

Communities, Equality and Local Government Committee

Date: 9 October 2014

Time: 9.00am to 9.45pm

Evidence paper – Draft Budget 2015-16: Strategic Integrated Impact Assessment

Introduction

1. To provide information to the Communities, Equality and Local Government Committee to support scrutiny of the Draft Budget 2015-16.

Background

2. The Welsh Government is committed to assessing the impact of its spending decisions on the people of Wales. At the Draft Budget 2011-12, the Welsh Government was the first UK Administration to assess the impact of its spending plans. Since then, the Government has looked to continuously improve the approach year on year.
3. The Strategic Integrated Impact Assessment (SIIA) of the Draft Budget 2015-16 was published as a stand alone document alongside the Draft Budget on 30 September 2014.

Strategic Context

4. The Programme for Government sets out the Government's commitment to develop a fairer society in which every person is able to make the most of their abilities and contribute to the community in which they live. The Welsh Government actively works to consider the impact of its spending decisions, including the impact on equality of opportunity, through conducting an impact assessment of its budget. This approach, working effectively across Ministerial portfolios and the wider public sector to deliver the outcomes we want to see for Wales, is crucial in the current financial and economic climate.
5. The Well-being of Future Generations (Wales) Bill will build on this approach and enshrine in law six, clear, unified goals for the future of Wales that we will all work to achieve – they provide a shared vision for the public sector in Wales. These are for a prosperous, resilient, healthier, more equal Wales, with cohesive communities, and a vibrant culture and thriving Welsh language.

Draft Budget 2015-16: Strategic Integrated Impact Assessment

6. Last year, the Government set out its intention to move towards a more integrated approach to the impact assessment of the budget. The Government concluded that an integrated assessment provided a more realistic assessment of the overall impact of spending decisions and recognised that, against a backdrop of reducing budgets, there is not always a single answer that will manage the impact of a decision in all areas.
7. In line with this, the Welsh Government has produced a strategic and integrated assessment of the budget, which considers equality, tackling poverty and socio-economic disadvantage, children's rights and Welsh language. This approach reflects the importance of considering the sustainability of decisions and the aims and objectives set out in the Well-being of Future Generations (Wales) Bill, including the focus on prevention, collaboration and long-termism. This integrated approach also recognises the relationship between different impacts.
8. The Government's approach under each area is set out below:

Equality

- The Welsh Government published its Strategic Equality Plan in April 2012, following extensive public engagement. The plan and the eight outcome-focused Equality Objectives within it, identify areas of deep inequality and sets out how we propose to tackle these to achieve better outcomes for the people of Wales.
- The Equality Act 2010 places a General Equality Duty on Welsh public authorities to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, as well as to advance equality of opportunity and to foster good relations between people who share a protected characteristic and those who do not. The Specific Duties, as set out in the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 are designed to assist authorities to comply with their General Duty, and includes the requirement to assess potential impacts on equality in decision making. The impact assessment of the Budget allows the Welsh Government to demonstrate that it has had 'due regard' of the aims of the General Equality Duty.
- Further underpinning the Welsh Government's commitment to equality is the duty under Section 77 of the Government of Wales Act 2006, to have arrangements to ensure that its functions are exercised with due regard to the principle that there should be equality of opportunity for all people.

Tackling Poverty and socio-economic disadvantage

- Prioritising the needs of the poorest and protecting those who are most disadvantaged and most vulnerable is critical, particularly in the current economic climate. The Strategic Equality Plan and Tackling Poverty Action Plan provide an important framework, with action to tackle poverty and action to reduce inequalities not only complementing, but also building on one another.

- Evidence shows that people with certain protected characteristics are at greater risk of living in low income households and initiatives that tackle poverty will therefore have a positive impact on those groups. We also know that certain ethnic minority groups, disabled people, lone parents (who are predominantly women), and younger people who are not in employment, education and training are more at risk of living in low income households. In particular, disabled people are disproportionately represented in both economically inactive and workless households. We will continue to identify opportunities to align the Welsh Government's Strategic Equality Plan with the objectives in the Child Poverty Strategy and the Tackling Poverty Action Plan, and support those children and families with certain protected characteristics.

