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**Llywodraeth Cymru**  
**Welsh Government**

**John Griffiths AM**  
**Chair of the Equality, Local Government and Communities Committee**

21 January 2020

Dear John

Thank you for the invitation to appear before the ELGC Committee on 9 January to provide evidence to the Committee on the 2020-21 Draft Budget. During scrutiny, the Minister for Finance and Trefnydd was asked a number of questions relating to the portfolio of the Minister for Health and Social Services. We are able to confirm that the Minister for Health and Social Services has agreed to write to the Committee on the relevant points.

In addition to this, the Ministers for Housing and Local Government and Education will be writing jointly to both ELCG and CYPE on the issue of teachers' pay and pensions. This letter is currently been drafted and is planned to be sent to both Committees week commencing 20 January 2020.

We received a number of action points following the scrutiny sessions and are pleased to provide the following information in response to the points raised.

### **Population Information**

Over 25% of the settlement is distributed on population projections or estimates. As part of wider statistical work and in response to Office of National Statistics changes, the Welsh Government determined to postpone the 2017-based projections (which were to have been used for Settlement calculations) and to publish 2018-based subnational projections instead. Using the 2018 based sub national population statistics would have made very significant changes to the distribution of the Local Government settlement in a single year.

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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.

One of the principles behind the work on the settlement formula is the need to support reasonable stability for local authority funding. After considering a number of options the Distribution Sub Group recommended that while the population data set used for the 2019-20 settlement was the 2014-based population projections; for the 2020-21 provisional settlement an average of the 2018 mid-year ONS estimates and the 2014 based local authority projections for 2019 should be used. A two year phasing was agreed.

### **Capital funds available to local authorities to support decarbonisation**

As we discussed at committee there is a specific package of over £140m funding to support decarbonisation and the environment included as part of the budget. This includes £1m for local authorities for ultra-low emission refuse vehicles to fund the difference between replacing with ultra-low emission vehicles, rather than diesel vehicles, for those vehicles due to be replaced in 2020-21. £7.9m is included for Cardiff and Caerphilly councils to support the implementation of measures to bring about urgent compliance with nitrogen dioxide limit values. As part of our aim for a zero emission bus fleet by 2028 we are including £29m capital funding (£21.5m of traditional capital and £7.5m financial transaction capital) in 2020-21 towards delivering an electric bus fleet, to encourage the use of public transport while reducing the carbon emissions and helping improve air quality.

The total capital grants available to local authorities are published as part of the provisional settlement. For 2020-21, including the un-hypothecated general capital grant local authorities will receive over £640m. Whilst there are some allocations specifically for decarbonisation as described above many of these grants support decarbonisation as part of their wider aims. One example of where there is a strong link is the £70m allocated for the 21<sup>st</sup> century schools programme where new buildings are required to have BREEAM (British Research Establishment Environmental Assessment Method) excellent rating and major refurbishments are required to have an EPC (Energy Performance Certification) A rating. £70m is also allocated to schemes relating to active travel and local transport schemes, where one of the key aims is to reduce carbon.

In addition those authorities that still hold housing stock will be in receipt of part of the £200m funding for housing quality and social housing grant, which again has a key objective of reducing the carbon footprint of housing.

### **Building Safety programme**

The Building Safety programme is not a single fund for distribution; the £0.5 million revenue funding will support a range of activities that assist the development of building safety policy and longer term legislative reforms. We will bring together expertise from environmental health, building control and fire and rescue services to provide advice and guidance for high rise and high risk residential buildings in Wales.

### **Service Standards for Adaptation Services**

The Service Standards were introduced in April 2019 and have not yet been active for 12 months, it is not possible at this early stage to make an informed observation on how they

have influenced services. The second data collection report will be published shortly (January). The data from the first report is shaping Welsh Government policy and was influential in our decision to commission a review of funding allocations for housing adaptations and the extent they reflect levels of population need for housing adaptations. The results of this research are expected in the summer of 2020.

We should pay tribute to the work done by Care and Repair agencies all over Wales. The funding we provide for aids and adaptations continues to transform the quality of life of the vulnerable adults supported under the programme.

