

Welsh Government Draft Budget 2022-23

February 2022

1. Background

Purpose and scope

1. This report sets out the Equality and Social Justice Committee's views and recommendations regarding the Welsh Government's Draft Budget 2022-23 (the Draft Budget) in some of the policy areas within our remit. It is not intended as an exhaustive commentary on every single area within the Committee's remit and focuses on a smaller number of key policy areas and process issues that were considered as part of Budget scrutiny.
2. Along with the Finance Committee's report, and those of other Senedd committees, this is intended to inform the Senedd's debate on the Draft Budget, which is scheduled for February 8th.
3. We would welcome a Government response to this report and its recommendations.

Approach to scrutiny

4. The Main Expenditure Group (MEG) that falls within our remit is Social Justice. Our remit also allows us to consider policy from the perspective of cross-cutting themes such as equality, human rights and the well-being of future generations. Due to time constraints, we decided not to adopt innovative methods (such as gender-budgeting, or how to "poverty-proof" policies and spending decisions) in this draft budget round, although we may explore using these when scrutinising future budgets. We were pleased to receive training on equality-sensitive budget scrutiny as part of our preparatory work.
5. To inform this report we requested an evidence paper from the Welsh Government on our priority areas for budget scrutiny and received a response on 21 December 2022.



6. The Finance Committee’s programme of evidence-gathering and engagement involved 14 focus groups with 67 contributors conducted by the Citizen’s Engagement Team, alongside a public consultation. We considered the summary of focus group sessions and the consultation responses received at our meeting on 10 January 2022.

7. We held an evidence session with the Minister for Social Justice, Jane Hutt MS (the Minister); and the Deputy Minister for Social Partnership, Hannah Blythyn MS (the Deputy Minister) on 24 January 2022.¹

2. Equality considerations in the Draft Budget process

This section considers how equality and social justice were considered by the Welsh Government in drawing up the Draft Budget and sets out our view on how this process could be improved.

The Draft Budget process

8. The Draft Budget was laid on 20 December 2021 and the Welsh Government stated that “equality is at its heart”.² The Programme for Government similarly sets out the Welsh Government’s commitment to maximising fairness for all and to “eliminate inequality in all of its forms”.³

9. Both the Draft Budget and the Programme for Government incorporate elements of the Co-operation Agreement reached between the Government and Plaid Cymru in November 2021.⁴

10. The Draft Budget plans to increase spending across all departments of the Welsh Government. The department covering Social Justice has been allocated £127 million which represents a 21 per cent increase compared to the 2021-22 Final Budget.⁵

¹ Equality and Social Justice Committee, 24 January 2022

² Welsh Government, Draft Budget 2022-23

³ Welsh Government, Programme for Government

⁴ The Co-operation Agreement: 2021 – 1 December 2021

⁵ Senedd Research, Explore the Budget

11. The Minister's paper states that the Welsh Government undertook "a new review process to align spending to the new Programme for Government".⁶ Similarly, the Minister stated that tackling poverty was one of the cross-Government themes which informed the preparation of the budget.⁷

12. In terms of public consultation, the Welsh Government stated that it has "listened to ideas from across the breadth of public in Wales" in preparing the Budget.⁸

Budget Impact Assessments

13. In 2011-12 the Welsh Government was the first government in the UK to publish a detailed equality impact assessment of its budget. In 2015-16 various different impact assessments were amalgamated into one 'Strategic Integrated Impact Assessment' (SIIA). During the Fifth Senedd, three committees (Equalities, Communities and Local Government; Children, Education and Young People; and Finance) conducted a joint session in November 2018 because of persistent concerns about the impact assessment.

14. The report resulting from the Committees' joint scrutiny 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".⁹

15. In its evidence Chwarae Teg expressed disappointment at the "limited opportunity for civil society to engage with the scrutiny of the actual draft budget" and "continue to be concerned about the relative importance of equalities in the budget setting process".¹⁰ They stated that the 2022-23 SIIA does not appear to be fit for purpose, and "reads as an acknowledgement of issues faced by specific groups decoupled from any substantive commitments or actions".¹¹

⁶ Equality and Social Justice Committee, Draft Budget Paper – 24 January 2022

⁷ Ibid.