Children's Rights

- In 2011, Wales became the first UK Administration to incorporate children's rights into domestic law with the introduction of the Rights of Children and Young Persons (Wales) Measure 2011. The Measure embeds consideration of the United Nations Convention on the Rights of the Child (UNCRC) and the optional protocols into Welsh law. The main duty required within the Measure, under section 1, requires Ministers to have due regard to the UNCRC. The Measure requires all Welsh Ministers to consider children's rights when exercising any of their functions. The Children's Rights Scheme 2014 sets out the arrangements we have in place to comply with the duty to have due regard to the UNCRC and reflects the on-going commitment to children's rights. The process of having due regard can range from thinking about the impact of decisions on children in the course of day-to-day work activity, through to the formal application of a structured impact assessment tool accompanied by a record of the outcome results. Ministers have considered the impacts of their spending decisions on the children and young people as part of the SIIA.

Welsh Language

- The Welsh Government wants to see the Welsh language thriving in Wales and aims to see an increase in the number of people who both speak and use the language. Welsh Language Impact Assessments are undertaken on all policy and legislative proposals taken forward. In recent years, the mainstreaming of Welsh Language issues into policy and programme delivery has meant services are developed and made available on a fully bilingual basis, with the choice on access left to service users.
- From 2015-16, in line with the duties imposed under the new Welsh Language (Wales) Measure 2011, there will be a statutory obligation on those making policy decisions to consider the effect on the Welsh language when developing policy. Work is already underway to ensure processes are put in place to ensure Welsh Government meet these standards. A key theme of the recent draft Policy Statement *A living language: a language for living – Moving Forward*, is the need for better strategic planning for the Welsh language. Government and civic society must incorporate language planning

principles into mainstream strategic planning. We want leaders to take greater responsibility for the Welsh language; and for the promotion of the language to be as central to economic development as it is to cultural activity. As such, the Well-being of Future Generations Bill will put a thriving Welsh language at the heart of defining a sustainable Wales. This will be an important milestone for the language, underlining its official status, and it will help ensure that the Welsh language is clearly part of the agenda for Wales' long-term future.

- We have taken steps to consider the impact of this year's spending plans on the Welsh language, but recognise that we are at the start of this process and that there is more work to do to embed these practices across government. We are committed to improving how we approach assessing the impact of expenditure on Welsh Language projects.

Sustainable Development

- Sustainable development (SD) underpins the Government's spending plans. This means ensuring that decisions are financially sustainable. Equally, it means bringing a strong evidence base to bear on decisions about priorities and being confident that we balance the short term implications with the longer term impact on our strategic objectives. This kind of consideration becomes more important than ever as budgets reduce and we face decisions about where to reduce spend rather than where to invest additional resources. SD has grown out of the need for a model of development that was not solely focused on economic growth, in order to respond to growing environmental and social justice awareness. Sustainable development lies at the heart of the Welsh Government's agenda for Wales and has been at the heart of its constitution since 1998.
- The Well-being of Future Generations (Wales) Bill will put sustainable development at the heart of the Welsh public services, and this means taking account of long-term effects, whether they are economic, environmental, or social. The development of the Bill will play a key role in improving our understanding of sustainable development in future as well the better integration of this work. Integral to the sustainable development principle set out in the Bill is ensuring that decisions are consistent with sustainable development behaviours: long term thinking; integration; working across organisational boundaries; focusing on prevention; engagement and involvement. These define what we mean by good governance for sustainable development in the Bill.

Draft Budget 2015-16: Key Decisions

9. The Government has considered the impact of its spending decisions as an integral part of the budget planning process. This means that, in many cases, we have already taken steps early on in the budget setting process to mitigate negative impacts. These considerations are reflected in the presentation of the SIIA, where we have sought to highlight key decisions, including those resulting in a positive impact as well as the steps we have taken to mitigate potential

negative impacts. In taking this approach, it is important that we balance our considerations between the various impact assessments in order to identify every available opportunity for mitigation. Examples of the key decisions we have taken include:

