



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref MA-P-RE-1621-19

Llyr Gruffydd AM
Chair - Finance Committee
John Griffiths AM
Chair - Equality, Local Government and Communities Committee
Lynne Neagle AM
Chair - Children Young People and Education Committee

13 May 2019

Dear Llyr

Welsh Government Draft Budget 2019-20: Joint report - Assessing the impact of budget decisions

I enclose a note at Annex A which responds to the recommendations contained in the joint committee's report 'Assessing the Impact of Budget Decisions' (March 2019).

Yours sincerely,

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

Jane Hutt AC/AM
Y Dirprwy Weinidog a'r Prif Chwip
Deputy Minister and Chief Whip

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Response to the Finance Committee’s, Children, Young People and Education Committee’s and Equality, Local Government and Communities Committee’s joint report on ‘Assessing the impact of budget decisions’ (March 2019).

The Welsh Government welcomes the publication of the joint report on *Assessing the impact of budget decisions*. We also welcome the constructive debate that has taken place during the scrutiny of our budget proposals and will consider all the evidence and feedback received in relation to impact assessments, including from individual policy committees.

We were the first Government in the UK to publish an equality impact assessment of our spending plans as part of the 2011-12 Budget. Since then we have continually looked to review and build an increasingly sophisticated approach to assessing the impact of the Welsh Government budget. From 2015-16 this has evolved into our producing a Strategic Integrated Impact Assessment (SIIA) of the budget.

In addition, but separately to this, the Welsh Government has worked to develop and streamline the approach to assessing and appraising the impacts of policies across Government.

We accept, or accept in principle, all of the report’s recommendations. The report includes a number of recommendations in relation to both the SIIA of the budget and the new integrated impact assessment (IIA) tool. As the then Leader of the House said in her evidence to the joint session last November, the IIA tool is the mechanism by which the impact assessment of a particular policy is arrived at. The approach to assessing the impact of spending decisions (the SIIA of the budget) is complementary to, and dependent on the individual assessments of impact from policies that are being brought together under Integrated Impact Assessments.

To aid future consideration, the following provides an overview of each:

- **Strategic Integrated Impact Assessment (SIIA) of the budget** The SIIA aims to fulfil our responsibility to consider spending decisions taken as part of the annual budget process through a number of lenses to understand their impact. These are equalities, human rights, children’s rights, Welsh language, climate change, rural proofing, health, biodiversity and economic development. Socio-economic disadvantage is an underpinning consideration when assessing the impact of budget decisions. The SIIA therefore sets out how these considerations have informed the strategic budget allocations taken as part of the annual budget process to improve the economic, social, environmental and cultural well-being of Wales (sustainable development).
- **Integrated Impact Assessment (IIA) tool** The IIA tool was launched in July 2018 and has been developed to streamline the Welsh Government’s existing impact assessments into a single, integrated framework that will guide policy and legislative development. It is structured using the Well-being of Future Generation Act’s sustainable development principle of improving Wales’ economic, social, environmental and cultural well-being (as expressed through the seven well-being goals for Wales). It also provides guidance on applying the five ways of working in decision-making. The IIA tool is designed to support the

policy process by helping decision makers understand the potential impacts (positive and negative) of policies from an early stage and throughout their development. Assessment of impact on people and places and social, economic, environmental and cultural well-being is key to good policy-making, and the tool supports these considerations throughout the policy-development process.

Recommendation 1. That the Welsh Government clearly sets out the SIIA process (in greater detail than provided previously), its purpose and expected outcomes, following engagement with and agreement from the relevant statutory commissioners.

Response: Accept

In the response to recommendations by the Finance Committee in its report *Scrutiny of the Assembly Commission's Draft Budget 2019-20*, we committed to continuously building on improvements to the Strategic Integrated Impact Assessment (SIIA) to increase its value in considering the impact of strategic spending decisions. We will reflect further on the evidence provided to the committees in relation to the SIIA.

As part of this, we will work with the relevant statutory commissioners to provide greater clarity on the purpose and expected outcomes of the SIIA process, in considering how our approach can be used more effectively to inform spending decisions and priorities as part of the annual budget process.

