

Future Generations Commissioner for Wales - scrutiny of the Welsh Government draft budget 2021-22

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1. Overview

My approach to providing advice on the budget process and the draft budget this year has been through focusing on key opportunities for investment in reconstructing post Covid, and specifically in a green and just recovery. This work has built on the publication of my [Future Generations Report](#), published in May 2020 which contains many ideas and recommendations related to finance and investment decisions. Also, [five specific priorities for Covid Recovery](#) published in May 2020 and my [Manifesto for the Future](#), published in November 2020, both contain a number of recommendations that link to investment priorities for the next Government.

During the past challenging year, I have welcomed the engagement from Government on the difficult spending decisions they have made, particularly through the Shared Social Partnership Forum, which the Finance Minister attended on a regular basis. Following a request from the Minister I provided advice to Government about opportunities for 'modest spend' to encourage a green and just recovery (at Annex 1), followed by additional advice focused on capital spend (at Annex 2). I am pleased that many of my ideas are reflected in the draft budget narrative.

2. My overarching views on the draft budget

I recognise the significant challenges that Government has faced in the past year and the lack of clarity they have often faced in terms of decisions from the UK Government, and it is positive that the draft budget for 2021-22 emphasises the importance of a green and just recovery.

In [Section 3](#) of this document I set out my analysis and recommendations in relation to the key changes I have seen.

- I am particularly pleased to see that spending on **sustainable travel** continues to increase – it has increased by 63% since 2019-20, alongside increases in investment in active travel, Metro and rail schemes and Electric Vehicle Infrastructure.

In terms of how this funding is delivered, Government should consider multi-year allocations for active travel schemes to enable them to be properly planned and delivered.

- I consider there have been some positive decisions made in relation to funding the **decarbonisation of homes**, building on the Optimised Retrofit Programme developed in the past year, although there is a pressing need for a longer-term plan for funding the decarbonisation of housing stock.

Government should increase investment in housing retrofit and secure multi-year long term commitments to scale up action over the next decade.

There are several other areas that I have consistently highlighted as key opportunities for a green and just recovery, in which I consider there to be a funding shortfall in the draft budget.

- The key area is investment in **skills and employability**, which has to underpin Wales' recovery from the pandemic. I think there is a particular opportunity for Government to make the links with the climate and nature emergencies and invest in the development of skills in sectors that are shown to have significant job creation for a green and just recovery. As outlined in section 3.1 I am concerned that the allocations set out in the draft budget are insufficient to keep pace with both rising demand and the rapidly changing labour market and I am recommending some specific areas for increased investment.

Government should consider how it can guarantee greater investment in skills and employability for a zero-carbon economy, particularly through enhancing access to sectors well placed for a green recovery.

- I also highlight opportunities for investment in town and city centre regeneration to support increases in remote working; for investment in the culture sector and creative industries as a core part of recovery; and further investment in nature-based solutions.

Government should ensure that investment achieves benefits in relation to as many of the well-being goals as possible – for example considering how their spending proposals for town and city regeneration can better support remote working, can involve the culture sector and can create green infrastructure.

In Section 4 I outline some areas for further consideration,

- Whilst the pandemic has been devastating and challenging in many ways, it has also brought benefits, including new ways of working innovatively, digitally and collaboratively, which have the potential to become a change in the culture of how we do things in Wales.

Government should ensure that investment across portfolios 'sustains the good' through supporting new positive ways of working when we move into recovery mode and the temptation might be to fall back to the 'old normal'.

- I am pleased that Government have started a programme of work to better understand the level of carbon emissions that result from budgetary decisions.

Government should assess the carbon impact of their spend, especially major capital spend, and publish details of the overall carbon impact of their budget and major investment and infrastructure decisions.

In Section 5 I provide some observations of the updated Budget Improvement Plan and the Distributional analysis of devolved public spending in Wales.

3. Detailed scrutiny of areas of interest

3.1 Investment in skills and training to support the transition to a better future, creating new greener jobs.

Summary of my advice

- Skills and employability will underpin Wales' recovery from the dual crises of COVID-19 and climate breakdown.
- Sectors such as construction, heating, electrical installation, areas of manufacturing and engineering, and nature restoration are shown to have significant job creation potential for a green recovery. In these sectors future demand is likely capable of supporting a workforce much larger than today. The challenge to Government and employers alike is therefore to upskill the existing workforce, rapidly expand the workforce in green growth sectors, and ensure accessibility of good quality jobs to all, including often 'left behind' communities and demographics.

In advice to Government, I suggested a number of opportunities for modest investments in relation to skills, including:

- A reskilling fund for those on part time furlough – individual support to retrain in future focused industries;
 - Urgent targeted investment to increase digital expertise and teaching in schools, Further Education and Higher Education, including through a 'workplace digital fund' to support targeted reskilling in these areas;
 - A 'Conservation Corp' enabling workers of all ages to access opportunities in the public, private and third sector related to the natural environment.
- (For a full list of what I called for please see Annexes 1 and 2)*

In response to the pandemic, additional Government investment in skills and employability was:

- July 2020 - **£40m** invested as 'Covid commitment to employability and skills', including expansion of front-line services within Working Wales and Communities for Work Plus, support for young apprentices, training support for employers to upskill and develop people, support for ReAct and the Union learning Fund. Plus the national roll out of the Personal Learning Account Programme.
- July 2020 – **£50m** funding to support Welsh universities, colleges and students, including the £27m Higher Education Investment and Recovery Fund and £23 million to support students in FE colleges and sixth forms.
- These investments represented one-off supplements to the existing budget and are reflected in the Welsh Government's Supplementary Budgets but not this draft budget.

Summary of the investment set out in the draft budget 2021-22

- Allocating additional **£21.7m** in recognition of the predicted increased demographic of 16-19 year olds in sixth forms and further education.
- Additional **£5.4m** to expand our Personal Learning Account programme to provide support for employed people, furloughed workers, or individuals at risk of redundancy to gain higher level skills and qualifications in priority sectors.
- Additional **£6.0m** to support the scale-up of the Communities for Work Plus programme who are either in or at risk of poverty, and who face complex barriers to employment and training opportunities

My reflections and recommendations

- The Chief Economist's report suggests that unemployment in Wales driven by the COVID-19 crisis could peak at around 114,000 people in 2021. This would represent a doubling on its pre-crisis level of 55,000. This is supported by recent ONS data showing the redundancy rate in Wales has more than doubled. However, this estimate, originally generated by the Office of Budget Responsibility was made prior to what could be termed the 'third wave', which has been much more severe than expected. As such, the unemployment peak could be higher still. The unemployment peak is expected to occur in the 2021-22 budget period.
- In addition to the 'typical' employment impacts of an economic recession, this crisis has two further features. First, the crisis has the potential to permanently alter the makeup of the Welsh economy, through shifts in working patterns and changes in behaviours. Second, this crisis is taking place at a pivotal moment in the transition to zero carbon, just as emissions reduction initiatives are starting to ramp up – this also signals potentially fundamental shifts in the labour market.
- In this context, skills and employability are of particular importance. Wales must ensure its workforce is equipped for the jobs available in the new economy. Wales has a package of bespoke programmes supporting employability which in some areas goes above and beyond the offer in England.
- Skills and employability policy can usefully be divided into four key policy areas:
 - i. Equipping young entrants to the workforce (e.g. youth employability schemes such as traineeships and apprenticeships)
 - ii. Educating the workforce (e.g. ensuring access to further and higher education, particularly support grant and other access programmes, including for education in older age)
 - iii. Supporting in-work training (e.g. the new Personal Learning Accounts programme and Union Learning Fund)
 - iv. Supporting workers through redundancy and long-term unemployment/inactivity with retraining and upskilling (e.g. the ReAct programme and Communities for Work)
- While I welcomed the £40m crisis uplift announced by the Welsh Government for programmes in these areas in July 2020, I note that at present the majority of this funding has not been extended in the draft 2021-22 budget.

- The £40m uplift was already less than will likely be required to keep pace with demand. Analysis which I have commissioned from the New Economics Foundation (NEF) suggests this would be sufficient to increase capacity in skills and employability programmes by around 18%, at a time when the corresponding need has already increased by an estimated 42%, and may increase further in coming weeks and months.
- In failing to guarantee even an extension of this uplift, I am concerned that the draft budget does not fully recognise the scale of the challenge for upskilling and retraining as well as the opportunity to develop skills in sectors well placed for a green recovery. There is insufficient investment in programmes which will upskill people at the scale that is needed and with a focus on the industries of the future.
- It is also crucially important that investment seeks to deliver the so called 'just recovery' and specifically to increase underrepresented groups of the population in key sectors for the future – also groups adversely impacted by the economic impacts of COVID-19. For example, my analysis suggests that in agriculture, forestry and related trades, only 25% of the workforce is female and 0.76% of non-white ethnicity. Likewise, in building construction (relevant to social housing and housing retrofit investment), 27% of the workforce is female and 5% of non-white ethnicity. The most recent Welsh Government data on apprenticeship starts shows the disparity in sectors such as construction, engineering, manufacturing and transportation – with far more males beginning apprenticeships in these sectors than females.
- I was pleased to read in 'Case Study 3' of the Budget Narrative that the Personal Learning Accounts programme is showing significant potential to address some of these imbalances. However, scale remains a challenge. Unless long-term funding is secured which supports both the costs of upskilling as well as the costs of living while upskilling, there is a risk that the inequality faced by women, BAME and disabled people will increase.
- The 2021-22 financial year is expected to be characterised by an end to the furlough scheme, and a shift of concern from job and business crisis support to job creation and long-term unemployment, with the unemployment peak expected early in the financial year. Deficiencies in national programmes such as universal credit, particularly its lack of support for skills and retraining, present a significant risk.
- Welsh Government has a significant amount of institutional experience managing employability programmes such as ReAct through the 2007-08 recession. Successive evaluations have shown these programmes to be effective, but some have seen their funding and the generosity of their offer to workers decline. With sufficient funding, and updates in programme design to meet the present moment, we know that these programmes have the capacity to enable unemployed workers to access the training they need to regain good quality employment in a changing labour market.
- **I recommend** that Government consider how it can guarantee greater investment in skills and employability for a zero-carbon economy in the 2021-22 budget and beyond. In particular:

- The Government should not only ensure that capacity meets demand on programmes such as ReAct and Communities for Work Plus, but also actively foster greater demand so as to build the Welsh skills base.
 - Capacity should be increased in programmes such as traineeships, apprenticeships, and the Union Learning Fund to deliver in target green recovery industries (construction, heating, electrical installation, areas of manufacturing and engineering, and nature restoration).
 - All programmes should be reviewed to ensure they are designed for the present context, i.e. to support workers into sectors such as care and the zero carbon transition which have significant expected jobs growth.
- **I recommend** in the 2021-22 budget Government consider increasing investment in enhancing access to sectors well placed for a green recovery. In particular:
- Ensure that investment seeks to increase underrepresented groups of the population in key sectors for the future (as set out above);
 - Increase investment in traineeships and apprenticeships for young people (as evidence implies that the group of workers most affected by the pandemic has been those aged 18-25);
 - Ensure that there are sufficient reskilling opportunities for people in-work, and particularly who are furloughed / have been furloughed (I recognise that additional investment in Personal Learning Accounts as a step in the right direction);
 - Ensure Welsh programmes such as ReAct are adequately funded to not only support education and training costs but also to provide sufficient financial support to ensure unemployed workers can maintain a good standard of living.

3.2 Investment in the large-scale decarbonisation of homes as a key opportunity to create jobs and stimulate the foundational economy.

Summary of my advice to Government

In my 10-point plan to fund the climate emergency (June 2019) I called for increased funding for housing retrofit of **£300m per year**. This would support a national retrofit programme on the basis that retrofitting homes in fuel poverty and those in social ownership could cost between £0.5-1bn per annum, with a suggested allocation of £300m from Welsh Government. Community Housing Cymru's report (Altair, 2020) confirmed £4.2bn is required for decarbonising social housing, over a period of 10 years. The 10-point plan also called for all new homes and public buildings built in Wales built to be zero carbon from 2020 – building on learning from the recent £90m 3-year Innovative Housing Programme, and requiring on-going funding of **£30m per year**.

In 2020, I emphasised key priorities for a green and just recovery, including the need to “develop an economic stimulus package that leads to job creation and supports the

decarbonisation of homes, through building new low carbon affordable housing and investing in a national programme to improve the energy efficiency of existing homes”.

