

Submission to the Senedd Finance Committee

By email

10th January 2024

Dear Peredur,

Thank you for the opportunity to contribute to the Finance Committee's scrutiny of Welsh Government's 2024/25 Draft Budget, ahead of my evidence session next week. I wrote to you late last year outlining my approach to analysis of this draft budget recognising the difficult financial period facing Welsh Government, public services and communities across Wales.

In my letter, I noted that I have recently published [Cymru Can](#), outlining the work programme for my term as Commissioner. This has been shaped by listening to people, communities and organisations across Wales about what is important to them in the long-term. I set out five missions to focus my time as Commissioner. These are: Implementation and Impact; Climate and Nature; Health and Well-being; Culture and Welsh Language; and a Well-being Economy

Analysis of the Welsh Government's annual budget is one of the ways that I intend to monitor progress as I move forward with each mission. I will want to see how these priorities are being addressed to understand whether public spending is aligned with what's important to the people of Wales. However, as my team and I are only at the beginning of that journey, for this year's draft budget analysis, I am focusing my attention on my over-arching mission to ensure the effective implementation and impact of the Well-being of Future Generations Act (WFG Act).

My analysis of the 2024/25 draft budget

Key findings:

1. The information provided alongside the draft budget is not sufficient to demonstrate that the WFG Act is considered comprehensively by Welsh Government in drafting its budget.
2. Despite broad recognition of the current challenges facing communities and public services across Wales, the documents do not provide assurances of the meaningful consideration of ALL five ways of working outlined in the WFG Act as well as in Welsh Government's own statutory guidance.
3. There is increased transparency within the narrative and the Strategic Integrated Impact Assessment (SIIA) this year around the impact of decisions. However, the documents lack analysis of the long-term impacts and detailed evidence of how the involvement of public bodies and other people affected by the budget has helped with assessing the potential impact.
4. On the basis of the evidence provided, it appears this budget has failed to maximise the opportunity afforded by the WFG Act to think and act differently. The transformational change needed across the public sector to deliver on the Well-being Goals, rather than being advanced, could be made more difficult by this draft budget.

Context – the Budget and the Well-being of Future Generations Act

Our country's recent experience is of crisis budgets in the public sector year after year. A series of challenging situations, from exiting the EU to a global pandemic and geopolitical unrest, are all influencing the cost of goods and services and having a major impact on the lives of people here in

Wales and elsewhere. The WFG Act provides us with the impetus and opportunity to maintain a long-term view as we navigate through turbulent times like these.

The impacts of the dual crises of the climate and nature emergencies are already being felt here in Wales, with far worse yet to come, which means the challenges to our budget are not likely to go away any time soon. It is my view that we need a long-term shift, to keeping people and planet well, across a wide range of public services working together as part of a longer budget setting process.

We need budget decisions that fix problems now and for the long term. We need an emphasis on spending that prevents problems from occurring. It is simply not sustainable to continue trying to deal with the symptoms. I am here to both challenge and support the Welsh Government, and other public bodies in Wales. Cymru Can work together to identify root causes and long-term solutions.

During the [Section 20 review](#) that my predecessor undertook in 2022 to assess the application of the WFG Act within the Welsh Government, a single recommendation was made, and accepted, which was to develop and deliver a [Continuous Learning and Improvement Plan](#). The Review highlighted the attention that was needed on ensuring the WFG Act is considered and communicated in all decisions taken by Welsh Government, with an emphasis on the five ways of working and Welsh Government's public sector leadership role.

The Continuous Learning and Improvement Plan set out some positive changes that Welsh Government has made to the budget process in recent years including:

- Reforming the Budget Advisory Group for Equality (BAGE) and setting up the new Budget Improvement Impact Advisory Group (BIIAG) which has been reviewing the approach to assessing the impact of budget decisions and the SIIA.
- During the 2022-23 Budget process and Welsh Spending review a collaborative approach was taken to align funding with delivery of the Programme for Government which contains the Welsh Government's well-being objectives.
- Progress in various areas of the Budget Improvement Plan, as reported within the plan, including on carbon and nature impacts, gender budgeting and distributional impacts.
- Publishing the Wales Infrastructure Investment Strategy (WIIS) underpinned by a zero-based approach to capital expenditure to address the climate and nature emergency as part of the 2022-25 Welsh Spending Review.

The Section 20 Review also highlighted the importance of evaluation. The report discussed the need for further work to evaluate and monitor the impact and efficacy of the budget.

