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Llywodraeth Cymru
Welsh Government

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Llyr Gruffydd MS
Chair, Finance Committee
Senedd Cymru
Cardiff
CF99 1NA

05 March 2021

Dear Llyr,

I am pleased to enclose at Annex A the Government's response to the recommendations contained in the Finance Committee's report on its scrutiny of the Draft Budget 2021-22 (February 2021).

Given the unprecedented circumstances we have faced, I would like to place on record my gratitude to the Finance Committee and the other Committees for their cooperation in conducting scrutiny in a truncated period.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans".

Rebecca Evans AS/MS
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Minister for Finance and Trefnydd

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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.

Response to Finance Committee's Recommendations on the Draft Budget 2021-22

Recommendation 1 - The Committee recommends that the Welsh Government outlines the implications of, and its response to, the UK Budget as soon as possible, to enable the Committee to reflect on potential changes to the Welsh Government's Budget 2021-22.

Response: Accept

In line with established practice, the Minister for Finance and Trefnydd will provide a Written Statement on the day of the UK Budget setting out the immediate implications of the UK Budget for Wales including any change in the funding available to Wales and any tax measures which have implications for Wales. We will write to the Finance Committee with full details of consequential changes arising as a result of the UK Budget. The final Budget debate on 9 March will be an early opportunity for the Senedd to reflect on changes to the Welsh Government's overall settlement.

Recommendation 2 - The Committee recommends that the Welsh Government continues to seek commitments from the UK Government that UK fiscal events will normally take place by a specified date to ensure devolved administrations have sufficient time to carry out meaningful budget setting and scrutiny.

Response: Accept

As we acknowledged in response to scrutiny of our 2020-21 budget plans; while the timing of UK fiscal events is a matter for the UK Government, we will continue to highlight to the UK Government the importance of providing the Devolved Administrations with greater certainty and clarity in relation to the timing of UK fiscal events, given the impact this has for our respective budget procedures.

We have also welcomed the support of the Devolved Administrations' Finance Committees on this matter where, in your joint letter to the Chief Secretary, you reinforced the dependence on the timing of the UK Budget and impact on the appropriate level of parliamentary scrutiny.

Recommendation 3 - The Committee recommends that the Welsh Government continues to seek commitments from the UK Government for multi-year funding settlements to be reinstated in time for next year's budget process.

Response: Accept

We welcome the Committee's recognition that the lack of forward funding figures from the UK Government has meant that the Welsh Government has been unable to give multi-year funding settlements.

In this regard the UK Government has published longer-term resource and capital plans for certain programmes, including for the NHS and education. However, these are exclusive to England and do not provide a reliable guide for future funding in Wales, as movements in other programmes not covered by these plans could have a material effect on our overall expenditure limits. This impacts on the Welsh Government's ability to provide longer-term certainty for the many services and organisations we fund particularly given the fiscal context we are facing.

It remains the Welsh Government's aspiration to provide longer-term budgets for our partners and stakeholders. Welsh Ministers will continue to press the case to the UK Government to publish multi-year settlements to provide Devolved Administrations with the same certainty that is afforded to UK Departments.

Recommendation 4 - The Committee recommends that, to inform scrutiny during the coming financial year, the Welsh Government considers how it can provide up-to-date information on its spending commitments in regard of the pandemic, as well as providing transparency on the finance it has available and the consequentials it is receiving

Response: Accept

As was outlined by the Minister for Finance and Trefnydd during scrutiny; despite the exceptional circumstances this financial year due to the pandemic, we have in line with our commitment to transparency sought to provide up-to-date information and supporting material to enable meaningful scrutiny of the fiscal implications of the pandemic. In recognition of the fast-moving situation at the start of the financial year, we published an early Supplementary Budget, followed by a further one in October and in February.

We are the only government within the UK to have published three updates to our in-year budget and to have provided transparency of our funding decisions in this way. The Minister for Finance and Trefnydd also stated that this level of transparency and the additional steps put in place this year is something future administrations should consider building upon.

Recommendation 5 - The Committee recommends that the Welsh Government urgently formulates a plan for accelerating funding, in the event that there is no agreement on increasing limits on carrying forward funding in the Wales reserve, to prevent any Welsh funding being lost.

Response: Accept

Full details of the Welsh Government's final spending plans for 2020-21 were set out in the third supplementary budget published on 16th February. It formalises more than £1.1bn of COVID-19 related spending decisions taken since the second supplementary budget was published in October 2020.

As part of the UK Government's Supplementary Estimates for 2020-21, Wales has received an extra £660m, over and above the £5.2bn funding guarantee, reflecting its Barnett share of funding announced in England. The Welsh Government is carrying this funding forward into 2021-22, on top of the Wales Reserve. This additional funding has been factored into the final Budget 2021-22.