In advice to Government, I also suggested a number of opportunities for modest investments in this space, including:

- Further investment to expand the Optimised Retrofit Programme with longer-term funding security;
- Scaling up financial support (incentives or loans) for homeowners who want to improve the energy efficiency of their homes and building on the energy efficiency support that has been provided over the last 10 years.

(For a full list of what I called for please see Annexes 1 and 2)

During 2020-21 there were some positive decisions – notably:

- (included in 2020-21 budget) Allocations of **£25m** capital funding to extend the Innovative Housing Programme and **£8.2m** for a carbon neutral house project within Coleg Y Cymoedd.
- October 2020: **£19.5m** commitment for the Optimised Retrofit programme (funded from three WG departments: housing, education, economy).

Summary of investment set out in the 2021-22 draft budget

- Investment in renewable energy and tackling fuel poverty with an additional allocation of **£20m** (£15m capital & £5m revenue) on top of existing budgets to maximise benefits of fuel poverty and renewable energy programmes, taking the total investment to **£40m**.
- **£27m** in social housing taking overall investment to **£200m**.
- **£5m** of capital funding in 2021-22 to take forward delivery of a Carbon Zero Pilot Project to decarbonise schools and colleges in Wales.

My reflections and recommendations

- According to my analysis it appears that whilst the Housing Support Grant revenue budget has increased by £40m, the Social Housing Grants (capital) has reduced by £23m, and the Regeneration capital allocation has reduced by £5m – it would therefore be helpful to understand what the net impact of these changes is and I will explore this with officials.
- Whilst I welcome the extra funding for the Optimised Retrofit Programme in 2020-21 (especially as three Departments have contributed which shows a welcome step in the right direction towards integrated spending decisions) and it provides an opportunity to test different solutions, a recent report for Community Housing Cymru claims that **£4.2bn** is needed to retrofit social housing in Wales over the next ten years. It is clear that the current scale of funding (**£19.5m**) is nowhere near what is required.
- Welsh Government need to explore innovative finance opportunities to plug this funding gap, working with others to identify the potential to use a combination of

- Treasury loans, Government and local authority borrowing, city region investment, green bonds and re-orientation of Welsh pension funds.
- I am currently working with the New Economics Foundation and the Sustainable Design Collective at the University of Sussex to explore innovative funding options for decarbonising social housing and homes in the owner occupied / private rented sectors. Our ideas are being tested with key stakeholders over the next few months and our findings will be shared more widely in the spring.
 - **I recommend** in the 2021-22 budget Government should increase investment in housing retrofit and secure multi-year long term commitments to scale up action over the next decade. I have also called for further investment in housing retrofit to incorporate incentives to include green infrastructure and approaches which support nature recovery.
 - I also **recommend** that decarbonisation is a central component of the core social housing grant, with requirements that the £200m investment in the 2021-22 budget will deliver carbon reductions, whilst exploring options for grant allocations to be blended with repayable finance.
 - **I recommend** that Government should double its grant funding for fuel poverty reduction through the Nest and Arbed schemes to approximately £52m per year through to 2030.
 - **I recommend** that within the next 12 months Government officials develop a 10-year plan to outline how the targets for retrofitting social housing and homes in fuel poverty will be achieved and funded.

3.3 Investment in town centres and local hubs to enable greater remote working and a better work-life balance.

Summary of my advice to Government

Many of our town and city centres were struggling before the pandemic due to the shift of big retailers to edge of town locations and the pace of digital change leading to new consumer behaviours. This has caused economic stagnation in many communities which has had many knock-on effects for well-being. The shifts we are seeing to new, locally based remote working and a focus on 'hyper local' communities are a potentially positive effect of the pandemic, and sustaining these changes offers us many opportunities to support the evolution of city and town centres, improving community resilience and well-being and contributing to all seven well-being goals.

I am pleased that Government have recognised the importance of town and city regeneration, particularly in the document 'COVID-19 Reconstruction: Challenges and Priorities' report, published in October 2020. I welcome the target Government has set for remote working, although I don't think strong enough links have been made between the

opportunities presented by sustaining remote working and the regeneration of town and city centres.

In advice to Government during 2020, I suggested specific initiatives to strengthen this link:

- Pilot remote working hubs based in communities hit hard by the pandemic. This could involve repurposing buildings as cross-sector shared working spaces and incentivising workers from certain sectors to lead the way in using them.
- Offer a fund for businesses, local authorities and other organisations to apply to undertake town centre regeneration (similar to the Cultural Recovery Fund) with a commitment to co-create solutions with the local community and creative practitioners, working in collaboration and improving health and well-being.
(For a full list of what I called for please see Annexes 1 and 2)

Summary of investment set out in the 2021-22 draft budget

- Allocating additional **£3m** revenue to support high streets, and town and city centres recognising the important contribution they make to the economy;
- Investment of **£1.4m** in a pilot approach that aligns with 'Town Centre First' approach. Public sector authorities will consider the need to put the health and vibrancy of town centres at the heart of their location strategies and investment decisions;
- Additional **£1m** FTC to WCVA's Community Asset Loan Fund, to be offered to third sector organisations who were aiming to purchase and/or improve community assets;
- Additional **£5m** FTC to support wider regeneration activities through Town Centre Loans programme, to bring vacant and underutilised buildings back into use.

My reflections and recommendations

- I welcome the investment in town and city centre regeneration set out in the draft budget, but Government have missed the opportunity to align investment with the development of remote working hubs which deliver multiple benefits and contribute to most of the well-being goals.
- Welsh Government are advancing efforts to support the cultural sector in Wales in light of the impact of COVID-19 on creative jobs, cultural organisations and institutions. In particular, a Freelancers Pledge is being established to support Public Bodies 'Build Back Creatively' and pair creative practitioners with public services. These funded projects and opportunities will help tackle loneliness and isolation, town and city centre regeneration and address mental health. Government must now ensure that the pledge is supported, which if successful would be a world first. The pledge also recognises the role creativity plays in identifying innovative and holistic solutions.
- Policy and investment should focus on:

- Supporting collaborative projects for the reallocation of space, giving priority to accessible multi-functional spaces that encourage active travel, physical activity and/or creativity and support access to nature.
 - Government playing a more proactive role in enabling town centre development, including through pooling publicly owned land. Repurposing buildings in village, town and city centres to support cross-sector shared working spaces, housing and other uses that benefit people, communities and well-being.
 - Working with the creative and cultural sector to support the regeneration of towns and cities. Cultural professionals can help with designing and regenerating communities by breathing new life into unused spaces, derelict and desolate industrial zones, to turn them into places people can enjoy.
- **I recommend** Government consider how their spending proposals for town and city regeneration can better support remote working. Specifically, the proposed investment of £1.4m in a pilot approach that aligns with 'Town Centre First' should include consideration of support for remote working hubs which utilise existing space and support local businesses.
 - **I recommend** that Welsh Government build on their Freelancers Pledge commitment and consider further what financial support is necessary for the creative and cultural sector to support the regeneration of towns and cities, recognising the importance of culture to place-making and acting to embed the cultural contribution at the heart of the public service recovery from the pandemic.

3.4 Investment in better ways to connect and move people through improving digital connectivity, active travel and public transport.

Summary of my advice to Government

In my 10-point plan to fund the climate emergency (June 2019) I called for a £240m allocation:

- Increased investment for active travel – a minimum of 10% of the transport budget (20% of the capital budget) should be allocated for funding walking and cycling infrastructure - **£60m** allocation in the next budget.
- Increase funding for public transport – at least 50% of the Welsh Government's transport capital budget should be allocated to improving public transport across Wales - **£150m** allocation in the next budget.
- Encourage uptake of low emission vehicles – approximately £295m required to 2030 (approximately **£30m** per year) which could be met by a mixture of public and private investment.

Although not specifically included in the 10-point plan, digital connectivity has an important role in supporting the need to reduce travel and has played a critical role during 2020 in support remote and agile working and learning during the pandemic.

In advice to Government, I also suggested a number of opportunities for modest investments in this space, including:

- Further support for reallocating road space to create more room for walking and cycling, and prioritising active travel in local neighbourhoods, linked to the 'Town Centre first' approach.
 - Targeted approach to prioritise 'School streets' through closing school streets to traffic, as has been done successfully in Cardiff.
 - Targeted funding for broadband in communities which have been hit hardest by the pandemic and currently have the poorest connectivity.
- (For a full list of what I called for please see Annexes 1 and 2)*

During 2020-21 there were some positive decisions – notably:

- (included in 2020-21 budget) **£59m** (37%) increase in total spending for Sustainable Travel with a total allocation of **£219m** in 2020/21 (£60m revenue; £158m capital) for concessionary fares, bus support, smart cards, youth discounted travel schemes, local transport priorities and sustainable and active travel.
- (included in 2020-21 budget) **£30m** allocation for EV transformation and supporting low emission vehicles.
- In response to the pandemic there has been a further **£15m** to support active travel, **£105m** to ensure train services can continue to operate on the Wales and Borders network and **£140m** to support bus services facing reduced fare income.

Summary of investment set out in the 2021-22 draft budget

- Total spend on sustainable travel (BEL) in forthcoming budget is **£262m** (£78m revenue (£18.6m more on bus support); £183.65m capital) which is a further £43m (20%) increase.

Sustainable & public transport

- **£275m** capital funding for Metro and rail schemes;
- additional **£20m** of capital funding for active travel bringing total investment to around £55m.

EV transformation

- an additional allocation of **£10m** of financial transactions capital, taking our total investment in EV infrastructure in 2021-22 to £38m.

Strategic road network

- total funding of **£168m** comprising capital and revenue funding.

In terms of digital connectivity, there is an additional **£4.9m** for the Centre for Digital Public Services Wales, and an extra **£2.8m** in the Public Sector Broadband Aggregation, bringing our total investment to £11.5m.

My reflections and recommendations

- Decarbonising transport remains a key challenge for Wales, with the sector currently responsible for 17% of Wales' carbon emissions; my 10-point plan in 2019 called for increased investment in public transport, active travel and electric vehicle infrastructure to support this.
- I welcome the year-on-year increase in spending on "Sustainable Travel" within the Welsh Government's budget – this has increased from £160m in 2019-20 to **£262m** in 2021-22 (63% increase). Along with increased spending on Metro and rail schemes (£275m in 2021-22 budget); investment of £55m in active travel and £38m in EV infrastructure shows considerable commitment.
- I also welcome the fact that this funding is greater than the allocation for the road network (£168m).
- The draft Transport Strategy – Llwybr Newydd – is also encouraging and places a significant focus on reducing the need to travel, as well as a clear focus on the provision of accessible active travel and public transport supported by behaviour change. The pandemic has placed significant challenges on public transport use, however there are opportunities to encourage and embed longer-term behaviour change. It is critical that the ambition set in the new strategy is realised through a strong focus on implementation and deliverable action plans.
- Digital connectivity has become increasingly critical in enabling new ways of working, supporting social and economic well-being over the last 12 months; there is a need for Government to take a holistic and multi-sectoral approach to expanding digital connectivity, recognising the key role that digital technologies play in relation to work, health, education and other areas of public service delivery, whilst also avoiding any worsening of inequalities.
- In terms of how funding is delivered, **I recommend** Government consider multi-year (3 year minimum) allocations for active travel schemes to enable them to be properly planned and delivered, as well as encouraging an integrated approach with other priorities such as town centre regeneration and local remote working hubs.
- **I recommend** that the forthcoming Wales Infrastructure Investment Plan (WIIP) prioritises support for low carbon transport infrastructure, reversing the historic focus of new capital spend on roads, as well as publishing an assessment of the carbon impact of major infrastructure investment decisions.
- **I recommend** that Government clearly explain how investment will support the ambition of the forthcoming Digital Strategy for Wales which is that "people in Wales experience modern, efficient and streamlined public services and at the same time stimulate innovation in our economy and support outcomes today and for future generations."
- **I recommend** that in 2021-22 Government invest in a universal basic digital infrastructure, giving every community access to high-quality broadband, targeting funding for broadband in communities which have been hit hardest by the pandemic

and currently have the poorest connectivity and expand the offer for all schools in our communities to provide an appropriate digital device for every child and young person in education.

3.5 Investment in cultural and creative industries, involving them in building back better and enabling them to become a core part of communities and public services.

Summary of my advice to Government

We have seen that the cultural sector and creative industries have been some of the most vulnerable industries to the economic consequences of the pandemic, and many countries have pledged financial help to assist cultural professionals and businesses. Many freelancers who cannot count on contracts and commissions have lost their livelihood as they cannot rely on the safety nets of regular employment.