My findings

The basis of my analysis this year is to look for evidence of how the Welsh Government has applied the WFG Act in the process of budget setting. The analysis has considered all papers published as part of the [Draft Budget](#) announcement on 19th December along with feedback I have received from a range of public bodies that fall under the Act. I would note that this was not a formal exercise to gather views from public bodies, more a snapshot from a cross section of organisations.

The annual budget is arguably the biggest single annual decision undertaken in the Welsh public sector, so it is imperative that it is delivered in a way that ensures the well-being of current and future generations. I also expect the Welsh Government to demonstrate leadership in applying the WFG Act effectively. My assessment has produced four key findings:

Finding 1: The information provided alongside the draft budget is not sufficient to demonstrate that the Well-being of Future Generations Act is considered comprehensively by Welsh Government in drafting its budget.

- The suite of budget documents repeatedly states that the WFG Act has been used to underpin the budget process and that this is set out in various places, mainly in the Budget Improvement Plan (BIP). However, the evidence for this is not clear from the documents as published. This lack of information also makes it very difficult for other public bodies to follow their example, aligned with the principle of One Welsh Public Service.
- Of particular concern is that I am unable to assess **how** Welsh Government has considered:
 - a. All five ways of working
 - b. The National Indicators and Milestones
 - c. The impact of the budget on its own well-being objectives and steps
 - d. The impact of the budget on the ability of public bodies and Public Services Boards to implement their own well-being objectives and steps
 - e. The impact of the budget on long-term trends
 - f. The Well-being of Wales Report.
- I welcome the reference in the Budget Improvement Plan to a forthcoming review of how to improve existing processes across Welsh Government to identify and develop better spending proposals, to improve capabilities and help to prioritise decisions that more clearly align with the well-being goals and ways of working and explore opportunities to improve longer-term planning.

Finding 2: Despite broad recognition of the current challenges facing communities and public services across Wales, the documents do not provide assurance of the meaningful consideration of ALL five ways of working outlined in the Well-being of Future Generations Act and the expectations set out in Welsh Government's own statutory guidance.

The five ways of working

The WFG Act requires that Welsh Government acts in accordance with the sustainable development principle in making decisions to deliver on its well-being objectives. By its own definition in [Shared Purpose: Shared Future](#), statutory guidance on the Well-being of Future Generations (Wales) Act 2015 (SPSF1), in order to act in this manner, they must take account of the five ways of working. However, I am disappointed by the weak interpretation of the five ways of working evident in this year's budget narrative.

Financial Planning is specified in SPSF1 as one of the corporate areas of change. The guidance is clear that application of the five ways of working will address the tendency for short-term priorities and administrative process to overtake long-term interests. Use of the five ways of working is expected particularly in terms of delivering for the long term and facilitating preventative actions.

The Budget Improvement Plan provides a welcome indication that long-term and preventative thinking are still an evolving part of the budget development process, however, I would expect that by now, seven years in, they would be far more embedded in current budget setting. I also have concerns as to why the timeline for budget improvement includes a focus on long-term and prevention but does not do the same for the other three ways of working – involvement, collaboration and integration - which must equally be applied to the process.

Maturity Matrix for the implementation of the Well-being of Future Generations Act

I have assessed progress with the five ways of working using the process section of the [WFG Act Maturity Matrix](#). This was developed as part of the Future Generations Commissioner for Wales' [Section 20 Review](#) into how Welsh Government is implementing the WFG Act. The matrix plots whether the actions taken by a public body suggest:

- No change or no evidence of implementation
- Simple change
- More adventurous
- Owning Ambition
- Leading the way

I used the information provided in the documents published by Welsh Government alongside the draft budget. While this could not be as full and detailed as the self-assessments we encourage public bodies to do collaboratively in their own teams, it has provided me with an indication of where Welsh Government's budget process would likely to be placed in such a self- assessment exercise.

As we are now seven years in to the WFG Act, it is my expectation that Welsh Government should be aiming to lead the way and demonstrate to other public bodies how to effectively make decisions using the framework of the Act. It is my view that progress towards this is insufficient.

Long-term – our assessment is 'Simple Change'

Of particular concern is the absence of information to demonstrate meaningful long-term thinking. While Welsh Government has mentioned several long-term trends and challenges of the future, it isn't clear that they have considered the longer-term impact of their overall budget strategy to ensure that they are not stacking up problems for future budgets to deal with, when there is no guarantee that the budget context will be any easier.