Recommendation 6 - The Committee recommends that the Welsh Government continues to press the UK Government for fair funding in relation to recent decisions that are causing uncertainty or impacting on funding available to Wales such as HS2, shared prosperity fund, pillar funding, legacy coal tips, flood damage and that the current and future Finance Minister updates the Committee on progress.

Response: Accept

We welcomed that, as part of the Committee's scrutiny of the UK Government Spending Review, the Committee wrote to the Chief Secretary to the Treasury in January pressing the case for fair funding, including the agricultural sector shortfall, Shared Prosperity Fund and HS2 funding. In her evidence to the Committee on 20th January, the Minister for Finance and Trefnydd indicated that the Treasury had signalled that the Chief Secretary was not minded to agree the request to reprofile the £42m pillar transfer for Rural Development. The supplementary estimates process confirmed that this request had been rejected on the basis that the inter-pillar transfer decision related to an EU process that closed in December 2019. We will continue to press the UK Government on this decision, emphasising the disproportionate impact this has on Wales.

We have also seen the UK Government break the pledge it made in the Spending Review, that the devolved nations would receive Barnett consequentials from the Levelling up fund. Instead the UK Government has announced it will use its powers under the Internal Market Act to spend in devolved areas which we view to be an aggressive and unconstitutional undermining of devolution. We will continue to press the UK Government to ensure Wales receives its fair share of funding and will provide the Finance Committee with regular updates on progress and would welcome the committee's ongoing support in pressing the UK Government on these important issues.

Recommendation 7 - The Committee recommends that, where there are ongoing issues regarding funding from the UK Government, the Welsh Government needs to prioritise its finances to ensure there is no delay to funding getting to where it is urgently needed.

Response: Accept

Our approach to allocating funding will continue to be based on providing rapid financial support in a responsible process that targets resources at the right place at the right time based on the course of the pandemic. In line with prudent and responsible budget management this will need to be balanced against the certainty on further UK Government funding and the need to retain flexibility to respond to matters arising in the next financial year.

Recommendation 8 - The Committee recommends that the Welsh Government provides further information on the measures in place to ensure any additional health funding from the UK Government is allocated efficiently, making the most effective use of resources available.

Response: Accept

The NHS has maintained sound governance processes during the pandemic to ensure that allocations are spent appropriately and ensuring value for money. Welsh Government has maintained a robust monthly financial monitoring process to manage funding requirements and identify areas of variability in resource use.

Audit Wales have reviewed the governance arrangements of the NHS during the pandemic (Doing it Differently, Doing it Right), and have found that all NHS bodies operated effectively with a sense of urgency and a common purpose to adopt lean and agile ways of working and achieve rapid transformation whilst also maintaining a clear focus on core areas of business and governance.

Recommendation 9 - The Committee recommends that the Welsh Government provides further information about how the additional £385 million funding for core NHS services will be used. This should include a breakdown to show how much has been set aside for the pay award for staff and other services, such as the funding intended to support existing service delivery, for example, to address increasing waiting times due to the pandemic.

Response: Accept

Our core spending plans for the NHS continue to be based on the evidence contained in the 2014 Nuffield Trust and 2016 Health Foundation reports on the levels of investment required to maintain core safe services.

Included within our priorities for funding core NHS services in 2021-22, the £385 million funding will be used to fund pay awards for NHS staff as well as ensuring essential non-Covid services are maintained. We have asked the pay review bodies to advise on the appropriate level of award, and will consider their recommendations when they are received in the early summer. Funding will be allocated to NHS organisations to meet the costs of the pay award. We have confirmed funding already totalling £120 million to local health boards to meet cost growth.

We will also invest in transforming the delivery of health services and in new technologies. This includes new investments in precision medicine, including in Advanced Therapeutic Medicinal Products and genomics, and continuing to invest in education and training of the future NHS workforce.

The experience of the COVID pandemic has highlighted the need for increased investment in health protection. We will provide an extra £10m to Public Health Wales to support the transformation of Health Protection Services in Wales.

We will also invest a further £25m in taking forward the vision set out in *A Healthier Wales*. 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.

In terms of waiting times, we are working with the NHS to develop a recovery plan to reintroduce more services when it is safe to do so, but it is unlikely that we will see services back to pre covid NHS capacity for a while as we expect the social distancing requirements to be in place in some form while Covid remains in our communities and hospital environments.

Recommendation 10 - The Committee recommends that the Welsh Government clarifies how the draft budget allocations address the current issues faced by the NHS in terms of its staff numbers and capacity, as well as those it is likely to experience given the continued impact of the pandemic on its workforce.