In August 2020 I called for Government to provide a basic income to pay artists a basic living allowance and help Wales recover from the pandemic. I was pleased when Government then introduced a £7m Freelancers Fund in September, which was funding targeted specifically at those in the freelance sector hit hardest by the pandemic. The first fund of its kind in the UK, it included the opportunity for freelancers to sign up to a 'Freelancer Pledge' which will ensure that creative practitioners are supported to work in partnership with public bodies, addressing challenges such as loneliness, mental health and town and city centre regeneration. I believe that we are more likely to identify better solutions if we continue to support collaboration in this way. I further believe Welsh Government should seek to adopt this approach across its spending priorities – in ways that address short-term and long-term challenges. More support is needed to ensure that the Freelancer's Pledge is realised.

My advice to Government in October 2020 included the following proposals related to the culture and creative sector:

- Greater investment in the Cultural Recovery Fund, providing additional support for all freelancers.
- Establish a Creative Solutions Fund which will ensure that Public Bodies are supported to pay freelancers for any additional work associated with Covid-19 recovery - addressing challenges such as loneliness and isolation, mental health and community cohesion.
- Establish a fund to facilitate and support creative agents to work with schools online to enable the creative learning that has been limited during lockdown. This will be important in the context of the new curriculum for Wales and creative content could potentially help with the challenge of delivering more formulaic lessons through online platforms.

Summary of investment set out in the 2021-22 draft budget

- Additional capital funding of £8m to support the key tourism and creative sectors within our economy, and to provide funding to our sponsored bodies to maintain the estate and undertake a range of decarbonisation and digital transformation programmes, and support biodiversity.

Whilst this is a welcome investment, there is little mention of the importance of the cultural sector and creative industries to Welsh life and in particular to our recovery from the pandemic. The pandemic has seen innovative responses from the cultural sector to challenges such as loneliness and isolation, using museum collections in care homes and funding theatre and music practitioners to perform with older people on doorsteps. It is interesting (and somewhat counter intuitive) to note that the Wellbeing in Wales report states that *'The percentage of people who feel lonely fell in 2019-20 (15%) compared to 2016-17 (17%). More recent data from the monthly National Survey for Wales from May to September 2020 so far shows that loneliness has fallen further (to 11%) although data are not yet available for the autumn and winter periods'*.

It is positive to see this brief reference in the Strategic Integrated Impact Assessment: *"Tourism, culture, sport and language also contribute to wider economic, social and environmental outcomes for people in Wales, including mental and physical health and community cohesion. Recent Welsh Government research³⁶ identified that health and well-being factors were positively impacted depending on individuals' access to arts and culture."* However, I do not consider that this recognises the importance of viewing culture as a core part of our well-being.

My reflections and recommendations

- Consideration of the role of culture must be at the heart of how we recover from the pandemic, because it is part of how we live and important for our mental well-being (especially in times of stress and isolation) and because there is the risk that cultural institutions will disappear from our communities without sufficient support.
- I do not consider that the draft budget currently gives culture the central role it deserves, and this lack of priority plays out in delivery at many levels.
- Government should provide long-term funding and policy commitments to the cultural sector and creative industries across Wales, positioning them as a core part of public service delivery. This should reflect recognition of the importance of culture for the improvement of health and well-being, particularly as part of recovery from the pandemic.
- It is important that cultural agencies including Cadw, Visit Wales, Creative Wales and national bodies like Arts Council of Wales, National Museum Wales and the National Library are enabled to work together to better make the connections between how culture and language are addressing key issues such as the climate and nature emergencies.
- **I recommend** that Government considers how it can provide long-term funding and policy commitments to the cultural sector and creative industries across Wales,

positioning them as a core part of how our public services and communities respond to the pandemic.

3.6 Investment in nature to help achieve a biodiverse natural environment and ensure people have access to a wildlife rich natural world.

Summary of my advice to Government

In my 10-point plan to fund the climate emergency (June 2019) I called for increased funding of **£221m** in the next draft budget to support land use and nature-based solutions, specifically:

- Radically increase tree cover over the next two decades – requiring investment of approximately **£16m** per year over the next 10 years.
- Support adoption of low carbon agricultural practices and re-thinking land-use practice – **£300m** per year is currently provided to support agriculture and rural development.
- Promoting nature-based solutions and green infrastructure in all developments; the cost of meeting current environmental land management priorities in Wales is estimated to be **£205m** per year.

In my Future Generations Report I call for Welsh Government to commit to large-scale habitat restoration, creation and connectivity throughout Wales, which includes setting statutory targets for nature recovery and specific species recovery measures to help prevent extinction.

In advice to Government this year, I also suggested a number of opportunities for modest investments in this space, including:

- Establish a Conservation Corp/National Nature Service as country-wide movement for action to restore nature whilst building the regenerative economy and creating jobs.
 - Increase investment in the National Forest in order to radically increase tree cover
 - Incentivise city and town centre regeneration to incorporate biodiverse green infrastructure and nature-based solutions, enabling more people to access high quality green and blue space and supporting nature recovery.
- (For a full list of what I called for please see Annexes 1 and 2)*

Summary of investment set out in the 2021-22 draft budget

- Allocations of an additional **£5m** for biodiversity and the National Forest, taking the overall budget to **£32m** in 2021-22 to build on programmes including:
 - o supporting the restoration of Natura 2000 and other protected sites;
 - o continuing investment in the restoration of our Peatlands through the National Peatland Action Programme (NPAP)
 - o £5m to continue development of the National Forest.

My reflections and recommendations

- We know we are facing a nature crisis as well as a climate emergency, and my 10-point plan called for increased investment of £221m in land and nature-based solutions to address these. Nature-based solutions have to be a core part of a green and just recovery from the pandemic.
- I welcomed the £48m capital allocation in the 2020-21 budget to fund protected sites, national forest, peatland restoration and other initiatives. Although the headline figure within the 2021-22 budget narrative is lower at £32m, analysis of the BEL tables indicates that there hasn't been a significant change in capital spending with a small increase in revenue spending on nature of around £5m. I realise that this has been a challenging year, but the nature crisis has not gone away so I urge Government to ensure that funding is at least maintained (year on year) if not increased.
- It is disappointing not to see any reference, or connection, to the excellent work that has been undertaken by NRW's Green Recovery Taskforce over the last six months, at the request of the Minister for Environment, Energy and Rural Affairs. This group has brought together a range of expert organisations and stakeholders to develop proposals that would support a green recovery, and have identified nine opportunities including:
 - reskilling and retraining programmes to equip people with the right skills for future jobs,
 - nature & wildlife tourism opportunities,
 - reinforcing the positive behaviours people adopted through lockdown,
 - reconnecting people and nature, making quality green space more accessible, particularly in deprived urban communities,
 - low carbon retrofitting of housing and public buildings,
 - reducing environmental risks through nature-based solutions, such as tree planting and restoration, building the resilience of protected sites,
 - building the resilience of the Welsh food system and growing food locally and
 - developing alternative financial models and instruments to incentivise investment in the green recovery.
- Many of these proposals would only require very small-scale funding and Government should consider identifying potential allocations to facilitate implementation of these proposals.
- Linked to the skills priority, jobs in nature conservation (both marine and terrestrial) represent a sector with the potential and need to grow; there is also a need to invest in green apprenticeships in truly sustainable industries to enable skill development and entry into what have been highly competitive work areas. Wales TUC suggest that an investment package for 13% increase in forest cover through reforestation at an investment of £390m would create 3,613 direct and in-direct jobs over the next two years.
- **I recommend** Government consider identifying allocations to facilitate the implementation of the proposals put forward by NRW's Green Recovery Taskforce.

- **I recommend** Government consider opportunities for investment in 'green apprenticeships' to enable skill development and entry into sustainable industries that will be a key part of a green and just recovery (linked to the first priority on skills).

4. Areas for further consideration

4.1 Investment supporting innovation and “sustaining the good” that has resulted from different ways of working

Whilst the pandemic has been devastating and challenging in many ways, it has also brought benefits, including new ways of working innovatively, digitally and collaboratively, which have the potential to become a change in the culture of how we do things in Wales. It is fundamentally important that these ways of working are not lost when we move fully into recovery mode, when the temptation might be to fall back to the ‘old normal.’

My Future Generations Report sets out the twin-challenges of the ‘what’ and the ‘how’ in relation to the implementation of the Well-being of Future Generations Act. In the context of the draft budget this is about what will be funded, but also how funding will be allocated in ways that contribute to all the well-being goals and take account of the five ways of working.

If investment will ‘sustain the good’ that has resulted from new ways of working, this could be identified and explained in the section of the draft budget focusing on investment for ‘Change’ and key opportunities include:

- *Ensuring that services are future focused and prioritise prevention*

Government has a responsibility to lead the way and take steps to ensure that positive new ways of working are supported to continue. Whilst this does not solely rely on funding, I can see very limited recognition of this in the draft budget. Government and other public bodies should be seeking to learn lessons from the pandemic and response to it.

Government’s investment in homelessness support is a strong positive example of where this is happening, building on the success of the emergency response and seeking to embed this into longer term policy and funding approaches. I am aware that some funding for homelessness in 2019-20 has focused on using the time that a greater number of rough sleepers have been in emergency accommodation to work with them to try to prevent them returning to sleeping rough. I hope that this additional funding will continue these approaches. I am pleased to see an additional £40m for the Housing Support Grant and an extra £4m for the Homelessness Prevention Grant which, as is set out in the draft budget, are important steps towards Government’s long-term goal of ending homelessness.

However there does not appear to be specific allocations or consideration for how this could (and should) be done in other areas – for example how to build on the rapid digitisation of health services and the significant importance of the community response to the pandemic. It is likely that both these areas (and indeed others) will require policy attention and investment if the benefits are to be maintained.

For example, investment in health has grown significantly which is understandable given the nature of the pandemic but the NHS response has exposed learning about new strengths and weaknesses about 'pre-pandemic' approaches to service delivery. Above all there is very little doubt that the next public health crisis will be the impact of a deep recession and further austerity on people's health, as according to the World Health Organisation the single most important indicator of someone's health is their income security and social protection. Consequently, investment in health must shift to prioritising prevention – key recommendations in my Future Generations Report and Manifesto for the Future include:

- Chapter 3 'progress against the well-being goals', section on 'A Healthier Wales' –
 - *Welsh Government should develop a national wellness system to improve the nation's health and wellness and reduce demand on services.*
 - *Welsh Government should change funding arrangements across sectors and services to encourage collaboration to keep people well and reduce demand – using increased investment in preventative activities as a first step.*
 - *Welsh Government should explore new approaches to investment in prevention, including whether funds raised from new taxes (such as the potential social care levy) could be used for investment in prevention.*
- Chapter 2 'leadership and implementation of the Act'
 - *Welsh Government should appoint a Minister for Prevention, with responsibility for taking a whole-government, coherent and evidence-based approach to investment in prevention.*

Whilst the sections of the budget on investment in health mention transformation and prevention, I do not consider that enough priority is being given either to sustain the good changes that have taken place or to meet the scale of the public health challenge that lies ahead of us.

For example:

- (In relation to transformation) Paragraph 6.10 sets out that *"We will also allocate £25m in supporting the transformation of services. We will continue our investment in preventative programmes and prioritise digital programmes. These will include national data, digital wards, prescribing, and eye care and we will continue to explore further digital transformation and targeted support to maintain essential services. During the pandemic, the use of technology has been accelerated across Wales, not only by embedding new ways of working but by improving access to healthcare advice from homes. These new ways of working are providing services out of the hospital setting and show how digital technology can empower patient care."*

I do not consider additional investment of £25m is sufficient to embed genuinely transformative changes across the NHS, when put in the context of the entirety of NHS funding in 2021-22 which is £8.4bn. I would like to see this investment scaled up alongside greater clarity on how the broader health system will embed new ways of working and prioritise the prevention of ill health.

- (In relation to mental health and prevention) Paragraph 6.17 says *“Recognising the impact that the pandemic has had on many people’s mental health and wellbeing, we are allocating an additional £20m within Health and Social Services to increase support across a range of areas. We will raise our commitment under A Healthier Wales for the Mental Health Service Improvement Fund through doubling our funding from £7m to £14m, and providing increased support for frontline non-clinical services, all age crisis support and memory assessment services.”*

In addition to tackling the increasing levels of mental ill health that are linked to the lockdowns, priority must be given to investment in the interventions that evidence shows will prevent mental ill health, including skills and employability, education, housing, access to green space and physical activity. Whilst I acknowledge these broader determinants of health are mentioned in paragraph 6.21, I do not consider that enough priority is being given to preventative approaches which consider the wider determinants of health, across the £8.4bn of investment in health.