- Health and Well-being - the additional funding of £225m for health in 2015-16 responds to evidence from the Nuffield Trust. This funding will have a positive impact on all service users but particularly low-income households, as research suggests that spending on public services such as health and education reduces inequality.
- Growth and Sustainable Jobs - the additional capital of £90m, including an additional £11.2m this year, will support delivery of the Government's investment priorities. The package includes £37m for a range of housing initiatives, £2m to refurbish, expand, relocate or develop Gypsy and Traveller Sites and £5m for the new Green Growth Wales scheme, which aims to increase and accelerate energy projects to facilitate up to £500m of investment in Wales.
- Educational Attainment – the decision to maintain funding to protect schools budgets at 1% above the changes in the Wales DEL over this Spending Review period will have a positive impact on children and young people, particularly in terms of improving the educational attainment of children and young people from low income households and reducing the number of those not in education, employment or training, which are central to our Tackling Poverty Action Plan
- Supporting Children, Families and Deprived Communities - the Welsh Government is continuing its support for Universal Benefits, which contribute to the creation of a more equal society. These initiatives support the most vulnerable and disadvantaged in society and also those who narrowly miss out on means tested support.

10. The reality of reducing budgets means that difficult decisions have to be made. Equally, the focus of public expenditure means that those reductions are nearly always likely to result in negative impacts. In this context, the Government has remained committed to managing risks in a way that ensures no group faces disproportionate impacts – the integrated approach to impact assessments is vital to support that work.

11. In some cases, the Welsh Government has judged that the potential impacts were too great and changed its plans accordingly. For example, the emerging evidence from the impact assessment highlighted that demographic pressures have led to a near doubling in social services expenditure since 2001-02. These concerns have also been echoed by local government. In considering the impact of proposed reductions on local government, the Welsh Government changed its plans to respond to this evidence and allocated an additional £10m for local authorities in recognition of the pressures in social services and their contribution to the health agenda.

Preventative Spend

12. The Welsh Government recognises that making the maximum use of available resources has never been so important, particularly for those delivering public services in Wales. The Government's commitment to preventative spending, which underpins the Draft Budget 2015-16, is an integral part of sustainable policy making and is a key element in shaping the decisions made now to reduce future pressures on public services. In line with this, the Government's spending plans help to drive a shift towards preventative spend.
13. Examples of this preventative approach include the follow decisions:
 - £17.6m to support immunisation and vaccination programmes, including the seasonal flu vaccination for children and shingles vaccinations for older people;
 - £12.1m for Schools Challenge Programme;
 - £5.2m, in 2015-16, to support a range of initiatives aimed at preventing and reducing youth crime, predominantly through the Youth Crime Prevention Fund; and
 - £2.2m to support Advice Services to continue their preventative work which offers people advice and support on budgeting, debt and benefits matters, with the aim of helping people before they are in a position where they have to seek sources of funding such as the Discretionary Assistance Fund.

Evidence

14. Evidence around particular characteristics is still very limited which makes it difficult to assess accurately the potential impact of our spending decisions on these protected groups. As part of our commitment to improve the evidence base, we have undertaken a review of the evidence on inequality in Wales.
15. In conducting the review, data has largely been obtained from national and UK-level surveys (the latter disaggregated to Welsh level). In addition, administrative data and smaller surveys have also been used to fill in some of the gaps in our knowledge. It is organised broadly by specific themes (e.g. Education, Health, Transport, etc.). These themes are further broken down by protected characteristic. This structure is intended to facilitate users in rapidly locating useful information but it also serves a secondary purpose in highlighting the remaining gaps in our evidence base. The report will be published on 6 October.
16. The report is a living document, which will be updated each year as new survey data and new research becomes available. It is intended as a resource to assist consideration of equality impacts as part of the policy development process.

Engagement

17. Our approach to the Strategic Integrated Impact Assessment has been informed by recommendations from a range of stakeholders including the Assembly Committees, the Budget Advisory Group for Equality (BAGE) and the Equality and Human Rights Commission.

Budget Advisory Group for Equality

18. In the Equality Impact Assessment of the Draft Budget 2013–14 the Welsh Government committed to establishing a Welsh Government Budget Advisory Group for Equality (BAGE). This was established in December 2012 and held its first meeting in March 2013. The Group is made up of a number of internal Welsh Government representatives and external representatives from the third and voluntary sector equality organisations as well as an academic economist as an adviser appointed by Welsh Ministers.

19. The Group has a key role in supporting the continuous improvement of the Impact Assessment of the Welsh Government's Budget. It provides a forum for sharing and discussing the nature of inequalities in Wales and is a valuable source of advice and a key channel for engagement.

