letter from the Deputy Minister for Housing and Local Government, 27 January 2021](#).

53. The current SIIA aims to assess the entire budget for its impact on a wide range of issues: equalities and human rights, children’s rights, the Welsh language, climate change, rural proofing, health, biodiversity, and economic development, with socio-economic disadvantage as an ‘underpinning consideration’.

Joint Senedd committee inquiry

54. Three Senedd committees (this Committee, Children, Education and Young People, and Finance) conducted a **joint session** in November 2018 because of persistent concerns about the impact assessment. We concluded that:

- in general, the integrated approach has weakened the impact assessment;
- the current assessment appears to use equality, children rights and other factors as tools for justifying spending, rather than demonstrating how those factors influenced decision making, and
- “the current SIIA does not provide an effective analysis of spending decisions, and could arguably be failing to fulfil its legislative requirements as a result”.³⁴

Budget improvement plan

55. The Welsh Government’s 2021-22 **Budget Improvement Plan** (which was published for the first time last year) includes a five year plan for improving impact assessments. It sets out the following actions and objectives:

- reconvening the existing Budget Advisory Group on Equality (BAGE) in November 2020 to discuss the evolution of the group’s membership and to feed into the budget improvement process from 2021;
- engaging with statutory commissioners in 2021 to ‘explore views on the SIIA’;
- decide on ‘scale of improvements required’, and ‘commission further work to reconsider role of impact assessment of budget decisions’ in 2023-24 budget process, and

³⁴ Children, Young People and Education Committee Equality, Local Government and Communities Committee Finance Committee, *Assessing the impact of budget decisions*, March 2019

- implement an improved impact assessment of the budget from 2024.

Data

56. In our report on inequality and the pandemic, we recommended that the Welsh Government:

“improve data gathering and publication on coronavirus cases and health outcomes disaggregated by sex, ethnicity, disability and key worker status [including] identifying alternative methods of collection and new data sources.”³⁵

57. The First Minister’s BAME Advisory Group **socio-economic report by Professor Emmanuel Ogbonna** also found that:

“in light of Covid-19, the lack of or poor quality of ethnicity data has resulted in poor health decisions, and BAME communities face a higher risk of catching and dying from the disease”.

58. The Welsh Government’s response to our report acknowledged problems with equality data collection, and committed to working with the NHS, social care sector and Office for National Statistics (ONS) in particular to improve this.

Gender budgeting pilot

59. In the **draft Budget 2020-21**, the Welsh Government committed to running a gender budgeting pilot within the Personal Learning Account, but this is not specifically mentioned in the draft Budget 2021-22.

60. **Chwarae Teg’s submission** to Finance Committee says that they “urgently await an update on the gender-budgeting pilot as part of the Welsh Government’s Personal Learning Account”, and wish to know:

“▪ What tools are being used as part of the pilot? ▪ What are the timescales for the pilot? ▪ What are the aims of the pilot? ▪ How will success be measured? ▪ Will the pilot be evaluated? ▪ How has the pilot informed spending decisions to date? Has the PLA policy been adjusted/ reviewed as a result of equalities analysis? ▪ What role are

³⁵ **Equality, Local Government and Communities Committee. Into sharp relief – inequality and the pandemic. August 2020**

strategic budgeting playing in the pilot? Who is leading the “gender budgeting” pilot?”

61. The Minister for Finance referred to work on gender budgeting being done with government officials in Iceland:

“They're known to be, I think, a world leader, really, in terms of gender budgeting, but they will happily admit that it's taken them seven years to get to where they are now. So, I think that we are very much starting down this road, although we can learn plenty from what they're able to share with us.

The first area where we looked at this was in personal learning accounts. So, this isn't an area of direct interest necessarily to the committee, but there's so much that we can learn from that for future areas of Government spend. So, I think that, in terms of the process of developing the budget, we're starting to look at it in new ways and finding out lots along the way, which, I think, will help us in future years as well.”³⁶

62. The Deputy Minister and Chief Whip told us that equality data, including data relating to specific groups had been used to ensure the right allocations in the draft budget. She referred to the acceptance by the Welsh Government of the recommendations made by Professor Ogbonna, the work being done on gender budgeting and the exploratory work to assess the distributional impact of spending across public services.³⁷

63. We note the evidence from the Minister for Finance and the Deputy Minister and Chief Whip on the Welsh Government’s on-going work on gender budgeting. Whilst we welcome this commitment, we believe this work needs to gather momentum in order to impact budgeting decisions as soon as possible. We would expect to see significant progress made on this in time for the 2022-23 budget round.

64. We remain concerned that it is difficult to identify how the SIIA process has influenced allocations within the draft budget. This is disappointing given that this was a prime concern of our joint report in 2018, which we undertook in response

³⁶ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 14

³⁷ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraphs 204-206

to longer term concerns about the quality of impact assessment work on the budget, and we raised this again during our scrutiny of the 2020-21 draft budget. We would have expected to have seen progress by now in demonstrating how the SIIA had influenced decision making.

Recommendation 7. We recommend that, ahead of the Senedd debate on the final budget, the Welsh Government provides further information to demonstrate how its strategic integrated impact assessment has influenced the allocations in the budget.