⁸ Welsh Government, Draft Budget 2022-23

⁹ National Assembly for Wales, Assessing the impact of budget decisions – November 2018

¹⁰ Written evidence to Finance Committee, Chwarae Teg WGDB 22-23.11

¹¹ Ibid.

16. Similarly, the Wales Women's Budget Group called for the implementation of a stronger SIIA during the budgetary process stating that "the SIIA still does not clearly show how spending decisions tackle specific objectives and why those spending decisions have been chosen over others".¹²

17. The Children's Commissioner for Wales also lamented the lack of a children's rights impact assessment and told us that:

*"There are just five short paragraphs about children in the Strategic Integrated Impact Assessment, which include overt recognition that the impact of the pandemic is disproportionately affecting young people, and putting them at elevated risk of mental health issues throughout their life course. And yet there is nothing further said about how the Budget as a whole aims to mitigate against that impact and no mention or consideration of children's rights."*¹³

18. We asked the Minister to respond to concerns regarding the SIIAs. The Minister acknowledged that while "getting this right has taken time" the Welsh Government was committed to getting the "best information and evidence to guide budgeting".¹⁴ The Minister explained that she saw her role as "very much about influencing the whole of Government, in terms of putting equality and fairness at the heart of the Welsh Government's budget" and highlighted a number of pilots that are underway which she argued would improve the data and case studies used to inform decisions.¹⁵

The Equality Evidence and Data Unit

19. Our work on debt and the pandemic, highlighted the need for the Government to develop better disaggregated data. The proposed "Equality Evidence and Data Unit" has an initial allocation of £1.695 million is intended to inform "strategic and budgetary planning and the development of targeted interventions to address areas of deepening inequality" and recruitment has already begun.¹⁶

20. The Minister emphasised the wider role that she hopes the equalities data unit¹⁷ will have in measuring the impact of decisions "on outcomes of all areas, reducing social, health,

¹² Written evidence to Finance Committee, Wales Women's Budget Group

¹³ Correspondence from the Children's Commissioner for Wales regarding Budget scrutiny 2022-23 - 14 January 2022

¹⁴ Record of Proceedings, paragraph 9 – 24 January 2022

¹⁵ Record of Proceedings paragraphs 8-10 – 24 January 2022

¹⁶ Equality and Social Justice Committee, Draft Budget Paper – 24 January 2022

¹⁷ A Race Disparity Unit is part of the Equalities Evidence Data Unit

environmental and economic inequalities.”¹⁸ In relation to SIAs, she stated that “I think this will help improve the delivery of the strategic integrated impact assessment, because it has a place, it's crucial in terms of addressing those impacts across Government, and then making sure that we can look at the outcomes.”¹⁹

The well-being goals

21. The Minister’s paper sets out how “allocations contained within this Draft Budget are aligned with Welsh Government’s well-being objectives which lie at the heart of the Programme for Government to maximise the impacts of available funding aligned to the Well-being of Future Generations Act.”²⁰ Some of the narrative in policy areas scrutinised as part of the Social Justice MEG clearly identify and demonstrate how they align with the well-being goals (some examples of which are highlighted later where relevant).

Budget Improvement Plan

22. As part of the Draft Budget, the Welsh Government has provided an updated Budget Improvement Plan. This includes a commitment to:

- use the Well-Being of Future Generations (Wales) Act 2015 to improve the budget process using the five ways of working;
- expand its approach to gender budgeting;
- invest an additional £3m up to 2024-25 to improve evidence to assess the impacts of budget decisions, including boosting the Family Resources Survey; and
- improve the distributional impact model for analysing public spending in Wales.²¹

Gender equality

23. In addition to the commitment to gender budgeting in the Budget Improvement Plan, the Draft Budget includes a number of spending commitments designed to improve gender equality. They include additional funding for the Childcare Offer, to cover increased take-up of the Offer and the Programme for Government commitment to extend provision to families with

¹⁸ Record of Proceedings, paragraph 123 – 24 January 2022

¹⁹ Record of Proceedings, paragraph 6 – 24 January 2022

²⁰ Equality and Social Justice Committee, Draft Budget Paper – 24 January 2022

²¹ Welsh Government, Budget Improvement Plan

parents in education and training.²² The budget allocation for support for childcare and play will rise from £80.3 million in 2021-22 to £107.3 million in 2024-25.

