

Agenda – Finance Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Owain Roberts
Meeting date: 11 May 2022	Committee Clerk
Meeting time: 09.30	0300 200 6388
	SeneddFinance@senedd.wales

Private pre-meeting – Informal (09.15–09.30)

- 1 **Introductions, apologies, substitutions and declarations of interest**
(09.30)
- 2 **Paper(s) to note**
(09.30) (Pages 1 – 8)
 - Minutes of the meeting held on 2 March
 - Minutes of the meeting held on 11 March
 - Minutes of the meeting held on 25 March
- 2.1 **PTN 1 – Welsh Government Draft Budget 2022–23: Welsh Government response to the Finance Committee's report – 4 March 2022**
(Pages 9 – 38)
- 2.2 **PTN 2 – Letter from the Minister for Finance and Local Government: Financial Transactions Capital allocations – 28 February 2022**
(Pages 39 – 42)
- 2.3 **PTN 3 – Letter from the Minister for Finance and Local Government: Further information on issues raised during the session on the second supplementary budget – 23 March 2022**
(Pages 43 – 47)
- 2.4 **PTN 4 – Welsh Government Second Supplementary Budget 2021–22: Welsh Government response to the Finance Committee's report – 26 April 2022**
(Pages 48 – 65)

- 2.5 PTN 5 – Tertiary Education and Research (Wales) Bill: Welsh Government response to the Finance Committee's report – 29 March 2022**
(Pages 66 – 71)
- 2.6 PTN 6 – Letter from PCS Union: Use of ‘fire and rehire’ by Welsh public sector bodies – 25 April 2022**
(Pages 72 – 73)
- 2.7 PTN 7 – Letter from the Minister for Finance and Local Government: Budget Improvement Impact Advisory Group (BIIAG) – 25 March 2022**
(Pages 74 – 87)
- 2.8 PTN 8 – Letter from the Minister for Finance and Local Government: Budget Improvement Impact Advisory Group (BIIAG) – 27 April 2022**
(Pages 88 – 89)
- 2.9 PTN 9 – Letter from the Minister for Finance and Local Government: Draft Public Audit (Amendment) Wales Bill – 3 March 2022**
(Page 90)
- 2.10 PTN 10 – Letter from the Minister for Finance and Local Government: Draft Public Audit (Amendment) (Wales) Bill – 6 April 2022**
(Pages 91 – 93)
- 2.11 PTN 11 – Letter from the Minister for Finance and Local Government: Finance Inter-ministerial Standing Committee (F:ISC) – 11 March 2022**
(Page 94)
- 2.12 PTN 12 – Letter from the Minister for Finance and Local Government: Finance Inter-ministerial Standing Committee (F:ISC) – 5 April 2022**
(Pages 95 – 96)
- 2.13 PTN 13 – Letter from the Public Services Ombudsman for Wales to the Chair of Local Government and Housing Committee: Casework trends and complaint handling practices of Local Authorities – 8 March 2022**
(Pages 97 – 103)
- 2.14 PTN 14 – Letter from the Chair of the Equality and Social Justice Committee: Annual scrutiny of the Future Generations Commissioner: update report – 11 April 2022**
(Page 104)

- 2.15 PTN 15 – Joint evidence from tourism industry bodies: Non Domestic Rating Order 2022 – 8 April 2022**
(Pages 105 – 122)
- 2.16 PTN 16 – Letter from the Chief Executive and Clerk of the Senedd: Use of the term BAME – 15 Feb 2022**
(Pages 123 – 124)
- 2.17 PTN 17 – Letter from the Minister for Finance and Local Government – Welsh Tax Acts etc. (Power to Modify) Bill – 22 April 2022**
(Pages 125 – 137)
- 2.18 PTN 18 – Letter from the Minister for Finance and Local Government: Approach to the publication of supplementary budgets during 2022–23 – 4 May 2022**
(Page 138)

3 Post–EU funding arrangements: Evidence session 1

(09.30–10.15) (Pages 139 – 183)

Chris Llewelyn, Chief Executive, Welsh Local Government Association

Tim Peppin, Director of Regeneration and Sustainable Development, Welsh Local Government Association

Supporting documents:

FIN(6)–11–22 P1 – Welsh Local Government Association

Research Service Brief – Background paper

Research Service Brief

FIN(6)–11–22 Letter from the Parliamentary Under Secretary of State for Levelling Up, the Union and Constitution – 6 May 2022 (Included in the supplementary pack)

Break (10.15–10.25)

4 Post–EU funding arrangements: Evidence session 2

(10.25–11.10) (Pages 184 – 202)

Dr Ed Poole, Senior Lecturer, Wales Governance Centre (Wales Fiscal Analysis)

Guto Ifan, Research Associate, Wales Governance Centre (Wales Fiscal Analysis)

David Phillips, Associate Director, Institute for Fiscal Studies

Supporting documents:

FIN(6)-11-22 P2 – Wales Governance Centre (Wales Fiscal Analysis)

Institute for Fiscal Studies blog – [‘IFS response to UK Shared Prosperity Fund’](#)

Research Service Brief

5 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting and the meeting on 18 May 2022.

(11.10)

6 Post-EU funding arrangements: Consideration of evidence

(11.10-11.25)

7 Audit Wales: Estate Strategy and Five Year Strategic Plan

(11.25-11.55)

(Pages 203 – 216)

Adrian Crompton, Auditor General for Wales

Lindsay Foyster, Chair of the Wales Audit Office

Kevin Thomas, Executive Director of Corporate Services

Supporting documents:

FIN(6)-11-22 P3 – Presentation slides

Research Service Brief – Audit Wales Accommodation

8 First Supplementary Budget 2022-23: Directly Funded Bodies

(11.55-12.10)

(Pages 217 – 219)

Supporting documents:

FIN(6)-11-22 P4 – Public Services Ombudsman for Wales Supplementary Estimate 2022-23

FIN(6)-11-22 P5 – Senedd Commission Supplementary Estimate 2022-23

(Included in supplementary pack)

FIN(6)-11-22 Senedd Commission – Annex (Included in supplementary pack)

9 Scrutiny of the Welsh Government Draft Budget 2023–24:

Stakeholder event

(12.10–12.25)

(Pages 220 – 224)

Supporting documents:

FIN(6)-11-22 P6 – Stakeholder event

Concise Minutes – Finance Committee

Meeting Venue:

Hybrid – Committee room 4 Ty Hywel
and video conference via Zoom

Meeting date: Wednesday, 2 March 2022

Meeting time: 10.00 – 12.40

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/12640>

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Jack Sargeant MS (In place of Rhianon Passmore MS)
Witnesses:	Rebecca Evans MS, Minister for Finance and Local Government Sharon Bounds, Welsh Government Emma Watkins, Welsh Government
Committee Staff:	Owain Roberts (Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Joanne McCarthy (Researcher) Christian Tipples (Researcher) Ben Harris (Legal Adviser) Charlotte Barbour (Expert Adviser)



Private pre-meeting – Informal (09.45–10.00)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the hybrid meeting of the Finance Committee.

1.2 Apologies were received from Rhianon Passmore MS. Jack Sargeant MS attended as a substitute.

2 Paper(s) to note

2.1 The papers were noted.

2.1 **PTN 1 – Letter from the Chair of the Equality and Social Justice Committee to the Minister for Social Justice: Future Generations Commissioner – 15 February 2022**

2.2 **PTN 2 – Letter from Audit Wales: Audit Wales Fee Scheme 2022–23 – 15 February 2022**

2.3 **PTN 3 – Letter from the Chair of the Children, Young People and Education Committee: Engagement with Children and Young People – 18 February 2022**

3 Welsh Government Second Supplementary Budget 2021–22: Evidence session

3.1 The Committee took evidence from Rebecca Evans MS, Minister for Finance and Local Government; Sharon Bounds, Deputy Director Financial Controls; and Emma Watkins, Deputy Director, Budget and Government Business on the Welsh Government Second Supplementary Budget 2021–22.

3.2 The Minister agreed to provide the Committee with the following information:

- An update on the changes to Welsh Government funding for the financial year 2021–22 included in the UK Supplementary Estimates 2021–22 and the impact on the funding available for the remainder of the year.
- An update on the healthcare service overspend that was written off in England and any Barnett consequentials received by the Welsh Government as a result.
- An update on funding allocation for health care professionals in the voluntary sector, in particular, hospices and unpaid carers.
- An update on the funding allocation for the new curriculum, in particular, the specific objectives of this funding.
- An update on the funding allocation for upgrading school buildings in relation to the provision of free school meals.
- An update on the formal evaluation commissioned by the Welsh Government on its business support schemes that were introduced during the COVID–19 pandemic.
- An update on modelling work being undertaken in relation to the future public sector pay bill.

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting and the meeting on 11 March 2022.

4.1 The motion was agreed.

5 Welsh Government Second Supplementary Budget 2021–22: Consideration of evidence

5.1 The Committee considered the evidence.

6 Welsh Tax Acts etc. (Power to Modify) Bill: Consideration of key issues

6.1 The Committee considered the key issues and agreed to revisit them at its meeting on 11 March.

7 Post-EU funding arrangements: Consideration of a scoping paper

7.1 The Committee considered the scoping paper and agreed to undertake an inquiry into Post-EU funding arrangements.

Concise Minutes – Finance Committee

Meeting Venue:

This meeting can be viewed

Video Conference via Zoom

on [Senedd TV](#) at:

Meeting date: Friday, 11 March 2022

<http://senedd.tv/en/12749>

Meeting time: 09.30 – 11.04

Remote, private

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Jack Sargeant MS (In place of Rhianon Passmore MS)
Witnesses:	
Committee Staff:	Owain Roberts (Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Christian Tipples (Researcher) Ben Harris (Legal Adviser) Charlotte Barbour (Expert Adviser)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the virtual meeting of the Finance Committee.

1.2 Apologies were received from Rhianon Passmore MS. Jack Sargeant MS attended as a substitute.



**2 Welsh Government Second Supplementary Budget 2021–22:
Consideration of draft report**

2.1 The Committee agreed the draft report with minor changes.

3 Welsh Tax Acts etc. (Power to Modify) Bill: Consideration of key issues

3.1 The Committee considered the key issues.

Concise Minutes – Finance Committee

Meeting Venue:

Video Conference via Zoom

Meeting date: Friday, 25 March 2022

Meeting time: 09.30 – 10.45

Remote, private

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Alun Davies MS (In place of Rhianon Passmore MS)
Witnesses:	
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Christian Tipples (Researcher) Ben Harris (Legal Adviser) Charlotte Barbour (Expert Adviser)

Registration (09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the virtual meeting of the Finance Committee.



1.2 Apologies were received from Rhianon Passmore MS. Alun Davies MS attended as a substitute.

2 Welsh Tax Acts etc. (Power to Modify) Bill: Consideration of draft report

2.1 The Committee agreed the draft report with minor changes.

3 Scrutiny of the Welsh Government Draft Budget 2023–24: Approach to engagement

3.1 The Committee considered the paper on the approach to engagement in relation to the Welsh Government Draft Budget 2023–24.

4 Consideration of the Forward Work Programme

4.1 The Committee considered the Forward Work Programme.

5 Future role of an Interparliamentary Finance Committee Forum

5.1 The Committee considered the paper on the Interparliamentary Finance Committee Forum.



Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Ein cyf/Our ref: RE-676-22

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1SN

04 March 2022

Dear Peredur,

Thank you for your Committee's scrutiny of the Draft Budget 2022-23 and the report that followed.

I attach a written response to the recommendations made which I hope you find useful.

Yours sincerely,

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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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 the Finance Committee's Report on the Draft Budget

Recommendation 1. The Committee recommends that the timetable for scrutinising the Welsh Government's budget returns to the 'normal' timetable, which allows 8 sitting weeks, set out in the protocol between the Committee and the Welsh Government for the 2023-24 budget and future years.

Accept

The Welsh Government has made clear in previous years that our preference would always be to publish our Draft Budget under the established timetable set out in the Budget Business Protocol. Our ability to adhere to this timetable in recent years, has been severely impacted by the UK Government's decisions as to the timing of its own fiscal events.

In agreeing the Protocol, the Welsh Parliament and the Welsh Government recognised there may be some years, due to circumstances beyond the Welsh Government's control, where a budget or financial year cannot be regarded as 'normal'. This has unfortunately been the case since 2019, where UK fiscal events, including proposed and actual comprehensive spending reviews, have resulted in our Draft Budgets being delayed.

In these years, we have done all we can to preserve the maximum 8 weeks for scrutiny, while noting that the Protocol never sought to draw a distinction between sitting weeks and recess weeks.

We would therefore welcome the Committee's support in pressing the UK Government to respect our devolved budget and scrutiny process in setting the timing of its own fiscal events.

Recommendation 2. The Committee recommends that the Welsh Government continues to explore how longer-term certainty can be given to organisations relying on grant funding where outcomes and objectives have been demonstrably met.

Accept

We have always stated it has been our aspiration to provide longer-term budgets when possible, noting a significant factor remains the timeframe of our own budget settlement which is at the discretion of the UK Government. In this context we welcome the ability to deliver a multi-year settlement for the next three years, providing certainty to the organisations that we fund.

In terms of outcomes and objectives, we will continue to explore this. Regular assessments can be made on the delivery of outcomes at the outset of the funding agreement, alongside the appropriate options for review on whether the delivery is still appropriate depending on the objectives provided through the central government.

We are keen to continue exploring how to provide more security and certainty of grant funding for a longer duration, particularly for grant recipients in the third sector, and also lessen rigidity in certain grant processes. Collaborative work is already underway to enable this and ultimately bring about lasting and longer term benefits to Wales. We welcome this recommendation and continued partnership working with our grant funded bodies and grant managers to develop user-friendly, effective grant funding.

Engagement and Budget Communication

Recommendation 3. The Committee recommends that consideration is given to how budgetary information is presented so that it is linked to outputs and impacts in order to help the Welsh Government's own evaluation as well as to increase the public and Senedd's ability to hold the Welsh Government's budget plans to account.

Accept

We recognise the importance of having clear inputs, outputs, and outcomes, and we report these through Shaping Wales's Future (the national milestones for Wales) for longer term achievements, and the Programme for Government annual report for interim progress. We do, however, recognise the importance of continual improvement; through our Budget Improvement Plan we remain committed to build on both the use of evaluation and improving transparency on our Spending Decisions.

Recommendation 4. The Committee welcomes the information contained in the Chief Economist's and the Office for Budget Responsibility reports and the extended Distributional Analysis of Devolved Public Spending in Wales, but recommends that the distributional analysis is further developed in future years so that it is linked with policy evaluation on the effectiveness of spend.

Accept

As part of our Budget Improvement Plan (BIP) we have looked to refine and extend our distributional impact model for analysing public spending in Wales aligned to wider work to reform the approach to assessing the impact of budget decisions. So far the analysis has focussed on the largest areas of devolved spending, providing a high level understanding of how progressive spending on these areas is. This year we have looked to make improvements to our methodology and see whether additional areas of spend can be included. We have published this update as part of the 2022-23 Draft Budget package

Over the next three years the BIP has set out its objectives to maintain the current distributional analysis model and take account of new and/or improved data sources. Ongoing consideration will be given to the usefulness of the model and determine the frequency of publication. There are also plans to use tax distributional analysis tools to inform budgetary decisions and to see how to develop the capability to understand the distributional impact of both public spending and taxation decisions.

Recommendation 5. The Committee calls on the Welsh Government to publish details of the remit and membership of the Budget Improvement and Impact Advisory Group and recommends that the Welsh Government considers how the Committee could be involved in its work.

Accept

We welcome the interest of the Committee in the work of the reformed Budget Improvement Impact Advisory Group (BIIAG) and would be happy to consider how the Committee could be involved in this work. We are content to discuss this further in advance of the Group meeting formally for the first time later in March. The new group is being established to engage with key stakeholders to input and influence the work outlined within the Budget Improvement Plan to improve budget and tax processes so as to improve outcomes. As the group ratifies its remit and membership we will provide further details to the Committee.

Recommendation 6. The Committee recommends that the Welsh Government's gender sensitive approach to budgeting is widened beyond small discrete pilot projects and is incorporated into general policy and spending decision-making across portfolios, with the aim that gender equality considerations are taken systematically into account in tax and spending decisions which should be evidenced transparently in future budgets.

Accept

Through our Budget Improvement Plan and reformed Budget Improvement and Impact Advisory Group (BIIAG) we will continue to embed a gender focused approach in our wider budget processes.

Working with BIIAG and wider stakeholders we will explore what further action we can take beyond our three pilot areas. Alongside this we intend to continue to learn lessons from other Governments including Scotland, New Zealand, Iceland and Canada via our links through the Wellbeing Governments network (WeGo).

This approach recognises the need for long term and systemic change, working across Welsh Government to reform wider policy and spending decisions across portfolios both as part of and outside the annual Budget process.

Recommendation 7. The Committee recommends that the Welsh Government continues to work with the Office for Budget Responsibility to develop and utilise relevant Welsh data to support forecast modelling and develop a better understanding of the Welsh income tax base to further inform tax policy and its impact on Welsh taxpayers.

Accept

The Welsh Government works closely with the Office for Budget Responsibility (OBR), in relation to the devolved revenue forecasts it produces to accompany budgets and also regarding the ongoing development of data sources to inform those forecasts.

The OBR has been working on an in depth analysis of past trends in the income tax base in Wales and how it differs from elsewhere in the UK. This has been delayed because of the pandemic, but a working paper is planned for later this year setting out a detailed investigation of these trends. This will help to inform future forecast judgements in respect of trends in the Welsh share of income tax over time.

In addition to the above, both the OBR and Welsh Government are members of an income tax analytical working group, together with HMRC, the Scottish Government and the Scottish Fiscal Commission. This group provides direction to developments, particularly at HMRC, to improve the analytical resources available to support research and underpin tax forecasting. For some time the group has been investigating the possibility of a longitudinal income tax dataset, which would provide insight into how taxpayer behaviour in the different parts of the UK changes over time. HMRC will be carrying out development work on this project over the coming year. It is also looking to ensure that the public version of the Survey of Personal Incomes for 2019-20, and the published statistics based on this data set, fully reflect the Welsh rates of income tax from the first year in which they operated.

The Welsh Government has also produced analyses of the income tax base which have been shared with the OBR and published in the Welsh Government's Tax Policy Report.

These developments, together with the growing catalogue of real time information data and outturn for the Welsh rates of income tax, will provide an increasingly robust and comprehensive Welsh evidence base to support future forecasts and inform tax policy.

In-year funding / Wales Reserve

Recommendation 8. The Committee recommends that the Welsh Government continues to press the UK Government to provide greater flexibility for the Welsh Government to manage in-year funding, including the ability to carry over funding from one financial year to the next.

Recommendation 9. The Committee recommends that the Welsh Government calls on the UK Government to increase limits on carrying forward funding in the Wales reserve, to maximise any in-year funding available and to prevent any Welsh funding being lost.

Accept

We continue to press UK Government for additional budgetary flexibilities alongside the other devolved Governments, and we are seeking to ensure this is a key priority for discussion as part of the new Finance Interministerial Standing Committee.

