



Ann Jones MS
Chair
Committee for Scrutiny of the First Minister

5 August 2020

Dear Ann,

I am writing in response to your letter of 9 July, following my appearance before the Committee on 3 July.

You set out a number of additional questions from the Committee, which I am pleased to answer below:

1. Given the scale and breadth of the impact of Covid-19 on the Welsh economy, does the Welsh Government intend to take a sectoral approach to deciding future priorities for public funding?

In determining any future allocation of funding we will continue to assess evidence of the impacts across the Welsh economy and labour market. The action we have already taken has responded to evidence that the Covid-19 crisis has had highly adverse effects across nearly all of the economy in Wales.

In particular, effects linked to the lockdown and associated changes in consumer and business behaviour patterns have impacted very deeply across most sectors. While the scale of the impact to date has varied, with the hospitality sector, for example, particularly badly affected, the pattern is likely to vary through time and depending on the future evolution of the pandemic; on the ways in which it is possible to remove or reduce restrictions; and, on the responses of businesses and consumers.

In view of the pan-sectoral nature of the economic effects, the primary focus of the Welsh Government's approach has been economy-wide. At the same time, attention has been given to the sector-specific needs where there has been a strong case for sector specific support, such as for arts and cultural industries.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400
YP.PrifWeinidog@llyw.cymru • ps.firstminister@gov.wales

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.

Separately, we have continually called on the UK Government to place sectoral employment protection schemes for sectors which continue to be closed or very substantially impacted by Covid-19 measures such as tourism, aerospace, automotive and steel.

Welsh economic prospects will also be influenced not just by the effects of the pandemic but also by the severe uncertainties and risks created by the UK's transition to new trading relationships after the UK leaves the European Union.

Alongside any sectoral impacts we are also considering the disproportionate and negative labour market impacts on people who were already disadvantaged particularly those with poor skills, in low paid and insecure jobs and the sick and disabled and on those entering the labour market for the first time. Decisions on future funding will need to consider carefully how these effects can be mitigated.

Future priorities for public funding will therefore be determined by an assessment of where the greatest impact can be created over the long term. This will be aligned to the Government's wider values, including green growth and inclusive prosperity, as opposed to a sector driven approach. This will include consideration of the type of support alongside any conditions that are placed on public funding to achieve these wider objectives.

2. In light of the comments that you made about the challenges for the Welsh Government in supporting all parts of the arts and culture sector, how will decisions about contingency planning and prioritisation be taken?

On 30 June we announced a £53m fund to help Wales' diverse culture sector deal with the impact of the coronavirus pandemic.

<https://gov.wales/written-statement-cultural-recovery-fund>

The fund is intended to provide essential support to theatres, galleries, music venues, heritage sites, museums, galleries, archive services, events and festivals, and independent cinemas who have all seen a dramatic loss of revenue due to the pandemic. Funding will support both organisations and individuals in the sector.

The fund will be delivered jointly with the Arts Council of Wales and has a "cultural contract" at its heart to help the sector emerge from the pandemic stronger than ever. This package will help support many in the sectors in responding to the pressures and challenges coronavirus has placed on them, it also presents a unique opportunity to deliver a step change – we will develop a cultural contract so that the sector can re-emerge stronger. This would ensure successful applicants commit to ensuring public investment is deployed with a positive, targeted social purpose.

The total funding package is £53m in 2020-21 comprising £50m revenue and £3m capital. Further details, including guidance for applicants, will be announced later in August.

The announcement comes on top of the £18m portfolio package provided in April, which was delivered by the Welsh Government, Arts Council of Wales and Sport Wales.

We have listened and worked with our partners across the cultural and creative sectors to put this second package of support together. We would like to put on record our thanks for working constructively with us to deliver this support. We recognise the massive and unprecedented challenges the pandemic is having on the very fabric of Welsh life and we applaud the resilience and creativity on show.

3. Could you provide further details of the discussions that you referred to with regards to a possible extension of the hospitality season for those businesses whose licensing restrictions would ordinarily require them to close for part of the year?

The suggestion of temporarily extending licenses to caravan sites across Wales so that holiday parks can compensate for lost revenue and continue to operate for the 2020/21 winter period was made by a number of our tourism stakeholders.