- *Ensuring that new approaches to community and public sector collaborative working are not lost*

There is now widespread evidence and growing recognition that community action has been crucial to our society’s response to COVID-19, and in particular supporting our most vulnerable. Evidence also indicates that developing community capacity and nurturing greater cross-sector collaboration could play a crucial role in our long-term recovery from this crisis. It could also help build a healthier more sustainable society in line with the aspirations of the Well-being of Future Generations Act.

Before the pandemic struck many communities and community-based organisations across Wales described public sector ways of working as being a key barrier to greater collaboration and mutual understanding. Their experiences of working with public bodies were often characterised by poor communication, lack of trust, risk aversion and silo working.

But in many parts of Wales the response to coronavirus has changed this picture, leading to improved understanding, decision making and collaboration between communities and public bodies. And as we face more lockdowns, a deep recession and further austerity it is more important than ever to build upon this innovative joint working and not blindly return to ‘business as usual’. It is imperative that Government puts in place ongoing policy and financial resources to ensure that new ways of working and the development of positive relationships between public services and communities continues.

To do this I support the call from [Building Communities Trust](#) for Welsh Government create a £4.5m Communities Challenge Fund (based on the Foundational Economy model) that will support communities and public bodies to explore, develop and build upon these new and emerging ways of collaborative working.

4.2 Carbon impact appraisal

In its 2020-21 budget the Welsh Government highlighted a £140m capital allocation to address the climate and nature emergencies, with targeted investment at measures “*which current evidence supports as being the areas where Welsh Government can have the greatest impact to deliver our first carbon budget*”. My own indicative analysis of the 2020-21 budget also suggested that key spending lines related to decarbonisation had risen by approximately 28% compared to the previous year (see Table 1 below), suggesting good progress from the Welsh Government in tackling the climate emergency.

To put these figures in context, in December 2020, the UK Committee on Climate Change (UKCCC) published its [latest advice](#) for Welsh Government including its recommendation for Wales to have a Net Zero target by 2050.

- This will, according to the UKCCC, involve a large, sustained increase in investment across Wales, worth around £3bn annually by 2030.
- Key investment areas will include low-carbon power, retrofit of buildings and the added costs of batteries and infrastructure for electric vehicles.
- If this investment were to be apportioned between the Welsh Government, UK Government, and Welsh private sector according to their respective contributions to Welsh GDP, the Welsh Government’s share of this investment would equate to around £700-800m annually – a significant increase on the Government’s estimate in 2020-21.
- Some of the required investment is expected to have a financial return to the investor, which means that the *cost* of the transition to net zero is only estimated at 0.5% of GDP by the UKCCC.
- As identified by the Chief Economist in his 2021-22 report, the Welsh Government’s share of this cost could amount to around £100m.
- However, this should not be seen as a traditional cost, as the cost of inaction on climate change is believed to be considerably greater.

The UKCCC also suggest that the majority of the required increase in investment can, and should, be delivered by the private sector. However, achieving this will require supportive policies constructed to give long-term clarity to consumers and confidence to investors. The precise divide between private and public investment is a political choice: there will be a strong push from the private sector for the most costly or ‘loss generating’ components of decarbonisation to be pushed onto the Government. Indeed only an aggressive legislative environment could prevent this from being the case. In this context the Welsh Government may wish to pursue a more active investment policy in other, more profitable, aspects of decarbonisation so as to protect its financial position and to ensure a return to future generations of Wales and the Government’s long-term investments in education, employability, innovation and other forms of business support - notably recent pandemic rescue loans and grants.

Despite the positive progress in the Welsh Government’s 2020-21 budget, there was no holistic impact assessment of the net carbon impact of the budget. This meant it is not

possible to say whether current investments, when taken in aggregate, support or undermine carbon reduction progress. I have previously highlighted Welsh Government investments, such as road infrastructure, which are expected to result in a net increase in greenhouse gas emissions. In my advice to Government last year I recommended they **forensically analyse every aspect of their expenditure, especially capital spend, in terms of carbon impact and publish details on the overall carbon impact of their budget** in a 'Carbon Impact Account'. My suggestion was echoed in Recommendation 16 of the Senedd Finance Committee's report on the draft budget 2020-21:

Recommendation 16. The Committee recommends that the Welsh Government develops an understanding of the carbon impact of the budget and its spending decisions, and looks at how it can meaningfully demonstrate the carbon impact of future budgets.

Decisions made as part of the annual budget process should be supported by transparent assessments of carbon impact so that people can clearly understand whether funding is leading to an increase or decrease in emissions. I've also recommended that future Welsh Government financial budgets need to clearly align with the carbon budgets from 2020 onwards to ensure that the actions needed to achieve our targets are backed up by investment.

Key recommendations in my first Future Generations 2020 Report are that the Welsh Government should:

- Set out a long-term investment plan of how they will fund the climate emergency and support more ambitious commitments and targets for sectors within their control.
- Assess the carbon impact of their spend, especially capital spend, and should also publish details on the overall carbon impact of their budget and major investment/infrastructure decisions.

This year I am pleased to see that Government have started a programme of work to better understand the level of carbon emissions that result from budgetary decisions; with provisional analysis provided on estimating the greenhouse gas (GHG) emissions association with the expenditure undertaken under the Health and Social Care Major Expenditure Group (MEG) in 2020-21 which is approximately £9.9 billion.

Their initial estimate indicates that the spending under the Health and Social Care MEG would contribute to 1.56Mt (mega tonnes or millions of tonnes) of CO₂-equivalent greenhouse gas emissions from Wales, equivalent to around 4.0% of Wales' total territorial emissions in 2018.

The report by Cardiff University (provided within the Chief Economists' report) represents a scoping study into measuring Welsh Government spending decision impacts on Welsh carbon emissions using a macroeconomic approach utilising input-output tables. This approach takes a top-down view of the economy which, as the authors report, suffers from significant limitations. The approach taken differs from the recommendations I have made

in a number of key ways: I recommended taking a bottom-up, project-by-project approach utilising the existing frameworks for government appraisal of project or policy carbon emissions (as set out in guidance documents such as the Green Book and Transport Analysis Guidance, TAG).

A precursor to the approach I recommended would be to review whether project and policy appraisal protocols, e.g. undertaking carbon impact assessments, are being followed correctly across Welsh Government, and collating such appraisal documentation in a single central inventory. From such an inventory an annual carbon impact account might be developed. I recommended that such an account might focus initially on capital spend as some of the most important decarbonisation investments are likely to arise as capital spending.

As I recognise that my proposed approach is potentially labour intensive, the development process might be simplified by initially focusing only on new projects and initiatives, and on investments above a certain threshold in value. The key objective is to ensure that all major investments, ranging through grants and subsidies, infrastructure and other capital spend, and ultimately service delivery are trending downwards in their net emissions. The granularity required to achieve this aim is likely to be difficult to achieve through a macroeconomic input-output led approach, especially with the data limitations set out by the study's authors.

My team has repeated their indicative analysis of the decarbonisation spending in the 2021-22 budget; this analysis suggests that once again key spending lines have increased, this year by approximately 25% (see detail in Table 1 below). We recognise this is strong progress and includes new spending on energy efficiency in buildings, active and sustainable travel, and maintenance of spending in ecological restoration. Given the challenging national context this progress is to be applauded. However, until effective carbon impact assessment is routinely conducted, and results are aggregated and published in an annual inventory, we cannot be sure whether Welsh Government decisions are reducing its own emissions at the rate required to meet carbon budget requirements or international climate obligations.

- **I recommend** again that Welsh Government, as a matter of urgency, needs to assess the carbon impact of their spend, especially major capital spend, and publish details of the overall carbon impact of their budget and major investment and infrastructure decisions. This level of transparency will support Wales in developing a position as an international leader in low carbon transition, ultimately helping to access the community well-being, jobs, and business prosperity which will result from such a position.

Table 1: FGC analysis of decarbonisation spend

FY	Total budget	Estimated spend, based on BELs			% of total budget		
		Tier 1	Tier 1+2	Tier 1+2+3	Tier 1	Tier 1+2	Tier 1+2+3
2019-20	£18,411,079,000	£385,108,000	£847,602,000	£1,881,665,000	2.09	4.60	10.22
2020-21	£19,827,218,000	£494,741,000	£996,508,000	£2,065,147,000	2.50	5.03	10.42
2021-22	£21,099,139,000	£619,651,000	£1,148,476,000	£2,389,356,000	2.94	5.44	11.32
% increase 2020-21*		+28.47%	+17.57%	+9.75%			
% increase 2021-22*		+25.25%	+15.25%	+15.75%			

* compared to previous financial year

Tier 1: Spending directly targeted at achieving decarbonisation (e.g. renewable energy, sustainable and active travel, biodiversity and other nature restoration).

Tier 2: Spending lines in which we are confident that at least a small portion (of unknown size) of the spending line is targeting decarbonisation (e.g. regeneration, wider work of Natural Resources Wales, and the resource efficiency and circular economy budget).

Tier 3: Spending lines where decarbonisation could be a target, but due to current guidance and legislation this is not yet fully realised (e.g. housing grants, business innovation funds, local government capital funding).

4.3 Progressive use of taxation powers

Several sections of my Future Generations Report refer to the use of tax raising powers to invest in long-term preventative activities, including:

- Chapter 3 'progress against the well-being goals', section on 'A Healthier Wales' – *Welsh Government should explore new approaches to investment in prevention, including whether funds raised from new taxes (such as the potential social care levy) could be used for investment in prevention.*
- Chapter 5 'areas of focus', section on 'Land use planning and placemaking' – *Welsh Government should continue exploring how financial levers (including the newly devolved stamp duty tax and green finance funding for major infrastructure projects) can be used to bring back adequate resource in planning.*
- Chapter 5 'areas of focus, section on 'Skills for the future' – *Welsh Government should use taxation powers and the economic contract to incentivise entrepreneurs, large businesses, micro-businesses and SMEs to work directly with schools as part of a Wales wide programme.*

In the draft budget I am therefore pleased to see Government starting to make use of devolved tax powers to tackle long-term challenges, specifically through raising the threshold of land transaction tax which should generate £13m to be invested in social housing.

I expect to see further consideration of how these powers can be used to generate funding to put in place preventative approaches to other long-term challenges.

5. Budget Improvement Plan and distributional analysis of devolved public spending in Wales

I note the publication of the updated Budget Improvement Plan, which includes an update on planned improvements, and I am pleased that improvement of the budget process continues to be a priority for the Minister for Finance and her officials. In particular I welcome the progressive approach that is starting to be taken to taxation (see section 4.3 of this evidence) and I note the work officials have put into explaining some of the impacts of decisions being made at a fast pace through the supplementary budgets in 2020-21.

My key concern when the Plan was initially published in 2019 was that many of the actions were not sufficiently ambitious, and this continues to be my concern, particularly in relation to prevention and decarbonisation. My views on decarbonisation are set out in point 4.2 above. The pandemic has shone a spotlight on the levels of inequality and ill health in our communities, and the need for approaches that focus on primary and secondary prevention are more necessary than ever to prevent these problems from worsening over the next generation. There are a number of actions on preventative spend set out in the Budget Improvement Plan that I would expect to be accelerated under the new administration in light of our experiences this year, including:

- *“(subject to incoming administration and overall budget settlements), pilot an approach to allocate specific funding dedicated to preventative activities, identifying best practice to inform future year plans.”* (This is currently an action for the period 2022-2024)
- *“(subject to findings from previous work) explore how a whole budget approach to preventative activity could be best supported and consider potential evaluation to test practicalities and impact of shifting spend towards preventative activities, and the conditions to do this effectively across the whole organisation.”* (This is currently an action for the period 2023-2024).

I welcome the publication of the ‘Distributional analysis of devolved public spending in Wales’ and even with their stated limitations the results are interesting and pose further questions in relation to the links to the prevention agenda and impact on different population groups. I also welcome Government’s commitment to explore analysing the beneficiaries of public spending by metrics other than income, including protected characteristics.