As outlined in the letter to the Committee on the 11 February, Devolved Government Finance Ministers have written again to the Chief Secretary to request:

- That funding confirmed at Supplementary Estimates can be managed across financial years in addition to any carry forward permitted under reserve arrangements to ensure its effective deployment given the late timing in the financial year.
- A commitment from the Chief Secretary to a joint review of in-year and end-year budget processes. The overall process requires more predictability and certainty for Devolved Governments to allow us to utilise the funding in the most effective manner, to deliver the best value for money and maximise outcomes for people.

We are grateful for the cross party-support from the Finance Committee and continued representations on this issue would be welcomed.

Intergovernmental Mechanisms

Recommendation 10. The Committee recommends that the Welsh Government provides regular updates to the Committee on the intergovernmental mechanisms established to ensure that they are an effective means to escalate disagreements and resolve funding disputes.

Accept

We will continue to update the Finance Committee and Legislation, Justice and Constitution Committee, consistent with the inter-institutional relations agreement between Senedd Cymru and the Welsh Government.

The updates will provide information on the implementation of the new Finance Inter-ministerial Standing Committee including dispute resolution, and a summary of the issues discussed at meetings, including an outline of the positions advanced by the Welsh Government and any joint communique released after the meeting.

Capital / Financial Transactions

Recommendation 11. The Committee recommends that the Welsh Government reports back to the Committee on the in-year funding position associated with over-programmed capital plans and that regular updates are provided on the funding contained in the Wales Reserve.

Accept

We will update on the in-year position, including that associated with the over-programmed capital plans, in the first Supplementary Budget for 2022-23. An update on the Wales Reserve will be provided in our report to the Committee on outturn for 2020-21 following publication of the consolidated accounts. Our second supplementary budget for 2021-22 sets out that we will draw the maximum £175m (£125m revenue and £50m FT capital) from the Wales Reserve. The Draft Budget identifies our plan to draw £153m revenue from the Wales Reserve over the 3 year period 2022-23 to 2024-25.

Recommendation 12. The Committee recommends that the Welsh Government provides an update on Financial Transactions Capital allocations before the Final Budget is laid before the Senedd, explains why it was appropriate to leave out these allocations from the Draft Budget; and calls on the Welsh Government to provide regular updates to the Committee on such allocations in the future.

Accept

The constraints and complexities on how ring-fenced financial transactions (FT) capital can be used, and the timescales within which to develop proposals following the late announcement of the UK Spending Review prevented us from setting FT spending plans as part of our draft budget. All proposed allocations have now been provided to the Committee with further details set out in the Final Budget. It is not intended that this creates a precedent for future years, with the intention that future FT capital allocations will be considered as part of the usual Draft Budget processes in future.

Recommendation 13. The Committee recommends that the Welsh Government raises awareness of the funds available through Financial Transactions Capital and ensures businesses are engaged in the allocation of these funds so that its benefits can be maximised.

Accept

Through our work with Business Wales and the Development Bank of Wales (with the bank managing the majority of our FT) we have significant engagement with the private sector; both organisations provide bespoke advice on the availability of funding for businesses across Wales.

Since its establishment in 2017 through to the end of 2021, the Development Bank of Wales has invested over £500m into businesses, including significant amounts of Welsh Government FT capital. In this period, the Bank has supported over 2,000 businesses, thereby creating and safeguarding over 15,000 jobs.

Tax

Recommendation 14. The Committee recommends that the Welsh Government provides clarity on what is meant by retaining tax rates for the Welsh rates of income tax for “as long as the economic impact of the pandemic lasts”.

Accept

The Programme for Government commitment makes clear the Welsh Government is not proposing to raise WRIT rates currently. In considering future tax rates, as well as understanding the effects on the economy of the unwinding of the pandemic measures, it is also important to consider the impact of other domestic and global factors such as inflationary pressures from energy and other supply constraints and the pressure on wages.

It is also important to recognise the Welsh short term fiscal prospects are largely determined by UK Government fiscal policy decisions as are the tax rates faced by Welsh residents. The OBR reported in October, the planned National Insurance rise announced in September along with the corporate and personal tax increases in the UK Government's March budget mean the UK Government has raised the tax burden from 33% of GDP before the pandemic to 36% of GDP by 2026-27, its highest since the early 1950s.

Recommendation 15. The Committee welcomes the Welsh Government's consultation on Land Transaction Tax rates, but recommends the Welsh Government considers using other fiscal levers to address issues in the second homes market, such as a recurrent tax for second home owners, rather than using Land Transaction Tax only.

Accept

The Welsh Government recognises that the issues associated with second homes and short-term holiday lets in some communities are complex and there is no single solution. The current consultation on Land Transaction Tax is part of wider considerations around how national and local tax measures can help to ensure second home owners make a fair and effective contribution to the communities in which they buy. This includes consideration of the maximum level at which council tax premiums can be set on second homes and long-term empty dwellings, and the criteria for a property to be defined as self-catering accommodation and classified as non-domestic for local taxation purposes.

Agreement with Plaid Cymru

Recommendation 16. The Committee accepts it has not been possible to reflect costs relating to the Co-operation Agreements in the Draft Budget for 2022-23 but recommends that the Welsh Government provides clarity on how the funding of associated policy commitments is reflected in budget allocations.

Accept

We welcome the Committee's recognition that reflecting costs in the Draft Budget was not possible for the Draft Budget for 2022-23. To maintain transparency and enable scrutiny by the Finance Committee, information provided to the Co-operation Agreement Finance Committee on the funding of the thirteen areas within the Co-operation Agreement set out in the Draft Budget and three-year spending review 2022-25 will be routinely shared with the Senedd Finance Committee.

Recommendation 17. The Committee recommends that the Welsh Government provides information regarding the remit and membership of the Welsh Government's Finance Committee, established as a result of the Co-Operation Agreement, and further details about its role, including its terms of reference, in the formulation and monitoring of the Welsh Government's budget.

Accept

We acknowledge the Finance Committee's interest in the role, membership, and remit of the Co-operation Agreement Finance Committee. A note will be provided to the Finance Committee setting out the information requested.

Health, Social Care and Local Government

Recommendation 18. The Committee recommends that the Welsh Government provides further detail on future years' indicative funding allocations for local government bodies once the data has been released and it has more certainty over the distribution to individual organisations.

Accept

Data sources are updated throughout the year with the majority timetabled to be ready for the autumn of each year. Any changes will be included annually at each draft settlement stage to give the local government sector in Wales the provisional distribution by local authority. The Distribution Sub Group (DSG) meets throughout the year to discuss any changes to data sources, updated data and the impact on the settlement formula. The DSG progress report, which is presented to Finance Sub Group prior to summer recess provides elected members some indications of distributional changes in funding as a result of data changes.

Recommendation 19. The Committee recommends that future budgets should include indicative allocations for individual organisations over the three-year budget period to enable them to plan more efficiently.

Accept in Principle

Welsh Government recognises the importance of providing longer term budgets for our partners, particularly those in the voluntary sector, as it enables them to plan effectively.

We have been working closely with the Third Sector Partnership Council Funding and Compliance Committee to explore how we can provide longer-term certainty whilst ensuring objectives and outcomes are met.

It is important however to recognise that long-term grant offers will be neither appropriate nor applicable in all cases which is why we encourage our grant managers to engage early with partners when developing programmes.

We have always stated that it has been our aspiration to provide longer-term budgets when possible, noting a significant factor remains the timeframe of our own budget settlement which is at the discretion of the UK Government. In this context we welcome the ability to deliver a multiyear settlement for the next three years, providing certainty to the organisations that we fund.

In terms of the level of information available, we already publish significant amounts as part of our Draft Budget. This includes an extensive summary of all Ministers' written evidence to Senedd scrutiny committees on allocations within each MEG, as well as the main draft budget narrative. For the first time this year it also included a detailed infrastructure finance plan under our new Wales Infrastructure Investment Strategy.

We recognise there is always more we can do to improve transparency on our plans which is an area contained within our Budget Improvement Plan. We will carefully consider what further information could be provided regarding individual organisations to enable more effective planning.

Recommendation 20. The Committee recommends that the Welsh Government provides details of the funding for local health boards for 2022-23, together with any indicative allocations for 2023-24 and 2024-25.

Accept

Welsh Government has published details of funding for local health boards for 2022-23 and they can be found on our website here:

Health board allocations: 2022 to 2023 | www.gov.wales

Indicative budgets for the NHS for the next two years were included in our Draft Budget proposals. Work to agree plans and then indicative budgets for those years continues as part of the Integrated Medium Term planning process.

Recommendation 21. The Committee recommends that the Welsh Government considers switching revenue to capital as part of future Budgets, and allows the health sector to do the same, thereby providing flexibility given the limited capital funding available.

Accept

We will continue to look at all options to ensure we can maximise the impact of our available funding, recognising that once a decision to convert revenue to capital has been taken, Welsh Government does not hold the equivalent ability to switch capital back to revenue without the approval of the UK Government. In the health sector we would consider any requests of this nature on a case by case basis but would expect a strong case for such realignment. The opportunity cost of decreasing revenue budgets to instead fund capital priorities would also need to be carefully considered.

Through the establishment of the new Wales Infrastructure Investment Strategy we have already deployed a number of levers to manage the limited capital settlement that Wales received from the 2021 UK Spending Review. This includes our plans to fully deploy our capital borrowing available under the current fiscal framework through borrowing an additional £450m up to 2024-25.

For the first time this year we are also using an over-allocation of general capital which will enable us to further stretch every available pound of capital funding. Innovative models, including private investment in projects, will also be considered on projects that are low risk and of the appropriate scale. The new Velindre Cancer Centre is one of the pilot projects being developed through the Mutual Investment Model pipeline. This scheme is expected to enable over £200m of additional capital investment before the end of 2025.

In our engagement with HM Treasury we will continue to push the case for additional capital funding and for the broader flexibilities that we need to manage our budget in the most effective way to meet the needs of Wales.

Recommendation 22. The Committee recommends that the Welsh Government undertakes a review of the reserves held by local government bodies to gain a better understanding of them, and that the outcomes of the review should consider whether there are any implications for the formula for distributing core funding to individual government bodies.

Accept in principle

Local authority reserves are reported at one point in time in the financial year, on 31 March. The Welsh Government will continue to publish comparative information on local authority reserves to provide context for local scrutiny. Levels have been significantly affected over the period of the pandemic by a number of factors, including additional grants from Welsh Government, and delays in programmes and projects due to the restrictions during the last two years. This has led to an increase in the level of reserves but we expect as local authorities are now be able to finish programmes and projects, as restrictions lift and staff return to their substantive roles, these reserves levels will fall again over the next few years.. Authorities continue to face uncertainty of the ongoing impact of the pandemic on costs and income generation and will need a level of reserves to manage any service delivery changes needed as a result.

Authorities hold reserves for varied reasons including risk appetite, planned service change or restructuring, planned large capital projects. It is not appropriate to base a distribution formula for the settlement based on the level of reserves as these will all be underpinned by different local decisions. The settlement formula is based on relative need to spend and designed not to be influenced by local decisions. Including the level of reserves could lead to a perverse incentive to set reserve levels inappropriately. We will however continue to work with Data Cymru and Audit Wales, who are compiling different data sets to analyse authorities' financial health, alongside the Society of Welsh Treasurers.

Recommendation 23. The Committee recommends that, following the receipt in March of the integrated medium term plans from local health boards, the Welsh Government provides information about the specific outcomes expected to be delivered by the additional funding for addressing the backlog of treatments.

Accept

As previously announced a national recovery plan for delayed waits will be issued in April. The plan will contain a set of national milestones which health boards - through local, regional and national work - will be expected to deliver. Each organisation will be accountable for developing their local plans to deliver their recovery trajectory against the national milestones.

Recommendation 24. The Committee recommends that the Welsh Government provides information to demonstrate how the allocations for 2022-23 alleviate the immediate pressures on staffing across the health, local government and social care sectors.

Accept

Workforce capacity and planning remains a key focus for NHS Wales bodies at a local and regional level. We are increasing our core investment in the NHS by almost an additional £1.3bn to help ensure there is sufficient workforce capacity across services.

The budget provides for significantly increased funding for local government through the local government settlement and, crucially, also gives greater certainty for future years allowing authorities to plan to meet and manage their workforce needs. By providing funding for our commitment to the Real Living Wage for Care we are also supporting local authorities and social care providers to meet the very real challenges of recruitment and retention of these essential workers.

Recommendation 25. The Committee recommends the Welsh Government provides clarity on what it is considering as a replacement indicator to calculate the local government settlement for each council when it is no longer able to use the free school meals entitlement as proxy for disadvantage for children of primary school age.

Accept

The work to implement our commitment to free school meals for primary school pupils recognises this issue. Welsh Government and local government will work together to consider appropriate alternatives for the calculation of the local government Settlement for 2024-2025. The minutes and papers of Distribution Sub Group are published to ensure transparency.

Supporting Business

Recommendation 26. The Committee recommends that the Welsh Government considers how to respond to feedback from stakeholders that they find it difficult to understand what the budget and allocations contained within the Draft Budget mean for their industries or sectors.

Accept

The Minister for Economy has established a range of engagement fora with business stakeholders including an upcoming appointment of a Ministerial Advisory Board alongside an already established Economic Roundtable and Covid review meetings.

We will use these fora to engage further with stakeholders on budgetary matters.

Recommendation 27. The Committee recommends that, as part of the consideration into further allocations being made in the Final Budget, the Welsh Government considers increasing the support for Business Rates relief.

Accept

The Welsh Government will be providing over £350m of reliefs to ratepayers in Wales in 2022-23. As well as providing for our permanent relief schemes, this includes £116m of targeted non-domestic rates support to businesses in the retail, leisure and hospitality sectors through our Retail, Leisure and Hospitality Rates Relief scheme. To provide this level of support we have invested an additional £20 million on top of the consequential funding received from the UK Government. This additional funding reflects the nature of the tax base in Wales and ensures businesses in Wales are not placed at a disadvantage compared to those in England. Combined with our permanent relief schemes, approximately 70% of properties will be supported in paying their rates bills in 2022-23. All these reliefs are fully funded by the Welsh Government.

We remain committed to supporting businesses to recover from the impacts of the pandemic and to thrive moving forward. Recognising the impact of the Omicron variant, we have provided further targeted grant support, to ensure that those most affected are in receipt of support.

Recommendation 28. The Committee recommends that the Welsh Government provides information to the Committee on the beneficial impact of rate relief for businesses to ensure that it is an effective means of support and reaches those that need it.

Accept in principle

As non-domestic rates are administered by local government, local authorities hold the granular level data detailing which ratepayers have benefited from a reduction in their non-domestic rates liability and summary information is published on the Welsh Government's web-site. The Retail, Leisure and Hospitality Rates Relief scheme for 2022-23 will be an application-based scheme and the Welsh Government will closely monitor the take-up of this support throughout the course of the financial year.

The administration of non-domestic rates is subject to the strict financial and audit controls which govern the use of public money. Local authorities are subject to their own audit arrangements and Audit Wales has reviewed our relief schemes, providing a further level of assurance. It is recognised that not all businesses are part of the non-domestic rates system, with the Economic Resilience Fund being used to provide support to the wider economy. We have also provided targeted means-based grant support, through the non-domestic rates system, to ensure those who need it most are supported.

Recommendation 29. The Committee recommends that the Welsh Government looks at:

- prioritising investment in digital infrastructure to deliver a more agile workforce; and
- pays particular focus to supporting investment in digital infrastructure and helping small retailers and other businesses to develop digital skills and online presence;

so that small businesses are able to respond robustly to the pandemic, particularly with the disappearance of EU funding from this area.

Accept

Digital infrastructure investment provided for in the Draft Budget supports the delivery of improved digital infrastructure throughout Wales.

The investment into this infrastructure supports the delivery of the Welsh Government's Digital Strategy which allows businesses to benefit from fast and reliable digital connectivity supporting them to gain new customers, sell their products, drive efficiency and innovate.

Business Wales provides businesses and entrepreneurs with a single point of contact for business information, advice and support from the public, private and voluntary sectors, and can be accessed digitally via <http://businesswales.gov.wales> and social media channels; the 03000 6 03000 helpline; and a network of offices located across Wales.

The Development Bank of Wales (DBW) helps Welsh businesses get the finance they need to start up, strengthen and grow and provides loans from £1,000 up to £10m as well as mezzanine, and equity funding; and helps businesses find the right finance partner to leverage in private finance with its own gap finance when necessary. DBW has the objective of providing greater levels of funding to SMEs and improving the integration of the provision of advice and support to businesses, by working closely with Business Wales.

Recommendation 30. The Committee recommends the Welsh Government provides clarity on the tourism levy consultation, including remit and timescales. The Welsh Government should also respond to the Welsh Tourism Alliance's concerns and ensure that all businesses, irrespective of their size, are aware of and able to engage with the future consultation.

Accept

A written statement issued on 10 February clarifying next steps on the development of tourism levy proposals.

Ahead of the autumn 2022 consultation, officials have begun engagement activity with key stakeholders, including local authorities and sector representatives. This engagement aims to both raise awareness, and seek feedback to inform the design of the consultation, including policy options.

We are aware of the Welsh Tourism Alliance's concerns and officials are meeting them to understand these in more detail, and explore any ideas they have to raise awareness with business prior to the formal consultation.

Climate change and carbon reduction

Recommendation 31. The Committee recommends that the Welsh Government provides a breakdown of where the zero-base review has led to new capital investment within the Final Budget, highlighting pre-existing spend separately alongside that new funding.

Reject

We provided extensive information relating to the outcome of the zero-based review within the main budget document, the Infrastructure Finance Plan, the Committee evidence papers, and within the BEL tables to enable comparisons between current and future years spend.

Recommendation 32. The Committee recommends that the Welsh Government provides clarity on which specific Net Zero Wales commitments have been funded in the Final budget and also confirms which commitments are not being funded and those being partially funded.

Accept in Principle

It is the role of the Net Zero Plan 2021-25 to set out how we will deliver the ambitions contained within the plan through policy and other interventions, utilising all levers at our disposal including legislation. The individual investments will be reported through appropriate departmental channels and will be represented in the specific portfolio evidence papers.

Recommendation 33. Given the limitations of public resources, the Committee urges the Welsh Government to explore ways in which it can leverage private sector finance to address climate change funding challenges.

Accept

Our emission reduction targets are set at a Wales level therefore, *Net Zero Wales* is an all Wales plan, recognising that actions will need to be taken by everyone, including UK Government and the private sector.

Each emissions sector has different opportunities and challenges in meeting the level of investment required in the net zero transition, and we recognise that the private sector has a very important role to play. Whilst many of the key policy levers influencing private sector investment are reserved to the UK Government, the Welsh Government are utilising the powers/opportunities available to us to leverage additional private sector investment, and are pushing the UK Government in policy areas that are reserved.

Whilst a fully comprehensive plan cannot yet be developed given the inherent uncertainty both in the UK Government's approach and the evolution of technology, we will provide an update in our first Progress Report, which is due later this year.

Recommendation 34. The Committee welcomes the change in the Welsh Government's capital prioritisation process and its focus on climate change, but calls on the Minister to provide clarity on how outcomes across priority areas will be monitored and evaluated.

Accept

The Wales Infrastructure Investment Strategy (WIIS) sets out the strategic outcomes that our investments must enable, with a clear focus on addressing the Climate and Nature emergencies. The accompanying Infrastructure Finance Plan provides the detail of investments needed to deliver these outcomes, with the necessary funding allocated through the Draft Budget.