Following detailed discussions with industry representatives and the Welsh Local Government Association, the Minister for Housing and Local Government has written to the WLGA in support of proposals to extend the season and WLGA representatives are working with the industry to develop guidance to support that.

4. Whether you will give further consideration to developing a long-term plan for the recovery of the leisure and tourism sector?

We acknowledge that some restrictions remain in place for these sectors alongside the need to comply with safe opening guidance.

Whilst the national schemes delivered through the UK Government have provided essential aid during this period, the ability of the Welsh Government to offer additional financial support has allowed Welsh businesses to benefit at a far higher level when compared to other regions of the UK. Indeed, the number of tourism businesses benefitting from government support, which includes both UK and Welsh Government schemes, was 14% in England and 34% in Wales.

It was the Welsh Government's view that it was essential to make as much cash available to support our businesses at the start of this crisis, and in so doing the £500m Economic Relief Fund (ERF) has already supported more than **9,000** businesses in Wales, helping them to protect around **75,000** jobs.

The Welsh Government is working with a range of partners to assess the need and quantify the scale of that need across our sectors. We want to develop a scheme that works for both organisations and individuals. The scheme will need to support the needs across the wider sector mirroring the UK Government's scope.

We will look to target the remainder of the Economic Resilience Fund (ERF) to support businesses that are slowly starting to re-build and return to pre-Covid trading conditions.

In the short term we are seeking to re-launch the Wales Tourism Investment Fund and are already having positive discussions with a number of businesses that are seeking investment.

In the medium to long term it is likely that the banking sector will adopt a far more cautious position in terms of lending, and where market gaps exist we will continue to work closely with the Development Bank of Wales to develop funding solutions which will support good quality business propositions.

It goes without saying that these are not normal times and we are working with a number of stakeholders to explore new and innovative funding solutions that could help transform the the sectors to move forwards. This crisis has shown these to be the least resilient sectors,

when subjected to global economic shocks, principally due to the seasonal nature of the business and this must further drive our commitment to identify new and innovative practices, to help reduce future susceptibility.

As this work continues we are also pressing the UK Government to provide continued financial support to the sectors that were the hardest hit and will be the last to emerge from recovery, particularly as it enters the next winter period. Whilst the VAT cut and the Eat out to Help Out schemes are welcome, we remain of the view that the Furlough scheme has been invaluable in reducing redundancy numbers and we continue to press the UK Government to consider extending it for those sectors hardest hit by the pandemic including Tourism, hospitality and events.

5. How do you propose to address the funding issues that are likely to arise for local government in Wales in the final quarter of the 2020/21 financial year, and into 2021/22?

We are working closely with the Welsh Local Government Association (WLGA) and the Society of Welsh Treasurers to understand the impact of the pandemic on the financial situation of local authorities. The pandemic is having an effect in a number of areas – additional costs, loss of income, increased eligibility for the council tax reduction scheme, council tax collection rates and the ability of authorities to carry out budgeted cost reduction plans. The WLGA have recently provided an assessment of the impact for the second quarter of the year and a number of scenarios for the remainder of the year and into 2021-22.

The financial impact is dependent on a range of things, including the prevalence of the disease and whether there is a second wave; how soon income generating services can reopen; the confidence of the public and the speed that income returns; and how the economy recovers and the effect on demand for services. We are continuing to push the UK Government for sufficient funding to maintain services in Wales and to give us budget flexibilities to maximise the resource available to us. We are also looking to local authorities to use the levers that they possess such as reserves management and borrowing alongside the funding support that Welsh Government is able to give.

6. How the Welsh Government may be able to embed new ways of working across and between services, including with the private and voluntary sectors, which have emerged during the current crisis and, in particular, in relation to how care services are delivered in Wales in the future?

Welsh Government, local authorities, public service partners, the voluntary sector and the private sector have all risen to the challenges presented by the Covid-19 pandemic to the best of their abilities. We have, together, developed innovative and flexible approaches and solutions in a drive to protect citizens and provide urgent services, especially to the most vulnerable.

This is based on the longstanding traditions and commitment to social partnership working in Wales. Much of this stems from the principle that those affected by decisions or policies should be involved in developing them, recognising the value of developing collective solutions to shared challenges.