I note that the document says *“The inclusion of preventative spend is not well suited to this form of analysis. It can be considered a form of social investment, reducing the need for spending in the future. However, while potentially worthwhile, those future benefits are very difficult to capture in distributional analysis of public spending. The beneficiaries may well differ from those who are currently identified as receiving a public service.”* I think that

connections between this distributional analysis and the prevention agenda needs further scoping, for example:

- The analysis suggests more resource spending on health is attributed to people in the lowest income quintiles than average. Whilst this is positive, evidence suggests that people with lower incomes are far more likely to have poor health and need interventions from the health service. The question Government should be asking is how overall spending on keeping people well, for example through addressing the wider determinants of health (including income security, education, housing and access to green space), is attributed to people in the lowest income quintiles and whether the current approach is sufficiently progressive to reduce health inequalities.
- The analysis suggests that schools resource spending is found to be progressive with respect to income, and this would seem to be consistent with the evidence supporting much of investment in education being categorised as primary and secondary prevention.

By email

23/10/2020

Dear Rebecca and Jeremy,

I welcome the recent publication of *'COVID-19 Reconstruction: Challenges and Priorities'*, which sets out a clear set of reconstruction priorities for the remainder of the Government's term.

It was positive to see, for example, the links being made between embedding home/remote working together with the new Wales Transport Strategy, putting a strong emphasis on minimising the need to travel, and spreading the demand for public transport and enabling active travel as an investment in public health. I was also encouraged to see the support from your 'Our Future Wales' consultation for placing the Well-being of Future Generations Act principles at the heart of the recovery.

The broad scope of the Act has given me a unique insight into Covid-19 recovery work across several Ministerial portfolios, and on various themes. And my office and I have been working to better understand and help facilitate join-up between the various groups and networks focused on response and recovery.

While we await more detail on exactly how Wales will invest and deliver against the 8 priorities set out in the report, the purpose of this letter is two-fold:

- To outline what I believe are key opportunities for investment and delivery, as discussed with your Strategic Budgeting department.
- To share my insight (to date) of the Covid-19 recovery work across Government and beyond, and potential solutions to how we can help address the short-term recovery and longer-term challenges of Covid-19 through the way in which we work.

The details around potential investments are outlined in part 1 below, but the headline areas for these focused policy and investment interventions are:

1. Urgent, targeted investment to increase the digital expertise and teaching in schools, Further Education and Higher Education, including a 'workplace digital fund' to support targeted reskilling in digital.
2. Support for FE and HE courses related to key industries for the future – such as through funding for a Construction Wales Innovation Centre.
3. Establish a Conservation Corp/National Nature Service.
4. Greater support for apprenticeships in trades that will help us to meet opportunities of the green transition, with targeted interventions towards women in STEM, BAME communities, disabled people and those furthest from the labour market.
5. Invest in digital infrastructure in communities hardest hit and with poorest digital capabilities.

6. Expanding the offer for schools in our most deprived communities to provide a digital device for every child.
7. Pilot remote working hubs and support the development of a 'working local allowance' to enable public sector workers to work whilst supporting the foundational economy.
8. Further investment to expand the Optimised Retrofit Programme including additional incentives to include green infrastructure and approaches which support nature recovery as part of the retrofit scheme.
9. Further support for reallocating road space to create more room for walking and cycling, including a targeted approach to school streets and revenue support for local authorities to recruit the necessary staff to undertake this work.
10. Increase investment in the National Forest and provide further investment to connect active travel routes to the coastal path and historic sites.

With regards to your request for advice on the areas where Government should stop spending, I have outlined in my Future Generations Report areas where spending should be re-profiled, e.g. reduce spending on road infrastructure and increase spending on active travel.

However, it is difficult for me to provide advice on what Welsh Government should stop without access to a more detailed understanding of budget lines for particular policies and proposals. I would be very willing to have conversations with you and/or your officials and other Ministers to provide feedback on areas of spend which you are particularly interested in reviewing, if this is appropriate.

I would welcome your views on this, together with the information enclosed, and hope we can continue to work together and make the most positive impact for Wales.

Yours Sincerely,



Sophie Howe

Future Generations Commissioner for Wales

Covid-19 Reconstruction: Opportunities for investment and ways of working to address the short-term recovery and longer-term challenges

Part 1: Key opportunities for investment and delivery

Following discussions at the Shadow Social Partnership Council and between our teams, I have considered key areas for recovery where modest levels of investment could make a big difference in moving towards a recovery focused on well-being and pave the way for more significant investment in due course.

The following ideas build on the priorities I outlined in my statement about investment in resetting our economy in May 2020, the eight priorities for reconstruction you have recently outlined in 'COVID-19 Reconstruction: Challenges and Priorities', and are in the areas I consider will have the greatest impact across all seven well-being goals.

1: Invest in skills and training to support the transition to a better future, creating new greener jobs

What we know/where are the opportunities

It is clear we are only at the start of seeing how the pandemic will change our economy and that the risks of unemployment that are being felt across our communities are likely to worsen. Some estimates are that around 120,000 people in Wales may be unemployed by the end of this year. There are particular concerns about the impacts felt in the arts, hospitality, recreation and entertainment sectors.

Wales TUC estimates almost 60,000 jobs could be created in Wales in the next two years through Government investment in infrastructure and green industries. In some cases, there is a significant mismatch between the skillset of the population and the skillsets required to drive a green transition. Key opportunities include:

- Upgrading broadband infrastructure and rolling out fibre broadband across Wales (1,014 direct jobs)
- Reforestation and land management (2,895 direct jobs)
- Increasing demand for digital skills and innovation, accelerated by the changes to life and work brought on by the pandemic.

What we don't know and where are the challenges

While we know broadly the potential number of jobs, we need more sophisticated mapping of exactly what these may be in the short term (0-5 years), medium term (5-10), long term (10 years plus) and to understand how current skills planning is supporting these pathways.

We need to better understand how we want society to be in a post-pandemic world and the key sectors or industries that need to be developed or supported, and therefore need skilled workers. For example:

- Decarbonisation of industry and construction (homes, schools and other buildings)
- Digital infrastructure and broadband rollout

- Scaling up renewable energy generation
- Remote working hubs and town centre regeneration

I am doing a piece of work with New Economics Foundation and the Wales TUC exploring the skills gaps that exist in relation to key green transition sectors.

The emerging evidence from this work is showing a mismatch between the skills pipeline and the labour and capital required to meet the key opportunities above.

- There were between 360 and 490 apprenticeship starts per year since 2012-13 in the category of 'electrotechnical frameworks.' To meet the opportunities of upgrading broadband infrastructure and rolling out fibre broadband across Wales, there needs to be a rapid scaling up of these numbers of entrants in order to meet the needs of a digitally connected nation. The scale of this skills shortage is even greater when viewed alongside other elements of a green recovery. For example, electric installation jobs would also be needed for rural electric vehicle charging points, solar panel retrofit of social housing and retrofit of public buildings.
- Meeting the opportunities for reforestation and land management would also require a major influx of trainees into the forestry sector. There were only 675 jobs in Wales in sectors associated with forestry and currently, the apprenticeship system does not seem to be producing trainees in this sector. Since 2012-13, there have been between 20 and 65 starts per year in work-based training under on relevant category and between 30 and 50 starts per year under the Horticulture category.
- The same applies to digital skills and innovation. Comparing the four-year periods of 2011-2015 and 2015-2019, there were only an additional 57 apprenticeship starts in ICT. Within Further Education, there has been a 62% drop since 2013-14 in learning activities in ICT – 21,000 less learning activities in 2018-19 than there were six years ago.

The skills shortage is evident in Further Education too. There has been an overall decline in people enrolled in Further Education courses. The skills pipeline relevant to a green transition (subjects such as construction, planning and the built environment) have all been affected - in 2012-13 some 21,380 people were enrolled on such further education courses but by 2018-19, this had fallen to 14,355.

Longer term, policy and investment should focus on

- **Working with schools, businesses, FE and HE to ensure that young people have the skills needed for the industries and sectors of the future.**
- **Increased funding for learning and skills to prepare workers for the transition and provide a clear pathway to new jobs.** Wales TUC suggest the establishment of a targeted 'skills for transition' fund, which should be free to workers and aimed at preparing workers for the transition to net-zero.

Opportunities for immediate modest investment include

- a) **A reskilling fund** for those on part time furlough – individual support to retrain in future focused industries. The Older People's Commissioner has highlighted the particular challenges for those over 50

re-entering into the labour market following a job loss. Retraining will be essential if we are to avoid older people falling into a poverty trap.

- b) ***Urgent targeted investment to increase digital expertise and teaching*** in schools, Further Education and Higher Education, including through a 'workplace digital fund' to support targeted reskilling in these areas.
- c) ***A 'Conservation Corp'*** enabling workers of all ages to access opportunities in the public, private and third sector related to the natural environment. This was suggested by Ffenics in their second interim report recently submitted to the Minister for Economy, Transport and North Wales. This programme could provide 18 month training opportunities to young people in low carbon industries and nature based jobs with three six month placements in the public, private and voluntary sectors, with the aim of giving young people experiences of practical policy and community work. This concept is also anticipated to be submitted to the Minister for Environment, Energy and Rural Affairs by the Green Recovery Group, chaired by Natural Resources Wales, as a 'National Nature Service' (referenced below in section 6: Invest in nature').
- d) Support for FE and HE courses related to key industries for the future.
Construction Wales Innovation Centre (CWIC) has submitted a proposal to WG (SHELL Department) to establish a Low Carbon Retrofit Academy for Wales. In collaboration with the Construction Industry Training Board (CITB) they propose to establish a two-tier network of skills training centres across Wales in location that best serve the needs of the industry and the wider community to design, install and manage the planned low carbon retrofit for buildings in Wales. Indicative costings for establishing three Centres of Excellence, along with capital equipment and delivery of training for 3 years is just under £10 million.
- e) ***Greater support for apprenticeships in trades that will help us to meet opportunities of the green transition.*** 75% of apprenticeship starts are dominated by five sectors: Healthcare and Public Services; Business Administration; Management and Professional; Construction and Retailing and Customer Service. With the exception of 'Construction', based on the identified skills for a green recovery, it could be argued that these sectors are not providing Wales with the skills pipeline for a green, fair and equal economy of the future. Wales TUC suggest that schemes to support supply-chain shared apprenticeships will be particularly vital in recovery. For example, ensuring that infrastructure projects have training for apprenticeships and local employment opportunities built into procurement frameworks at every stage – sharing training needs across the supply chain.
- f) ***Targeted investment to ensure the diversity gap is prevented*** and/or closed in future focused training opportunities, including interventions towards women in STEM, BAME communities, disabled people and those furthest from the labour market.

Examples of investment elsewhere

- **Colombia:** its second largest city Medellin plans to train 25,000 residents in new skills to access green jobs as the city tries to become a software and technology hub.

- **Pakistan:** economic stimulus is focusing on job creation and restoration of natural ecosystems, including the creation of a National Parks Service which will initially create up to 5,000 new jobs, mainly for young people who will work as park guards and custodians, and boost eco-tourism in the country.

2: Invest in the large-scale decarbonisation of homes as a key opportunity to create jobs and stimulate the foundational economy

What we know

Decarbonising our existing housing stock, and building new low carbon homes, is critical to achieve our long-term carbon reduction targets. It also provides benefits across all seven national well-being goals including health and employment. I welcome a focus within your 'COVID 19 Reconstruction: Challenges and Priorities' plan to *'step up construction of council and social housing to increase access to high quality housing across Wales, in particular investing in low carbon housing at scale and upgrading housing stock particularly social housing, to make it more energy efficient and to reduce fuel poverty.'*

I welcome the funding of £9.5 million for the Optimised Retrofit Programme (ORP) to install energy efficiency measures in up to 1,000 homes, particularly as I understand three Departments have contributed to this funding which shows positive join-up across Government.

A recent New Economics Foundation report shows that a green stimulus for housing would produce massive benefits to the wider UK economy, including an average of 294,527 new jobs between 2020-2023/24, a 22% increase in total construction employment and a 162% increase in the renovation, maintenance and improvement sector, rising to an average of 515,157 when factoring in indirect jobs.

What we don't know and where are the challenges

Whilst the ORP funding provides an opportunity to test different solutions, a recent report for Community Housing Cymru claims that £4.2 billion is needed to retrofit social housing in Wales over the next ten years. Welsh Government need to explore innovative finance opportunities to plug this funding gap, working with others to identify the potential to use a combination of Treasury loans, Government and local authority borrowing, city region investment, green bonds and re-orientation of Welsh pension funds.

There is also a perceived challenge among the housing sector between using the finance available to build affordable new homes that are needed versus using this investment to improve existing stock.