This funding has been allocated at investment area level, for example decarbonising Welsh homes, and the National Forest. Specific quantifiable assessments are difficult to undertake at this level, and will depend largely on the specific projects that are delivered from within the respective investment area.

The strategy makes clear that the decisions taken by Ministers to fund specific projects must embed the core principles of the strategy, and in particular, the need to position our infrastructure investments to support the delivery of a zero-carbon economy. Proportionate monitoring and evaluation is a vital part of this; and will be required to inform decision-making in respect of future funding rounds by providing evidence of the climate effectiveness of the capital allocations in the draft budget.

Recommendation 35. The Committee recommends that the Welsh Government outlines the practical ways in which the strategies and objectives outlined in the Draft Budget (and accompanying documentation) are being implemented in recognition of the climate and nature emergencies.

Accept

Funding initiatives over the next three years such as the Nature Networks programme, Local Places for Nature, the National Peatlands Action programme, Natur am Byth and the National Forest will not only ensure that our most precious habitats and species are able to thrive, but also help to deliver nature to wherever people live, helping to tackle both the nature and climate emergencies.

The National Sites Network will benefit from funding through the delivery of our Nature Networks Programme (NNP) over the next three years, improving the condition and connectivity of our terrestrial and marine protected sites, creating resilient ecological networks which will allow our most endangered habitats and species to thrive.

The National Forest Programme will provide many opportunities by planting, growing and protecting trees: contributing to decarbonisation goals and the climate change emergency.

The National Peatland Action Programme (NPAP) is a five year programme (2020-2025) funded by Welsh Government and delivered by NRW. The NPAP aims to increase the ecosystem resilience of Welsh peatlands.

Local Places for Nature (LPfN) will continue to help communities create nature on their doorsteps.

To meet our 'Llwybr Newydd' well-being ambition to maintain biodiversity and enhanced ecosystem resilience on the soft estate and in road improvements, we are currently developing a new biodiversity plan for the strategic road network. The plan is due to be finalised in the summer of 2022.

Our Vision is for Wales to generate renewable energy to at least fully meet our energy needs and utilise surplus generation to tackle the nature and climate emergencies. We have ambitious targets to scale up renewable energy generation in Wales to help meet our net zero targets, The additional funding allocated in the draft budget will support our policies to generate more community and local ownership of energy generation to maximise benefit for the people of Wales.

Recommendation 36. The Committee recommends that the Welsh Government reviews its public procurement policy and frameworks and monitors contracts to ensure they align with well-being objectives and support net zero ambitions.

Accept

The revised Wales Procurement Policy Statement (WPPS) was developed by applying the five ways of working from the Well-being of Future Generations (Wales) Act 2015 and published in March 2021. It sets the strategic direction for public sector procurement in Wales includes principle 6 that specifically links to decarbonisation:

- We will act to prevent climate change by prioritising carbon reduction and zero emissions through more responsible and sustainable procurement to deliver our ambition for a net zero public sector Wales by 2030”

Welsh Government procurement will observe principle 6 of the Wales Procurement Policy Statement (WPPS) when working towards Welsh Government policy commitments, as set out below:

- We use a strategic tool to reduce carbon impact in tenders – through contract design, evaluation and contract management.
- We support net zero carbon through continuity of supply of electricity from renewable sources and transition to ULEV vehicles.
- We will make Carbon Reduction Plans a mandatory part of procurement tenders for WG contract over £5m from April 2022.
- We will develop contract management clauses to support the Social Partnership and Public Procurement Bill that will embed sustainable outcomes in construction supply chains for all large public sector construction procurements.

Recommendation 37. The Committee recommends that the Welsh Government prioritises evidencing how its carbon and finance budgets align in future budgets. The Draft Budget next year must go further in demonstrating the carbon impact of the budget.

Accept

Our investments continue to be guided by what the evidence tells us are the areas in which Welsh Government investment can have the greatest impact. This approach recognises the role of Net Zero Wales (Carbon Budget 2 2021-25) which describes our climate ambition for, and relative contribution of, each sector and how we will achieve it, utilising all levers at our disposal including legislation. It is then the role of the budget to consider funding of those Government actions where evidence supports the need to invest.

Following a zero-based review of capital budgets, we ensured that the investment areas set out in the Infrastructure Finance Plan and financed through the draft Budget have a clear alignment with both the priorities and the urgency set out in Net Zero Wales. Net Zero Wales, with the Infrastructure Finance Plan sets out how carbon impacts have been considered in each investment area over the three year period of the Draft Budget.

Through our Budget Improvement Plan we will continue to build on this progress and evolve our approach as the evidence base of where we can best invest to tackle climate change further develops and we continue to build on the models underpinning the carbon assessment of our spending decisions.

Tackling poverty and inequality

Recommendation 38. The Committee recommends that the Welsh Government takes steps to raise the profiles of grants and schemes designed to address the cost of living crisis, such as the Discretionary Assistance Fund and payments to help with winter bills so that people are aware of the range of financial support available and how to access them.

Accept

It is more critical than ever that people understand and are helped to access all the financial support that is available to them and we are doing all we can to put money into the pockets of people across Wales. We are delivering another 'Claim What's Yours' campaign using materials that we developed for the campaign we ran in March last year. In January, we appointed an Advertising Agency who are currently developing a suite of creative materials which, across the coming months, will be delivered on all platforms, including, TV, radio, social media/digital, local/national newspapers, targeted leaflet/mail outs to key population groups, etc. The call to action of the campaign will remain clear and direct in encouraging people to find out more around their entitlements, including financial help available from the Discretionary Assistance Fund, and to contact Advicelink Cymru for help to navigate the complex social security system.

With the cost of living crisis worsening people's financial vulnerabilities, it is critical that people who are in desperate financial need are made aware of the support that is available to them through the Discretionary Assistance Fund (DAF). Welsh Government works closely with key organisations to promote access to the fund and to raise awareness of it. There are now more than 650 partner agencies, from public and third sectors across Wales who are actively referring financially vulnerable people to the DAF and supporting them to make applications. This includes older people's organisations, equalities groups and registered social landlords. This community based awareness raising is crucial in ensuring that the funds are reaching those who need this support most. This is complemented by mainstream and social media to promote the fund, which will be continued into 2022/23.

Recommendation 39. The Committee recommends that the Welsh Government increases the funding allocation to support the Discretionary Assistance Fund to alleviate the worsening cost of living crisis and to ensure that it can meet ongoing demand.

Accept

The budget for the Discretionary Assistance Fund has risen year on year in response to increasing need and the pandemic. The increased flexibilities introduced in May 2020 were intended as a temporary measure to alleviate Covid-19 hardship. However, the further measures to support those Universal Credit clients most severely affected by the UK Government's decision to withdraw the £20 per week uplift from 1 October last year was a further indication of this Government's commitment towards the poorest in society, and our promise to divert resources to where they are most needed, when they are most needed. In response to the current cost of living crisis, it was announced on 14 February 2022 that the same levels of DAF support will remain in place for a further year until March 2023. This will support those who are in desperate financial need.

We will continue to assess the effects of the DAF and its delivery in light of the cost of living crisis as we move into next financial year. This will also be subject to the continual review of available funds.

Recommendation 40. The Committee recommends that the Welsh Government provides an update on the progress made in developing an integrated system of support in response to the acute financial pressures many families are experiencing. Furthermore, the Committee calls for the establishment of single entry points that links across the key services and schemes so people can easily access the support they are entitled to.

Accept

As part of our ongoing commitment to maximising household income we developed a [Best Practice Toolkit](#) in partnership with local authorities. In May last year, the Minister for Finance and Local Government I wrote to all local authorities to highlight how the toolkit will help streamline and simplify the application process for claiming Welsh benefits and other support. We continue to work with local authorities to monitor progress with regards to the impact of the toolkit and to explore further how to streamlining services.

Working collaboratively with our key external stakeholders we are also drafting a 'Benefit Charter' that will underpin the design and delivery of a coherent, integrated and compassionate Welsh benefits system. It is important however that the Charter is jointly owned and we will liaise with local authorities to ensure that the Charter meets expectations from both stakeholders and delivery partners.

EU funding replacement

Recommendation 41. The Committee recommends that the Welsh Government provides further information on replacement EU funding as a matter of urgency, so that the shortfall identified in the budget can be addressed.

Accept

Replacement funding for EU Structural Funds is to be solely provided through the UK Shared Prosperity Fund. There is still little detail on the delivery and management structures of the Shared Prosperity Fund in Wales two years after we left the EU.

The UK-wide spending profiles announced as part of the Spending Review in October 2021 confirm that the SPF, UK-wide, will be worth £400m in 2022-23, £700m in 2023-24 and £1.5bn in 2024-25. The UK Government has noted that £560m of the £2.6bn committed to the SPF between 2022-25 will be used to fund the UK Government's adult literacy programme, *Multiply*. It is not yet clear how much funding will be used to support *Multiply* in each of the three financial years respectively.

We have had no meaningful engagement from the UK Government on how the UK Shared Prosperity Fund can best be delivered in Wales and there is no confirmation of Wales' share of these amounts.

It is not feasible for the Welsh Government to fully replace the lost EU funding. Despite these circumstances, in the Draft Budget we set out plans to deliver on our ambitious Programme for Government and rise to the challenges we face in a way that is grounded in the Welsh values of environmental, social, and economic justice.

We will report back to the Committee once we have details on how the Shared Prosperity Fund will be implemented.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.2



Ein cyf/Our ref: RE/672/22

Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths, MS
Chair
Finance Committee,
Welsh Parliament,
Cardiff Bay,
Cardiff.
CF99 1SN

28 February 2022

Dear Peredur,

In the Finance Committee report: Scrutiny of the Welsh Government Draft Budget 2022-23, published earlier this month, recommendation 12 included *'that the Welsh Government: provides an update on Financial Transactions Capital allocations before the Final Budget is laid before the Senedd'*. In January, I provided details of the £1.7bn financial transactions capital (FT) we had invested to date. The FT investments we will now be making in the Final Budget 2022-23 are detailed at Annex A

The constraints and complexities on how ring-fenced FT can be used, and the timescales within which to develop proposals following the late announcement of the UK Spending Review, prevented us from setting FT spending plans as part of our draft budget. Further details of the allocations being made will be set out in the final Budget. It is not intended that this creates a precedent, with the intention that future FT capital allocations will be considered as part of the usual draft Budget processes in future.

Yours sincerely,



Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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MEG	Investment area	Title	Description	2022-23	2023-24	2024-25
				£000	£000	£000
Educ	Sustainable Communities for Learning (prev. 21st Century Schools & Colleges)	Education estate	To support improvements to our educational estate and the Mutual Investment Model (MIM) arm of the Sustainable Communities for Learning programme.	1,750	13,148	
			Total E&WL	1,750	13,148	0
CC	Decarbonisation of Welsh homes	Decarbonisation of Welsh homes	To test the use of new funding models, alongside the £72m general capital already allocated at draft Budget, to help accelerate the scale and pace of the decarbonisation of Welsh homes.	35,000	-	-
CC	Social Housing	Land for Housing	Helps Registered Social Landlords secure land for housing for affordable and market homes. Also provides a continuing stimulus to the economy by supporting the construction industry and supply chain, with many schemes providing jobs and apprenticeships for the local area.	8,000	-	-
CC	Social Housing	Tai Ffres	United Welsh have collaborated with the Welsh Government Homelessness team and Llamau to develop a youth housing service. Tai Ffres establishes an alternative housing pathway for young people 16-25 years of age, who do not meet threshold for homelessness services, or where the traditional route of supported accommodation services would not be suitable for them.	10,000	-	-

CC	Transforming Towns	Transforming Towns	Town Centre Loans schemes - to unlock stalled town centre sites to bring forward development opportunities, which involves; the purchase of derelict or long term empty properties; renovation of dwellings and/or business premises to a suitable standard free from serious hazards (as a minimum); and assist in bringing town centres back to life.	5,000	10,000	10,000
CC	Active & Sustainable Travel	Net Zero Wales Transport Schemes	To progress the shift to low-emission vehicles, supporting improvements in air quality, particularly in urban areas, and contribute to addressing climate change. This funding will be used primarily to improve our charging infrastructure. It will also introduce an interest-free loan scheme to enable individuals, businesses and third sector organisations to purchase e-bikes and e-cargo bikes.	11,000	12,000	14,000
CC	Economic Development	Strategic Infrastructure Development	To continue the strategic infrastructure development at Cardiff Parkway, which forms part of the modal shift from private cars to public transport, a key objective of our approach to tackling carbon emissions from transport.	2,500	9,500	-
			Total CC	71,500	31,500	24,000
Econ	Business Support	Repayable Fund for SMEs and decarbonisation	The Repayable Fund for SMEs is a targeted fund that operates across all sectors of the economy with the particular aim of supporting the SME market. It assists SMEs to access funding and act as an economic stimulus that will encourage businesses to bring forward investment. The allocation provided will also support development of decarbonisation pilots.	8,000	13,000	19,000
			Total Econ	8,000	13,000	19,000

SJ	Financial Inclusion	No Interest Loan Scheme pilot	Working together with the other three UK nations, this allocation will enable the piloting of a two year No Interest Loan Scheme to be delivered in Wales. The scheme will be targeted to help those who are often the most vulnerable in our society.	1,500	500	-
			Total SJ	1,500	500	0
			TOTAL FT ALLOCATIONS	82,750	58,148	43,000

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE-685-22

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru

23 March 2022

Dear Peredur,

I am writing to provide further information on a few issues that were raised during the scrutiny session on 2 March on the second supplementary budget.

Summary of changes to Welsh Government funding for 2021-222 included in UK Supplementary Estimates

Of the £1.1bn additional resources set out in the supplementary budget, £686m arises as a result of Barnett consequentials confirmed in the UK Supplementary Estimate:

- £629m fiscal revenue;
- £18m non-fiscal revenue;
- £57m general capital; and
- a reduction of £18m financial transactions capital.

In addition, we received

- £77m of non-Barnett additions;
- £142m (net) from transfers with other government departments;
- £283m in relation to programmes funded through Annually Managed Expenditure (AME);
- A reduction of £46m as a result of the recalculation of the block grant adjustment;
- £50m drawn down from the Wales Reserve of financial transaction capital;
- A reduction of £149m as a result of an adjustment to the 2020-21 capital spend.

Funding for unpaid carers

Today, the Deputy Minister for Social Services announced a £500 payment will be available to over 57,000 unpaid carers in Wales who are in receipt of Carers Allowance. The payment recognises the financial and emotional pressures many unpaid carers have experienced

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during the pandemic and targets individuals who care for over 35 hours a week and have low incomes.

Anyone receiving Carers Allowance on 31 March 2022 will be able to register with their local authority and claim the payment. We will publish further details on when and how to register by the end of April.

2021-22

In recognition of the increased pressure caused by the pandemic, we have allocated additional funding of £10m to support unpaid carers of all ages, in 2021-22. This funding included:

- £1.25m to extend the Carers Support Fund into this financial year;
- £5.5m of the £40m additional social care Winter Plan funding to local authorities to provide a range of support to unpaid carers;
- £3m to local authorities to increase opportunities for carers to take a break from their caring role.

The Integrated Care Fund (ICF) is another source of support for unpaid carers. In 2020-21 we invested £89m revenue funding in the ICF, and recognising the positive benefits of the ICF and building on success to date, we invested another £89m revenue funding in 2021-2022.

2022-23

In 2022-23 we will provide funding to take forward our Programme for Government commitment to set up a short breaks scheme for unpaid carers.

Our successful Third Sector Sustainable Social Services Grant Scheme has been extended by two years to 2025.

From 2020-2023 we have allocated £2.6m to Carers Wales, All Wales Forum of Parents and Carers, Carers Trust Wales and Age Cymru under this programme. We are providing funding of £1m to local health boards to continue their work to support carers struggling with the increased pressures of the pandemic.

Funding for hospices

Welsh Government recognises the enormous contribution that hospices make to end of life care and the support they provide to patients, families and carers, including the provision of much needed respite care. That is why we have allocated £13.8m of emergency funding to support hospices throughout the pandemic. This funding has been used to protect core clinical services and strengthen hospice bereavement support.

We have also delivered on our Programme for Government commitment to review hospice funding and are making an additional £2.2m per annum available to adult and children's hospices from 2022-23. This is the first phase of a wider review of palliative and end of life care funding across Wales.

Hospices are independent organisations and as such receive income from a number of different charitable and statutory sources. It is for individual hospices to determine what pay rises they provide to their staff based on the total income they receive. However, where

Service Level Agreements are in place with health boards, we would expect them to consider the impact of any pay increase to NHS staff on their local hospices.

Support for the new Curriculum for Wales

Over £35 million is being allocated as direct support for the new Curriculum for Wales in 2022-2023. This funding includes:

- our ground-breaking investment in schools' curriculum related professional learning – and our commitment to the National Professional Learning Entitlement;
- ongoing direct national support to schools for their curriculum work;
- middle tier support - including supporting local networks, the Curriculum for Wales Development Programme etc;
- direct national support for developing progression and assessment in the curriculum – including the “Camau” projects;
- support for schools' engagement with, and the operation of the National Network for curriculum implementation;
- Qualifications Wales' additional costs for new qualifications that reflect the new curriculum;
- support for funded non-maintained nursery settings' curriculum implementation;
- new curriculum related resources and supporting materials;
- marketing and communications work, including new information for parents;
- continuing funding for the Research, Evaluation and Monitoring programme.

For schools our budget plans mean they will directly receive £21.6m, £21.3m and £18.4m over the next 3 years to support their work on the new curriculum and related professional learning.

Regarding how we know where to target resources – as we set out in the Curriculum Implementation Plan in January 2021 – our longitudinal Evaluation and Monitoring Programme is already providing key insights into the process of curriculum implementation. Early reports on schools' readiness were published in September and 31 January – with the next due this spring. We will also publish this spring the programme's scoping work, so we can map out the process implementation monitoring and, in due course, impact assessment for these key reforms over time.

Linked to the Evaluation and Monitoring programme, Estyn continue to publish their regular updates on the impact of the pandemic and the progress schools are making on curriculum reform. Their latest, published on 10 February, looked at the outputs from their autumn engagement work. I understand they are due to publish further reports on curriculum implementation later this month.

Capital support for Free School Meals implementation

In February, the Minister for Education and Welsh Language agreed an allocation of up to £25m capital funding for distribution to local authorities in 2021-22, as part of the Sustainable Communities for Learning Programme, to purchase equipment and upgrade existing facilities to support the rollout of extending free school meal entitlement to primary school children.

Write off of Health overspends in England

When debt being effectively written off is a transaction within the Department for Health and Social Care (DHSC) group, it will not create additional borrowing or fiscal cost for the Exchequer and does not affect the overall DHSC budget, and does not lead to additional Barnett formula consequentials for the devolved governments.

The overall budget for the DHSC in any year will be able to accommodate overspends by individual NHS trusts in England relative to their allocations.

In previous years, it seems that certain trusts built up debts with the DHSC over a number of years to fill gaps in their budgets. The write off of those debts does of course mean that DHSC will not now be able to factor future debt repayments from those trusts into its plans for allocating funding across England. However there is no fiscal impact on its overall budget.