Membership

20. In 2012–13, the BAGE was chaired by the Minister for Finance and Government Business, who had responsibility for equality. Since July 2013, the group has been co-chaired by the Minister for Finance and Government Business and the Minister for Communities and Tackling Poverty. The following groups are represented at the BAGE:

- WEN Wales
- Race Equality First
- Stonewall
- Disability Wales
- Age Cymru
- UNCRC Monitoring Group
- Wales TUC
- WCVA
- WLGA
- NHS (Equality Lead)
- Academic Member (Caroline Joll, Cardiff Business School)
- Head of Fairer Futures, Welsh Government
- Head of Strategic Budgeting, Welsh Government

21. The Equality and Human Rights Commission (EHRC) is an independent advisory organisation and attends the group to provide advice.

Summary of Work

22. A key focus of the Group's discussions and work to date has been to provide an understanding of the Welsh Government Budget process itself, the current economic environment, and the limitations these put on our equality

considerations. This has generated a strong focus on the importance of building a solid and robust evidence base, and to ensure engagement with people with protected characteristics across Wales, so that the nature of the underlying equality issues can be identified and understood.

23. The group not only considers the evidence and impact on protected characteristics (as detailed in the Equality Act 2010), but also considers the evidence around different socio-economic groups. The Welsh Government is committed to taking this broader approach to better understand the nature of inequality and to ensure alignment with the Welsh Government's Tackling Poverty Action Plan. Topics and issues tackled at workshops during this period have included the Developing the Evidence Base for Draft Budget 2015-16, Impact Assessment Draft Budget 2015-16, How does Government spending on public services affect inequality?, the Wellbeing of Future Generations (Wales) Bill, the Tackling Poverty Action Plan and the Wales Infrastructure Investment Plan.
24. The approach to the impact assessment of the Draft Budget for 2014-15 was discussed at the Budget Advisory Group for Equality (BAGE) meetings in October 2013 and January 2014. Members acknowledged the challenge of meaningfully impact assessing the budget. The group said that the document was too long and provided too much narrative and detail. They said that they would welcome a more focused approach and an overview of the key positive and negative impacts of budget decisions. The group suggested that a substantially shorter document containing less background information, and greater use of graphs and tables would be more publically accessible. In developing the SIIA we have responded to this feedback and our approach was endorsed by the Group earlier this year.

Equality and Human Rights Commission (EHRC)

25. An Appreciative Inquiry of the Welsh Government's approach to the Equality Impact Assessment (EIA) of the Draft Budget was published in November 2012. It highlighted the Welsh Government's commitment to improving the EIA of its Budget and made positive comments regarding the progress already made.
26. The findings of the Appreciative Inquiry included a series of recommendations to improve the EIA further, including an increased focus on strategic decisions and improvements to the evidence base. The Government welcomed the recommendations when it published the Impact Assessment of the Draft Budget 2014-15. The Government has also considered the recommendations in developing its approach for the Draft Budget 2015-16, including the decision to move to a more strategic and focused document and the publication of the evidence review.

Budget Tour 2014: Priorities and Prospects

27. Over the last six months the Minister for Finance and Government Business has undertaken a *Budget Tour 2014: Priorities and Prospects*, which included a series of regional events across Wales. The tour provided an opportunity to

meet and listen to frontline staff working at the sharp end of public service delivery - in local authorities, health, housing and the Third Sector. It also included visits to projects to meet people who use these services – such as apprentices and pupils, social housing residents and parents - to find out their views on the services they receive and which matter most to them.

28. A clear message emerging from the Budget Tour was importance of continuing to focus on developing new ways of working together, focussing on prevention and early intervention to deliver high quality services for the people of Wales. This collaborative approach means closer integration of services but it also means working together to develop new and innovative solutions. In previous budgets, the Minister for Finance and Government Business has highlighted the importance of investing now to save later. This preventative approach has been welcomed throughout the Budget Tour and it is clear that we must continue, across the whole of the public sector in Wales, to shift the balance of resources towards prevention and early intervention, as far as possible. This approach will also support the delivery of high quality services in a way that is sustainable in the longer term, in line with the goals of the Well-being of Future Generations (Wales) Bill and is reflected in the Draft Budget 2015-16.

Further Information

29. This evidence paper should be read in conjunction with the Draft Budget 2015-16 Narrative and the Strategic Integrated Impact Assessment which can be found at:

<http://wales.gov.uk/funding/budget/draft-budget-2015-16/?lang=en>

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