Longer term, policy and investment should focus on

- **An urgent and high-profile 10-year programme to prioritise the retrofit of social housing and homes in fuel poverty** (as recommended by the 2019 'Better Homes, Better Wales, Better World: Decarbonising existing homes in Wales' Report). The Older People's Commissioner has also highlighted this as a priority.
- **Building on the excellent research and delivery capacity we have in Wales (on low carbon energy and homes/buildings)**, working with the housing sector to facilitate and support a collaborative Team Wales approach to achieving this ambitious programme.

- **Use this opportunity to work with others to put in place a skills pathway** (as highlighted above) to ensure that Wales has the skills needed to deliver this work.
- **Developing incentives such as zero-interest loans and boiler scrappage schemes**, for private 'able to pay' homeowners to become early adopters and retrofit their homes to a target of EPC Band A.
- **Supporting a long-term Area-Based Delivery approach**, with local authorities and social landlords playing a core role in tackling fuel poverty, creating demand, growing local supply chains and supporting the foundational economy.

Opportunities for modest investment include:

- a) **Further investment to expand the Optimised Retrofit Programme** with longer-term funding security. A small amount of funding would enable my office to increase the pace of work we are conducting with the New Economics Foundation on innovative financing options and facilitate constructive dialogue between Government, the Housing Sector and organisations with financial expertise.
- b) **Scale up financial support (incentives or loans) for homeowners who want to improve the energy efficiency of their homes** as has recently been done in Canada (example below) and Building on the energy efficiency support that has been provided over the last 10 years.
- c) **Increase funding to, and support for, energy advice programmes** that support homeowners to invest in energy efficiency measures, and support supply chain development to create new businesses and opportunities to enable large scale retrofitting.
- d) **Incentivise social landlords to use nature-based solutions and improvements to green infrastructure** as part of their retrofit programme through targeted additional funding through the ORP funding package.

Examples of investment elsewhere

- **Rotterdam:** The Mayor has pledged to set up a 9.5 million euro fund to help businesses and residents retrofit homes and offices with solar or wind power, and plant-covered green roofs to absorb carbon emissions and improve air quality.
- **Cape Town:** The city is investing in retrofitting houses in low-income neighbourhoods and is training and hiring people from poor communities to carry out the work. A pilot project has improved the living conditions in more than 2,000 homes, cut emissions and created more than 2,300 jobs.
- **Canada:** The government has promised interest-free loans of up to \$40,000 for homeowners to install cleaner energy solutions and efficiencies like solar panels and better windows.

3: Invest in town centres and local hubs to enable greater remote working and a better work-life balance

What we know

Many of our town and city centres were struggling before the pandemic due to the shift of big retailers to edge of town locations and the pace of digital change leading to new consumer behaviours. This has caused economic

stagnation in many communities which has had many knock-on effects for well-being. The shifts we are seeing to new, locally based remote working and a focus on 'hyper local' communities are a positive effect of the pandemic, and sustaining these changes offers us many opportunities to support the evolution of city and town centres, improving community resilience and well-being and contributing to all seven well-being goals.

It is positive that you recognise this in your 'COVID-19 Reconstruction: Challenges and Priorities' report, and you have set out plans for initiatives that will support regeneration and well-being. I welcome the target you have set for remote working, your focus on 'town centre first' approaches as well as funding for local authorities to implement social distancing through pavement widening and active travel.

What we don't know and where are the challenges

Over recent decades, manufacturing and retail opportunities have leaked out of our city and town centres, particularly in communities that relied on heavy industry in the past. Many of the new patterns of working and living that we have become accustomed to in recent months, such as remote working and local shopping, are likely to be here to stay. This will create challenges for places that have a high volume of offices and therefore businesses that rely on commuters, but in turn will create different opportunities for new hubs, businesses and approaches to using space to improve well-being.

Many town centres will be focused on 'returning to normal' as quickly as possible. But we know from long-term trends that the pandemic will have served to accelerate already embedded trends, and we need to find new ways to attract people to centres to keep them thriving. It will be vital to find new ways of creating attractive and viable town centres and culture must be considered as a key element of this. Research shows that following the 2008 financial crash, previously strong regional creative sector growth trends fell away, and growth coalesced around fewer clusters once more.

Longer term, policy and investment should focus on

- **Supporting collaborative projects for the reallocation of space, giving priority to accessible multi-functional spaces that encourage active travel, physical activity and/or creativity and support access to nature.** There is scope for directing small amounts of funding towards a proposal being developed by the Welsh Sports Association to repurpose unused space (or space which could be used for different purposes including physical activity).
- **Playing a more proactive role in enabling town centre development, including through pooling publicly owned land.** Repurposing buildings in village, town and city centres to support cross-sector shared working spaces, housing and other uses that benefit people, communities and well-being.
- **Working with the creative and cultural sector to support the regeneration of towns and cities.** Cultural professionals can help with designing and regenerating communities by breathing new life into unused spaces, derelict and desolate industrial zones, to turn them into places people can enjoy.
- **Ongoing policy and financial support for local authorities to redesign footways and active travel routes in their areas.** Data from Living Streets suggests where the pedestrian experience has been improved, footfall has increased between 20-35%, against a 22% decline in footfall across the UK between 2007 and 2017.

Opportunities for modest investment include

- a) **Pilot remote working hubs** based in communities hit hard by the pandemic. This could involve repurposing buildings as cross-sector shared working spaces and incentivising workers from certain sectors to lead the way in using them. My Future Generations Leadership Academy have also repeated similar calls for Skills Hubs to be developed in unused spaces to help with preparing people with skills for the future.
- b) **Offer a fund for businesses, local authorities and other organisations to apply to undertake town centre regeneration** (similar to the Cultural Recovery Fund) with a commitment to co-create solutions with the local community and creative practitioners, working in collaboration and improving health and well-being. This could build on the £15 million Transforming Towns Fund you provided in June. There are further opportunities to link this across Government by building on the Freelancers pledge and fund. A relatively modest investment here could fund freelancers and creative professionals to work with public bodies on culture focused regeneration. See section 5 below for more information on investing in culture and creative industries.
- c) **Build on the increase in remote working and incentivise organisations in Wales** to redirect potential savings on rent, lease and estate costs to their staff to spend in working hubs, supporting the foundational economy. **Consideration should be given to encouraging the public sector to develop a 'Working Local Allowance'** which could address challenges encountered by some people in working from home whilst also supporting the foundational economy.

Examples of investment elsewhere

- **Ireland:** The Government of Ireland has invested €12 million in community enterprise centres and remote working hubs, allowing them to grow their capacity to accommodate increasing numbers of remote workers.
- **Hamburg:** Publicly owned assets have been pooled into an 'Urban Wealth Fund' that partners with the private sector to deliver projects, enabling the streamlining of infrastructure development, planning and land-use regulations.
- **Cornwall:** In partnership with the ERDF and Arts Council England, the Council has co-funded a bespoke creative skills and business support programme (Cultivator), led by Creative Kernow. It has supported more than 6,000 businesses and uses industry specialists as advisors and offers mentoring, employment bursaries, funding advice and networking events. It is entering its second phase with a focus on enabling innovative interventions.

4: Invest in better ways to connect and move people through improving digital connectivity, active travel and public transport

What we know

The pandemic has changed the way that people live, work and learn overnight and, although challenging for many, has shown how quickly we can adapt to these different conditions. Digital technology and connectivity have become critical and we've also seen positive environmental benefits.

I'm pleased to see a focus in your strategy on maximising opportunities from these changes to 'build on trials of demand responsive public transport', with a strong focus on 'minimising the need to travel' and 'enabling active travel as an investment in public health'. I'm also pleased to see a focus on these in the forthcoming Wales Transport Strategy, although the proposed actions could go much further to tackling the short and long-term challenges we face.

I welcome Welsh Government's commitment of £25 million to improve active travel, and would like to see this continue to ensure that towns and cities across Wales can be better places for citizens, making it safer for people to walk and cycle to access employment, shops and basic services, linked to the town centre/local hubs priority above.

What we don't know and where are the challenges

Pre-pandemic we knew that in Wales over 80% of daily journeys to work were by car; people had limited access to alternative options (public transport or active travel) and this needs to be addressed. However public transport use during the crisis has become a huge challenge with rates at around 95% less at the end of May 2020 compared with the same period last year. While I welcome Welsh Government's aspiration for 30% of workers to work from home in the long-term, providing affordable and accessible alternatives to driving for those who still need to travel to work will be an ongoing challenge.

On digital capability I support the suggestions set out in the second interim report from Ffenics. It is clear there is a need for a fully coordinated approach to improve digital capacity and capability, including improved digital infrastructure, resilient networks and advanced digital skills to maximise the opportunities afforded by this new way of working.

Longer term, policy and investment should focus on

- **Following the transport hierarchy with a focus on reducing the need to travel** where possible, and providing sustainable, affordable, low carbon, healthy alternatives when people do need to travel to work, schools or to access other services.
- **Infrastructure investment should focus on improving walking and cycling opportunities** locally to support the town centre/local hubs priority above.
- **Taking a holistic and multi-sectoral approach to expanding digital connectivity**, recognising the key role that digital technologies play in relation to work, health, education and other areas of public services.

- **Investing in a universal basic digital infrastructure**, giving every community access to high-quality broadband (as suggested by Ffenics).

Opportunities for modest investment could include

- a) **Further support for reallocating road space to create more room for walking and cycling**, and prioritising active travel in local neighbourhoods, linked to the 'Town Centre first' approach. This must include revenue costs for local authorities to recruit staff to implement this work in order to avoid an ongoing implementation gap in active travel policy. See also opportunity (d) in section 6 below, anticipated to be a suggestion to the Minister for Environment, Energy and Rural Affairs.
- b) **Prioritise 'School streets' through closing school streets to traffic**, as has been done successfully in Cardiff. Infrastructure requirements are minimal and therefore changes can be made relatively quickly and at low cost. This promotes wider and long-term benefits to young people and parents developing healthy habits, reduced air pollution and better community cohesion. There is a particular opportunity to seize this moment as wide scale working from home means that parents are likely to be willing and able to adopt new behaviours.
- c) **Target funding for broadband** in communities which have been hit hardest by the pandemic and currently have the poorest connectivity.
- d) Build on existing work by **expanding the offer for schools in our most deprived communities to provide a digital device for every child** as well as to each child in receipt of free school meals, to encourage and enable online learning.

Examples of investment elsewhere

- **Lisbon:** In response to Covid-19, and to allow for social distancing on public transport as well as to promote the use of green energy, Lisbon is building new, dedicated bus lanes and buying more trams and electric buses than previously planned.
- **France:** The Government will invest £17 million (€20 million) into a cycle repair scheme, where all citizens will be eligible for bike repairs (up to €50) at registered mechanics. This funding will also help pay for cycle training and temporary parking spaces. Since the pandemic Paris has installed an extra 50 km of bike lines as a public health measure and has seen a surge in cycling.
- **New Zealand:** The Government has invested \$15 million to improve rural broadband capacity, which has been welcomed by farming groups.

5: Invest in cultural and creative industries, involving them in building back better and enabling them to become a core part of communities and public services

What we know

Culture is part of how we live and is important for our mental well-being, especially in moments of stress and isolation. Fortunately, through technological advancement, culture can now be consumed and experienced at home. This has been a lifeline for many during the pandemic.

The cultural sector is, sadly, one of the most vulnerable to the potential economic consequences of the pandemic, and many countries have pledged financial help to assist cultural professionals and businesses. Many freelancers who cannot count on commissions have lost their livelihood as they cannot rely on the safety nets of regular employment.

I welcome the £53 million support you have provided to a range of arts organisations in Wales and your commitment to the Freelancer Pledge. This funding has undoubtedly helped cultural professionals reduce the impact of the pandemic. But for our cultural sector to fully recover, we will need to do more and start seeing culture as a vital cog of well-being rather than something that sits separately in a silo.

What we don't know and where are the challenges

The Freelancers Fund has been over-subscribed and despite a second phase being released, it is unlikely it will meet the overall need which could result in a loss of creative practitioners in Wales. There is a particular concern about impact on Welsh medium creative professionals and their art forms. The Urdd have had to make staff redundant and major Welsh medium festivals have been cancelled - which the Welsh Language Commissioner has said will have a major impact on our ability to meet our 2050 target.

Without support for culture as a core part of recovery we risk losing creative practitioners forever, many of whom also support our national commitment to a thriving Welsh Language. We also know that creativity is an essential skill for the future, and culture forms a key part of the liveability issues which attract inward investment. Therefore a loss of these skills would impact on the ability of Wales' economic prospects.