The Welsh Government monitors closely the allocation of resources by the UK Government, to ensure that the Barnett formula and broader fiscal framework are implemented appropriately and that Wales receives its correct share of funding.

Business Support evaluation

Economic Intelligence Wales' (EIW) first phase evaluation [Covid-19 financial interventions: An analysis of Welsh beneficiaries](#) was published in December 2020. The interventions investigated included phase 1 and 2 Economic Resilience Fund (ERF) business grants administered by Welsh Government, the Covid-19 Wales Business Loan Scheme managed by the Development Bank of Wales and Non-Domestic Rates (NDR) linked grants administered by local authorities.

The initial findings in the report show:

- The first 2 Phases of the ERF have provided over £200m of grants to support businesses in Wales. This figure excludes support paid through the NDR grant of £770m which was paid to 64,000 businesses.
- In total these ERF business grants have directly supported almost 12,000 firms/organisations in Wales and 125,000 jobs (full-time plus part-time), representing around 10.5% of total employment in Wales.
- Average funding awarded per successful SME application was around £15,620. On average, the amount approved for SMEs was just over 77% of the value of funds applied for by firms in Wales.
- Almost 80% of recipient firms were micro businesses, and these firms received an average grant of almost £10,000. Small firms comprised 18% of supported firms with average funding of almost £31,000 per firm. Medium-sized firms accounted for almost 3% of recipient firms, with an average grant of almost £74,000. Large firms received an average grant of around £302,000.
- The wider impacts of the support could be significant, with many thousands of further jobs supported indirectly in related businesses through supply-chain effects and wage spending effects.

The further two stages of the work of the EIW which included a survey element and a follow on impact and conclusion evaluation have now been completed and a report on this will be published at the end of this month.

Public Sector Pay

We are committed to making Wales a fair work nation, and continue to work constructively in tripartite social partnership between Government, our trade union colleagues, and relevant delivery partners to turn that commitment into a practical reality.

We recognise within the broader context of inflation, this is an evolving picture with increases to household bills, National Insurance rises and associated impacts to supply chains and the costs of goods starting to impact from April, alongside the impacts that will now be felt as a result of the invasion of Ukraine.

It is important to recognise any decision by the UK Government to lift restrictions on public sector pay will only provide some relief for our public sector workers who have faced many challenges in the past two years and have worked incredibly hard to keep vital services going only if this is fully funded.

No detail was provided in the spending review regarding the scale or quantum of these pay rises. We remain concerned they will be significantly below inflation, representing a cut in real terms given current high levels, or be expected to come from existing budgets, reducing Welsh Government budgets. We urge the UK Government to act on 23 March.

We are committed to exploring with local government and trades unions in Wales how to make progress on our longstanding commitment to improve fairness in pay arrangements, but this is in the face of a challenging financial settlement, particularly to address the impact of COVID on our NHS and our progressive social agenda.

We also committed to addressing pay disparity across different public bodies. I have already initiated an exercise to achieving pay parity across broadly similar grades in different public bodies, which has included within its scope the Welsh Government, Public Bodies, the NHS, Local Authorities and Welsh Government companies such as Transport for Wales and Cardiff Airport. However any funding will need to be found from within existing settlements.

Yours sincerely,



Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.4

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-RE-1277-22

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

26 April 2022

Dear Peredur,

Thank you for your Committee's scrutiny of the Second Supplementary Budget 2021-22 and the report that followed.

I attach a written response to the recommendations made which I hope you find useful.

Yours sincerely,

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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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.

WELSH GOVERNMENT RESPONSE TO RECOMMENDATIONS FROM THE FINANCE COMMITTEE REPORT:

SCRUTINY OF WELSH GOVERNMENT SECOND SUPPLEMENTARY BUDGET 2021-22

APRIL 2022

Recommendation 1

The Committee recommends that the Welsh Government takes steps to publish information about in-year consequential and transfers it receives from the UK Government, including how those are calculated and whether they are done so in-line with the agreed methodology, particularly when different figures are being quoted by the Welsh and UK Governments.

Response: Accept

Details of changes to the Welsh Government's budget are published as part of each Welsh Government budget event. Where practical, further information will be provided in respect of transfers from other government departments and how these have been calculated.

The UK Government publish full details of all consequential that have been received in the Block Grant Transparency Report. The latest version was published in December 2021 and can be found at

<https://www.gov.uk/government/publications/block-grant-transparency-december-2021>

Recommendation 2

The Committee recommends that the Welsh Government continues to press the UK Government for additional flexibility to spend allocations it receives late in the financial year and calls on the Welsh Government to provide an update on any discussions it has with HM Treasury on this matter.

Response: Accept

The Welsh Government continues to press the UK Government for additional budgetary flexibilities alongside the other devolved Finance Ministers. At the Finance Inter-ministerial Standing Committee held on 21 March we led an agenda item on Devolved Government budgeting and communications, providing examples of our year-end budgeting experience and stressing the importance of the need for greater certainty.

An action was agreed for officials to work together to consider whether year-end processes can be operated more effectively within the existing fiscal frameworks. Officials will report back to the next meeting of the Finance Inter-ministerial Standing Committee, which is expected to take place before summer recess.

We are grateful for the cross party-support from the Finance Committee and your continued representations on this issue would be welcomed.

Recommendation 3

The Committee recommends that the Welsh Government provides an update on the joint review of the in-year and end-year budget processes it has requested be carried out once a response is received from the Chief Secretary to the Treasury, and asks for details regarding its terms of reference to be shared with the Committee prior to its commencement, assuming its request is granted.

Response: Accept

We received a disappointing response from the Chief Secretary to the Treasury on the 21 February. His response did not refer to our request for a joint review of the in-year and end-year budget process, but agreed to continue to explore ways to communicate as effectively as possible and ensure the arrangements for operating the fiscal structures work effectively. This work will be taken forward under the Finance Inter-ministerial Standing Committee as outlined in the response to Recommendation 2.

Recommendation 4

The Committee recommends that the Welsh Government publishes information about the balance on the Wales Reserve at the outturn position and also as part of documentation accompanying all future budgets.

Response: Accept

The Welsh Government produces a Report on Outturn annually as part of a well-established process which includes the balance on the Wales Reserve. A copy is sent to the Finance Committee once the annual accounts are audited and signed off by the Auditor General for Wales. This practice will continue. In addition, the reports are also published on the Welsh Government internet site.

All Welsh Government budgets set out where funds are planned to be drawn from the Wales Reserve in respective financial years. We will look to include further information regarding the Wales Reserve where it is practical to do so.

Recommendation 5

The Committee calls on the Welsh Government to provide further updates on the work it is doing to raise the profiles of grants and schemes designed to address the cost of living crisis and reiterates its call for the development of an integrated system of support in response to the acute financial pressures many households are experiencing.

Response: Accept

The Welsh Government's Child Poverty Review found that many families were either unaware of the support available to them or they experienced barriers applying for the financial support they were entitled to.

The Review reported to Cabinet in March 2020 where it was agreed that this element of the findings should be taken forward as a matter of priority to help households affected by the pandemic.

In response, in November 2020 we launched an [Income Maximisation Action Plan](#) (IMAP) which set out a series of actions to help families manage the financial impacts of the pandemic by supporting financial resilience and cutting essential costs.

Progress in delivering activity outlined in the Plan to help maximise incomes and reduce living costs was published in a [Final Report](#) in June 2021.

On 17 February 2022, the Minister for Social Justice hosted a Cost of Living Summit. Delegates again raised the need for increased publicity about the financial support available to struggling households and the need to simplify and streamline access.

Work is continuing on a number of work streams in the IMAP including the delivery of Objective 1 - that families in Wales are supported to claim all the financial support they are entitled to. A number of actions were developed to support the delivery of this objective:

1.1 Implement a communications strategy to raise public awareness of existing benefits, services and programmes to alleviate income poverty.

Throughout March 2021 we delivered the first national benefits take up communications campaign in Wales, promoting awareness of the available benefits and other financial support that people can access. The campaign resulted in an additional **£651,504** claimed by those entitled to benefits.

In October 2021, we launched our second national take-up campaign, to raise people's awareness of welfare benefits and encourage them to phone Advicelink Cymru to get the help they need to navigate the benefit system. The campaign is currently being delivered primarily on digital/social media platforms.

On 21 March 2022 we relaunched our council tax 'green pig' campaign as households begin to receive bills for the financial year ahead. The campaign raises awareness of

the wide range of support households can receive with their council tax, and urges people to find out if they are eligible. This year we have broadened the reach of our content on social media, our advice network of over 400 organisations, plus GP surgeries and pharmacies.

In January 2022 we appointed a new Advertising Agency who are developing a suite of creative materials which will be delivered on all platforms, including, TV, radio, social media/digital, local/national newspapers, targeted leaflet / mail outs to key population groups. We expect our national integrated take-up campaign to commence in April.

We have recently updated our [Financial Support for Individuals](#) leaflet which provides information on how families are able to access support that may be available to help them now. We have concluded a procurement exercise to appoint a contractor to develop the frontline workers free awareness raising training that was delivered throughout 2021. The new sessions will commence in April 2022 and run through to the end of the financial year.

The recent Winter Fuel Support Scheme was promoted via our communication channels, and officials worked closely with the WLGA and local authorities to support take-up.

A toolkit of communication resources was issued to our stakeholders, including the Child Poverty Action Group and National Energy Action. Our Income Maximisation communication campaign also included national digital and radio marketing of the Winter Fuel Support Scheme, to further ensure eligible households receive support with their fuel bills this winter.

The Tenancy Hardship Grant was communicated at a national level to all landlords and letting agents through Rent Smart Wales, as well as through all private rented sector stakeholders on social media and other channels. Local authorities engaged with local contacts to try to spread the word to tenants, such as housing support services and Jobcentre Plus offices, as well as running local communications campaigns, such as advertising in train stations and on bus shelters. The Tenancy

Hardship Grant was also promoted through the wider Income Maximisation communication campaign.

1.2 Run targeted activities to raise awareness of benefit entitlements, encourage take-up and facilitate longer term behavioural change amongst groups least likely to claim the financial support they are entitled to.

From October 2020 to March 2021, six Test and Learn pilots targeted tailored messages and support to encourage take-up amongst groups least likely to be claiming all the financial support they are entitled to.

The pilots took place over five months and engaged with 1,440 households who received advice and support to resolve 5,087 welfare benefit issues and 1,802 issues relating to other social welfare advice areas such as housing, debt and employment issues. As a result, £2,468,052 in additional income was claimed.

The Welsh Government has maintained the funding it provided for the pilots to enable welfare benefit advice service to continue to be targeted at priority groups in the six Single Advice Fund Regions.

1.3 Prepare and deliver focussed information packs and awareness raising training for frontline workers and trusted intermediaries who support children and families living in poverty.

Under the IMAP we also developed a programme of training for frontline workers. The pilot aimed to deliver increased advice and support on welfare benefits through existing family support models. These participants covered a variety of roles that included early language support workers, family support workers, dads support workers, Flying Start coordinators and DWP colleagues.

As of 23 September 2021, 215 sessions have been delivered with an average attendance of 14 frontline workers at each session.

Feedback from frontline workers is extremely positive with 60% reporting their knowledge of welfare benefits had increased and they had more confidence in their ability to help services' users claim the benefits they are entitled to.

Around six weeks after attending a session, frontline workers were contacted and asked to complete a questionnaire which showed that 70% had used the learning from the session to identify service users that could be claiming a welfare benefit and 20% confirm that their service user had made a successful benefit claim, which they were previously unaware they were entitled to.

A procurement exercise has recently been completed to appoint a contractor to deliver a new programme of free online training for frontline workers. The sessions will commence from April 2022 and run through to the end of March 2023.

1.4 Action Research Pilot to deliver increased advice and support on welfare benefits through existing family support models, to help maximise income.

The introduction of the Single Advice Fund (SAF) in January 2020 has ensured the Welsh Government is grant funding strategically planned, cost effective and integrated advice services that are helping to meet the increasing demand for access to advice services.

The benefit advice services delivered through the SAF are invaluable in helping people to navigate through the benefit system to better understand what they may be entitled to and how to claim. Everyone who accesses the SAF services is offered a 'welfare benefit entitlement check', regardless of the presenting problem they contacted the SAF for help upon, e.g., housing, employment problem, etc. Since the Single Advice Fund was introduced in Wales over 117,000 people have been supported to gain additional income of over £67 million.

The Single Advice Fund service delivery model includes Advice, and Access Partners. Access Partners are a wide range of community organisations who reach out to their service users to ensure people understand how they can access the advice they need.

1.5 Deliver a system of 'passporting' between local authority benefits making it easier and quicker to apply for support in Wales.

We have worked extensively with local authorities to identify ways to simplify and streamline the application process for Welsh benefits and identify options for increasing take up.

Our work with local authorities identified a range of barriers to developing a system of passporting between Welsh benefits including IT system capabilities and concerns about data sharing.

However, it also highlighted a range of activity which helped to increase take up. Initiatives included the use of single application forms for all local authority administered benefits and automatic assessment of entitlement between different benefits. Many undertook activity to raise awareness such as mail drops, the development of websites that direct people to additional help and proactive work with schools.

Informed by this collaboration we developed and published a [Best Practice Toolkit](#). This collates 'what works' in helping to simplify and streamline the application process for devolved benefits making them more accessible to people in need.

Poverty officials are currently working with Welsh Government colleagues leading on initiatives such as free school meals for primary school pupils, PDG-Access and the Council Tax Reduction Scheme to explore options for removing barriers to take up and develop options for improving access.

Recommendation 6

The Committee recommends that the Welsh Government sets out its targets for reducing waiting times and more generally, include in its budget documentation, the outcomes and impacts expected for additional NHS funding and how it will progress its NHS recover plan.

Response: Accept

As committed by the Minister for Health and Social Services, a recovery plan to address waiting times, "Our programme for transforming and modernising planned care in Wales and reducing the waiting lists" is to be launched on April 26th.

The document captures our commitments to the public in Wales, supported through a set of high-level performance ambitions in reducing the waiting times for patients in Wales as follows¹:

- No one waiting longer than a year for their first outpatient appointment by the end of 2022.
- Eliminate the number of people waiting longer than two years in most specialities by March 2023.
- Eliminate the number of people waiting longer than one year in most specialities by Spring 2025.
- Increase the speed of diagnostic testing and reporting to eight weeks and 14 weeks for therapy interventions by Spring 2024.
- Cancer diagnosis and treatment to be undertaken within 62 days for 80% of patients by 2026.

The plan sets out the priorities for recovery and the milestones we expect to achieve. The plan is challenging and focuses upon the reduction in waiting lists and times as well as transforming the way we deliver elective care in Wales.

Below is the list of investment to support the plan with a brief summary of their aims and outcomes:

- £170m recurrent recovery revenue currently devolved to each health board via their annual allocation. The allocation will support the health board's local plans to deliver their part of the national ambitions. Supporting the investment was a list of areas for focus:
 - Implementation of the recommendations of the National Endoscopy Programme.
 - Regional cataract services in line with advice from the Planned Care programme.
 - Regional plans for aspects of orthopaedic services based on the orthopaedic clinical strategy work.

¹ These measures will be broken down by under 18 and over 18 to ensure equity of age

- Strengthened diagnostic and imaging services based on advice commissioned from the National Imaging Programme.
 - Implementation of the Critical Care Plan developed by the Critical Care Network.
 - Plans for improving cancer and stroke services
- Monitoring of progress against agreed plans will form part of the current NHS accountability structure, in conjunction with the developing recovery governance structure, supported by the director of recovery appointment in the NHS executive.
 - £20m recurrent revenue to support value-based health care- This will support NHS recovery, with a focus on delivery of high value interventions that ensure improved outcomes for patients and support service sustainability and reducing waits for treatment over the medium term.
 - £15m recurrent revenue for planned care programme- to provide financial support for the implantation of national solutions against the planned care five goals.

Due to the integrated nature of planned care services, investments in other supporting areas will also be important to support the delivery of its ambitions such as diagnostics (including endoscopy), workforce and education, mental health and primary care.

As part of the Welsh Government's budget published on 1 March 2022 we have outlined additional resources to support mental health and well-being with £50m in 2022/23. This funding will provide flexibility to support services to respond to changing mental health needs and continue to support a number of priority areas set out in the Together for Mental Health Delivery Plan, including increasing our universal offer for mental health support and increased access to psychological therapies.

Recommendation 7

The Committee recommends that the Welsh Government takes further steps to promote the financial support available to carers through the Second Supplementary Budget, including unpaid carers, so that they are aware of

funding to which they're entitled and calls for such initiatives to be evaluated and for the Committee to be notified of any outcomes.

Response: Accept

It is more critical than ever that people across Wales understand all the financial support that is available to them and the response to Recommendation 5 sets out information about our communications strategy to raise public awareness of existing benefits, services and programmes.

In relation specifically to unpaid carers, we established the £1.25m Carers Support Fund in 2020 to help unpaid carers cope with increased financial pressures arising from the pandemic. In 2021-22 we allocated an additional £1.25m to continue this fund. Carers Trust Wales have overseen the administration of the fund, with its network partners of carers' organisations advertising grants to unpaid carers within their local communities. Their approach focussed on identifying unpaid carers who were not already known to statutory support services.

In 2020-21, the fund reached almost 6,000 unpaid carers, 2,500 of whom were previously not receiving any form of support. Between November 2021 and January 2022 over 2,300 carers received support.

Evaluations of both years of the support fund found that it has helped a wide range of unpaid carers in every part of Wales. In addition to the financial support offered by the grants, carers have also benefitted from the person-centred support services, advice and information provided by Network Partners. We will be happy to share the evaluation report with the Committee.

The Welsh Government recently announced funding of £29m to provide a £500 one-off payment to the 57,000 unpaid carers in Wales who are in receipt of Carers Allowance. The payment will support those individuals who care for someone for at least 35 hours a week and have low incomes. Unpaid carers will be required to register with their local authorities to receive the payment and we are investing in a targeted communications campaign to maximise take up off this payment.

To help address the needs of all ages of unpaid carer to access short breaks and respite opportunities £9m of new funding over the next three years was announced on 11th April. The scheme will increase opportunities for unpaid carers to take a break and support them to enjoy regular periods away from their caring responsibilities. The scheme will be co-ordinated by a third sector organisation working with others across the public and third sector to enable more unpaid carers access the right break for them, at the right time. The coordinating body will be responsible for promoting the scheme and will work with delivery partners to ensure the funding reaches unpaid carers who are most in need of respite.

Recommendation 8

The Committee recommends that the Welsh Government provides a breakdown of the additional £70 million capital funding allocated through this Second Supplementary Budget by local authority, and further information to the Committee on why this was allocated, as well as clarify the objectives the Welsh Government expects this funding to achieve.