### **Empty Properties**

The allocation of £10m of Financial Transaction Capital for Town Centre Loans will be used to bring empty and underutilised buildings back into use. This funding is part of an overall package at the local authorities' disposal to incentivise property owners to either bring their property back into use or as a preventative measure to stop buildings becoming empty. The loan funding has established good success in those authorities which have an allocation to date. This additional provision will enable Welsh Government to widen the offer to those authorities without an allocation to expand the options available to them during negotiations with empty property owners. This activity particularly relates to recommendation 9, and will be part of a wider provision of support.

### **Renting Homes (Wales) Act 2016**

The Minister for Housing and Local Government has committed to amending the 2016 Act prior to its implementation, in order to increase security of tenure in the private rented sector. Subject to the Assembly passing the Bill to make the necessary amendments to the 2016 Act, we expect the Act to be implemented before the end of this Assembly term.

Implementation requires court IT systems to be updated, and the Ministry of Justice has indicated this will entail a cost to the Welsh Government of up to £500,000. The precise cost is subject to ongoing work my officials are undertaking with their counterparts in MoJ and HMCTS. Up to £25,000 of this expenditure may fall in the current financial year. In addition to staff costs, there will also be costs relating to communication, training and development, and evaluation. As set out in the Explanatory Memorandum relating to the 2016 Act, these amount to £140,000 in the first year of implementation, £65,000 in the second year, and £35,000 in the third year.

### **Budget Improvement Plan**

The Budget Improvement Plan sets out how we intend to improve the annual budget process over the next 5 years, including short-term and medium-term milestones.

The purpose of the Plan is to focus on improvements to the budget and related processes (e.g. in relation to tax policy) which support the budget decisions made by Ministers. This means that the Draft and Final Budgets will remain the place where decisions are recorded, with the Plan intended to show the improvements being made in *how* decisions are made.

The Plan will be refined and updated annually, and published alongside the annual draft Budget, to recognise the ongoing nature of driving and sustaining longer-term change. This will include an update on the actions we have taken since the plan was last published and how this has influenced the actions we will take over the subsequent 5 years.

### **Publication of impact assessments**

The Welsh Government expects to make a final decision on the implementation of the joint Committees' recommendation on the publication of all individual impact assessments in a single location when the comprehensive review of our approach has been completed.

This year we have published for the first time a collation of all Ministers' written evidence to Assembly scrutiny committees on allocations within each MEG, which includes considerations of impacts.

We are currently carrying out a comprehensive review and development of our approach to the assessment of impact, which is focused on better understanding the impact our policies have on communities and their environments. As part of this review, digital solutions will be explored which could enable the assessment of impact to be published in a central location.

The review will conclude by summer 2020, at which point the findings and recommendations will be considered and a refreshed approach will begin development, testing and implementation phases. When the review and development phases have concluded we will be in a position to consider all the available evidence to inform a final decision on the publication of all assessment of impact.

### **Chwarae Teg's Phase 2 Report – Deeds Not Words**

Welsh Government's response to recommendations in **Chwarae Teg's Phase 2 report Deeds Not Words** was [published](#) in Cabinet papers ahead of a Cabinet discussion on Welsh Government's Gender Equality Review 4 December 2019.

We have developed the Budget Improvement Plan, published for the first time alongside the annual Budget, to take forward delivery of our planned improvement to our approach to assessing the impact of budget decisions to improve outcomes. This includes work to revisit and clarify purpose of the Strategic Integrated Impact Assessment (SIIA) of the budget and the evidence-base underpinning it.

In developing the Plan, we took into account Chwarae Teg's recommendations, and our responses, that relate specifically to budgetary impact assessments.

### **2007 Gender Budgeting Pilot**

This work, initially commissioned by the Welsh Development Agency, has helped us understand the complexities of undertaking gender and other impact assessments and the need to have necessary gender disaggregated data. It also helped inform the subsequent

changes we have made to our approach to assessing the impacts of budget decisions, which has become a more holistic approach based around the use of evidence, evaluation and impact assessment.