Longer term, policy and investment should focus on

- **Providing long-term funding and policy commitments to the cultural sector and creative industries across Wales**, positioning them as a core part of public service delivery.
- **Recognising the importance of culture for the improvement of health and well-being**, particularly as part of recovery from the pandemic.
- Ensuring that **cultural agencies including Cadw, Visit Wales, Creative Wales and national bodies like Arts Council of Wales, National Museum Wales and the National Library are working together** to better make the connections between how culture and language are addressing key issues such as the climate and nature emergencies.

Opportunities for modest investment could include

- Greater investment in the Cultural Recovery Fund**, providing additional support for all freelancers.
- A Creative Solutions fund** for public bodies / Public Services Boards to pay freelancers to support the requirements of the freelancers' pledge.
- Establish a fund to facilitate and **support creative agents to work with schools online to enable the creative learning** that has been limited during lockdown.

Examples of investment elsewhere

- Belgium:** A stimulus package including a €300 gift cheque to be used for meals or cultural activities (such as theatre and museums) has been launched.
- New Zealand:** The Government has identified that without intervention the cultural sector will be hit roughly twice as hard as the rest of the economy, and has put in place a \$175 million stimulus package that aims to save thousands of jobs.

6: Invest in nature to help achieve a biodiverse natural environment and ensure people have access to a wildlife rich natural world

What we know

While our attention has been largely distracted by responding to the pandemic, the climate and nature emergencies have not gone away. We have seen more record-breaking weather events this year, and historical 'hundred-year' floods are now predicted to occur every one to thirty years. Alongside flooding, global temperatures rising and plants and wildlife going extinct will create an insurmountable crisis that society will not be able to overcome.

There is a clear role for Nature Based Solutions to be a core part of recovery and I welcome the investment you have already made in relation to the nature and climate crises. I also note the focus in this area in one of your priorities set out in the 'COVID-19 Reconstruction: Challenges and Priorities' report.

What we don't know and where are the challenges

In their recently published manifesto, Wales Environment Link have called for a green and blue recovery of our land and seas, highlighting that this can only happen as a cross-government and cross-societal change.

As set out in the section of this paper on skills and retraining (section 1 above), jobs in nature conservation (both marine and terrestrial) represent a sector with the potential and need to grow. As Wales Environment Link set out, more easily accessible training opportunities and paid real Living Wage internships will be crucial to encouraging and enabling more people to take up green/blue job opportunities. There is also a need to invest in green apprenticeships in truly sustainable industries to enable skill development and entry into what have been highly competitive work areas. Wales TUC suggest that an investment package for 13% increase in forest cover

through reforestation at an investment of £390m would create 3,613 direct and in-direct jobs over the next two years in Wales.

Longer term, policy and investment should focus on

- **Large-scale habitat restoration, creation and connectivity throughout Wales**, including setting statutory targets for nature recovery and specific species recovery measures to help prevent extinction.
- **Support increased green space and green infrastructure in our towns and cities** to ensure people can access green space within 300 metres of their home.
- **Supporting resilient, locally based food systems** that guarantee healthy diets and provide a fair deal for farmers.
- **Embedding eco literacy in education and workplace learning.**

Opportunities for modest investment could include

- a) **Establish a Conservation Corp/National Nature Service** as recommended by Ffenics' advice to Ken Skates and NRW's Green Recovery Group advice to Lesley Griffiths. Such an approach would establish a country-wide movement for action to restore nature whilst building the regenerative economy and creating jobs. I also anticipate other relevant proposals around skills, placements for young people, food, community stewardship of land etc in the recommendations that follow from Natural Resources Wales' Green Recovery work (see also section 1 on skills above)
- b) **Increase investment in the National Forest** in order to radically increase tree cover. I have previously estimated this requires investment of approximately £16 million per year over the next decade and would require a focus on training in this area
- c) **Incentivise city and town centre regeneration to incorporate biodiverse green infrastructure and nature-based solutions**, enabling more people to access high quality green and blue space and supporting nature recovery. This should include working with local organisations to deliver 20% tree canopy cover in every town and city in Wales by 2030. This opportunity is in line with the town centre recommendation in your recent report.
- d) **Invest in new walking and cycling routes to connect nature reserves, historic sites and the Wales coastal path**, to improve opportunities for local people to access these sites as well as providing new tourism opportunities (as I anticipate will be suggested by the NRW Green Recovery group's advice to Lesley Griffiths).

Examples of investment elsewhere

- **Paris:** Hosts the world's largest urban farm, which will soon produce around 1,000kg of organic produce every day, part of an urban food revolution in the French capital.
- **Canada:** Ontario has a 50 Million Trees programme supported by the Government of Canada as well as corporate sponsors, increasing forest cover by making tree planting easier and more affordable.

Part 2: How we can help address the short-term recovery and longer-term challenges of Covid-19 through the way in which we work

The broad scope of the Act has given me a unique insight into Covid-19 recovery work across several Ministerial portfolios, and on various themes. Over the summer, it became apparent to me there were a plethora of groups and networks working to inform Welsh Government on Covid recovery. While understandable, my concern is these groups are potentially working in isolation.

To better understand how these groups are integrating with each other, or not, I convened a roundtable event on 14th September with group chairs and leads. This included representatives from NRW's Green Recovery group, the BAME Covid-19 Advisory Group, the new Construction Forum, Ffenics, local government, the voluntary sector, the South East Wales Transport Commission and others. The meeting also meant we could collectively identify key overlaps and gaps and explore how the Well-being of Future Generations Act was being used by the groups to develop their work.

My office followed this up with a series of interviews with many of those who attended the meeting, seeking further information and clarity on some of the issues discussed. Putting all of this together, several areas stand out to me which I'd like to highlight below:

1: The need for implementation

There is one overarching message I take from all the conversations I've had over the past few months: the urgent need for implementation and collective agency in Wales, addressing the gap between the aspiration set out by Welsh Government in policy and legislation and the commitment to delivery on the ground. This echoes my recommendations in [Chapter 2](#) of the Future Generations Report.

Within the 8 priorities your new report sets out, I believe there is consensus about the 'what' in relation to Covid recovery (at a strategic level). And I expect further detail in the coming weeks to follow from the various groups informing ministers, providing a fuller picture of ideas and actions to deliver.

That is the 'what'. However, our collective attention must now turn to the 'how', i.e. how we turn policy and priorities into reality. This will go a long way to determining how successful we are. And to quote a representative from the WLGA at the roundtable event, *'we need to plot a way forward, but we only have a short bit of time to get this right.'*

It is therefore important we find ways to enable organisations across sectors and communities to work together and share capability and motivation to make the most of the investment and opportunities we have in Wales. This was a clear message from the roundtable event I held.

Potential solutions

- Building on the model of the team leading the Social Partnerships Bill, support and establish teams of secondees from a range of public, private and voluntary sector organisations to design and deliver key strands of your recovery plans.
- Incentivise local authorities and Public Services Boards through the capital and revenue funding programmes provided to them to work collaboratively, innovate and deliver the longer-term reconstruction opportunities through the lens of the Act.
- Empower Public Services Board members to become 'agents of change', engaging with wider groups in their areas and working with Government to resolve issues. Welsh Government should ensure the civil service representative on each Board is gathering this intelligence on local delivery, playing a more active role in working across Government to resolve issues and concerns. These representatives should be reporting challenges and opportunities to full Cabinet regularly.

2: Diversity in decision making

We have seen that people's chances of dying, becoming critically ill, losing jobs or falling behind in education during the pandemic, have been in part determined by our age, race, gender, disability, income and where we live. However, we also know these effects are often the result of long-term, entrenched inequalities.

I am aware of activity on equality and diversity in relation to the response to Covid-19. For example, the Senedd's Equality, Local Government and Communities Committee's report on the impact of the pandemic on inequality, Welsh Government's response, and a Senedd debate held on 7th October.

However, I am concerned there may be a lack of alignment between this, and the ministerial groups (and others) focussed on recovery. It is not apparent if or how the information and intelligence being gathered is informing the work (and investment decisions) of the groups focussing on recovery, and I seek reassurance that this is the case.

It is also concerning that in the recent evidence session held by the Economy, Infrastructure and Skills Committee on Covid-19 recovery on 14th October, Ruth Coombs (Equality and Human Rights Commission) said there was little reference to equality and no reference to the Equality Act 2010 in Welsh Government's Covid-19 recovery documents.

It is vital investment in Wales helps address gaps in employment, particularly in relation to race, age, disability and gender, whilst also delivering flexible approaches to employment. Sharing this information would help inform better planning and delivery, challenge short-term decisions and provide clarity on what is needed.

I must also share my concern about a lack of visibility (in terms of diversity and equality) in many of the groups shaping the recovery. 'We need more diversity in our decision making' is not only a message shared frequently with me, but also something quite apparent when I have contributed to many of the groups informing Welsh Government's response to the pandemic.

Potential solutions

- Ensure each Ministerial Advisory Board and work programme has received an up to date briefing on the work of the First Minister's BAME Covid-19 Advisory Group, and has diverse representation.
- Require specific reference to how equality implications have been considered as part of the advice provided.
- Monitor the diversity of advisory boards and take action to address under representation.
- Encourage the groups to take up the offer of support from the Equality and Human Rights Commission (and other organisations such as EYST), to work together, improve diversity and be visibly represented by people with diverse characteristics. This offer was shared with representatives from my office in September.

3: The role of culture and creativity

A creative society is a thriving society. And Wales' creatives will be vital in getting the country back on its feet.

There are two important points I wish to raise on culture. Firstly, the need to support the sector itself. This is why I welcomed your announcements of £53 million to support cultural organisations in Wales hit hard by the effects of Covid-19 and the Cultural Recovery Fund where Freelancers working in the cultural and creative sectors in Wales can apply for a £2,500 grant (from a £7 million fund). The Freelancer Pledge also presents an opportunity for creative freelancers and public services to forge a partnership, enabling freelancers to use their skills to bring creativity and imagination to all areas of public life.

Secondly, the crucial role the cultural sector can play in 'how' we shape and deliver recovery in Wales. While I am disappointed with the absence of culture in many of the discussions both myself and my office have been involved in, I believe there is still time to involve this hugely important sector and make a marked difference to how we do things in Wales.

To give one example, David Anderson, National Museum Wales has been open in his message that they are an 'underused resource'. They have a team of environmental scientists and work with approximately 200,000 school children every year. They want to be better connected to the other groups and networks working on Covid-19 recovery, particularly groups focussed on the environment, skills and health and well-being.

In section 5 of part 1 above, I have set out what I believe are opportunities for investment in the cultural and creative industries. Below are potential solutions to help involve and position creative industries to be a core part of public service delivery in Wales.

Potential solutions

- Each group informing government on Covid-19 recovery has cultural representation.
- Groups and networks encouraged to proactively use a cultural lens in considering some of the big systemic challenges facing Wales to help Wales identify innovative solutions.

- Utilise the freelancers pledge to bring creative input into policy development and implementation.

4: Integration and join-up

Your report has set out a high-level framework for recovery from the pandemic in Wales. It is now critical the ongoing work of the groups informing Welsh Government on some of the detail around recovery is connected, joined-up and collaborative.

My office and I have worked hard over the summer to help facilitate this join-up. For example, connecting the team working on your Economic Reconstruction Strategy with Natural Resources Wales' Green Recovery team, ensuring the join-up is made between the strategy and proposals the group will likely put forward, e.g. a school leaver's training/job offer. And going further, ensuring these connections are also made with other key groups and networks who can add their value and expertise. For example, the Wales Construction Forum told me they need apprenticeship schemes to tap into and could do a lot more to deliver on social value.

The ongoing work is a reminder of how important it is to be clear in our understanding of how the various strands of work are connecting. For example, how the Economic Reconstruction Strategy is joining up with the proposals of the Green Recovery Group, the advice from Ffenics and the 'refresh' of Welsh Government's Economic Contract. And how this comes together with the BAME Covid-19 Advisory Group, the work of the South East Wales Transport Commission, the Third Sector Partnership Council and 'Better Future Wales' group, the 'Building back better' work of the new Construction Forum in Wales, as well as other groups and networks.

To give a recent example where integration was not apparent, the [National Development Framework](#) and Welsh Government's [written statement](#) on remote working were both published at a similar time but appeared to be in isolation of each other.