Response: Accept

The pandemic has re-enforced the importance of the healthcare workforce and in the draft budget we made an additional investment of £385m for core NHS services, taking total NHS funding in 2021-22 to more than £8.4bn. To ensure NHS Wales organisations have the resources needed to respond to the challenges of the pandemic we have made an additional allocation of **£380m** in the final Budget for the first 6 months of 2021-22 - specific measures funded include COVID-19 vaccinations, PPE, infection control cleaning, NHS Wales Local response plans.

Recommendation 11 - The Committee recommends that the Welsh Government provides for more investment in staff and training to support NHS workers.

Response: Accept

We welcome the Committee's recognition of this important issue. On 7 December 2020 the Minister for Health and Social Services issued a written statement confirming a further expansion of training places for health professionals. £227.9m will be invested in health professional education and training in 2021-22, representing an 8.3% increase from 2020-21 and will provide the highest ever number of training opportunities in Wales. Further investment in education and training plans will continue to be based on workforce need.

Recommendation 12 - The Committee recommends that the Welsh Government provides further information about the vaccination programme, differentiating between the costs met by the UK Government and those provided for in the Welsh Governments budgets.

Response: Accept

As outlined during scrutiny, there is a clear separation between vaccine programme costs being covered by the UK Government and by the Welsh Government. The UK Government is procuring vaccine supply on behalf of the 4 nations of the UK.

All other costs relating to the deployment of the vaccine programme are the responsibility of the Welsh Government. The vaccine programme is the absolute priority for the Government and for NHS Wales. We are currently working with health boards to firm up forecasts for the coming months. There are still elements of uncertainty around deployment, not least because vaccine supply is building but with some residual unpredictability, which means the NHS infrastructure needs to flex accordingly.

Recommendation 13 - The Committee recommends that the Welsh Government clarifies how the allocations for mental health will address issues around the availability of support.

Response: Accept.

In our draft budget we allocated a significant additional funding of £42m for mental health services. This takes total spending on mental health to £783m in 2021-22. Included within this total is £726 million that will be provided to Local Health Boards in 2021-22 as part of the mental health ring-fenced allocation to support current mental health services and support.

This funding also needs to be seen in the context of the cross-Government and multi-agency approach needed to stem the expected increase in mental health needs. Building on actions already included in our recently refreshed Together for Mental Health Delivery Plan we are also working across government to further strengthen our response to the socio-economic impact of the pandemic on mental health as we recognise the need for cross-Government action to support and protect mental health including in employment, debt support, housing and education.

We have also established a new Delivery and Oversight Board which met for the first time on 24 February 2021 to complement existing partnership arrangements and strengthened programme management across the entirety of the Together For Mental Health Strategy.

We have ensured there is an element of flexibility in this funding to enable us to respond to the impact of the pandemic as that becomes clearer during 2021.

Recommendation 14 - The Committee recommends that whilst tackling the increased levels of mental ill health linked to the pandemic, the Welsh Government ensures that investment is made in preventative measures which consider the wider determinants of mental health, such as skills and employability, education, housing, access to green space and physical activity.

Response: Accept.

We are working across government to further strengthen our response to the socio-economic impact of the pandemic on mental health. One of our key priority areas this year, for example, is further supporting crisis services, for which up to £6m has been made available.

The most disadvantaged people in Wales will experience the most severe financial impacts caused by the crisis. We expect the increased demand on advice services to continue and we are therefore providing an increase of £1.1m in funding for advice services so people can access free and impartial advice on debt, employment, income maximisations and welfare benefit issues.

Investment in social housing can play a key role in supporting a green recovery alongside delivering wider economic and societal impact. We are investing an additional £100m in our Social Housing programmes at final Budget, taking our total investment in the Social Housing Grant to nearly £250m in 2021-22, supporting jobs and training opportunities for Welsh SME builders and localised supply chains. That £100m investment has enabled us to extend and upscale the Optimised Retrofit Programme, bringing our investment in this programme to £50m in 2021-22. This will continue development of new skills, assessment tools, supply chains, and procurement frameworks that encourage SME development and create jobs.

Recommendation 15 - The Committee recommends that the Welsh Government clarifies how the funding for local government and education supports the current ways of learning and provides sufficient resources to address the negative impact of the pandemic on education, ensuring young people are not falling behind

Response: Accept

Providing local government with the best possible settlement has been central to our budget preparations again this year. In 2021-22 local authorities will receive £4.65 billion in core revenue funding and non-domestic rates, an increase of £172 million. While we recognise the pressures faced by local government it is hoped that this increase enables authorities to continue to support and deliver critical and valued front line services, including schools.