24. The Minister also confirmed that the Government had allocated £250,000 over three years to implement sections of a gender equality action plan, and has also committed to spending £6.8 million over three years to embed period dignity in schools.²³

25. However, Chwarae Teg had called for the full implementation of the Gender Equality Review, as they consider this is required to see a budget that makes gender-sensitive decisions.²⁴

Our view

While there are certainly examples of good practice in the Welsh Government's approach to monitoring and assessing the various impacts of budget decisions, there are long-standing concerns regarding the lack of detail provided in the SIAs that need to be addressed. While this does not need to mean a return to the lengthy impact assessments of 2012, greater detail is required in terms of how the inequalities in our society have informed budget decisions. We believe that there is more that could be done by the Welsh Government to allay stakeholder concerns. We are hopeful that the creation of the Equality Evidence and Data Unit – which we welcome – will go some way to addressing those concerns by improving the quality of impact assessments in the longer term.

Recommendation 1. We recommend that the Welsh Government reviews the Strategic Integrated Impact Assessment with a view to publishing a more detailed account of how Draft Budget decisions impact on different groups, and that an updated SIIA is laid before the Senedd at least two days before the debate on the Final Budget scheduled for 8 March.

Recommendation 2. We recommend that the Welsh Government enables other public, private and third sector bodies to benefit from its work, and the data gathered, by committing to an open source data policy for the work of the Equality Evidence and Data Unit.

²² Welsh Government, [Budget Expenditure Line 2022-23](#)

²³ Record of Proceedings, paragraphs 99 – 100 – 24 January 2022

²⁴ Written evidence to Finance Committee, [Chwarae Teg WGDB 22-23.11](#)

We welcome the commitments made in the Budget Improvement Plan around expanding the Government's approach to gender budgeting. In terms of our own approach to budget scrutiny – we will seek to build on this year's experiences in forthcoming budget rounds.

We also commend the examples provided of how spending decisions contained within the Draft Budget align with the well-being of future generations goals. It is also helpful that using the well-being goals has been clearly identified as a longer term tool in the Budget Improvement Plan. We hope to see progress in all the areas identified in the Plan during the course of the Senedd term and look forward to seeing more detail in due course.

Measures such as additional funding to tackle period dignity are also welcome. However, an overall lack of detail as part of the current budget process on how the Welsh Government intends to take forward the work of implementing Chwarae Teg's Gender Equality Review (which includes 'Deeds not Words') need to be highlighted.

Recommendation 3. We recommend that the Welsh Government provides more detail regarding how it will fund implementation of the Gender Equality Review ahead of the debate on the Final Budget scheduled for 8 March.

3. Key issues within our portfolio

This section highlights some of the key issues within our portfolio that arose during the budget scrutiny process. Not all areas covered by the Committee are included and some topics will be progressed in other ways, for example through wider forward work programme discussions.

Cost of living

26. The Draft Budget was published in the same month that the UK recorded the highest inflation figures in thirty years at 5.4 per cent (for the consumer prices index).²⁵ The forthcoming anticipated and ongoing rising costs of living – and the challenges they would pose to

²⁵ Office for National Statistics, [Consumer price inflation, UK: December 2021](#)

households and individuals – were a key area of concern during our inquiry into debt and the pandemic.

27. The Draft Budget contains a number of measures aimed to help alleviate hardship including an additional £1.7 million to expand the Single Advice Fund (SAF) and income maximisation activities. The funding will increase welfare benefit and debt advisor capacity and enable the delivery of awareness raising initiatives.²⁶

28. The Welsh Government has allocated an additional £7 million in each year from 2022-23 to 2024-25 for the Discretionary Assistance Fund (DAF). The Minister's response to the Committee's report on debt and the pandemic stated that the overall allocation for 2022-23 is lower than for either of the two previous financial years, and noted that:

*"Although less than the previous two financial years, this is still higher than the pre-pandemic budget level, reflecting the financial impact the last two years have had on individuals and their families. Although the budget will be less, I am seeking to maximise the impact of the fund by building in triage and referrals to other support in order to have a longer term impact on the financial wellbeing of those applying to the DAF, and to make the fund more sustainable."*²⁷

29. When questioned on the rising costs of living the Minister highlighted the DAF and the SAF as key tools in combating the pressures currently being caused by inflation.²⁸ In relation to the DAF, she stated that the Welsh Government is reviewing the allocation; however the demand-led nature of the fund causes difficulties. The Minister highlighted the importance of the link between the DAF and the SAF, as advice and support to those applying for the DAF includes checking other benefit entitlements and advice on other potential causes of financial problems.