This included the steps we took when we were the first UK Administration to publish a comprehensive equality impact assessment of our spending plans alongside our 2011-12 final budget, and contributed to the Strategic Integrated Impact Assessment approach we first established in 2015-16.

### **Update from the 2019 Joint Scrutiny Session by ELGC, CYPE and Finance Committees**

Last year the ELGC, CYPE and Finance Committees held a joint scrutiny session on the budget impact assessment process. An updated response to the recommendations made by these committees is as follows:

***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.*

As in previous years we have published a Strategic Integrated Impact Assessment (SIIA) of the 2020-21 of strategic spending decisions in the Budget. We have also engaged with a range of stakeholders to consider how we might improve the way we allocate resources over the longer term, including our approach to how we assess the impact of our Budget decisions. This has shaped development of our Budget Improvement Plan that we published as part of the Draft Budget documentation.

The Minister for Finance and Trefnydd met with each of our four statutory Commissioners and the Equality and Human Rights Commission in the Autumn to hear their views on priority areas for the Budget.

Officials will continue to engage with the commissioners as we continue to review our approach to assessing the impacts of budget decisions into the longer term.

***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.*

We have provided an update on this action above.

***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 SIIAs. 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.*

One of the Budget Improvement Plan's work streams is focused on 'Assessing the Impact of Budget Decisions'. Planned future work includes reviewing the approach to the SIIA, as well

as considering the value of commissioning further work to inform future impact assessment of Budget decisions, to determine how a range of considerations can be reflected to develop a robust and transparent approach to impact assessment of spending decisions.

***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.*

Our Budget Improvement Plan includes planned improvements to assessing the impact of budget decisions. In developing these plans, we have taken into account these recommendations, including how we can continue to build on strengthening the SIIA using the Well-being of Future Generations Act as a framework.

Assessment of impacts is also a key element of our approach to policy making and are conducted as part of Welsh Government's ongoing policy development and review. The current Integrated Impact Assessment (IIA) requires that children's rights are considered and, as enshrined in Welsh law, the impact on children and young people must be considered whenever we use any of our powers to make a decision.

Our work to review policy making within Welsh Government includes the development of a 'Welsh Government Policy Capability Framework' which has explored the inclusion of a range of attributes including the skills needed to assess impact and the five ways of working in the Well-being of Future Generations Act.

We welcome continued engagement with a range of stakeholders to improve how we assess the impact of budget decisions. As set out in the Budget Improvement Plan and as part of the current review and development of Welsh Government's approach to assessing impact we will engage with the Children's Commissioner and the EHRC to consider how we effectively reflect equality and children's rights in our approach.

***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.*

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. The Welsh Language Commissioner, Children's Commissioner, Older Persons' Commissioner, Future Generations Commissioner and the EHRC will be engaged as part of the current review and development of our approach to assessing impact, as well as other stakeholders.

As referenced above, the review will conclude by the summer of 2020, the recommendations will be considered and a refreshed approach will then begin development, testing and implementation phases.

### **Strategic Integrated Impact Assessment**

We are able to confirm that the SIIA of the Budget is prepared by finance officials, drawing evidence from all Government departments in order to provide a strategic assessment of the whole budget. It is approved by the Minister for Finance on behalf of all Welsh Ministers.

Other Ministers and Deputy Ministers are responsible for ensuring the impact of their policies and proposals in the draft Budget have been considered. In considering the impact of individual policies and budget proposals, the Integrated Impact Assessment (IIA) tool is designed to enable and facilitate a more integrated consideration of policy proposals. The evidence gathered through the Integrated Impact Assessments will then inform the SIIA.

The Deputy Minister and Chief Whip has portfolio responsibility for equality and human rights, and the Well-being of Future Generations (WFG) Act. Equality, human rights and the WFG Act are considered and taken into account in the development of policies and decisions across the Welsh Government. 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. The Integrated Impact Assessment (IIA) tool is therefore a mechanism of providing assurance to Welsh Ministers that all legal and policy considerations are taken into account in the policy process.

We trust that you will find these responses helpful to enable the completion of your scrutiny of the 2020-21 Draft Budget.

Yours sincerely,



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