We have provided an additional £206.6m for the Local Government Hardship Fund for the first six months in the final Budget, which includes extended support for schools.

We also continue to provide significant additional grant funding over and above the core funding for schools through local authorities. Our overall investment in specific revenue grants to local authorities across our Education budget is over £400m for 2021-22.

We have also provided an additional £23.3m announced in the draft budget to extend free school meals in school holidays for the entirety of 2021-22.

We are providing an additional £12m funding in 2021-22 to recruit school staff to help, coach and mentor disadvantaged and vulnerable learners of all ages and ensure they get the help and support they need to catch up and mitigate the impact of the COVID-19 pandemic.

We will also be investing a further £15m in to the Hwb EdTech digital transformation programme in 2021-22 to support the delivery of the Curriculum for Wales and the provision of remote learning.

Recommendation 16 - The Committee recommends that the Welsh Government clarifies whether the additional funding in the local government settlement is intended to support existing service delivery and what additional funding may be made available outside of the settlement.

Response: Accept

The majority of funding from the Welsh Government to local government – some £4.5billion – is allocated through the unhypothecated Local Government Settlement to support statutory and non-statutory delivery of services. The increase of £172m for 2021-22 on a like for like basis will support local authorities to meet inflationary and demand pressures. In addition, around £1 billion of specific grant funding is being maintained in 2021-22 and will be allocated to support identified local services. This early certainty on specific grant allocations will enable local authorities to plan their full range of services for the coming year. Local government will also benefit from a number of additional revenue and capital allocations set out in the draft budget.

Funding to support the additional costs and loss of income as a result of the pandemic has been provided separately via the Local Government Hardship Fund in 2020-21. In the final budget, the Fund has received an additional **£206.6m** for 6 months to extend support for a range of measures including Free School Meals, homelessness, school cleaning, enforcements, excess deaths, self-isolation payments, adult social care, care home testing, and Statutory Sick Pay.

We will continue to work closely with the WLGA and local authorities to understand what continued support for the Local Government response to the impacts of the covid 19 pandemic is required into 2021-22.

Recommendation 17 - The Committee recommends that the Welsh Government consider whether a funding floor for local government for the Final Budget would be suitable.

Response: Accept

In 2021-22, the core revenue funding for local government provides an increase by 3.8% on a like-for-like basis compared to the current year, representing a £172m year-on-year boost alongside the additional **£206.6m** for a 6 month extension of the Local Authority Hardship Fund.

Given the increased settlement for 2020-21, the proposed allocations announced for 2021-22, the decision was made not to include a funding floor for this year at draft budget. We have carefully considered all of the settlement consultation responses and, given the positive increase of at least 2% for all authorities we do not consider a floor is appropriate. If a floor is funded from within the resources available to the Settlement it means reductions for other authorities.

While we fully appreciate the pressures and challenges local government is facing, this settlement, along with the additional funding provided for the LA Hardship Fund in the final Budget, provides local authorities with a stable platform for planning their budgets for the forthcoming financial year. We will work with local authorities and the WLGA to monitor the situation as we progress throughout the year.

Recommendation 18 - The Committee recommends that as part of the Minister's consideration into further allocations being made in the Final Budget, the Welsh Government considers transitional funding for social care in 2021-22 so that providers are able to meet the ongoing additional costs in delivering their services during the pandemic.

Response: Accept

As a result of the additional support we have provided in 2020-21 we are not aware of a single care home closure in Wales as a result of the pandemic, and our financial support has enabled staff to focus on safety rather than money worries.

We have continued to monitor the ongoing impact of the pandemic on adult social care providers and the need for ongoing support. While we recognise that as a result of the progress of our vaccination programme, we expect infection rates in care homes to be much lower, it is clear that the sector faces many financial challenges. In the final budget we have therefore provided an additional £206.6m for a six months extension of the Local Authority Hardship fund to meet a range of costs, including funding for Adult Social Care.

Recommendation 19 - The Committee recommends that the Welsh Government monitors the impact of the pay award on individual local authorities, including the likely impact on their financial position and the delivery of services.

Response: Accept

While local authorities received an average 3.8% increase we have not received any additional funding through the Barnett formula to provide for public sector wide pay awards as a result of the UK Government's decision to introduce a public sector pay freeze. This decision is unfair and only reduces the funding available for pay in Wales and as a result we have no additional resource to fund pay increases in 2021-22. Any proposed pay award will therefore have to be met from within existing local authority resources, and local authorities will need to consider the impacts on their financial position and the delivery of services. We will continue to work with local authorities and Audit Wales to monitor overall financial stability of the sector and individual authorities.

