

WELSH GOVERNMENT RESPONSE TO RECOMMENDATIONS FROM THE FINANCE COMMITTEE REPORT:

SCRUTINY OF WELSH GOVERNMENT THIRD SUPPLEMENTARY BUDGET 2020-21

Recommendation 1

The Committee recommends that the Welsh Government continues to press the UK Government for clear, systematic changes to the funding process in relation to the structure of UK fiscal events.

Response: Accept

In line with the previous recommendations by the Finance Committee I agree it is necessary to continue to highlight to the UK Government the importance of providing the Devolved Governments with greater certainty and clarity in relation to the timing of UK fiscal events given the impact this has for our respective budget procedures including parliamentary scrutiny. Most recently, the impact this uncertainty creates has been illustrated by the UK Budget which made significant adjustments to our budget for this financial year after we had published, and the Senedd had approved, our Final Budget 2021-22.

This ad-hoc approach to public finances extends to the UK Government's failure to deliver promised multi-year settlements in recent spending reviews, frequent funding announcements which often do not provide new money, reversal of previously announced spending decisions such as with the Levelling Up Fund and refusal to provide the additional budgetary flexibilities in the Fiscal Framework despite the exceptional circumstances.

I welcome the Committee's continued efforts to press the UK Government on these issues, as demonstrated in the Finance Committee's recent evidence session with the Secretary of State for Wales.

Recommendation 2

The Committee recommends that the next Welsh Government continues to publish Outturn reports to the same level of detail as that published by the current Welsh Government in the 2019-20 report.

Response: Accept in principle

Any report on 2019-20 Outturn would be a matter for the next Welsh Government. However, I believe an incoming Government would be keen to provide the same level of transparency as I have done, in line with the protocol between the current Welsh Government and the Senedd.

Recommendation 3

The Committee recommends that the Welsh Government confirms that the funding provided to local authorities is taking full account of the differential impact of COVID-19 on local authority incomes.

Response: Accept

Funding to support local authorities with the financial impact of COVID-19 is provided for additional costs and loss of income. Funding is managed on a claims basis through the local government hardship fund so reflects the varied make up of local authority income streams. Claims are reviewed against a set of principles by a panel with the relevant expertise including external members who have previously been local authority section 151 officers. Welsh Government has supported local authorities with £190m of lost income during 2020-21.

Recommendation 4

The Committee recommends that the Welsh Government confirms that the additional funding provided within the Third Supplementary Budget for the Discretionary Assistance Funding and Third Sector response fund fully reflects the impact on different areas and organisations within the Third Sector.

Response: Accept

The Discretionary Assistance Fund

The Discretionary Assistance Fund (DAF) is a procured service delivered at a national level with criteria applied consistently throughout Wales. Awards are determined by the need presented in an application. We know some areas of Wales have higher levels of poverty than others, and our data shows that this is reflected in the awards made, with the highest number made in comparison to population size, being within Merthyr Tydfil, Blaenau Gwent and Newport local authorities.

Our partner network which relies on the Third Sector organisations, operates pan Wales and remains key to the DAF reaching the most vulnerable people who need this support.

The additional £14.9m invested in the DAF during in 2020-21 has enabled Welsh Government to support the large increase in applications due to COVID-19 and also relax the rules concerning the number and frequency of Emergency Assistance Payment (EAP) awards due to COVID-19.

Between the periods 18 March 2020 when COVID-19 recording began, up to 18 March 2021, a total of 215,475 emergency cash payments have been made via the DAF totalling almost £14.2m, of which 177,161 quote COVID-19 as a cause, amounting to more than £11.76m.

On 2 March, Welsh Government announced an additional £10.5m, increasing the DAF budget from £12.7m to £23.3m in 2021-22. This will continue the unprecedented support we have made available to those who need it most.

We are keen to address people's wider issues at the time they present to DAF and so will also be including a number of expert advisors to work with clients, and enhance the service. This will be key in identifying and supporting people who may be eligible for more benefits than they are currently claiming when they apply to the Fund.

The DAF is a demand led fund and as such we will continue to closely monitor and review as necessary.

Third Sector

We recognised that the Third Sector in Wales has played a vital part in the response to the COVID-19 pandemic and will have an equally valuable role in our fair, just and green recovery.

The additional £4.7m in funding for the Third Sector Response Fund was used as follows:

- The Third Sector Resilience Fund provided support for voluntary organisations to survive the crisis and to adapt and improve their organisations to be better prepared for future shocks.
- The Voluntary Services Recovery Fund provided grants to enable voluntary sector organisations to carry out volunteer led activity to support the most vulnerable in our communities through the continuing crisis.
- The Infrastructure Enabling Fund provided additional support for Third Sector Support Wales (TSSW) our infrastructure organisations in Wales (the Wales Council for Voluntary Action and the nineteen County Voluntary Councils). This support enabled them to maximise their capacity to respond to the crisis and to support the volunteering response and other voluntary sector organisations seeking help and advice.

This approach was developed in partnership with other strategic funders (e.g. National Lottery, Lloyds Foundation, Wales Funders Forum) to respond to the needs of communities, especially the most vulnerable and those people who have been disproportionately affected by COVID-19, and third sector organisations.

In addition our third sector infrastructure has been instrumental in enabling the volunteer led response. Having the infrastructure in place meant that the response was delivered quickly and was well co-ordinated. TSSW members have worked with voluntary sector organisations, Welsh Government, local authorities, health boards and others to help ensure the vulnerable were supported. They also supported voluntary sector groups including the many new COVID-19 response groups which sprung up across Wales. TSSW members provided advice on governance and carried out DBS checks to ensure both vulnerable people and volunteers were safeguarded.

This is why we are pleased to say we have also secured a modest uplift in the core funding for TSSW in 2021-22. This 10% uplift is costing £450,000 and represents the first real terms increase in funding for the sector in over a decade. We hope that this increase will be maintained in the next Senedd term.

Recommendation 5

The Committee recommends that the Welsh Government provides an update on discussions with the UK Government regarding funding for investment infrastructure into Welsh ports.

Response: Accept

I have now received a response from the Chief Secretary to the Treasury to my representations in regards to the funding for the infrastructure and ongoing operations needed at the Welsh border following our exit from the EU. HM Treasury has agreed in principle to fund additional costs associated with the inland sites in 21-22 via a reserve claim. The Treasury has also recognised our concerns about the substantive ongoing operational costs for these facilities and has confirmed this will be addressed in the upcoming spending review. The UK Government should meet the additional costs of this significant and entirely new function directly resulting from EU exit and which forms an important part of the Great Britain-wide biosecurity infrastructure which will underpin an important element of future trade deals.

Recommendation 6

The Committee continues to be concerned on the lack of detail on the UK Shared Prosperity Fund and urges the Welsh Government to continue to pressure the UK Government to ensure a fair funding settlement for Wales.

Response: Accept

The Welsh Government continues to raise its concerns with UK Government in relation to the UK Shared Prosperity Fund (SPF). In particular, that Wales should not be a penny worse off, that devolution should be respected, and that monies to replace EU funds should be allocated in full through the Devolved Governments and successful structures that already exist. Most recently, I issued a joint statement with other Devolved Finance Ministers on 24 March calling on the UK Government to enter into meaningful engagement and to respect the devolved arrangements. While the Secretary of State for Wales has asserted to the Committee an openness to the possibility of genuine engagement, Ministers and officials from the Ministry of Housing, Communities and Local Government leading on the SPF have refused to engage in any substantive discussions.