Response: Accept

The breakdown of the additional £70million general capital funding is set out in the table below:

Unitary authority	Total (£)
Isle of Anglesey	1,700,529
Gwynedd	3,213,159
Conwy	2,696,632
Denbighshire	2,375,866
Flintshire	3,184,856
Wrexham	2,757,955
Powys	3,614,902
Ceredigion	2,276,806
Pembrokeshire	2,959,219
Carmarthenshire	4,670,755
Swansea	5,023,754
Neath Port Talbot	3,510,338
Bridgend	3,115,671
The Vale of Glamorgan	2,702,921

Rhondda Cynon Taff	5,417,635
Merthyr Tydfil	1,234,318
Caerphilly	3,817,739
Blaenau Gwent	1,502,409
Torfaen	2,125,858
Monmouthshire	1,916,731
Newport	3,210,014
Cardiff	6,971,933
Wales	70,000,000

Local authorities are facing many challenges with capital programmes as a result of interruptions and delays perpetuated by Covid and the current general escalating costs in the construction industry. This includes increased costs because of contractors having to social distance under regulations for parts of the year; delays because of construction workforce capacity due to Covid related absences and self isolation; competition for contractors and specialist services due to delays in 2020 and 2021 because of Covid restrictions; and general inflation in contract costs and materials.

Local authority capital investment programmes are long term and run over more than one year with commitments and contracts running over more than one financial year. The draft local government settlement was published later than usual this year due to the timing of the UK Government Comprehensive Spending Review and the knock on effect to the publication of the Welsh Government. This means that local government have very little time to adapt their programmes to take account of the reduction in funding for 2022-23 following the disappointing capital budget received from the UK Government.

All authorities have different priorities and are at different stages in current capital programmes across varying policy areas. The additional allocation of general capital funding gives local authorities the flexibility to manage their capital programmes to meet any additional costs from contracts in the current year and manage their programmes and financing options to get best value from their resources, through the immediate use of the grant, reduction in borrowing requirements or management of self-financing through reserves.

The allocations were made on the basis of the local government general capital formula which takes into account different authorities' characteristics and factors impacting spending need.

Recommendation 9

The Committee recommends that the Welsh Government provides further information regarding how the additional £22 million allocated to bus services in the Second Supplementary Budget was determined, how it has assessed the sufficiency of this support to meet its objectives and how the Minister intends to evaluate its impact.

Response: Accept

The Welsh Government has supported the bus industry throughout the pandemic using targeted funding interventions.

The level of funding required was established throughout the year based on the needs of industry and WG's desire to ensure that we maintained a core bus network during the pandemic which enabled people to make essential journeys throughout. This also ensured that a suitable network continued to exist beyond the pandemic to allow WG to take forward its Programme for Government objective to deliver modal shift from private car use to public transport and active travel.

This support continues throughout the recovery period. Officials will undertake an evaluation of the support offered at the end of the financial year 2023 and provide further information to the Finance Committee at that point.

Recommendation 10

The Committee recommends that the Welsh Government provides further information about the appointment of 20 additional Senior Civil Servant posts, including why they were needed, what roles the successful candidates have taken up in the organisation and whether the appointments are made on a permanent or fixed term basis.

Response: Accept

In the summer of 2020, the former Permanent Secretary, Shan Morgan, put a business case to the First Minister for an external recruitment scheme to recruit up to 20 new Deputy Director roles. The roles were agreed with Ministers as the highest priorities in terms of pressures and gaps, with roles across a number of different portfolio areas. The scheme was also used as a pipeline for filling vacancies arising at Deputy Director level.

Building a workforce for the third decade of devolution means developing a more agile, policy and analytically capable organisation, with strong influencing and public sector leadership skills, as well as operational delivery skills. The objective of the scheme was to grow these capabilities within the Welsh Government SCS so that it is:

- **More skilled at policy development:** core Civil Service skills or strategic thinking, drafting, policy analysis and stakeholder engagement coupled with agility and digital capability;
- **More diverse:** our record on gender equality is reasonable although not exemplary, but our record on Black Asian and Minority Ethnic employees and disabled employees has to be improved so we better reflect the communities we serve;
- **More permeable:** part of a wider Welsh public service that encourages interchange.

The recruitment scheme had a positive impact on our equality and diversity targets. Appointments were made on a permanent basis with the skills and experience of successful candidates matched to the most appropriate posts. Candidates started to take up post from January 2021. A reserve list was maintained for matching to future vacancies and this expires in June 2022.

Recommendation 11

The Committee recommends that the Welsh Government provides further information regarding the scope and timing of the Permanent Secretary's

review of the Welsh Government’s operating model, the efficiency and effectiveness of the Welsh Government Civil Service.

Response: Accept

The former Permanent Secretary, Shan Morgan committed to a review of the Welsh Government’s operating model. The detailed scope of the review and related improvement actions were not determined at this point as the out-going Permanent Secretary felt it would be appropriate for her successor to take this forward once appointed.

The current Permanent Secretary has subsequently engaged Ministers, the Senior Civil Service, and representative trades unions in discussions on the priorities for organisational development and change as we emerge from a prolonged period of crisis management.

Proposals for an organisational development programme reflecting these discussions were endorsed by the Welsh Government Board on March 18th. On April 4th, the Permanent Secretary launched Welsh Government 2025 as a conversation with staff at all levels on what needs to change to enable the organisation to be fit for purpose in a post-pandemic, post-Brexit world.

A series of ‘deep dive’ events will be held throughout spring and summer on core elements of organisational development including values and behaviours, workforce, workplace and digital strategies as well as work strands focused on transformational change and continuous improvement.

Early decisions made as part of WG 2025 include the re-structuring of the senior leadership team and Groups to more closely align to the Ministerial portfolios and Programme for Government delivery responsibilities. The re-structure became operational on April 1st.

Agenda Item 2.5

Gweinidog y Gymraeg ac Addysg
Minister for Education and Welsh Language



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair of the Finance Committee
Senedd Cymru

29 March 2022

Dear Peredur,

I would like to thank the Finance Committee for their scrutiny of the Tertiary Education and Research (Wales) Bill (“the Bill”) during Stage 1 and for the report which was published on 04 March 2022.

I welcome the conclusion that the Committee is broadly content with the financial implications of the Bill. I note that the Committee feels unable to draw a conclusion on whether the resources are adequate and reasonable to deliver the legislation due to the Regulatory Impact Assessment not being able to quantify costs to other bodies.

It is anticipated that if additional costs are placed on other bodies then this would be as a result of subordinate legislation. I wanted to assure the Committee that in line with standard practice, any subordinate legislation made as a consequence of this Bill would, where relevant, be accompanied by a Regulatory Impact Assessment. This would provide a comprehensive analysis of the costs, including costs to other bodies.

I have set out responses to the Committee’s recommendations in Annex A and while it has not been possible for me to accept all of the Committee’s recommendations in full, I hope you will find this useful.

I will also be writing to the Chairs of the Children, Young People and Education Committee and the Legislation, Justice and Constitution Committee with respect to their Stage 1 Reports, and will copy the letters to all three Committee Chairs.

I look forward to continuing to work with Members as the Bill progresses through the Senedd process.

Yours sincerely,

Jeremy Miles AS/MS
Gweinidog y Gymraeg ac Addysg
Minister for Education and Welsh Language

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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.

Annex

Recommendation 1. Throughout this report, the Committee has identified that further financial information is required. Should there be significant changes to the Regulatory Impact Assessment, the Committee recommends the Minister appears before the Committee to consider those changes in more detail.

I note this recommendation. The Regulatory Impact Assessment will be updated in line with standard procedure after Stage 2. It will be updated with the latest information and in light of the Committee's recommendations. Cost estimates will also be reviewed to ensure they represent the most up-to-date figures. At this stage, I do not envisage this will result in significant changes to the overall figures in the Regulatory Impact Assessment because the anticipated staff numbers of the Commission, the major driver of overall cost, have not altered since November. I recognise the Committee's desire to explore the updated Regulatory Impact Assessment so will share a copy with the Committee as soon as possible after Stage 2 to give the Committee an opportunity to consider the latest information and ask any follow up questions before Stage 3.

Recommendation 2. The Committee recommends the Welsh Government undertakes further work analysing and estimating the cost benefits of the Bill. The Regulatory Impact Assessment should be updated to include further information on these benefits, how they will be analysed and when they are anticipated to be delivered.

I recognise the intention behind the Committee's recommendation, however, I do not accept this recommendation. A range of non-quantified benefits are set out in the Regulatory Impact Assessment. The benefits that will flow from the reforms will have outcomes with real-world impact, ultimately better educational outcomes for a wider range of learners and more broadly, a higher skilled workforce delivering more productivity in the economy.

The benefits of any education reform are challenging to quantify and many costs, particularly those that may be incurred by other bodies, are unknown at this stage. This means that it is not possible to set out detailed cost benefits in quantified form in the Regulatory Impact Assessment. The benefits will be tracked and analysed post-implementation and the Commission will be assessed on its contribution to these goals and the national milestones.

Recommendation 3. The Committee recommends that the Welsh Government provides as much clarity as possible about the likelihood of the risk that the Office of National Statistics could reclassify further and higher education institutions as a result of the proposals contained in the Bill, the severity of its financial impact if realised and the practical implications of reclassification on the Welsh Government and the new Commission.

I accept this recommendation. The Welsh Government believes that the risk of reclassification is low as the changes proposed in the Bill do not alter the extent of 'control' over individual tertiary education providers who will, as at present, remain autonomous bodies responsible for determining their own general policy. The Bill is concerned with the proportionate regulation of registered providers rather than control of institutions.

The Bill seeks to establish a new body, the Commission for Tertiary Education and Research, which will be responsible for the funding and regulatory oversight of tertiary

education providers in Wales. There are two main changes which will impact tertiary education providers in connection with Welsh public funding:

A change in the regulatory framework – the Bill proposes the introduction of registration system. This is similar to changes made in England following establishment of the Office for Students, this body has already been classified to the central government sector by the ONS, and will allow the Commission to ensure regulatory oversight of tertiary education providers in Wales who benefit from the automatic designation of their higher education courses for Welsh Government student support.

A change in the funding relationship – the Bill proposes the introduction of Outcome Agreements. These will be the means by which the Commission negotiates with funded providers the activities they will undertake in pursuit of the Commission's objectives in its approved Strategic Plan.

The Bill is intended to strike an appropriate balance between maintaining further and higher education institutions' independence while safeguarding the significant amount of public money invested in the tertiary education sector.

Regarding the impact of reclassification. If the arrangements between the Commission and these institutions changed to the extent that the ONS could determine that 'control' fell within the public sector i.e. the public sector had the ability to determine the general purpose or programme of these institutions, they would be reclassified to the public sector and at least some element of their transactions and balances would hit the Welsh Government Consolidated Balance Sheet. The extent would depend on whether they were classed as market bodies , i.e. fund 50% or more of their operational costs from 'sales' or not:

If the institutions do not meet the criteria to be market bodies, all of the assets & liabilities of these institutions would be "on" the WG's consolidated balance sheet, budgets for the institutions would have to be planned, managed & reported on a net resource basis and funding would only score against budget when the institutions incur the expenditure not on payment.

If the institutions did meet the criteria to be market bodies, they will be Public Non-Financial Corporations and the budget will be reported on an 'external finance basis' i.e. the budget show all transactions with the institutions on payment and, should they undertake any borrowing, the financing raised will be reported in the budget.

If the institutions were not market bodies, they would fall within the central government sector and be treated no differently to the WG itself for budgeting and accounting purposes. The institutions would need to be aligned, designated in the GOWA 2006 (budget Motions & Designated Bodies) Order, i.e. the full resources of these institutions would be included in the ambits to the budget motions and voted by the Senedd and consolidated within the WG Consolidated Accounts if they met the annual materiality threshold.

If the institutions were market bodies, they would be classified as Non-Financial Public Corporations. They would not be aligned, i.e. not designated, although they would need to provide some financial information for the WG Consolidated Accounts.

The ONS will classify the Commission once it is established. We will engage with ONS to advise them of when that will be so that ONS can include the Commission in its forward plan, which will inform us of the timescales for formal classification

Recommendation 4. The Committee recommends that the Welsh Government undertakes further work on the cost associated with the Bill and updates the Regulatory Impact Assessment to demonstrate, for clarity, to which costs the +/- 30 per cent variance applies.

I accept this recommendation and will look to include this information when the Regulatory Impact Assessment is revised following Stage 2. The revised Regulatory Impact Assessment will set out which costs are subject to up to 30% variance and why. Further work will also be undertaken on whether this percentage for the potential variance remains the most appropriate to use and if not, what percentage should be used.

Recommendation 5. The Committee recommends that detailed information is provided on the membership, work plan and intended outcomes of the strategy and implementation group. Including where the work of this group will lead to amendments to the Regulatory Impact Assessment and what the scope of those amendments might be.

I accept this recommendation. I established The Post Compulsory Education and Training (PCET) Strategy and Implementation Board to work collectively with me, the Programme's Senior Responsible Officer and Welsh Government officials to provide strategic oversight and expert advice to support the delivery of the PCET reforms and associated policy development, implementation arrangements and the establishment of the Commission. The Board also operates as a platform to raise awareness of tertiary education and research policy developments planned elsewhere in the UK and internationally and considers the potential for it to impact on post 16 learning in Wales.

All Board members are drawn from external stakeholders impacted by the planned legislative and cultural changes and all have a vested interest in the successful delivery of the reforms. Members are required to take a proactive and participatory role providing advice, guidance and constructive challenge on the proposed work required to deliver on the reforms and support the smooth transition to the Commission. This includes communicating our vision for change, advising on the long term strategic duties and objectives, highlighting potential risks to the successful introduction of the Commission and to the wider post 16 sector during implementation.

To date the group has worked collegiately to consider areas related to the strategic duties in the Bill including the high level quality principles, scope for greater collaboration and partnership working, and a duty to support Lifelong Learning. The forward work plan remains fluid and is prioritised according to need. Future discussions will include the Employability Plan, learner engagement principles, delivery and development of Welsh language provision and planned Stage 2 Bill amendments in due course. A list of the PCET Strategy and Implementation Board's external membership is attached at Annex B.

Recommendation 6. The Committee recommends that the Welsh Government provides information regarding the strategy and implementation group's consideration of the location of the Commission and staffing numbers, including details of any financial impacts arising from the group's work.

I note this recommendation, however the PCET Strategy and Implementation Board provide strategic oversight and expert advice, and it is not the intention that the Board will be involved in operational discussions and decisions. As is standard practice, there is a Programme Board to oversee the operational side of establishing the Commission. The

membership of the Programme Board includes representatives of Welsh Government, HEFCW and Trade Union Side (TUS). Operating under the Programme Board are a number of individually focused work streams that are considering the elements for establishing the Commission. These work streams are Legislation, IT, HR, Location and Finance and Governance. As more detail emerges on location and staffing numbers and the resulting financial impact, any updated information will be included when the Regulatory Impact Assessment is revised following Stage 2.

Recommendation 7. The Committee recommends that the Welsh Government undertakes further work on a location strategy, particularly the impact that COVID-19 will have on any costs associated with it, and that this information is included in a revised Regulatory Impact Assessment.

I accept this recommendation. There is ongoing work relating to the location of the new Commission, it is one of the key work streams of the implementation programme. As more detail emerges any updated information will be included when the Regulatory Impact Assessment is revised following Stage 2.

Recommendation 8. The Committee recommends that the Welsh Government provides further information relating to the financial impact of using IT consultants to undertake transferring the Higher Education Funding Council for Wales's systems and data to the new Commission and this should be included in the revised Regulatory Impact Assessment.

I accept this recommendation and will look to include this information when the Regulatory Impact Assessment is revised following Stage 2. As I said at Committee any use of consultants will be kept under review and the programme hasn't ruled out hiring permanent IT staff if that turns out to be a better value for money option. The revised Regulatory Impact Assessment will make clear, as far as possible, the financial impact and rationale of basing forecast costs on using IT consultants.

Recommendation 9. The Committee recommends that the Welsh Government reassesses the costs associated with other bodies as a result of this legislation. The costs and any financial implications should be created in consultation with the stakeholders affected and detailed in a revised Regulatory Impact Assessment.

I recognise the intention behind the Committee's recommendation, however, I do not accept this recommendation. It has not been possible to quantify any potential additional costs to other bodies as this will depend upon decisions taken by the Commission once it is established. Any assumptions or estimates made by the Welsh Government at this time would pre-empt these decisions and would not provide for accurate estimations of any potential costs. As I said in my letter to the Committee of 22 December 2021, I acknowledge that there is a potential risk, that the bill could place additional costs on the providers in the sector. This risk is managed by close monitoring and engaging closely with stakeholders, including through but not limited to the Strategy and Implementation Board to ensure any additional costs incurred due to the bill are absolutely necessary and kept to a minimum. It is anticipated that if additional costs are placed on other bodies then this would be as a result of subordinate legislation, which would, where relevant, be accompanied by a Regulatory Impact Assessment which would provide a comprehensive analysis of the costs, including costs to other bodies.

Recommendation 10. The Committee recommends that the Welsh Government continues to include post-implementation review of all Bills before the Senedd as standard practice, including information as to how value for money will be assessed.

I accept this recommendation. Post-implementation reviews play an important role in ensuring that lessons are learnt for future areas of work in both areas of maintaining good practice and where improvements could be made.

Annex B - PCET Strategy and Implementation Board External Membership

Organisation	Sector Represented
Adult Learning Wales	Adult learning
Careers Wales	All
CBI	Industry
Chairs of Universities Wales	HE
Colegau Cymru	FE
Coleg Cymraeg Cenedlaethol	HE
CYDAG	School 6 th Forms
Education Workforce Council	Regulator
Estyn	Regulator
FSB	Industry
Higher Education Funding Council Wales	HE
IOD	Industry
Learning and Work Institute	Work-based Learning
National Centre for Learning Welsh	All
National Mission Change Board	School 6 th Forms
National Training Federation Wales	Work-based Learning
National Union of Students	Social Partner
Qualifications Wales	Regulator
Quality Assurance Agency	Regulator
The Association of Directors of Education in Wales (ADEW)	Lifelong Learning School 6 th Forms
Universities College Union	Social Partner
Universities Wales	HE
WLGA	Lifelong Learning School 6 th Forms

Agenda Item 2.6

Public and Commercial Services Union | pcs.org.uk 

PCS Cymru/Wales
1 Cathedral Road
Cardiff CF11 9HA

Tel: 029 2066 6363
Email: wales@pcs.org.uk

25 April 2022

Owain Roberts, Clerk
Peredur Owen Griffiths MS, Chair
Finance Committee
Senedd Cymru

By email

Dear Owain and Peredur

Use of 'fire and rehire' by Welsh public sector bodies

I am writing on behalf of PCS to highlight the union's concerns about the threatened use of 'fire and rehire' by two organisations over which the Finance Committee has oversight.

In January, Audit Wales indicated that it would dismiss and re-engage any member of staff who might refuse to give individual consent to a particular change in their contract – specifically, the removal of a travel allowance – despite the strong objections to this approach that PCS raised at the time. Although none of the Audit Wales employees has been dismissed, as the overwhelming majority ultimately consented to the change, however reluctantly, the approach taken by the employer seemed to set an ominous precedent in the Welsh public sector, where, as you know, the Welsh Government and Members of the Senedd more generally have taken a strong position in opposition to 'fire and re-hire.'

Now, a second Welsh public sector body, the Public Services Ombudsman for Wales, is adopting the same approach. The issue on this occasion is the downgrading of certain posts in the organisation's structure. PCS has been consulted but we could not agree that the proposed change was either fair or necessary, hence management has written

to those affected to ask them individually to accept the downgrading, on the basis that refusal might result in their dismissal and an offer of re-engagement at the lower grade. While only four staff are directly affected, there is an important principle here and, moreover, we discern the beginnings of an unwelcome trend, which may be connected to the regular discussions that are known to take place between the HR managers of the various Welsh public bodies.