Recommendation 20 - The Committee recommends that the Welsh Government provides information about the further work being undertaken on the impact of the pandemic on education when it becomes available.

Response: Accept

We are acutely aware of the significant challenges which are emerging for learners through the move to remote learning, and the disruption to teaching and learning through the last year.

To address this, we are working with our partners to co-develop a set of interventions and long term strategy which will support learners over the coming years to achieve their potential. This will explicitly recognise the importance of wellbeing and the motivation to learn, as well as the learning itself. It will also need to recognise the pressure on teachers and schools, as there will need to be space and capacity to support learners develop confidence and build knowledge, skills and experiences. We will provide the Committee with an update on the continuing work being undertaken and strategies for supporting learners when they become available. We anticipate discussions taking place until Easter and will look to publish our proposals after that.

Recommendation 21 - The Committee recommends that the Welsh Government's reconstruction plan is more ambitious in terms of policy and allocations and is addressed more substantially in the Final Budget, and subsequent Supplementary Budgets.

Response: Reject

In terms of ambition our 'Coronavirus Reconstruction Challenges and Priorities' plan, published by the Counsel General on 6 October 2020, was shaped by over 2,000 responses received from an open call for evidence. In addition, the Counsel General convened six round-tables with leading experts from Wales and across the world to ensure that the broadest possible evidence base could be drawn upon in the development of the Plan.

As outlined by the Minister for Finance and Trefnydd during scrutiny the immediate focus of the plan was to develop the priorities for reconstruction in the short term, guiding the £320m of reconstruction funding allocated in 2020-21.

The Minister also outlined that these eight priorities provided the foundation for a future recovery reflecting areas highlighted by people as priorities under a range of scenarios. This was demonstrated in our 2021-22 draft Budget with allocations against all eight priorities also underpinning our principles of protecting public health and the economy, building a greener future, and creating change for a fairer, more equal Wales.

Within the final budget we have also provided a £224.5m capital stimulus reflecting the role of infrastructure investment in stimulating economic demand in the short to medium term, while also improving the supply side of the economy in the longer term, and improving social and environmental outcomes.

This Budget therefore not only strikes the balance between being ambitious and delivering on our values, but also provides a strong foundation for the next administration to build on our progress in the months and years ahead.

Recommendation 22 - The Committee recommends that the Welsh Government considers whether existing regeneration programmes still represent best value and considers the need to be more focused on supporting growth and investment in skills and employability, particularly in terms of encouraging a sustainable green economy.

Response: Accept

The Welsh Government makes significant investment in regeneration programmes right across Wales. The draft Budget includes a capital budget for regeneration of over £40m, to support our commitment to ensuring that place-making, green recovery and fair work, underpinned by investment in people and digital transformation, is integral to all our decisions and activity.

The Economic Resilience and Reconstruction Mission, recently published by the Minister for Economy Transport and North Wales, reaffirms the “town centre first” principle. Our Transforming Towns programme focusses on ensuring the recovery of our town centres with a wider offer of activities and uses including flexible business space, leisure and local services linked to skills and job creation. As part of this recovery, we are allocating £16.5m to invest in apprenticeships, employability and skills and increasing the amount of education and training for jobs in expanding occupations and sectors through upskilling and reskilling.

We are also clear on the role that the public sector needs to play, which is why the draft Budget includes an allocation of £1.4m capital in 2021-22 to a pilot approach requiring public sector authorities to consider the need to put the health and vibrancy of town centres at the heart of their location strategies and investment decisions.

In addition, the final Budget includes a capital stimulus package of £224.5m, with a focus on stimulating growth and jobs in the construction industry and supply chain, in support of that ambition. This package includes an additional allocation of £3.5m to the Community Facilities Programme and a further £1m financial transactions capital to the Community Asset Loan Fund. This will support third sector organisations in purchasing and improving community assets, land and buildings, including those in town centres.

Recommendation 23 - The Committee recommends that the Welsh Government works to simplify the process for accessing business support packages and offers help and better signposting to smaller business, including a “no wrong door” approach for applicants. The Welsh Government should also consider a review of the communication methods for these schemes.

Response: Accept

Business Wales is the Welsh Government’s bilingual business support service that was launched in January 2013 and refreshed in January 2016. The service provides a single point of contact for business information, advice and support from the public, private and voluntary sectors. This single contact makes it easier for Welsh micro-businesses and SMEs including social enterprises, and aspiring entrepreneurs of all ages to access the information, advice and support they require to start and grow their businesses.

The Business Wales website provides access to a wide range of information, advice and guidance in one place. In addition to telephone and email support, Business Wales provides a bilingual ‘live-chat’ function for users of the website and acts as a gateway for a variety of different Welsh Government business support services, including WEFO, Farming Connect, Skills Gateway and the Transport for Wales Supplier Champion.