To ensure these discussions support wider developments, we will also ensure this engagement aligns with the 2019 review of the IIA tool (see response to Recommendation 3).

Recommendation 2. That the Welsh Government publish all of its individual impact assessments to a central location, which can then be referenced by the SIIA.

Response: Accept in principle

The Welsh Government is committed to the concept of 'Open Government' as demonstrated in the publication of our *Open Government National Action Plan*¹. The commitments outline our ambitions to be more open and responsive to citizens, more accountable and to take a more collaborative approach to the way we work. We fully recognise the need to build upon the work done to date by continuing to drive forward openness and transparency.

Individual impact assessments on significant decisions are generally published as part of policy documentation on the Welsh Government website. They can be found alongside published policy documents but are not held in a separate central location. This is in order that those seeking the information can access and understand all of

¹<https://gov.wales/uk-open-government-national-action-plan-2016-2018-welsh-government-commitments>

the considerations and supporting suite of documents in relation to a particular policy and/or decision. While it would be possible, in principle, to place all published impact assessments in one area, further consideration needs to be given as to whether this would aid accessibility, understanding and transparency.

Recommendation 3. That the Welsh Government commission, at the end of this Assembly, a focused piece of work to consider the progress made in relation to SIAs. This should consider matters such as (but not restricted to) the tool's relative complexity, how the tool has approached the weighting of multiple rights and impacts, and the uses made of the tool's outputs.

Response: Accept

Strategic Integrated Impact Assessment (SIIA) of the budget

In line with our commitment to continuously improve how we consider the impact of spending decisions taken through the annual budget process, we recognise the need to review the approach underpinning the SIIA of the Budget.

Since we first published an equality impact assessment of the 2011-12 Budget, we have evolved our approach to develop an SIIA of the budget since 2015-16. This reflects that we now aim to fulfil our responsibility to consider strategic spending decisions through a number of lenses to understand their impact.

Alongside preparations of the forthcoming budget we are intending to test alternate approaches aimed at improving how we take and understand the impacts of spending decisions. We are also looking at how the Future Generations Commissioner's journey checker might support this work. We would be happy to engage with the Committees as this work progresses.

Over a longer time frame, we will consider how a more-focussed piece of work that reviews the progress made in relation to the SIIA might support further improvements. This work would need to align to the planned 2019 review of the Integrated Impact Assessment tool described below.

Integrated Impact Assessment (IIA) tool

As set out earlier in this response, the IIA tool is the mechanism by which the impact assessment of a particular policy is arrived at. The IIA tool has been developed to streamline the Welsh Government's existing impact assessments into a single, integrated framework that will guide policy and legislative development. The development of the IIA tool was informed by a report Welsh Government commissioned from the then Public Policy Institute for Wales (PPIW) *Reducing Complexity and Adding Value: A Strategic Approach to Impact Assessment in the Welsh Government*².

One of the report's key themes was the need for a coherent system of assessing impact in the context of it being an integral part of the policy-making process. The

² https://www.wcpp.org.uk/wp-content/uploads/2018/04/Impact-Assessments_FINAL-30-Apr.pdf

report also stated that the Well-being of Future Generations Act provided a strong framework for harmonising and integrating the approach by which impact is assessed. It is important to highlight that the IIA tool is intended to be a guide to support the development of policy so that when choices are made about a course of action, Welsh Ministers are informed of the potential positive and negative impacts.

When the IIA tool was launched in July 2018, we committed to review the tool during 2019 to consider its effectiveness and whether further improvements are appropriate. The feedback from its use to date is that the tool is very helpful in enabling a more integrated approach but is quite complex, long and daunting, particularly if considered too late in the policy-making process. One of our main areas of focus therefore will be to further refine the tool so that it supports assessment of impact throughout the policy and legislation-making process.

The 2019 review will be comprehensive and focus on driving better policy-making and greater transparency. It will also include engagement with a number of external stakeholders including the statutory Commissioners and members of the Budget Advisory Group for Equality.