PCS has made the Ombudsman's office aware of our concern over the possibility of dismissal and re-engagement and the dismay felt by our members over the idea that they might be forced to agree to a detrimental change to their employment contract. We have said that we do not feel that all avenues of negotiation have been explored and have asked for an explanation for the intransigent approach taken by management. We have pointed out that dismissal and re-engagement has not only been condemned by the Welsh Government and other Members of the Senedd but is in conflict with ACAS guidance, which states that "employers must never intimidate or threaten employees or their representatives to try to force them to agree to a contract change" as "any intimidating or threatening action, language or behaviour is likely to significantly damage trust, morale and working relations in an organisation." Moreover, the UK Government has also just announced a new statutory code on fire and rehire, which instructs employers that it is unacceptable to use the threat of fire and rehire as a negotiation tactic to force through changes to employment contracts and that all options must be exhausted before considering the dismissal and re-engagement of staff.

In PCS' view, "fire and rehire" is an unacceptable practice that has no place in modern society and its use by the Public Services Ombudsman for Wales, or any other public body, seriously jeopardises trust within the organisation and is likely to lead to reputational damage.

In the light of the use of this approach by two bodies that are accountable to your committee, I would ask that you review these developments and consider whether they are consistent with the social partnership ethos of the devolved Welsh public sector and with accepted standards of good governance.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'D. Williams'.

Darren Williams
National Officer for Wales and the South West

Agenda Item 2.7

Rebecca Evans MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE/688/2022

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru

25 March 2022

Dear Peredur,

As part of the scrutiny of the 2022-23 Draft Budget I welcomed the interest of the Committee in the work of the reformed Budget Improvement Impact Advisory Group (BIAG) and how the committee could be more closely involved.

As I have previously outlined the new group is being established to play a key role in supporting our wider work on reforming budget and process tax processes through delivery of the Budget Improvement Plan. The group will act as a collaboration between those officials leading Welsh Government budget improvement work, representative stakeholders from across Wales and historically underrepresented groups, and expert policy-makers from across the Trade Union and wider Public Sector, to ensure those impacted by budget decisions are involved in the improvement of those processes.

In line with my commitment to providing further information in advance of the group meeting formally, please find attached the group's Terms of Reference and work plan.

The first meeting of the group is on the afternoon of the 30th of March, from 1pm to 3pm. While Ministers will not routinely attend the event, the Minister for Social Justice and myself will be attending the beginning of the inaugural meeting to demonstrate our support and thank attendees for their time and effort. I wish to extend the same invite to you as the Chair of the Finance Committee, providing an opportunity for you to meet the group at its inception.

In terms of the committee's involvement this is a matter I asked my officials to engage with your officials to explore the issue further. As a result, I wish to propose the following to enable us to work together in our mutual interest to improve the Welsh budget processes.

To enable the committee to understand and explore in more detail the actions within Budget Improvement Plan and to influence the activity we are undertaking in advance of the 2023-24 Draft Budget I would be happy to offer a technical briefing with officials prior to June 2022.

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

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.

To ensure the committee has more regular updates on BIIAG, I have instructed my officials to meet regularly and routinely with the clerks of the Finance Committee. Alongside providing updates on the Budget Improvement Plan, this will provide an opportunity to review and explore collective separate improvements to the Welsh Budget processes.

As we begin to plan our respective engagement activity for 2022, I would also be happy to explore how we can undertake collective engagement to improve public understanding and engagement with the Welsh Budget process. In particular, I am interested in how we can engage with children and young people.

It is my hope this will help align our mutual understanding of ongoing activity and facilitate the best possible engagement with the Finance Committee's engagement with our ongoing work and reduce any duplication of efforts and best achieve our shared goals. I would also be happy to discuss this matter further.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Terms of Reference for the Welsh Government Budget Improvement and Impact Advisory Group (BIIAG)

Purpose of BIIAG

The role of the group will be to provide advice, feedback and evidence from an equalities and inclusion perspective, to Welsh Government, to ensure that budget and tax processes improve over the longer term to better align funding to outcomes including:

- informing reforms to the way impact assessments are undertaken on strategic spending decisions to better embed all areas of impact including equality, socio economic disadvantage and the way nature and carbon impacts are considered;
- ensuring that budget engagement and impact assessments fully consider lived experiences, maximise civic participation and engage with relevant partners, to ensure the social partnership duty is fulfilled where reasonably practical.
- taking a comprehensive approach to mainstreaming equalities and human rights objectives into budget and tax processes and decisions, including ensuring that the Programme for Government commitment to implementing targets around Gender Budgeting is achieved, to understand the intersectional nature between social, cultural, economic and environmental impacts and fully consider intended and unintended impacts;
- embedding the five ways of working as defined in the Well Being of Future Generations Act, in addition to the Sustainable Development principle, in any spending decisions;
- ensuring processes and documentation are fully transparent and clearly communicate the expected impacts of spending decisions;
- contributing to Welsh Government's well-being objectives to create a more equal Wales by ensuring social, environmental and economic justice at the heart of all Welsh Government spending decisions to improve the well-being of everyone in Wales. This is in addition to supporting our natural environment in a sustainable way and create an economy that tackles inequality and poverty in all its forms.

This work will strengthen and improve the advice given to Ministers when making spending and tax decisions with the aim of this leading to improved outcomes.

Primarily the group is intended to support delivery of the Welsh Government Budget Improvement Plan which is updated annually and provide the group with opportunities to input and influence the work outlined within the plan. The 2022-23 plan can be found [here](#).

The group's annual work plan can be found in Annex 2 (subject to agreement at the first meeting).

The Group will not

- Provide a forum for discussion of or influencing specific funding decisions or allocations unless in relation to the work of the Budget Improvement Plan
- Be a mechanism for seeking funding, other than for providing appropriate budget engagement
- Be directly linked to specific budget years/rounds

Membership

The membership of the group will ensure the involvement and collaboration of stakeholders who will bring expertise and experience from a range of areas to support a more integrated approach in reviewing these processes. Alongside expertise in particular techniques this group is also intended to cover representatives of key areas of impact that are considered as part of budget processes, to ensure those impacted by budget decisions are involved in the improvement to these processes while avoiding unintended impacts.

It will work to remove silo thinking where possible and allow a more holistic discussion to take place when considering how impact is assessed and communicated.

The membership will seek to be formed to ensure representation covering each of the following areas:

Children and Young people	Health
Older People	Future Generations Representative
Disability	Trade Union and Social Partnership
Gender	Local Government
Race	Local and Regional Intermediaries
Asylum Seekers and Refugees	Third Sector Partnership Council
Faith	Welsh Language
LGBTQ+	Welsh Government Treasury
Transgender	Welsh Government Equalities Team
Environment	Welsh Government Communities Team
Poverty	

In addition to the core membership a representative of the Statutory Commissioners offices will be offered a place to attend on a rotational basis, if they should wish to do so.

The Equality and Human Rights Commission will be offered a place to attend in observer status.

Experts, academics and other Welsh Government representatives can be invited into meetings where the membership feel it is of relevance.

A full list of members can be found in Annex 3.

The group will periodically review the membership to ensure it is sufficiently representative to achieve its aims.

Members will be asked to agree to a list of expectations in relation to their participation in the group (detailed in Annex 1) and also detail other fora they will link with to share information and gain feedback from their specific area of representation.

Roles and responsibilities

The secretariat for the group will be provided by Welsh Governments Budget Improvement team within Welsh Treasury and will be chaired by the Head of Budget Policy and Delivery.

A nominated representative from the non- statutory sector can provide additional support and advice as required or raise any issues from the group as a collective to the chair outside of the core meeting timetable. This could include deputising for the chair in the case of any absence. All members are encouraged to engage with the Welsh Government Budget Improvement Team outside of the scheduled meetings to progress any areas of specific interest.

The group will report to the Minister for Finance and Local Government and the Minister for Social Justice. It is intended there will be direct Ministerial engagement with the group once per year as appropriate.

This group has been purposely designed to fit within a landscape of other networks and forums and avoid duplication while adding value. Where possible, relevant links will be made to facilitate information sharing between groups to avoid unnecessary duplication. This could be done through membership links of more informal communication. A list of these groups can be found in Annex 4. This list is not exhaustive and will be updated periodically as appropriate.

Frequency of meetings

The Group will meet formally at least four times per year. It is anticipated that meetings will last no more than two hours.

Where required formal meetings will be supplemented with focussed workshops on specific topics, as set out in an agreed work programme. Members' attendance at these meetings will be optional subject to members' interest and expertise. It is anticipated that meetings will last no more than two hours.

The meeting formats (commencing in 2022) will be virtual initially; it is anticipated that a 'blended' approach (both virtual and in-person) could be adopted when social restrictions ease in the future and subject to the agreement of the group recognising the advantages and disadvantages to the different methods of communication to ensure an inclusive environment.

Annex 1

Budget Improvement and Impact Advisory Group membership agreement

Name:	
Organisation:	
Email address:	
Area of representation:	
Preferred language of communication:	
Accessibility preferences/needs:	

Please list any relevant forums/networks that you will utilise to maximise the engagement in this group:

--

Are you happy for your email address to be shared with other members within this group?

Yes/No

We intend to publish Terms of Reference including the full membership list and minutes for meetings on the Welsh Government website. Are you happy for your details to be included?

Yes/No

Expectation of members

- As well as providing representation from a particular area of interest/organisation/forum/network members will also provide their personal expertise
- Strive to attend all meetings and send apologies prior to meetings they are not able to attend and where possible provide appropriate deputation
- Be acquainted with the agenda and prepared to contribute to agenda items in each meeting
- Be willing to complete tasks between meetings in line with agreed actions
- Engage in consultation and communication between meetings via email
- Be willing to lead discussions on agenda items in areas of particular expertise or engage in breakout work streams as required to further specific actions
- Ensure relevant feedback and links are made between wider groups and forums being represented (both in and out)
- Comply with confidentiality requirements as required
- Respect the principles of equality, diversity and inclusion and ethical code of conduct

Expectation of secretariat

- Provide papers and agendas at least 5 working days prior to any meeting.
- Where it is not possible to provide full papers in advance of a meeting an explanation will be provided and time given to members to review and feedback appropriately following the meeting.
- Summary minutes with key action points will distributed no longer than 3 weeks after each meeting.
- Ensure all action points are followed up
- Secure experts, academics and other Welsh Government representatives as required for meetings.
- Ensure that all meetings (virtual and in person) encourage full participation from all members and address any specific accessibility requirements.

Signed:	
Date:	

PRIVACY NOTICE:

Background

The Welsh Government Budget and Government Business team have established the Budget Improvement and Impact Advisory Group (BIAG). Personal contact details for representatives of organisations and individuals are held to allow us to maintain contact with external stakeholders about the arrangements for the BIAG meetings.

The Welsh Government is the data controller for information collected by Budget and Government Business.

The lawful basis for collecting this information under Article 6(1) of the General Data Protection Regulations is article 6(1)(a) the individual has given clear consent for their personal data to be processed for a specific purpose.

What do we do with your information?

In our remit as the data controller, the Welsh Government uses the information received for the below purposes.

- To contact group members to inform them of meetings and/or events in relation to the Budget Improvement and Impact Advisory Group.
- To share information in relation to BIAG meetings and specific linked work streams e.g. minutes, agendas, work plans.

Who do we share your information with?

Information will be shared with the membership of BIAG including relevant Welsh Government officials.

Information held by Budget and Government Business Budget Improvement Team is only accessed by staff members of Budget and Government Business division.

Any information provided is stored on a protected area of IShare (internal document management system).

How long will we keep your information?

Budget and Government Business will keep this information on our database for a maximum of 120 months.

Your rights in relation to your information.

You have the right to:

- Access to the Personal data that we are processing about you;
- require us to rectify inaccuracies in that data;
- The right (in certain circumstances) to object to processing;
- The right for your data to be 'erased' (where consent is the lawful basis);
- lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

For further information about the information which Welsh Governments holds and its use, or if you wish to exercise your rights under the GDPR, please see contact details below:

BudgetImprovementTeam@gov.wales

Data Protection Officer
Welsh Government
Cathays Park
CARDIFF
CF10 3NQ
Email: Data.ProtectionOfficer@gov.wales

The contact details for the Information Commissioner's Office are:

Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Telephone: 01625 545 745 or 0303 123 1113

Website: www.ico.gov.uk

Annex 2

Annual work plan: January 2022 – December 2022

Meeting date	Focus	Outcome
1 (Feb)	Purpose and focus of group	Agreement of: <ol style="list-style-type: none"> 1. TOR and membership 2. Work plan 3. Process to elect non-statutory representative
2 (Mar) <i>Ministerial attendance confirmed - (Minister for Finance and Local Government and Minister for Social Justice)</i>	Understanding the budget process as it currently exists including: <ul style="list-style-type: none"> • the role of evidence, data and impact assessment in the budget process • the budget documentation including the Budget Improvement Plan, distributional impact model and SIIA • current budget literacy engagement • An external picture Budget engagement – who, when, why? <ul style="list-style-type: none"> • Civic Participation and the lived experience 	<ul style="list-style-type: none"> • An increased understanding within the membership of the current budget and tax processes and documentation • An opportunity to ask questions • An increased understanding of WG officials of the current external perception and challenges when engaging with the budget process. • A plan for wider communication and increased budget literacy – Who, when, why? • An understanding of the needs of stakeholders and officials in budget engagement and the channels this can and should be happening – development of plan

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<p>3 (Apr – Jun)</p>	<p>Strategic Integrated Impact Assessment</p> <ul style="list-style-type: none"> • Stakeholder views on purpose (work conducted in advance to collect feedback – polling etc) • Historical story of the SIIA • Myth busters – what it is and isn't • How do we effectively use the SIIA in showing how budget decisions are made • The relationship between the IIA and SIIA 	<ul style="list-style-type: none"> • An increased understanding of the current SIIA approach and how this is separate to IIA • Recommendations for improvement • Identification of further areas for exploration <ul style="list-style-type: none"> - Key challenges for government in producing SIIA - Key challenges for stakeholders when considering the effectiveness of the SIIA • Possible identification of breakout sessions to look at specific work plan if deemed appropriate
<p>4 (Jul – Sept)</p>	<p>Different ways to assess impact</p> <ul style="list-style-type: none"> • How to more effectively and visibly demonstrate the WFG Act as the underpinning framework for all other duties • How could we improve it – <ul style="list-style-type: none"> - Gender/Equality Budgeting, - Distributional Impact assessments - Carbon Impact assessments - Nature impact assessments 	<ul style="list-style-type: none"> • An increased understanding of different approaches to impact assessment and how they could be utilised in relation to the SIIA • Identification of further areas for exploration

	<ul style="list-style-type: none"> • Ways of balancing long-term versus short-term goals and impacts of spending decisions. • The international picture 	
5 (Oct – Dec)	<p>Review meeting (<i>possible Ministerial attendance</i>)</p> <ul style="list-style-type: none"> • Feedback on work and achievement to date (including any sub groups) • Review of membership and TOR • Work planning 2023 	<ul style="list-style-type: none"> • Ministerial update provided • Update provided for Budget Improvement plan • Changes to TOR/Membership agreed • Work plan agreed for 2023

Annex 3:

Membership

No.	Area	Organisation	Name
1.	Children and Young people	Children in Wales	Sean O'Neill
2.	Older People	Age Cymru	Ceri Cryer
3.	Disability	Disability Wales	Rhian Davies
4.	Gender	Women's Equality Network Wales Wales Women's Budget group	Catherine Fookes Cerys Furlong
5.	Race	Show Racism The Red Card	Dean Pymble
6.	Asylum Seekers and Refugees		
7.	Faith		
8.	LGBTQ+	Stonewall Cymru	Davinia Green
9.	Transgender		
10.	Environment	Wales Environment Link (WEL)	Michelle Hunt (RSPB) Annie Smith (RSPB) Tabea Wilkes (RSPB)
11.	Poverty	Bevan Foundation Child Poverty Action Group	Steffan Evans Ellie Harwood
12.	Health	NHS Equality Leadership Group	Rebecca Fogarty (PHW)
13.	Future Generations representative		
14.	Trade Union and Social Partnership	TUC	Rhianydd Williams
15.	Local Government	WLGA	Daniel Hurford
16.	Local and Regional Intermediaries	Cardiff Third Sector Partnership Council	Sheila Hendrickson-Brown
17.	Third Sector Partnership Council	WCVA	David Cook
18.	Welsh Language	Prosiect 2050	Dr Jeremy Evas
19.	Welsh Government	Welsh Treasury	Matt Wellington (Chair) Lisa Daniels-Griffiths
20.	Welsh Government	Communities Division	Chris Buchan
21.	Welsh Government	Equalities Division	

Annex 4

Other networks and forums of relevance – this list is not exhaustive but provides an overview of the range of forums/stakeholders which may have a shared interest in the work of this group.

- **Funding and Compliance Sub Committee** – Welsh Government Official Led (Third Sector Unit) with an External Chair. Reports to the Minister for Social Justice. To assist Welsh Government in ensuring compliance with the third sector scheme.
- **[Third Sector Partnership Council \(TSPC\)](#)** – Chaired by the Minister for Social Justice this biannual meeting is a key mechanism for Voluntary organisations to talk and hear from Welsh Government. This group that the principles set out in [the Third Sector Scheme](#) are put into practice. It also provides an opportunity for the sector to raise issues of interest or concern. The membership consists of 27 elected representatives from across the sectors areas of interests.
- **Third Sector Ministerial meetings** – Chaired by each individual Welsh Government Minister. These biannual meetings are part of the statutory legislation which ensures that the sector have a formal route to talk and raise issues with each Welsh Government Minister.
- **[Wales Women's Budget Group](#)** – an independent, not for profit organisation whose aim is to work with government and civil society in pursuit of a more prosperous and equal Wales by ensuring that the impact of taxation and spending in Wales is fair and gender equal.
- **Equality and Human Rights Coalition** – A sub group of the TSPC structure this group has an elected chair and the secretariat is provided by WCVA. It is a network of over 60 individual members from a variety of third sector organisations that work across the fields of equality and human rights. The network meets quarterly and usually has representation from WG and the equality and human rights commission.
- **Wales Civil Society Human Rights Stakeholder Group** – Led by Simon Hoffman (Swansea University)
- **Disability Forum** – Welsh Government
- **Disability taskforce on the locked out** report – Welsh Government
- **Gender Equality Subgroup** – Welsh Government
- **Race Equality Action Plan accountability group** – Welsh Government

- **Race Forum** – Welsh Government
- **Refugee and Asylum Seekers taskforce** – Welsh Government
- **Welsh Refugee Coalition** – Welsh Refugee Council
- **Faith Forum** – Welsh Government
- **LGBTQ+ expert panel** – Welsh Government
- **Anti- Poverty Coalition** – Bevan Foundation
- **Strengthening and Advancing Equality and Human Rights** – Welsh Government
- **Ministerial Advisory Forum on Aging** – Welsh Government
- **Net Zero Expert Panel** - Welsh Government
- **Welsh Government Children’s Rights Advisory Group** – overseen by the Children’s Rights branch of Welsh Government which provides external advise to officials on all matters pertaining to children’s rights.
- **Wales UNCRC Monitoring Group** - The Wales UNCRC Monitoring Group (est. 2002) is a national alliance of non-governmental and academic agencies, tasked with monitoring and promoting the United Nations Convention on the Rights of the Child (UNCRC) in Wales and is facilitated by Children in Wales. Further information on the work of the Wales UNCRC Monitoring Group can be found here <http://www.childreninwales.org.uk/our-work/rights/wales-uncrc-monitoring-group/>

Agenda Item 2.8

Rebecca Evans MBE
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

27 April 2022

Dear Peredur,

Thank you for attending the first meeting of the Budget Improvement and Impact Advisory Group (BIIAG) on 30th March 2022 and for your letter of 4th April 2022.