We have worked to simplify the system and continually improve access for accessing business support packages. In the current round of Covid restrictions, funding allocated under the Economic Resilience Fund (ERF) is paid directly to businesses once a simple online registration/application has been completed. Over 90% of ERF funding has reached SME businesses quickly. Any individual who has limited digital accessibility can contact the Helpline for wider options and access to support.

Through the pandemic Business Wales has received more than 8 million visits to the website and dealt with nearly 50,000 enquires. The mediums for accessing support are regularly reviewed and refined taking on feedback from customers, partners and stakeholders. A range of activities are used to promote access to the service including press releases, client case studies, radio, digital and written press, billboards and train/buses. We also utilise our stakeholder networks to raise awareness, such as working closely with local authorities on the non-domestic rates linked grants, representative bodies including the FSB through their membership, and Business Wales contractors who deliver the core support service and the Enterprise Hubs.

The Business Wales Strategic Board consists of representatives from the IoD, FSB, small business and social enterprise sector who champion the Business Wales service and promote the offer.

Recommendation 24 - The Committee recommends that the Welsh Government identifies how the pandemic has changed, or reaffirmed, its priorities in terms of digital connectivity. Changes in this respect should be highlighted in the Final Budget.

Response: Accept in principle

The pandemic has underscored the importance of digital connectivity. We are currently developing a new Digital Strategy for Wales, which sets out our ambitions to harnesses digital, data, technology and AI for the good of people in Wales. Whilst digital connectivity is not a devolved matter, the Welsh Government has already provided vital digital connectivity to homes and businesses across Wales.

Through this budget we are providing £10m to local authorities and social enterprises to support broadband projects in areas not currently served with superfast broadband in addition to the £56m for the next phase of broadband roll out. We are also providing £4.9m in 2021-22 for the Centre for Digital Public Services, which will drive innovation and user centred design in digital public services in Wales, supporting specialised training programmes and digital squads.

We are in discussion with the UK Government to clarify future spend in Wales arising from its £5bn programme to deliver gigabit connectivity to all premises in the UK. We will continue to monitor the case for further investment as we progress through the financial year.

Recommendation 25 - The Committee recommends that the Welsh Government identify how spend in the Draft Budget on town centres takes advantage of the opportunities arising from the pandemic (e.g. maximising homeworking).

Response: Accept

Our whole Transforming Towns agenda is supporting our town centres to reimagine and reinvent themselves and seize any opportunities to help them thrive and become more sustainable. As a result of the pandemic we recognise the need to ensure we can increase footfall and accessibility and make a vital contribution to our town centres by locating public bodies, partner organisations and associated services and facilities in them to in turn support regeneration and economic activity, increase footfall, broaden the range of services available, and bring well-being, social and environmental benefits.

Many of the projects we already support as part of our £110 million Transforming Towns investment are targeted at providing co-working spaces and we are linking this work very closely with our remote working policy.

The Deputy Minister for Housing and Local Government's Ministerial Town Centre Action Group is ensuring that any new ideas and opportunities arising from the pandemic are brought to the table from a range of experts and policy leads.

Recommendation 26 - The Committee recommends that the Welsh Government demonstrates how it has changed its approach to climate emergency spend in light of the pandemic and how it intends to maintain the flexibility to adapt to behavioural changes in fulfilling its objective of building a 'greener future'.

Response: Accept

We have been clear that economic reconstruction and our action on climate change are not mutually exclusive. We need to deliver the green recovery that will sustain Wales into the future. There are specific additional allocations within the draft budget - £80m of capital and £17m of revenue funding – to directly support climate change measures. This is on top of the funding already carried forward from previous years including the £140m 'green' capital package announced in last year's Budget and our extensive public transport investments to name but a few. We have gone further still in our final Budget – for example by increasing capital investment in our Optimised Retrofit Programme in 2021-22 to £50m

The Future Generations Commissioner has noted in her indicative analysis of the 2020- 21 draft budget that key spending lines related to decarbonisation has risen by approximately 28% year on year, suggesting good progress in tackling the climate emergency.

However, we recognise the need to maintain flexibility to respond rapidly to behavioural change and emerging evidence. We have recently received further advice from the UKCCC, who are clear on the current evidence that there is a credible, feasible and affordable path to net zero for Wales by 2050. We are currently reviewing this advice, and how our future budgetary plans can help to deliver on that pathway.

Recommendation 27 - The Committee recommends that the Welsh Government prioritises developing a comprehensive assessment of the carbon impact of its spending decisions and considers how it can overcome the limitations identified.