Economic inequalities

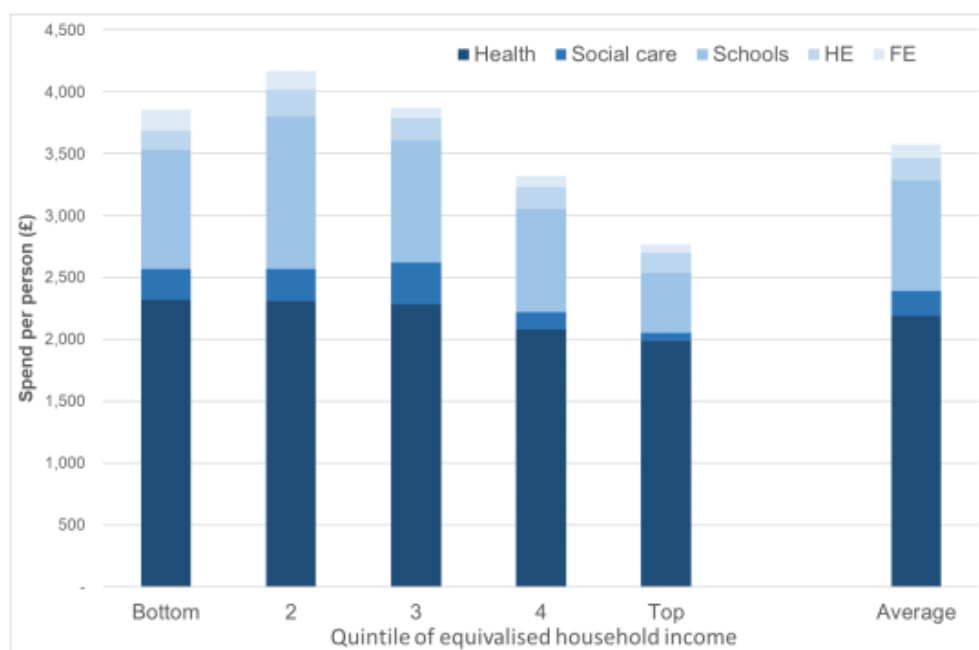
65. The pandemic has disproportionately affected people on low incomes. People living in the most deprived areas are twice as likely to die from the virus (because of poorer health, housing or an inability to work from home), their children are more likely to have fallen behind in their education, and the lowest income workers are most likely to have lost income during this time.

Distributional impact model

66. This year the Welsh Government developed a **distributional impact model** to assess its budget for the first time. The model analyses who benefits from spending on devolved public services in Wales, and looks at the impact of public spending on households with different levels of income. The analysis includes spending on health, education and social care for older people in 2019-20 (as

spending in 2020-21 will be atypical).

Figure one: Resource spending in Wales by household income and public service, 2019-20



Source: Welsh Government (2020) [Distributional analysis of public spending in Wales](#)

Socio-economic duty

67. In our 2020 report on the pandemic, we called for the Welsh Government to adhere to the spirit of the [socio-economic duty](#) (which will require public authorities to consider the needs of people on low incomes when making decisions) before its official commencement in March 2021.

68. The Welsh Government stated in response that “we are aware the Permanent Secretary has encouraged officials to lead by example, and to be applying the ethos of the [socio-economic] Duty in their advice to Ministers on strategic decisions.”³⁸

69. The Equality and Human Rights Commission’s [submission on the draft Budget](#) to the Finance Committee stated:

“[t]he Welsh Government should be able to demonstrate clear strategic intent and budget allocations that aim to reduce the most significant inequalities of outcome related to socio-economic disadvantage.”

³⁸ [Welsh Government response to Into sharp relief – inequality and the pandemic](#), September 2020

70. The Distributional Impact Model (noted above) is highlighted as one of the ways the Government is adhering to the socio-economic duty.

71. The Deputy Minister and Chief Whip referred to the Distributional Impact Model as an “important new model” to investigate who is benefitting from public spending. She added that broad results were emerging, but that as it was still exploratory, it had not directly influenced this draft budget but would be an important tool to influence future budgets.³⁹

72. We welcome the introduction of the Distributional Impact model as a useful tool, and while we accept that it may be soon for it to have influenced this draft budget, we would expect to see examples of how it directly influences next year’s budget.

Recommendation 8. We recommend that the Welsh Government’s draft budget for 2022-23 includes examples to demonstrate how the Distributional Impact model has influenced decisions taken in that budget.

73. We note that the distributional analysis found that, overall, across the public service areas included, spending is progressive with respect to income. However, it is not uniformly progressive by quintile of income. Households in the lowest income quintile may benefit less per person than the second and third lowest quintiles. However, those in the top two quintiles (the top end of the household income distribution) benefit less than those with lower incomes. We believe that public spending should be completely progressive across all quintiles and welcome the commitment by the Deputy Minister and Chief Whip to extending the analysis and that the Welsh Government is seeking to make the impact of public spending “as progressive as possible”.

Recommendation 9. We recommend that the Welsh Government, ahead of the Senedd debate on the final budget, outlines its position as to whether it believes, in principle, public spending should be completely progressive across all quintiles of equivalised household income.

Recommendation 10. We recommend that the Welsh Government uses the distributional analysis of public spending to identify the changes needed to ensure that spend is completely progressive across all quintiles of equivalised household income.

³⁹ Equality, Local Government and Communities Committee, Record of Proceedings, 21 January 2021, paragraph 238