Leading the way on long-term according to the Matrix would demonstrate that:

- Resource allocation responds to potential long-term risks and opportunities
- Processes prioritise long-term actions and outcomes improving the four dimensions of well-being in the long-term and ensure adequate balancing of short, medium and long-term needs.

It is my view that based on the published documents, use of long-term thinking only reflects a 'Simple Change', for example:

- Some consideration of trends
- Limited use of futures techniques but not consistent
- Addresses only current needs and pressures.

The long-term way of working is core to delivering in line with the sustainable development principle and must be a key part of the approach to budget setting. The Budget Improvement Plan (p7) says that Welsh Government has worked with the Budget Impact Improvement and Advisory Group (BIIAG) to take forward an approach where spending proposals are developed that balance long-term benefits against short-term needs. I have not seen evidence which explains how this approach is implemented.

The Welsh Government says that for long-term "...we have needed to act in the short term to protect the core services on which people rely to ensure they are sustainable into the future."

The actual definition of long term is “The importance of balancing short-term needs with the need to safeguard the long-term needs”. It is therefore our view that while long-term is a consideration at this stage, it has not been embedded as a way of working for the current budget round.

Prevention – our assessment is ‘Simple Change’

The prevalence of crisis situations in recent years means that now more than ever we need to be investing in preventative approaches so that we mitigate future problems and are better equipped to deal with them. The previous commissioner made a series of recommendations to the Welsh Government on prevention in [a paper in 2018](#). I therefore have concerns as to why the process of embedding prevention into the budget process has not yet materialised.

Leading the way on prevention according to the Matrix would demonstrate the following qualities and these are some areas where I would expect to see improvement:

- Top-slicing budgets for preventative action
- Prioritising use of resources for long-term even if it limits ability to meet some short-term needs
- All challenges considered from a system wide perspective
- Dedicated resource for future scenario planning and associated society development and prevention/disaster planning

It is my view that based on the published documents, use of preventative thinking only reflects a ‘Simple Change’, for example:

- Generic commitment to having a preventative approach
- Definition of prevention agreed but not included in internal policies and guidance
- Spending mainly on acute matters (firefighting)
- Aware of some root causes but still addressing mainly symptoms.

The national milestones are there to assist with decision-making. They are designed to help us look to the long-term so that we can act where needed now. The Welsh Language Commissioner, in their submission to Finance Committee, made it clear that any cuts coupled with the impact of inflation could impact on the ability for Wales to meet the ambitions of Cymraeg 2050, so this is an example of where we are not seeing consideration of the milestones in the Draft Budget documents.

There is evidence of progress in embedding prevention into the budget process through ongoing work with BIIAG which has been exploring using biodiversity as an area to pilot ideas. The documents say that subject to the findings from this work, *“a whole budget approach to preventative activity will be explored, testing practicalities, and identifying the conditions needed to do this effectively across the whole organisation.”*

This makes it clear that there is currently not a whole budget approach to prevention in place. There is unfortunately evidence throughout the budget documents of preventative spend being reduced and there is little evidence of analysis of the longer-term impact of this which will have the potential to increase demand on services in future years – where there is no guarantee of the budget context being any easier.

On prevention, the Welsh Government says that *“...within the extremely challenging settlement we have had to act to prevent the worst impacts to core services. While it has not been possible to avoid all negative impacts we have ensured as far as possible we mitigate direct impacts to people and places.”*

The actual definition describes how acting to prevent problems occurring or getting worse may help public bodies meet their objectives. There is a further breakdown of the definition of prevention which has been agreed with the Welsh Government, and as part of work to develop preventative thinking, the BIIAG has looked again at this definition and found it to be fit for purpose for further embedding a preventative approach to budget setting.

Collaboration – our assessment is between ‘more adventurous’ and ‘owning ambition’

There is evidence of a growing collaborative approach to budget setting. This involves engagement with the BIIAG group and with the Commissioners, for example. However, feedback we have received from public bodies would suggest that some have not been formally involved in the process.

Leading the way on collaboration according to the Matrix would demonstrate the following qualities and these are some areas where I would expect to see improvement:

- Ring-fenced budgets for collaboration
- Collective impact on tackling long-term challenges
- Processes co-designed with staff and partners

It is my view that based on the published documents, use of collaborative approaches reflects a position somewhere between ‘more adventurous’ and ‘owning ambition’, for example:

- Stakeholder mapping undertaken.
- Formal external channels for sharing practice and learning.
- Various formal and informal routes for sharing good practice.