Response: Accept

We have taken significant steps in improving our understanding of carbon impact of our spending decisions in this Budget round. Both the indicative assessment published alongside the draft Budget, and the wider analysis published as part of the final Budget documentation provide us with the basis from which to build our understanding of emissions that are associated with goods and services that are purchased through the Welsh Government's budgets. These steps have been recognised by the Future Generations Commissioner, who welcomed the fact that the Welsh Government have commenced a programme of work to better understand the level of carbon emissions that result from budgetary decisions.

We acknowledge that are limitation to this analysis, and there is more to be done in assessing and quantifying the carbon emissions or savings associated with the behavioural outcomes arising from Welsh Government spending as well at the spending itself. Such assessments will need to be undertaken by departments when developing spending proposals, and then considered as part of budgetary decisions.

However, as the Welsh Government set out in last year's budget, assessing the broader carbon impact of financing Welsh Government policies through the budget is not always a straightforward task. For example, we are continuing to invest in in developing the electric vehicle charging infrastructure in Wales. The impact this investment will have is closely linked to the uptake of electric vehicles more generally, which in turn is dependent on the regulatory choices that the UK Government makes in terms of restricting traditional petrol and diesel vehicles.

Recommendation 28 - The Committee recommends that the Welsh Government improves communication of financial assistance schemes and reviews the application processes to ease access to support, particularly for vulnerable applicants, with consideration given to implementing a “no wrong door” approach for applicants.

Response: Accept

Welsh Ministers have agreed a series of practical actions in response to the acute financial pressures many families are now experiencing as a result of the pandemic. These actions are set out in our [Income Maximisation Action Plan](#). Under the plan, we are supporting a range of activity to help families in Wales to claim all the support they are entitled to, including development of a ‘no wrong door’ approach through a more integrated system of support which promotes warm referrals between agencies. We are also developing guidance for adopting ‘single entry points’ to support, linking across key agencies, services and employability programmes.

We are also working with Citizens Advice through the Single Advice Fund (SAF) to encourage people to access and engage effectively with Advice Partners to identify, support and resolve their problems and improve their financial resilience. Our Discretionary Assistance Fund (DAF) provides emergency payments to anyone aged 16 and over who is experiencing extreme financial hardship. The scheme is supported by a network of more than 570 front-line organisations who are actively engaged in awareness raising and are key to ensuring this support reaches those it is intended to help. We are providing an additional £10.5m for the first six months of 2021-22 to continue the current relaxation of DAF rules to respond to the impacts of COVID-19 on households suffering extreme financial hardship, alongside measures aimed at maximising household income and improving financial resilience.

We are committed to raising awareness of the Fund, promoting take up via partners such as local authorities, food banks and social media to ensure that everything is done to identify and reach target groups.

Recommendation 29 - The Committee recommends that the Welsh Government considers how it can improve the relationship between the distributional analysis of public spending in Wales and the prevention agenda.

Response: Accept in principle

The purpose of this analysis is to investigate who benefits from public spending on health, education and social care for the elderly. In particular, this work looks at the impact of public spending on households across the income distribution. As well as providing some broad results for Wales, this work has enabled the Welsh Government to explore the strengths and weaknesses of such analysis.

This form of analysis has the potential to play a part in future Welsh Government budgets. The aim is to incorporate it in the suite of information accompanying future budgets. Its capacity to inform budgetary decisions will depend on the availability of data in specific areas.

The Welsh Government will continue to advance the modelling with a view to improving and extending the analysis where possible. This work will include considering how the analysis can be extended to look at different groups of people and cover more areas of public spending.

We will consider how we can improve the relationship between the distributional analysis of public spending in Wales and the prevention agenda, but the nature of spending on the prevention agenda is likely to mean that establishing a clear and measurable relationship between expenditure and future beneficiaries is complex and challenging.

Recommendation 30 - The Committee recommends that future Strategic Integrated Impact Assessments are strengthened to explain how the causes of poverty and varying impacts on different groups and needs are influencing the Welsh Government's spending allocations.

Response: Accept

We remain committed to reviewing how we take an integrated approach to assess the impacts of the draft budget through the Strategic Integrated Impact Assessment as demonstrated by the steps we took in the 2021-22 Draft Budget to improve the way we present the impact of our spending decisions in the budget including the summary provided of evidence about the disproportionate impacts by different protected characteristics, including by gender, race and socio-economic disadvantage, with accompanying footnotes to relevant evidence sources.

As set out in our Budget Improvement Plan, we are committed to improving our processes around how we prioritise our spending proposals. As part of this we will reflect in future budgets how we can take further steps to more-explicitly highlight how specific spending allocations respond to poverty and the varying impacts on different groups.