The Welsh Government is committed to improving our budgetary and tax processes as set out in our Budget Improvement Plan. I welcome your openness to collaborative working between the Welsh Government, BIIAG and the Finance Committee to find ways to bolster budget engagement and to explore how we can work together on these important reforms.

I am pleased that you will be holding a technical briefing on the Budget Improvement Plan. The clerks have been in contact with my officials and have suggested that the briefing take place on the morning of 18th May 2022. Officials will be in touch with the clerks to discuss the structure and agenda to best support this discussion.

Regarding your comments about the budget process, I look forward to hearing the Committee's views on the current protocol and welcome continued debate about how we can continue to improve engagement, transparency and scrutiny of budget, finance and tax matters. As you are aware, on the matter of a moving to a legislative budget process, my own view is that the benefits of making such a change have not been demonstrated. Nevertheless, I recognise the Committee's interest in this matter and I have asked my officials to explore this further with your officials, including the potential for an independent review.

On your point regarding a Finance Bill, as stated in our response to the previous Finance Committee's inquiry, we agreed with the then Finance Committee's view that a single legislative vehicle covering taxation and spending plans will raise a number of complexities and would need very careful consideration. The budgetary procedure in almost every legislature is a method specifically for approving overall spending limits and tends to be a simplified legislative procedure that limits non-government amendments, with an accelerated timescale to ensure timely approval before the start of the financial year.

Introducing other, potentially highly complex elements – such as tax changes – as part of the same vehicle could either compromise the approval of spending plans before the start of the financial year, also impacting on the ability to provide funding certainty to partners and stakeholders; or could, conversely, reduce the time for proper scrutiny of tax changes.

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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.

I would, therefore, propose that we keep issues of improvements to the budget process and improving our mechanisms for changing tax legislation separate and distinct.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca". The script is cursive and fluid.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.9

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE/675/22

Peredur Owen Griffiths, MS
Chair
Finance Committee,
Welsh Parliament,
Cardiff Bay,
Cardiff.
CF99 1SN

3 March 22

Dear Peredur,

When we met last November we discussed the possibility that Welsh Government and Audit Wales might be able to identify an alternative means of agreeing and introducing some of the changes proposed by the Draft Public Audit (Amendment) Wales Bill. My officials have discussed this matter with colleagues in Audit Wales and they are of the view that there is nothing immediate that can be achieved without amendment of the current legislation.

You will be aware from our previous conversations that the Welsh Government is having to prioritise resources to deliver on a very busy legislative programme. This need to prioritise resources has only been exasperated by the events of the last two years. Therefore, for the foreseeable future the Welsh Government will not be able to release policy or legal resource to support the bringing forward of the proposed Bill.

I would like to thank you for your continued consideration on this matter.

Yours sincerely,

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.10


Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru

6 April 2022

Dear Peredur

Draft Public Audit (Amendment) (Wales) Bill

Thank you for your letter dated 16 March 2022 in which you ask me to set out the Government's position on each of the draft Bill proposals and to inform you whether the Government would support the Committee introducing the Bill. I have addressed each proposal below but would of course be happy to meet to again discuss any concerns you have regarding this issue.

In summary, I'm afraid I do not share your view that the case for the Bill is strong. The Government opposes the main proposals as a matter of principle and does not consider the remaining – generally minor – issues to be a priority. The Government is very clear, therefore, that it does not support the introduction of a Bill.

The Government's position on the 8 key proposals in the draft Bill are as follows.

Scheme for charging fees etc. This appears to be the most important proposal from Audit Wales' perspective, and having now considered what is being called for in more detail, it is a proposal we strongly oppose.

Contrary to what has been suggested by Audit Wales, we understand the legislative framework for audit in Wales very well. The Auditor General's role, with the support of the WAO, is to undertake the audit and other finance related functions allowed for in statute in respect of public bodies in Wales. As creatures of statute they cannot do anything else. A fee charging scheme is provided for in the legislation but can operate on a cost recovery basis only.

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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.

In other words neither the Auditor General nor the WAO have powers to operate (in any way) essentially as a private entity for the purpose of generating a profit, and they have no powers to operate otherwise than in relation to Wales.

Like all other provisions made in Senedd legislation, section 19 of the Public Audit (Wales) Act, which (among other matters) provides that the WAO may provide professional services to a “public authority”, can only apply “in relation to Wales”. (And the Government is clear in its view that auditing public authorities abroad does not relate to Wales).

The Government opposes any proposal that would allow the Auditor General or the WAO to essentially operate like a commercial operator. The Government considers this to be inappropriate and unnecessary. It is also of the view that in the absence of a clear separation of accounts between public and private activities, there is scope for cross-subsidisation and an unfair competitive advantage in respect of commercial work. In addition the Government opposes any suggestion that the Auditor General or the WAO should be able to provide services to foreign entities, something that could not be provided for in Senedd legislation in any event due to the constraints on its legislative competence. Like all over Welsh public bodies, the Auditor General and the WAO should remain focussed on improving the well-being of the people of Wales.

In so far as the more detailed proposed change to the arrangements for charging Welsh public authorities is concerned, the Government opposes this as it is of the view that it would allow Audit Wales wish to operate to a different standard from the remainder of the public sector in Wales (as laid out in Managing Welsh Public Money or in delivering efficiencies and record keeping). Driving efficiencies should be a goal for all public sector organisations regardless of whether charges are being incurred as should correct record keeping to ensure those paying for services are charged correctly.

Quorum arrangements. The role of the non-executive directors in providing effective oversight of the AGW is fundamental to the system put in place by the 2013 Act (and is a concept that has been adopted in other legislation since). The purpose of the non-executive director quorum requirements is to ensure proper scrutiny and appropriate conduct of meetings – issues that go beyond any vote that may occasionally occur on a decision. The Government would, therefore, be unable to support the proposed quorum arrangements.

Interim reports. Although the requirement to provide interim reports was included in the Public Audit (Wales) Act 2013 for good reason, as no other public sector organisation has a similar requirement to provide interim reports, the Government would not, in principle, oppose this proposed change. However, detailed consideration of the proposals and provisions would be required before the Government could confirm its support.

Laying reports and accounts. The Government considers the change to the laying requirement to be a reasonable request in principle, provided the report and accounts fully comply with the FReM. Detailed consideration of the proposals and provisions would again be required before the Government could confirm its support.

Certification deadlines. The Government would be content with the proposed changes in principle but only if the AGW provides a full explanation to the Senedd of why the four month deadline cannot be met and a proposed timetable. Detailed consideration of the proposals and provisions would be required before the Government could confirm its support.

Appointment of auditors of AW's accounts. It remains unclear as to why the change is needed. Without this clarification the Government would be unable to support the change.

Appointment of non-executive members. Rolling over membership for a second term (only) is common in the public sector. However, there is no clear justification as to why the rules on remuneration need to be amended. Without this the Government could not support the change.

Consultation requirements. Again there is no clear justification for amending the current arrangements. Without further details the Government could not support the proposed change.

To conclude, the Government does not believe the proposed changes to the scheme for charging fees or quorum arrangements are justified or necessary. Furthermore, we would suggest that further clarification on the proposals relating to the appointment of auditors, appointment of non-executives and consultation requirements is needed. The Government would be content with the proposals relating to interim reports, laying reports and accounts and certification deadlines in principle, however, detailed consideration would be required to confirm that the Government could support the provisions as drafted.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Agenda Item 2.11

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Ein cyf/Our ref : RE-679-22

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

11 March 2022

Dear Peredur,

I am writing to inform you that the first meeting of the Finance Inter-ministerial Standing Committee (F:ISC) will take place on 21 March. This formalises the former Finance Ministers' Quadrilateral under the new Intergovernmental Relations Review arrangements.

The focus of the meeting will be on the forthcoming UK Government Spring Statement including a discussion on government responses to address the cost of living crisis.

I will lead an agenda item on Devolved Government budgeting and communications, which will focus on end of year funding certainty and the budgetary flexibilities required, as outlined in my letter to you of the 11 February 2022.

The agenda also includes an item on the UK Government's Levelling Up White paper and a short item on the establishment of the F:ISC including an Operating Protocol which will set out how it will operate on a practical basis.

I will report to the Committee on the outcome of the meeting.

Yours sincerely,

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.12



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

5 April 2022

Dear Peredur,

Further to my recent letter advising you of the Finance Interministerial Standing Committee Meeting on 21 March, I write to briefly report on the discussions. A communique was also published following the meeting: [Finance: Interministerial Standing Committee – 21 March 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/finance-interministerial-standing-committee-21-march-2022)

In attendance were myself, Chief Secretary to the Treasury - Simon Clarke MP, Minister for Finance Northern Ireland - Conor Murphy MLA, and Cabinet Secretary for Finance and the Economy Scottish Government - Kate Forbes MSP.

There was a natural focus on the UK Government's proposals for the UK Spring Statement, with little further clarity received at that time. I pressed the Chief Secretary about support for those to be harmed the most by the cost of living crisis, especially for those individuals on welfare benefits. Details of the impact of the UK Government's Spring Statement for Wales are set out in my Written Statement: [Written Statement: Welsh Government response to the UK Spring Statement 2022 \(23 March 2022\) | GOV.WALES](https://www.gov.wales/government/written-statements/written-statement-welsh-government-response-to-the-uk-spring-statement-2022-23-march-2022)

I led an agenda item on Devolved Government budgeting and communications, providing examples of our year-end budgeting experience and stressing the importance of the need for greater certainty. An action was agreed for officials to work together to consider whether year-end processes can be operated more effectively.

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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.

Under the item regarding the UK Government's Levelling Up White paper I took the opportunity to reiterate concerns that this should not cut across devolved policy and highlighted that Wales receives much less Research and Development funding than other parts of the UK.

Under the new arrangements, the Chair position will rotate so I will be Chairing the next meeting. The date is still to be confirmed but is expected to take place before summer recess.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca". The script is cursive and fluid.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Our ref: NB/MM

Ask for: Nick Bennett



Date: 08 March 2022



John Griffiths MS
Chair of Local Government and
Housing Committee
Welsh Parliament
Cardiff Bay Cardiff
CF99 1SN

By email only:
SeneddHousing@senedd.wales

Dear John

I indicated in the past that I am keen to share with the Committee more information about trends arising in our casework, as well as in complaint handling practices of Local Authorities. I believe that such information may not only support the Committee in scrutinising our work but can also point to some areas of performance of bodies in our jurisdiction that could merit the Committee's attention.

Accordingly, I am pleased to attach a briefing paper 'Complaints handled by Welsh Local Authorities - October to December 2021'. This report presents the statistics on Local Authority complaints collected by our Complaints Standards team for quarter 3 of reporting year 2021/22.

I trust that you will find this publication useful. However, please do not hesitate to contact me if you would like to discuss this publication in further detail.

Yours sincerely

Nick Bennett
Ombudsman

CC - Peredur Owen Griffiths MS, Chair of the Finance Committee

Page 1 of 1

Briefing paper

Complaints Standards Authority

Complaints handled by Welsh Local Authorities -
October to December 2021

March 2022



Pack Page 98

At Public Services Ombudsman for Wales, we have three main aims:

- we handle complaints about public service providers
- we handle complaints about breaches of the Code of Conduct by elected members of Local Authorities
- we drive systemic improvement of public services.

We are independent of all government bodies and the service we provide is free of charge.

Queries about this publication can be directed to:

communications@ombudsman.wales

We can provide copies of this document in accessible formats including Braille, large print or hard copy. To request, please contact us using the details below.

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Follow us on Twitter: **@OmbudsmanWales**

About this briefing paper

The Complaints Standards Authority (CSA) was created by the Public Services Ombudsman (Wales) 2019 Act.

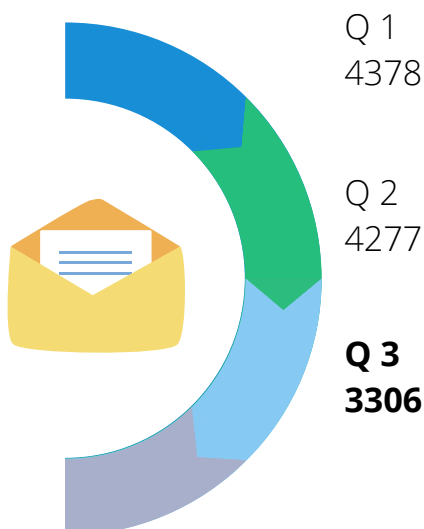
The CSA's task is to support effective complaint handling by Public Bodies within our jurisdiction. The CSA achieves this by:

- setting model complaints policies and guidelines
- offering advice and delivering bespoke training packages
- collecting and publishing data on complaints handled by Public Bodies

After every quarter of the year, the CSA requests complaint handling statistics from Welsh Local Authorities and Health Boards. This briefing paper outlines the main trends in the complaints handled by Welsh Local Authorities in quarter 3 of this reporting year (April 2021 to March 2022). More detailed data is available [on our website](#). We will publish statistics for complaints handled by other bodies in our jurisdiction in due course.

DISCLAIMER We believe that some Local Authorities continue to under-report their complaints. The CSA is working continuously with Local Authorities and other bodies in our jurisdiction to improve the quality of the data available. As this work continues, caution is advised when interpreting the statistics available.

New complaints received by Local Authorities



Q 1
4378

In quarter 3, Local Authorities received **3306 new complaints** - 4.2 complaints for every 100 residents in Wales.

Q 2
4277

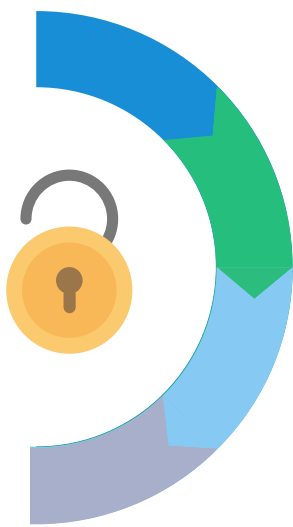
What this means: Complaint volumes are now higher than before the pandemic. However, the volumes of new complaints dropped noticeably in the third quarter.

Q 3
3306

Fewer complaints does not necessarily mean better performance. Low numbers of complaints recorded could also point to problems with accessibility.

That said, quarter 3 tends to be the quietest for Local Authority complaints, which could be related to the Christmas period.

Complaints closed by Local Authorities



Q 1
3987 - 78%

Q 2
4137 - 76%

Q 3
3158 - 73%

In quarter 3, Local Authorities **closed 3158 complaints**. 73% of complaints were closed within 20 working days.

What this means: During the year, it has been taking increasingly longer for Local Authorities to close complaints within 20 working days.

This measure of performance is important to people who use complaints services. However, although it is important that complaints investigations are conducted promptly, we stress that investigations should not be cut short simply to meet a target.

The statistics for quarter 3 could be attributed to the difficulties experienced by all public bodies during the winter. However, our data also signals that the growing backlog of complaints may be related to the increased timescales observed.

Uphold rate of complaints closed by Local Authorities



Q 1
50%

Q 2
48%

Q 3
39%

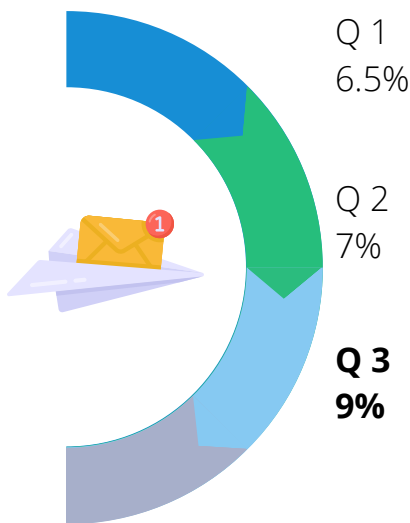
In quarter 3, Local Authorities **upheld 39% of complaints** that they considered.

What this means: The proportion of complaints upheld has been decreasing during the year.

High uphold rates are not necessarily a sign of poor performance. They can indicate willingness to improve service delivery and admit when something has gone wrong.

The lower uphold rate could be a result of improvements made by Local Authorities (for example, the complaints do not hold merit). However, it could also derive from higher level of defensiveness about performance.

Complaints referred by Local Authorities to us



In quarter 3, **Local Authorities referred to us 9% of the complaints** that they considered.

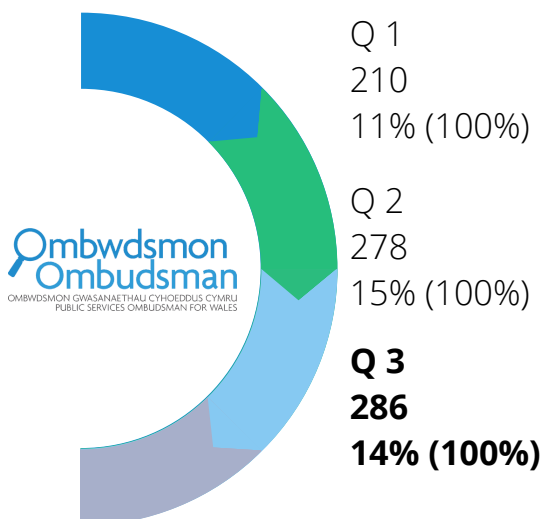
What this means: 9% of people who had their complaints considered by LAs still wanted to continue their complaint. This proportion has been increasing during the year.

This trend could be an indicator of how well complaints are being handled by Local Authorities. If so, the increase in the proportion of referrals is not necessarily a positive trend.

However, people are also more likely to refer complaints to us if they are unhappy with the outcome. Therefore, the lower uphold rate by Local Authorities could also lead to more referrals to us.

Trends in our complaints about Local Authorities

The volume of complaints handled, closed and referred by Local Authorities provides some context for our own caseload about those bodies.



In quarter 3, **we closed 298 complaints about Local Authorities**. Some of those complaints would have been referred to the office during the quarter; others would have been received before that period.

We **intervened in 14% of those cases**, by recommending Early Resolution or upholding a complaint after an investigation. Since the remaining cases were outside our jurisdiction, the actual intervention rate in cases that we could consider was 100%.

What this means: We continue to find opportunities to improve public services in the same proportion of cases. This leads us to believe that there are further improvement required in public service delivery.