One of the ways that WG seems to have focused on collaboration in recent years is through working with the BIIAG which it established in 2022. The group had previously existed under a different name (BAGE) to advise on the SIIA with a focus on equalities however this evolved and broadened along with the group’s name change. Welsh Government says it continues to consult BIIAG about how improvements can be made and how best to communicate the SIIA through the annual budget process.

I also welcome the fact that the Welsh Government is engaging with other governments who are seen to be leaders in impact assessment through the Well Being Governments Network (WeGo). The learning from this network is seen as essential to supporting the ‘evolving and improving’ of their approach to impact assessment.

Welsh Government says that on collaboration “...as we move beyond this Budget, we will work with our wider partners to deliver on our plans and support them in meeting the challenges posed by this fiscal context.”

The actual definition speaks to acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives. Collaboration must be a core part of the budget process during the decision-making period, not ‘beyond’ it. However, there is welcome emphasis in the budget narrative that one of the principles of this budget includes ‘...to work in partnership with other public sector bodies to face this financial storm together’.

Feedback we have heard from a public body in Wales is that they have not been consulted during the process on what impact the budget might have on their ability to deliver on their well-being objectives.

Integration – our assessment is ‘Simple Change’

The integration way of working is about the well-being objectives set by the Welsh Government in its Programme for Government, ensuring that the decisions it is taking to deliver on those has no detrimental effect on its other well-being objectives, the seven Well-being Goals, and the ability of other public bodies to deliver on their well-being objectives. We would expect to see a degree of collaboration with other public bodies to minimise this risk.

Leading the way on integration according to the Matrix would demonstrate the following qualities and these are some areas where I would expect to see improvement:

- Evidence of systematic integration of goals, objectives and steps
- Transparent governance process building trust between public and government
- All financial processes and decisions led by consideration of the national goals and long-term well-being objectives of the organisation
- Investment in understanding interconnections of issues, objectives and solutions internally and externally.

It is my view that based on the published documents, application of integration only reflects a ‘Simple Change’, for example:

- WFG Act is only referred to as a consideration, but no working out is evidenced
- Budget process and allocation only allows for new actions that are considered pilots or on a small scale that will not have an impact on a population level
- No consideration or integration with the Well-being Goals for Wales
- Little evidence of how well-being objectives (of Welsh Government and of others) are being considered.

On integration, Welsh Government says: “...we have maintained our approach of understanding the integrated impacts of the choices we are taking. In deploying our limited funding we have considered where funding can be allocated to achieve the best possible impact balanced against the negative impacts of needing to reduce funding in other areas.” The definition of integration in the WFG Act requires considering how the public body’s well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies.

I welcome reference in the Narrative (p.28) to further sources of evidence that have been considered including the Wellbeing of Wales Report, the five-year Future Trends report and the annual report on the Socio-Economic Duty alongside working with its own Equality, Race and Disability evidence units.

The Budget Improvement Plan (p.3) says that through the work of the 2024/25 Budget, Welsh Government has continued to explore how to improve its integrated approach to budgeting, understanding intersectionality and the unintended impacts of spending decisions. However, the Budget Improvement Plan timeline only includes explicit actions against the ‘Prevention’ and ‘Long-term’ ways of working.

Involvement- our assessment is ‘more adventurous’

Involvement must be a core part of the budget process from the outset, improving transparency and involving a wide range of voices of people who are impacted by budget decisions. Involvement should enable those people to meaningfully help shape and inform those decisions.

Leading the way on involvement according to the Matrix would demonstrate the following qualities and these are some areas where I would expect to see improvement:

- Trust and confidence in the public sector strengthened and people are more engaged in the democratic process
- Tailored involvement methods and techniques
- Systems and technology used to ensure an ongoing conversation with the diversity of people affected by the work that can help contribute to the goals and organisational objectives, in order to ensure greater involvement and transparency

It is my view that based on the published documents, use of involvement approaches reflects a position 'more adventurous', for example:

- Evidence of moving away from consultation to other methods of involvement
- Evidence of asking people how they'd like to be involved and of corresponding change
- Open to real change as a result of involvement
- Processes encourage reaching out to children and young people

On involvement the Welsh Government says: *"...throughout this Budget we have engaged with social partners including the third sector, local authorities and Statutory Commissioners to understand the impacts of the current context to shape our spending plans."* The actual definition of involvement speaks to the importance of involving people with an interest in achieving the well-being goals and ensuring that those people reflect the diversity of the area which the body serves.