Working together and collaborating to understand the connections between what's being proposed is key. If we're really smart in how we do this, we have the best chance of ensuring multiple benefits for our communities and the most effective use of public (and private) investment. The connections to public body and Public Services Boards own well-being objectives will also be important, as key deliverers of many of the policy ideas and interventions. This point was also reinforced in the recent OECD report: '[The Future of Regional Development and Public Investment in Wales, United Kingdom](#)'.

Potential solutions

- A requirement on board/working group secretariat to advise on other relevant work across Government and facilitate dialogue between advisory groups.
- Show how your requirements will support the delivery of Welsh Government and local well-being objectives.
- Show where the connections are across different policies and how they interact.

- Simple mapping of boards across Government and a requirement in Terms of Reference to consider other work and the Well-being of Future Generations Act.

5: Using foresight and futures approaches to inform decision making

As Peter Drucker observed 'The greatest danger in times of turbulence is not the turbulence itself, but to act with yesterday's logic'.

In the foreword of your new report, the First Minister highlights 'Our future in Wales will look different as a consequence of Coronavirus, but the future is not fixed and we must try to shape it.' And part 4 ('Longer term change') states that the pandemic has 'highlighted that this is a moment for real change in the longer term' and shows how Wales will look also to the future.

While I welcome these statements, less clear is how futures and foresight has/is being applied to help shape Welsh Government's response to the pandemic. For example, to test how Wales is considering how it can respond to future trends in ways that will reduce inequalities rather than perpetuate them. And how policy decisions will ensure children and young people today, together with Wales' future generations, are not hit "catastrophically" by the collateral damage wrought by the crisis, as indicated in this recent [article](#).

I'm aware the Scottish Government and Scottish Enterprise ran a series of scenario thinking exercises in the summer, designed to test policies and plans for their COVID renewal strategy. Using four scenarios, tailored from Deloitte's global scenarios ('A World Remade') to the Scottish context, they sought to apply deeper insight, map future risks, identify better outcomes and deliver more resilient strategic options.

Welsh Government and advisory boards should demonstrate how they have applied future trends research and futures techniques to apply deeper insight to Wales' Covid recovery. If this has not been undertaken, I would be interested to hear your views on how this could be implemented soon, with support from my office if this is helpful.

Potential solutions

- Ensure all emerging policy and advice from advisory boards can demonstrate how they are considering long-term and future scenarios in their planning and delivery, beyond the traditional areas of future trends.
- Training and development on using futures and foresight approaches for key officials.

6: Enabling community action

The pandemic has highlighted the value of community groups and opportunities for cross-sector collaboration. It has also drawn attention to an interesting paradox. While highlighting the increasing interconnectedness of our world, it has simultaneously shrunk our daily lives down to smaller circles – families, neighbourhoods, and communities. These two aspects – the very global and the very local – are both crucial to 'building back better'.

Despite examples of cross-sector collaboration, the disconnect between Government, public bodies and communities is still a barrier to community action. My involvement in the Green Recovery Group, Chaired by Natural Resources Wales, and seeing the range of proposals submitted, has once again highlighted the importance of community-led local development and the factors needed to enable success of such an approach, e.g. improving understanding and collaboration between communities and public bodies.

My discussions with the voluntary sector, and in particular the work of the Third Sector Partnership Council (TSPC) and Better Future Wales, have also highlighted to me two clear areas that are emerging for them: the importance of the community led response and action, and how people (particularly young people) can be supported through volunteering to help give them a sense of purpose and well-being.

I also note in the most recent paper shared by Ffenics, that they have highlighted the opportunity for Welsh Government to create paid support schemes for the unemployed, where they're trained and encouraged to support the voluntary sector which is being hit hard right now, given that many of the organisations are central to the foundational economy and green recovery work.

Potential solutions

- Test groups and networks focused on COVID recovery on how 'top down-bottom up' their proposals are, and how their proposals will actively support local ownership and action, helping deliver your report's priority on the 'everyday'/foundational economy to build the resilience of the Welsh economy.
- Each group informing government on Covid-19 recovery has voluntary sector (or community) representation.

7: Language and consistency

As a final point on language, I would be grateful for clarification on the relationship between the 8 priorities outlined in your report, and the 4 themes Welsh Government had previously framed their recovery work around: Place, People, Green and Just Recovery, and Digital.

These 4 themes are not referred to in your recent report, but had become a key focus point for many of the groups working on recovery. The new report also continues to use the language of 'A More Prosperous Wales', 'A More Equal Wales' and 'A Greener Wales', as set out in Welsh Government's 2019 Annual Report. I reiterate the point I set out in the Future Generations Report, that one of the most common barriers reported to me, and the Auditor General for Wales, is that differences in language within policy, legislation and guidance coming from government serves to distract from the Act.

With very little reference to the legal definition of Wales' seven well-being goals, it is perhaps no surprise that consideration of areas such as culture, global responsibility, the Welsh language, community cohesion and other elements of our vision for national well-being can potentially be overlooked.

By email

18/11/2020

Dear Rebecca,

I am writing in relation to our recent dialogue about policy and investment priorities for a green and just recovery. I am pleased that you found my recent letter detailing key opportunities for investment and delivery and my insight into the Covid-19 recovery work, across Government and beyond, helpful.

Our teams continue to work together effectively, and your officials have requested further detail on my ideas, in the first instance prioritising areas for capital spend and suggesting associated costs where possible.

Building on the areas outlined in my letter of 23rd October, below I set out where I think the greatest opportunities are for capital investment. These are the interventions that I consider will contribute to the most well-being goals as well as addressing inequalities.

1. Further investment in the decarbonisation of homes, incentivising consideration of green infrastructure.

A priority is to provide further investment to expand the Optimised Retrofit Programme with longer-term funding security, ideally set out in a ten-year funding plan.

Even though it is positive that Government has doubled the amount of funding provided for ORP this year (to £19.5million), numerous studies have indicated that a much greater level funding is needed – between £0.5 and £1 billion per year suggested in the Jofeh report, and £4.2 billion for social housing over 10 years in the recent Community Housing Cymru report. In the 10-point plan I published in 2019 and my letter to you last year I suggested an **annual allocation of between £200-£300 million for housing retrofit** so there remains a significant funding gap.

I have commissioned the New Economics Foundation to explore innovative finance opportunities to address this funding gap, working with others to identify potential solutions which could include a combination of Treasury loans, Government and local authority borrowing, city region investment, green bonds and re-orientation of Welsh pension funds in addition to grants.

The schemes that are receiving funding from the current ORP need to be scaled up at pace, and additional in-year funding could support this.

In addition to this I believe Government should incentivise social landlords to use nature-based solutions and improvements to green infrastructure as part of their retrofit programme to ensure our homes are also resilient to the impacts of climate change.

2. Further investment to reallocate road space to create more room for walking and cycling.

Active travel should continue to be a priority for Government, and I welcome the increased investment that we've seen over the last few years to support active travel infrastructure. The current 3 year allocation of £60 million is coming to an end this year and I would urge Government to commit to another 3, preferably 5, year Active Travel Fund to give Local Authorities greater long-term certainty of the funding available and also longer to plan and develop appropriate infrastructure with full engagement and involvement from the communities in their local areas (which isn't always the case). In addition to capital investment, this must also include revenue costs for local authorities to recruit staff to deliver the work in order to avoid an ongoing implementation gap in active travel policy.

I welcomed the additional £55 million capital spend on 'sustainable travel' in this year's budget, but as my 10 point plan suggested a minimum of 10% of the transport budget (20% of the capital budget) should be allocated for funding walking and cycling infrastructure which is approximately a **£60 million allocation** in the next budget, or close to **£300 million over 5 years**.

You will be aware that I have challenged Government to demonstrate the carbon impact of spending proposals/allocations and whilst there is still work to do in this area it is clear that additional investment in modal shift would both support Government's climate change targets and the newly published draft National Transport Strategy.

3. Investment to prioritise 'school streets' through closing school streets to traffic.

School Street schemes offer a proactive solution for school communities to tackle air pollution, poor health and road danger reduction. It will encourage a healthier lifestyle and active travel to school for families and lead to a better environment for everyone.

It is particularly timely to reduce the use of cars on streets near schools, as many parents are working remotely so have more time to travel actively on the school run (i.e. walking or cycling) – this is an opportunity to embed active travel in daily patterns.

Indicative figures from Cardiff Council who have been trialling this approach suggest that each scheme costs between £30-60k so an allocation of **£6.6 million** (minimum) would provide for approximately 5 schools in each local authority area to take this approach forward.

Cardiff Council have been able to implement 14 School Streets to date using a range of funding sources including the Safe Routes in Communities grant, Civil Parking Enforcement

fund and the recent schools Covid grant. However, they are currently bidding for a further £1 million to deliver additional schemes with at least 45 schools wanting to become school streets demonstrating considerable demand and support for this approach.

Needless to say effective consultation is critical to ensure success of any scheme; the work Sustrans are currently doing at [Fairfield School](#) in Penarth is an example of the sort of process that will lead to a successful scheme, at an additional cost of around £50k (for engagement only).

I'm sure it would be helpful for the funding streams to be coordinated and rationalised so that there is a clearer mechanism to support implementation of school streets across Wales, and an integrated approach across transport, education and health would be helpful. This would result in:

- Supporting the wider benefits of school streets which include benefits to the health of children but also educational performance (as shown in a study by [Swansea University](#))
- A more holistic approach to implementing effective school streets schemes linked to the wider Active Travel network activity in that area, alongside what happens with school streets provision on the school grounds, as these are too often not connected to each other.
- Securing longer-term funding across a wide range of portfolios for various but connected activities would signal long-term commitment and support.

4. Investment in improving digital connectivity, particularly in communities hit hardest by the pandemic.

Target funding for broadband infrastructure improvements to the communities which have been hit hardest by the pandemic and currently have the poorest connectivity.

In July, I noted the investment of £30million (from Government, the European Union and Openreach) to extend superfast broadband coverage to a further 13,000 premises. You could continue to expand on these infrastructure improvements with a specific focus on communities that have been particularly hard hit by the pandemic or are likely to face high levels of unemployment in the coming months and years.

This digital infrastructure is important to enable continued remote working, to meet your target of 30% of the population working remotely and to ensure that there is equality between those employees who work remotely and those who are present in offices.

There are other innovative examples that can be developed further, with sufficient financial support, such as Carmarthenshire Council's investment of £50 million to boost digital connectivity in the region, to deploy more full fibre fixed broadband connectivity, as well as 4G, 5G, and the Internet of Things – a network of physical objects that are embedded with technologies to connect and exchange data.

5. Investment in green infrastructure in towns and cities.

Investment should be used to incentivise city and town centre regeneration to incorporate biodiverse green infrastructure and nature-based solutions, such as city nature trails and urban green corridors.

I welcome the commitment you've set out in the 'Covid-19 reconstruction: challenges and priorities' document, to develop community outdoor spaces through the Local Places for Nature programme. I suggest funding is scaled up and targeted at areas where communities cannot access green space within 300 metres of their home. This could be an extension of the £90 million Transforming Towns package, specifically focused on improving green infrastructure in communities that need it the most with a longer term aim to connect people to nature within 300m of their homes., improve air quality and enhance and restore biodiversity.

Many projects that would benefit from capital funding are highlighted in NRW's Green Recovery report, including a proposal from Fields in Trust which focuses on the creation of three new parks within deprived areas of Neath Port-Talbot, Newport and Cardiff, and proposals to restore neglected spaces on communities' doorsteps to transform them into food growing areas, pollinator gardens and community orchards and woodlands.

6. Investment in the infrastructure needed to pilot remote working hubs.

I note in your document 'Covid-19 reconstruction: challenges and priorities' document you intend to launch a Strategic Sites Acquisition Fund to enable local authorities to acquire land and high street premises in order to revitalise town centres.

As part of this priority should be to support the piloting of remote working hubs, through acquiring buildings or supporting other organisations to acquire buildings and seeking to establish multi-functional hubs which could provide working, reskilling, well-being and community facilities/services. Pilots should be focused in areas that have been hit hardest by the pandemic, and Government should take account of socio-economic disadvantage and levels of home broadband coverage. Government could also prioritise the creation of remote working hubs in buildings which have multiple uses – for example community centres, childcare settings or places that promote regeneration.

You could allocate a small capital grant programme for businesses who want to invest in setting up remote working hubs in their premises, and in return they could be expected to allocate a certain number of free working spaces per day to people from their local community. This could also be aligned to the Economic Resilience Fund working on the basis that it should be seeking to achieve "something for something".

I hope that these suggestions are helpful, and I look forward to further dialogue.

Kind regards,



Sophie Howe

Future Generations Commissioner for Wales