Recommendation 31 - The Committee recommends that the Welsh Government sets out how it will undertake a more gender sensitive approach to its future budgets and demonstrates how spending and policy decisions are informed by the impact on gender and other groups, particularly given the evidence that the economic impact of the pandemic will disproportionately affect certain groups.

Response: Accept

We welcome the Committee's acknowledge of the positive results of the Personal Learning Account gender budgeting pilot and its influence on this year's allocation. As outlined in our Budget Improvement Plan, we are committed to build on our pilot approach by taking a 'gender focussed' approach in other policy areas in future budgets. In doing so we will consider policy areas where there is evidence of a disproportionate impact on certain groups, and how any findings can inform Welsh Government's spending and policy decisions in those areas.

It is also important to recognise that our approach has been developed through engagement with the Icelandic Government who are recognised as international leaders on gender budgeting. They too initially took a pilot approach within specific policy areas, as this was a crucial way to demonstrate the value of gender budgeting. However they have acknowledged this was not a quick process, taking seven years from the initial pilots building towards a comprehensive implementation that was supported by passing a new 'organic budget law'.

Recommendation 32 - The Committee recommends that the Finance Minister provides a brief update on the impact of the revised OBR forecasts that will be published with the UK Budget during the Final Budget debate on 9 March.

Response: Accept

The Minister for Finance and Trefnydd will provide an update during the final Budget Debate on 9 March on the revised OBR forecasts to be published alongside the UK Government's Budget on 3 March.

Recommendation 33 - The Committee recommends that the Welsh Government provides further detail of discussions held with the Chief Secretary of the Treasury on funding relating to pillar transfer and undertakes an impact assessment on the effects that a reduction in overall funding available to agriculture will have on farming and the wider rural economy.

Response: Accept

The Minister for Finance and Trefnydd has written to the Chief Secretary of the Treasury on multiple occasions to outline our deep concern with the replacement farm funding announced in the Spending Review, which leaves farmers and rural communities in Wales short-changed by £137m.

On 27 November, the Minister for Finance and Trefnydd wrote to the Chief Secretary of the Treasury to review the decision for a pillar transfer, and request the level of farm funding for 2020-21, is revised to include this £42m. The Minister for Finance and Trefnydd raised the issue again in a meeting with the Chief Secretary of the Treasury in December. It has been confirmed through the Supplementary Estimates process that the request for the pillar transfer has been rejected. This fails to recognise that the decision to take a 15% pillar transfer for rural development was procedural to meet EU obligations to notify it of the proportion of our domestic replacement 2020-21 CAP budget we would carry forward to 2021-22 to invest in wider rural development.

On 21 December the Minister for Environment, Energy and Rural Affairs announced she would be prioritising funding for farmers, reflecting the additional strain placed on the industry by EU Exit and Covid-19. The total direct payment ceiling will be set £238m to provide the same level of direct payments to farmers in 2021, as was provided in 2020. Had the UK Government replaced EU funding in full, Wales would have been better placed to invest in our domestic rural development programme. We will now prioritise using the limited rural development funding for 2021-22 to develop a programme which will target investment in future years on post-EU Exit and Covid Recovery to support our rural communities and environment.

Alongside this we have allocated £2.6m to deliver the start of the new post-EU funded farm support programme and the BEW review recommendations, alongside delivering the remaining commitments under the existing EU funded schemes up to 2023.

Recommendation 34 - The Committee notes the efforts made by the Welsh Government to engage with the UK Government on the UK Shared Prosperity Fund, and recommends that an update is provided on how future funding will be allocated and what role the Welsh Government will have in the process.

Response: Accept

The UK Government has not meaningfully engaged with Welsh Government on the Shared Prosperity Fund thus far. Initial proposals for a prospectus for the pilot scheme in the New Year have now been pushed back to March, and UK Government has given no indication as to what the methods of funding allocation or role of Welsh Government will be.

The UK-level framework for the future of the fund has also been delayed until the summer, from the original commitment to publish in spring. The Secretary of State for Wales on 25 November indicated a meeting would follow between Counsel General and Minister for European Transition and UK Communities and Pensions Secretaries to discuss investment priorities and delivery structures for the Shared Prosperity Fund. No such invitation has been forthcoming as of yet.

We have also seen the UK Government announce it will use its powers under the Internal Market Act to spend in devolved areas through its Levelling up Fund instead of Wales receiving its fair share of funding through the Barnett formula as was indicated in the Spending Review. In practice, this will mean that the UK Government is taking decisions on devolved matters in Wales without being answerable to the Senedd on behalf of the people of Wales which we view as an aggressive and unconstitutional undermining of devolution.