Wales has an existing institutional infrastructure that supports social partnership working. This includes the Workforce Partnership Council and Council for Economic

Development which focus upon the public and private sectors respectively. More recently, an overarching shadow Social Partnership Council has been established.

Alongside these formal institutional mechanisms are the relationships, networks and interactions between Government and social partners at an official and Ministerial level. These formal and informal networks have already been put to good use in developing Covid-19 responses and to inform our longer-term approach post Covid.

Social Care

The Social Care Planning and Response Subgroup consisting of representatives from across the social care sector, including providers, the third sector, local authorities, the Older People's Commissioner's office and WLGA have met weekly to lead and support the Covid 19 response for Social Care. Providers from across the sector have also played a key role in the various workstreams we have developed to support our response.

We will seek to build on that collaboration as we move into our recovery phases and ensure that the new and positive working practices are not lost.

Social Care providers recently undertook a collective SWOT analysis of the Covid 19 response in Wales and identified some key areas of strength that we will seek to build on as we recover and rebuild

In particular they felt that organisations had communicated well with each other to develop shared approaches. For example, using WhatsApp groups to share challenges and concerns.

It was felt that the openness of care homes to share information amongst each other, for example not being afraid of saying they have a problem such as symptoms, has been very helpful for the country as a whole. Not just to minimise the spread of the virus, but to come up with positive ideas and sharing them.

Health and Social Services recovery

To support our own work and to ensure that we can retain a clear and consistent focus on social care's recovery priorities, we will create a **Social Care Stabilisation and Reconstruction Board (SCSRB)**, consisting of all relevant stakeholders, including ADSS Cymru, CIW, SCW, WLGA, Children's Commissioner, Older People's Commissioner, Carers Wales, Learning Disability Wales, WCVA, academics, other stakeholders and third sector partners as advised. This approach will also ensure genuine collaboration and co-production with the sector in the development of the Social Care Stabilisation and Reconstruction Framework which will be the main product that the Board will be asked to develop.

The Board will need to consider how the framework aligns with a number of pieces of legislation and guidance. It will also be seeking to build on the learning and the positive changes experienced during the Covid 19 response in order to allow us to 'hold the gains'. In particular this will focus on where cross-sector sharing and collaboration has added real benefit and value.

Similarly Regional Partnership Boards will also play a key role in supporting the recovery planning at a regional and local level.

It is essential that the new ways of working that have enabled us to join up so well and have supported our engagement, continue so we can respond with pace wherever needed.

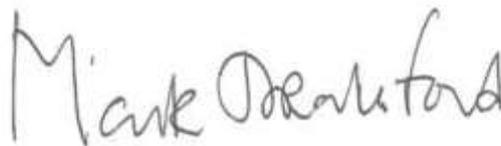
It is clear that during Covid 19 social care has acted quickly and demonstrated real innovation and agility in its response to the crisis. These lessons learned are still at an early stage, but these will be collected regularly from the sector to ensure that where innovation and best practice has emerged this is captured and incorporated into our planning for the stabilisation and reconstruction of social care. An initial analysis of these early lessons will be available in early September. This will be an ongoing piece of work and lessons learned will continue to be collected from across the social care sector until the end of this financial year.

We have also commissioned a **rapid review** of the care home operational experience during the pandemic which is being facilitated by an independent expert. As part of this work we have asked Local Authorities and Health Boards to reflect on their experiences and consider their response to supporting care homes during the pandemic. Their analysis, along with input and interviews with key organisations including Care Inspectorate Wales, the Older People's Commissioner, Public Health Wales, Social Care Wales and Care Forum Wales will enable Welsh Government to:

- understand what could be improved for the future in terms of local authority and health board support to care homes in Wales;
- identify and respond to outstanding issues, reinforce support required for any future wave of Covid-19 and put in place measures to help mitigate the risk of exacerbating stress on already fragile services;
- understand the good practice that worked well and why, and how it can be scaled and expanded across Wales.

This work, comprising seven regional action plans and a national report, will be completed in September, in time to capture and implement any learning before a potential second wave later in the year.

Best wishes

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

MARK DRAKEFORD