Recommendation 4. That the Welsh Government commit to using the Well-being of Future Generations Act as a framework for the SIIA. Given our committees' areas of focus, we believe that priority should be given to working with the Children's Commissioner and EHRC to ensure that the legislative requirements in relation to equality and children's rights are fully and effectively reflected in the assessment process.

Response: Accept

Strategic Integrated Impact Assessment (SIIA) of the budget

The Welsh Government made a commitment in 2016-17 to use the Well-being of Future Generations Act to frame and inform our considerations of budget proposals. We remain committed to using the Act to improve how we make decisions about the social, economic, environmental and cultural well-being of Wales, now and in the future. The Act provides an opportunity to integrate how we assess the impact of policies in a way that complements and reinforces existing statutory duties. The assessment of impact of policies on equalities and children's rights, for example, is fundamental to achieving social, economic, environmental and cultural well-being as articulated in the seven well-being goals.

Taking an integrated approach allows us to consider strategic spending decisions through a number of lenses to understand their impact, and enables us to better understand the impact of decisions in the round. In assessing the impact of decisions, consideration is given to Equalities and Human Rights, Children's Rights, the Welsh Language and socio-economic disadvantage.

We recognise, however, there is further work to be done. In his evidence to the committees, the then Minister for Finance described the steps we took to strengthen the process last year, including greater training to budget officials across government involving the Future Generations Commissioner's office. We also presented the

budget narrative (both outline and detailed) and the accompanying SIIA's under the 12 well-being objectives and the six *Prosperity for All* priority areas so we are clearer about how decisions about funding are supporting our objectives. We will continue to reflect on our approach to the SIIA in future budget rounds.

Integrated Impact Assessment (IIA) tool

In developing the IIA tool, our approach has been based on integrating all the existing impact assessments using the framework of the Well-being of Future Generations Act, in line with previous Finance Committee recommendations. The IIA tool requires that all impact assessments are given full consideration and that all statutory requirements are met. The tool should be used as a guide to support the development of policy in an evidence-based, collaborative and integrated way that looks to both the short and long-term, as well as prevention. The tool should also support capturing and providing evidence of the five ways of working throughout the process.

Our aim in reviewing the effectiveness of the IIA tool during 2019 will be to ensure that the full breadth of impacts are effectively considered and assessed from an early stage in policy-making and throughout its development. The review will also include engagement with a number of external stakeholders including the statutory Commissioners to capture their views.

Recommendation 5. That the Welsh Government provide an update to the Committees on the outcomes of the November 2018 meeting of the commissioners, and when it is anticipated the research commissioned on the integration of duties will be published.

Response: Accept

As outlined in our response to Recommendation 3, the IIA tool was launched in July 2018 and officials attended the Future Generations Commissioner's Advisory Panel in November 2018 to discuss the tool. At the meeting concerns were expressed by some members about the potential dilution of consideration of impact in taking an integrated approach. It was agreed that Welsh Government officials would further engage with the Advisory Panel during the review of the IIA tool and seek to address concerns raised. Officials have agreed with the Future Generations Commissioner that they will attend the next Advisory Panel meeting in July 2019 to discuss the review's progress and further steps. These further steps will involve ongoing engagement with external stakeholders, including the Commissioners.

With regards to the research, in November 2018 the then Leader of the House and Chief Whip stated that the Welsh Government would commission research to examine how we might incorporate further UN convention rights into Welsh law, commence the socio-economic duty and strengthen existing regulations or guidance. The overall aim was to consider how such actions would interact with the existing Welsh legislative framework, including the Well-being of Future Generations Act in particular.

Subsequently, the First Minister announced in December 2018 that the Welsh Government would commence the socio-economic duty, providing a fixed point around which other options for strengthening equality and human rights in Wales can be considered. This was followed by an initial workshop in February 2019, attended by key equality and human rights stakeholders and experts, the Deputy Minister and Chief Whip, the Counsel General and Deputy Minister for Health and Social Services. The workshop highlighted a number of questions and the importance of aligning this work to a number of related developments, including the ongoing Gender Equality Review.

Substantial further research is still needed to address the wider questions discussed at the workshop, which we propose will commence by September with the aim that it is completed by December 2020.