One area of progress we have seen this year is the involvement of young people in the Budget process. The Budget Improvement Plan (p5) says that "Members of the Children in Wales Youth Board have presented their initial work on the young person's version of the Budget Improvement Plan to the Minister for Finance and Local Government and the Chairs of the Senedd Finance Committee and Children, Young People and Education Committee at an event in the Senedd in September 2023. The final product will be launched in early 2024."

Through the Budget Improvement Team, we have had sight of an animated version of the BIP for young people and heard that improvements made following feedback from young people included making the content more realistic so that they were more relatable for children and young people. In future, I will be interested to see how the tool is being used to involve more young people in influencing what is in the budget.

Finding 3: There is increased transparency within the narrative and the SIIA this year around the impact of decisions. However, the documents lack analysis of the long-term impacts and detailed evidence of how the involvement of public bodies and other people affected by the budget has helped with assessing the potential impact.

Impact assessment

We welcome increased transparency around the impact of decisions within the narrative and the SIIA this year. There is a visible attempt to set out negative impacts as well as positive with a welcome reflection in the narratives where decisions have been particularly difficult.

We understand that, at the ministerial portfolio level, individual funding proposals are assessed for their impact using the WFG Act as the framework. Integrated Impact Assessments look for the effect a proposal may have across the four dimensions of well-being and also take into account how the five ways of working will be used within those proposals. This is to be commended.

However, when it come to the SIIA, we do not see the same assessment. We also importantly do not see the cumulative impact of those assessments. For example, how the impact of the decisions made plays out across the four dimensions of well-being to ensure that each is supported by this budget. I am particularly concerned that cultural well-being is disproportionately affected.

Finding 4: On the basis of the evidence provided, it appears this budget has failed to maximise on the opportunity afforded by the WFG Act to think and act differently. The transformational change needed within Welsh public bodies to deliver on the Well-being Goals, rather than being advanced, could be made more difficult by this draft budget.

During the Section 20 Review, one of the key aspects identified as needed for deepening the implementation of the Well-being of Future Generations Act was clear leadership by Welsh Government. Welsh Government also has an important role to play as a national organisation bound by the WFG Act, with influence over the budgets of public bodies, private sector, voluntary sector and general public – all of whom contribute to this journey.

Therefore, it is essential that Welsh Government creates the right conditions for new ways of working and leads the way for other public bodies in demonstrating how the five ways of working can be best applied in practice.

The budget process is a key avenue through which Welsh Government can be seen to encourage process and enable innovation, signalling clear commitment to long-term thinking and the delivery of the WFG Act. However, I am concerned this draft budget could be seen as discouraging for many and as a message that the duties in the WFG Act come second to other statutory requirements. Public bodies and Public Services Boards have committed to their well-being objectives and steps and must now consider how they can respond to this budget creatively using all five ways of working. There are some bodies that face a considerable reduction in budget that have not had the time to develop more creative solutions in response.

Welsh public bodies are now quickly having to confirm their own budgets for the year ahead. Despite the pressure they are under, I am seeing good examples of involving the citizens that they serve in this decision-making process.

While the work on implementing the WFG Act will continue, and there is still a lot of enthusiasm for it, this budget will have far-reaching consequences for both the progress of the cultural change being driven by the legislation, and for the goals the legislation sets out for Wales.

Suggested areas of further exploration by the Finance Committee:

- How the five ways of working are to be applied to the review of the SIIA due to take place in the coming year
- What the Minister expects will be different as a result of the review of SIIA. For example whether, in future, it will include an analysis of the longer-term impact of decisions, particularly those which reduce resource for preventative measures.
- How the young person's version of the Budget Improvement Plan will be used to involve young people in influencing budget decisions

- Whether the Minister would agree to a more transparent presentation of how the WFG Act has been applied in future budget rounds, including **how** Welsh Government has considered:
 - All five ways of working
 - The National Indicators and Milestones
 - The impact of the budget on its own well-being objectives and steps
 - The impact of the budget on the ability of public bodies and Public Services Boards to implement their own well-being objectives and steps
 - The impact of the budget on long-term trends
 - The Well-being of Wales Report.
- Whether the Minister shares my concern that this budget could reduce the type of innovative and bold initiatives and decisions we have applauded in the past.
- What steps are in place to evaluate the impact and efficacy of the Budget.

Yours sincerely

A handwritten signature in black ink that reads "D. Walker". The signature is written in a cursive, slightly slanted style.

Derek Walker

Future Generations Commissioner for Wales