30. The Minister also drew attention to evidence from the Institute for Fiscal Studies that low income households will face a £290 real terms fall in benefit income as a result of a Treasury decision to link next year's rise to the inflation rate in September rather than December. As a result the Minister has written to her counterpart the Secretary of State for Work and Pensions calling for a 6 per cent uplift to benefits in April of this year.²⁹

²⁶ Equality and Social Justice Committee, Draft Budget Paper – 24 January 2022

²⁷ Welsh Government, Response to Equality and Social Justice Committee – 5 January 2022

²⁸ Record of Proceedings paragraphs 58 - 60

²⁹ Ibid.

Universal Basic Income Pilot

31. The Draft Budget contains allocations of £5 million in 2022-23, £10 million in 2023-24 and £5 million in 2024-25 to meet the costs of a Universal Basic Income pilot.³⁰ The Minister explained that the purpose of the pilot was to “ensure young people in the pilot get all the support they need to give them the best possible chance to make their way in life.”³¹

32. The Basic Income Pilot was also stated by the Minister to be aligned to: ‘A Wales of cohesive communities’ and ‘A More Equal Wales’ well-being goals.³²

33. One area of uncertainty is whether the Department for Work and Pensions will co-operate with the Welsh Government or whether the basic income payments from the Welsh Government will lead to a corresponding cut in any payments made by the Department for Work and Pensions. The Minister confirmed that the Welsh Government were “doing our best to try and seek co-operation with the Department for Work and Pensions” but that details were yet to be finalised and that an announcement could be expected in the coming weeks.³³

34. In the House of Commons Committee on 8 December 2021, the Welsh Affairs Committee heard evidence from the UK Government about the benefits system in Wales, including on the UBI pilot. The UK Government Minister for Welfare Delivery’s official told the Welsh Affairs Committee that the Welsh Government has been in touch to discuss the pilot, but that more detail is required from the Welsh Government before the UK Government can decide how the pilot would interact with the tax and benefits systems.³⁴

Preventative spend

35. The Welsh Government’s budget for 2019-20 was the first with a commonly agreed definition of preventative spend. Our predecessor committee took an interest in preventative spending and noted that “much of the discussion has been focused on inputs, as opposed to outcomes and impact”.³⁵

³⁰ Equality and Social Justice Committee, Draft Budget Paper – 24 January 2022

³¹ Record of Proceedings, paragraph 63 – 24 January 2022

³² Equality and Social Justice Committee, Draft Budget Paper – 24 January 2022

³³ Record of Proceedings, paragraphs 65 – 68 – 24 January 2022

³⁴ Welsh Affairs Committee, Oral evidence: The benefits system in Wales, 8 December 2021, Q252

³⁵ Equality, Local Government and Communities Committee, Draft Budget 2020-21

36. Contributors to the focus groups broadly supported the Welsh Government commitment to preventative spending but felt that this needs to be evidenced, prioritised, supported and funded (in the Budget).³⁶

37. Examples of preventative spending include the £31 million allocation in the Draft Budget to homelessness prevention. This is in part to support local authorities with the cost of emergency temporary accommodation needed as a result of the pandemic.³⁷

38. When asked about how the government measures the effectiveness of preventative spending (for example in the context of health inequality) the Minister acknowledged that this could be “quite challenging” but added that the equality data unit would have a key role in gathering data and monitoring impact across government.³⁸

Our view

This Budget comes at a critical time for people in Wales with many facing a set of economic challenges that our recent report on debt referred to as “a perfect storm”. Rising costs of living are likely to hit households across the country as we emerge from the pandemic, with the most disadvantaged likely to experience the greatest hardship. While we fully acknowledge that many of the levers to combat potential hardship particularly tax, welfare and benefits are not devolved, the Welsh Government does play an important and necessary role in this sphere. We therefore expect the Welsh Government to continue to consider the wider economic circumstances and the financial pressures on individuals and households in finalising its spending plans, and also assessing which areas may require prioritisation or re-prioritisation in the months ahead. We also reiterate the need for the Welsh Government to continue raising awareness of the support that it provides, and for a strategic approach to tackling poverty across all areas of devolved activity.

For our part, two significant areas of our work so far have had an important tackling poverty dimension to them and we hope to continue in that vein as part of our work on fuel poverty.

Recommendation 4. In response to rising rates of inflation, which the Bank of England expects will be sustained in the coming months, the Welsh Government should keep under review allocations designed to help alleviate poverty (such as the DAF and the SAF) for the

³⁶ [Summary of focus group sessions](#)

³⁷ Welsh Government, [Draft Budget 2022-23](#)

³⁸ Record of Proceedings, paragraph 121-123 – 24 January 2022

poorest and most disadvantaged in our society and should prioritise and/or re-prioritise funding as may be necessary.

We are concerned by the potential prospect of the Basic Income Pilot and its benefit to Wales being undermined by a countervailing cut to any benefits payments made by the Department for Work and Pensions to recipients involved in the pilot.

Recommendation 5. We recommend that both Welsh and UK governments work together to find a pragmatic solution whereby Wales does not lose out financially and which enables the Basic Income pilot to take place. We urge this action by both governments on behalf of the care experienced young people that the pilot is ultimately designed to help.

We welcome the emphasis on preventative spending contained within the Draft Budget. However, difficulties in effectively measuring impact and outcomes of spending decisions are likely to hamper efforts to target scarce resources. We would like to see the Welsh Government commission independent, expert research and advice to improve how we measure the effectiveness of preventative spending. This work should draw on international examples and best practice and should conclude before the Budget process for 2023-24 begins in December of this year.

Recommendation 6. We recommend that the Welsh Government commission independent, expert research advice to improve how we measure the effectiveness and impact of preventative spending measures. This work should draw on international examples and best practice and should conclude before the Budget process for 2023-24 begins in December of this year.

4. Other issues

Funding the Well-being of Future Generations Act

39. We are the first Committee to have the Well-being of Future Generations Act as an explicit part of its remit. The Future Generations Commissioner has called for her budget to be reassessed in light of the level of support needed to change public sector culture, and has highlighted the disparity in funding between her office and that of other Commissioners on several occasions.

40. The Minister's paper states the Welsh Government received the Future Generations Commissioner's Budget Estimate for 2022-23 on 29 October 2021. It outlines this as a needs-

based budget application. It is currently being considered by officials who will advise the Minister for Social Justice on it by mid-January 2022. The Commissioner's budget was £1.509 million in 2021-22, and currently remains the same for 2022-23.

Funding for other Commissioners

41. In a similar vein to the representations of the Future Generations Commissioner, the Children's Commissioner wrote to us (and the Children, Young People and Education Committee) to express concerns around her flat budget allocation stating that:

*"The figure assessed as necessary for the organisation to continue to function for the next year was £1,695,765, leaving a shortfall of £115,765 in year from the £1,580,000 that is proposed. With a projected 'flat budget' for the two subsequent years as well, this presents a significant challenge to the financial sustainability and performance of the organisation in its current format."*³⁹

Our view

We have only recently agreed an approach to scrutinising the Future Generations Commissioner. It is likely to entail regular dialogue between officials and a pattern of annual scrutiny sessions during which we can consider some of the issues raised in the Draft Budget process in more detail. Our first scrutiny session with the Commissioner is on February 7th, and we can use that opportunity to discuss her concerns around funding allocations.

As the concerns of the Children's Commissioner cut across our portfolio and that of the Children, Young People and Education Committee – we have agreed a joint letter to the Minister by our respective Chairs requesting a response to the Commissioner's specific concerns and for assurances on the way forward.

³⁹ Correspondence from the [Children's Commissioner for Wales regarding Budget scrutiny 2022-23](#) - 14 January 2022