—
**Equality and Social Justice
Committee**

—
Welsh Parliament

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Chair, Children, Young People and Education Committee
Chair, Climate Change, Environment and Infrastructure Committee
Chair, Committee for the Scrutiny of the First Minister
Chair, Culture, Communications, Welsh Language, Sport, and
International Relations Committee
Chair, Economy, Trade and Rural Affairs Committee
Chair, Finance Committee
Chair, Health and Social Care Committee
Chair, Legislation, Justice and Constitution Committee
Chair, Local Government and Housing Committee

11 April 2022

Dear Chair,

Annual scrutiny of the Future Generations Commissioner: update report

The Equality and Social Justice Committee held its annual scrutiny session with the Future Generations Commissioner on 7 February 2022. Following the session, we agreed to publish a short report highlighting some of the key themes that arose during our scrutiny, which is available online.

We have set ourselves the objective of championing equality, social justice and the well-being of future generations across the Senedd, including its Committees. Our intention is to request a Plenary debate on the issues raised in our report, but in the meantime we would like to draw it to your attention as some of the issues raised warrant further consideration by Members in their scrutiny work.

Yours sincerely,



Jenny Rathbone
Chair, Equality and Social Justice Committee



Cangen Cymru  Wales Branch

OPEN EVIDENCE BASE TO UNDERPIN THE INDUSTRY RESPONSE TO THE 'TECHNICAL CONSULTATION ON THE DRAFT NON-DOMESTIC RATING (AMENDMENT OF DEFINITION OF DOMESTIC PROPERTY) (WALES) ORDER 2022

Wales Tourism Alliance, UKHospitality Cymru & PASC UK

8th April 2022

UKHospitality represents over 740 companies operating around 100,000 venues across the breadth of hospitality within England, Scotland, and Wales. In Wales, our members are responsible for the employment of around 140,000 people directly and a further 40,000 supply chain employees indirectly. UKHospitality Cymru represents the whole industry with one voice- from small independents to large multi-national sites, embracing the self-catering, serviced accommodation, F&B, events, attraction and leisure sectors and the supply chain. Many of our independent pubs and restaurant Members have letting rooms

PASC UK is the largest sector association representing the professional self-catering sector in England and Wales. It has over 1300 Members including over 60 agencies and represents over 50,000 letting properties. Our focus is on a level playing field across the whole sector for both taxation and health and safety compliance and to help our sector become more sustainable and more profitable.

Wales Tourism Alliance: The tourism industry membership of the WTA reflects the whole of Wales; national, regional and local representative bodies and businesses. Through its member organisations and forums resting within its general membership, this amounts to around 7,000 working operators and means WTA contacts and representatives are found in every part of Wales.

Contents

1. Introduction
2. Process
3. Welsh Government Evidence
4. Our Evidence
5. Conclusion

Appendix 1 - Analysis of the Original Consultation responses

Appendix 2 - Owner Case Studies

1) Introduction

The announcement, on the 2nd of March 2022, of the proposal to raise the occupancy criteria by 160% to 182 days came as a shock to the tourism industry in Wales. It particularly came as a blow to small self-catering businesses (furnished holiday lettings or FHLs) which are the most directly affected.

As we have heard from officials in Visit Wales, this threshold was proposed on the basis of its own occupancy data (Tourism Cross Party Group meeting, 30/03/2022), and from the results of the original consultation on local taxes for second homes and self-catering accommodation (25 August to 17 November 2021).

Nevertheless, we note that the consultation carried out by Welsh Government last year (25 August to 17 November 2021; “the Original Consultation”) secured only **nine** responses which agreed with the proposal of 182 days.

The majority of respondents to that consultation proposed an increase to the HMRC threshold of 105 days occupancy.

As the primary, independent representatives of the industry, this is the occupancy threshold we recommend.

The majority response to the ‘Original’ Consultation was not reflected in the proposals put forward in the current technical consultation. Despite responses which clearly challenge assumptions made on the back of officials’ occupancy data, we see that the latter has prevailed - and without explanation.

We take this opportunity to submit our own detailed evidence, supplied by over 1500 businesses across Wales, to demonstrate directly why reliance on one set of pre-covid occupancy data is an unsafe way for Welsh Government to proceed.

Our methodology and summarised findings are set out in Section 3.

Briefly, through our research, we have received survey responses from **almost a quarter of Wales’s estimated 6000 self-catering operators (across around 8000 properties)**. We have also, as requested, sought detailed case studies and received over 400 in less than four days. A good selection of these are provided in Appendix 2: Owner Case Studies.

These clearly show that the proposal to raise the thresholds will cause genuine hardship, particularly to those families whose properties are restricted to commercial use only. Subject to GDPR considerations, we are content for you to see all the submissions.

In short, the real-time submissions to our consultation do not align with the historic data collected by officials. This is unsurprising. While we all wish for a speedy recovery from the acute challenge of covid, it has a long tail.

As well as providing evidence for this consultation on technical detail, respondents have also articulated their nervousness about the fragility of current bookings and the sustainability of recovery in the face of

- The vast increase in energy costs. The average commercial tariff for electricity across these businesses was 14.5 pence per unit in April 2021, it is now in excess of 60 pence per unit with some being forced to even higher tariffs
- The crisis in Ukraine
- The cost-of-living crisis (which affects them and their potential customers)
- Renewed competition from overseas
- Continued staffing shortages and increased costs of employment
- Procurement costs; and
- VAT returning to 20%

These threats are chronic in their nature and the timing of these proposed changes could not be worse

There is, as you know, further disquiet across the wider visitor economy in Wales relating to other Welsh Government policy proposals:

- Tourism tax,
- NDBR,
- LTT,
- school year.

As each affects the consequences of the others, we ask Welsh Government to make it plain how they are managing and assessing these inter-related impacts.

The evidence we have collated, from over 1500 responses, demonstrates the disproportionate and damaging economic impact the proposed new occupancy threshold will have on the self-catering sector, both on individual livelihoods as well as collectively on communities.

It also demonstrates that a change that applies across the whole of Wales will not achieve the Welsh Government’s stated aim of achieving a greater pool of affordable housing in those communities where a high proportion of second homes has contributed to purchase prices beyond the reach of local people.

2) Process

(A) LIMITED WELSH GOVERNMENT EVIDENCE BASE

We have made our observations of the original Consultation process in **Appendix 1** whereby the proposal for 182 days has been based on the least number of responses. There appears to be an over reliance on WG occupancy data in preparing the technical document.

Welsh Government officers have confirmed that they have not relied on Wales tourism accommodation occupancy surveys post 2019 because of the economic impact caused by the Pandemic. However, according to a verbal assurance from Welsh Government Officials pre-2019 occupancy figures have been utilised.

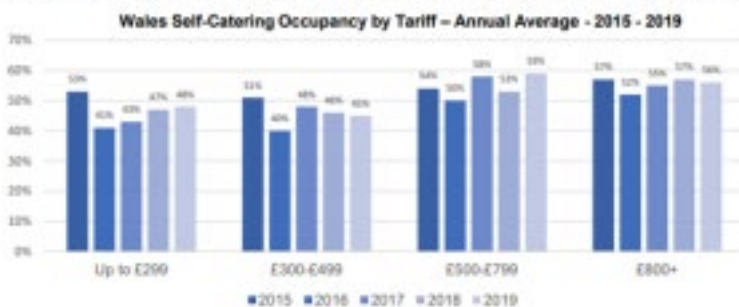
These survey reports provide trend information however we believe that the sample size is too small and potentially flawed - *The self-catering sample is usually around 300 - 500 operators* - the effect of the weighting for certain regions or size bands can therefore be exaggerated.

Wales Self-Catering Occupancy by Tariff

This section of the report outlines annual average unit occupancy rates by tariff for the period between 2015 and 2019.

Wales (Overall) - Annual Average – 2015 - 2019

Properties in the tariff band £500-£799 achieved the highest annual average unit occupancy rate (59%) in 2019, – an increase of six percentage points when compared with 2018. The lowest annual average unit occupancy rate (45%) was found in those charging between £300 and £499 – 1% below the figure recorded in 2018. The only year-on-year drops between 2018 and 2019 was found in the £300-£499 and £800+ tariff bands where occupancy was a single percentage point lower in 2019 than in 2018 (46% in 2018 down to 45% in 2019 and 57% down to 56%).



Even the Occupancy data from pre-2019 from the Welsh Government's own published research of 2018 and 2019, of the average occupancy by region, shows that South East Wales has average occupancy below 50% for both years, and mid-Wales was 48% average occupancy in 2018, and 52% in 2019, across a limited sample. However, if you look at the occupancy by tariff, on the above graph, the cheaper half of the four price bands have NEVER achieved average occupancy rates over 50% in the last 4 years.

While value, quality and spend are (usually) drivers of Welsh Government tourism policy, where we have seen balance in the past is an understanding that lower-income families should not be prejudiced by that. Wales inevitably faces competition from lower-price offers from within the UK and overseas, we would like to see everyone enjoy more holidays at home. This proposal could also see the complete loss of these lower priced offerings during the peak season.

These are the individuals and families who will be hit the hardest by the cost-of-living crisis. They will be thinking about whether to take a holiday at all. Taking out the cheaper end of the FHL offer as a result of this policy reduces the offer to lower-income households. As these properties are more likely to lie outside the coastal hotspots, taking them out of the market also reduces the scope for growing tourism in the less popular inland destinations.

To be utilising this pre-covid occupancy data to make a decision which will have such a seismic impact on the Self-Catering industry in Wales is, we believe, flawed. In order to make such a large change in the legislature this decision needs the due process of a full economic impact assessment.

(B) VOLUME AS A DETERMINANT

As you will have heard us say on other occasions, we too are keen to distinguish between FHL businesses and second homes/casual lets. While we responded to the Original Consultation on its own terms, there is a question in the first place about defining a business as "a business" based solely on volume of trade. We would be interested in hearing from Welsh Government of other types of business which are defined in this way, and how the decision was reached in the case of FHLs.

The setting of an artificial benchmark based on volume goes against over twenty years of Welsh Government policy and experience. Welsh Government tourism strategies have, **correctly**, concentrated on value, quality and spend - not volume - for good reasons. They have identified the following:

- Our number one strength - the countryside, natural and outdoor attractions - being at the same time our number one weakness, making Wales more weather dependent than any other home nation
- Discouraging over-tourism in high traffic "honey pot" areas.

Much of Wales's infrastructure and local communities cannot handle volume over value.

In order to gain volume to meet the new threshold, FHLs will make the unwelcome decision to drop prices at a time when business costs are rising.

The reactions in the feedback that we have received and across wider social media suggests that many are already being forced to consider lowering their prices, just at a time of spiralling costs being forced upon their businesses.

We all should be driving for a greener, more sustainable tourism economy for Wales, not trying suddenly to chase volume which goes against all that has gone before, as business are forced to hit an artificially high threshold of let days to avoid punitive taxation.

'The most popular motivations for coming to Wales were to enjoy the country's natural landscape mentioned by almost eight in ten visitors'.

(Wales Visitor Survey - Welsh Govt - 2019).

Due to the lack of wet weather attractions for young families we have been concentrating on higher paying couples – ‘the over 55s and affluent young actives for the shoulder months. This has meant great investment in good value quality accommodation and other supplementary products in the shoulder months with success.

‘Couples were more likely to visit Wales during the shoulder months than the peak season in 2019 (at 40% shoulder and 31% peak respectively), while the reverse was true for families with young children (at 29% peak and 17% shoulder). Families with young children accounted for 30% of Welsh staying visitors but only 24% of staying visitors from the rest of the UK.’

(Wales Visitor Survey – Welsh Govt – 2019).

The most recent figures demonstrate this –

In order to grow volume whilst maintaining quality will mean businesses spending more to promote their business. This means offering uncompetitive prices compared to comparable properties (in competitor destinations) which are not subject to this and other Welsh Government price-inflating policies. Even without the new pressures referred to in the Introduction, lowering costs remains an inherent risk as *guaranteeing* occupancy levels is still not possible.

Margins are squeezed further in autumn and winter, as smaller number of visitors expects to pay less when running costs are higher. Occupancy is reduced to mainly Friday and Saturday bookings due to poor weather and reduced opening hours for secondary seasonal businesses and attractions.

Therefore, to make up the additional volume is not possible as there is little or no market for most Sundays to Thursday, with many operators already offering up to 40% discount (Airbnb, 2022) on these days.

‘Almost two thirds of UK staying visitors in the shoulder months (65%) described their trip as a short break’

(Wales Visitor Survey – Welsh Govt – 2019).

Indeed, the self-catering sector has invested heavily over the last ten years to build value over volume in order to increase spend precisely because our peak season is so limited and opportunities to spend are limited. Many investing in ancillary facilities to create micro destinations (e.g spa facilities).

“ABC1 and travelling with children, C2DE are most likely to have been based in one location during their trip (at 90% and 91% respectively, compared with 84% of visitors overall”).

(Wales Visitor Survey – Welsh Govt – 2019).

Rural or even isolated coastal properties are unlikely to be based near attractions and therefore not attractive to young families staying for a week, especially outside of the peak school holiday season.

It is a non sequitur that these proposals will help develop the tourism sector as a year-long sector...by ensuring more nights spent in Wales will help develop the sector and also allow new money to be spent in our communities outside the main tourist season.

We cannot agree with this. We suggest that businesses lowering pricing to try to hit artificially high targets will not invest while the spectre of the consequences of missing the 182-day threshold hangs over them.

Even on Welsh Government's own 50% pre-covid occupancy figure, it is unrealistic to suggest that the very modest budget made available to Visit Wales would help a significant number of at-risk businesses raise occupancy levels to the point of survival post April 2023.

Further, whilst there have been some great successes in recent years (such as transforming North Wales into the Adventure Capital) this new technical order will take real effect from 1st April 2023 and there is no conceivable way in which in-door attractions, from high streets to theme parks, can be developed within twelve months in order to build up the sheer number of businesses that will fall short of the 182-day threshold.

Finally, if you look at the occupancy by tariff, the cheaper half of the Welsh Government's four price bands have **NEVER** achieved average occupancy rates over 50% in the last 4 years.

While value, quality and spend are (usually) drivers of Welsh Government tourism policy, where we have seen balance in the past is an understanding that lower-income families should not be prejudiced by that. While Wales inevitably faces competition from lower-price offers from within the UK and overseas, we would like to see everyone enjoy more holidays at home.

These are the individuals and families who will be hit the hardest by the cost-of-living crisis. They will be thinking about whether to take a holiday at all. Taking out the cheaper end of the FHL offer as a result of this policy reduces the offer to lower-income households. As these properties are more likely to lie outside the coastal hotspots, taking them out of the market also reduces the scope for growing tourism in the less popular inland destinations.

On a per person per night basis FHLs offer astonishingly good value for money.

(C) A SECOND HOMES ISSUE?

We do not underestimate the need for new, efficient affordable homes and we certainly do not condone second homeowners not paying a fair contribution to local taxes.

However, in framing these proposals in terms of the second homes debate, it has not been possible to identify how Welsh Government has examined the full impact on the wider visitor economy in Wales and how much if that is reliant on a buoyant self-catering sector.

We are not aware of any Economic Impact Assessment of these proposals, either on risk-taking owners and their businesses or the cumulative effect on jobs in tourism, hospitality and local retail.

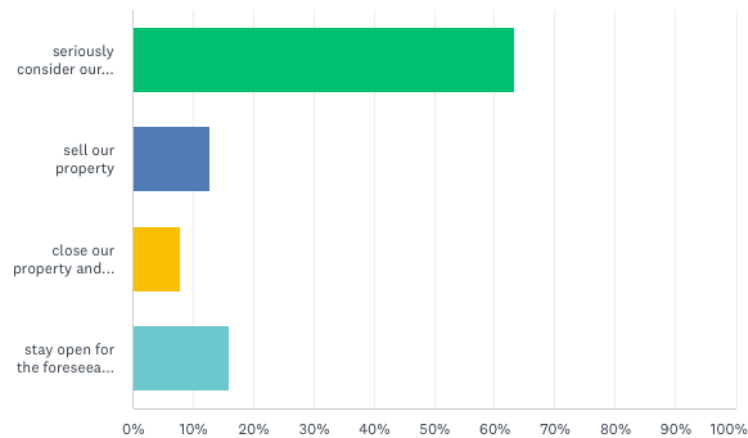
We understand that Welsh Government has to balance priorities, but we have not been able to identify any attempt to find such a balance. This is difficult to understand when the economic health of individual communities (let alone more widely) is an essential element in their sustainability and wellbeing.

The assertion is that belief that this will only be an issue for "some" businesses." Our evidence shows that the quantum of that "some" is much greater than pre-covid figures might suggest - and that was 50%.

Our research shows a completely different picture. Only 16% currently think that they can work with the 182-day threshold.

If the current proposals from the Welsh Government come into effect, (182 days let to go onto Business Rates or pay a possible 300% premium on Council Tax) what impact will it have? We will need to: (Please answer only one)

Answered: 1,029 Skipped: 183



Where our evidence does align with Welsh Government's is the finding that the majority - though nowhere near 50% - of businesses that are able to meet the threshold are in the coastal "hotspot" communities. These are also the communities most severely affected by high property prices.

There are businesses within those hotspots that will still have difficulty meeting the thresholds.

However, the majority of FHLs that will not be able to meet the thresholds lie outside these hotspots in parts of Wales where second homes play a much smaller role in the question of local affordability (see Brooks report) and where there is potential for tourism growth without tipping the balance against community wellbeing.

They will either close or fall into the council tax regime if planning permission allows. Some may survive the change of status but will add to the corpus of properties identified as second homes rather than as businesses. Welsh Government will not want to be credited with creating more "second homes".

Others will fall into a council tax regime where local authorities have adopted higher council tax premiums for second homes. Some of these less popular areas are in the same local authority area as hotspots, but they will still have to pay the elevated premiums.

Businesses which close will not necessarily release affordable residential property onto the market. Those units on an owner's own property or with commercial-only planning permission will close or fall into the council tax regime.

Policy consultation clearly outlined the policy objectives, none of which have any bearing on properties that are legally unable to be used as permanent accommodation, such as properties restricted by planning conditions to holiday only use. Whilst planning is a different area to taxation, Welsh Government have a duty to consider the presence and impacts of the market and wider legislation. Welsh Government have shown no evidence linking such properties to the stated policy objectives. There is therefore no reasonable justification for including such properties within the scope of this legislation.

The research reports commissioned by Welsh Government omitted to even mention how such properties already positively assist in deflecting visitor demand away from normal domestic housing (conversions to holiday-lets) and thereby act towards the stated policy objectives currently.

There are also other restrictions for example: the catchment of the River Teifi in Wales is currently under a SSSI with Natural Resource Wales. All developments that pose an increase in phosphates into the watercourse are not being approved. The Local Authority is not allowing uplift of commercial premises onto residential within the catchments. Has the WG consulted the NRW over the proposed increase of phosphates as a result of these new policies?

<https://www.ceredigion.gov.uk/resident/planning-building-control-and-sustainable-drainage-body-sab/phosphates-on-the-teifi-river-sac/?fbclid=IwAR2N24FxgdNtoUc68B17wKzxEgooN-BkLV1Y8jsMWzKwXQEnMwdghriPI7E>

Therefore, if you are in this area, you would not be able to change from holiday lets permissions to residential because of the uplift in occupancy. It specifically says holiday accommodation. Basically because of the fragility of the local environment.

Owners who do decide to sell will not be looking to sell at an undervalue, especially if they have invested in the standard of the property. They will advertise their properties in parts of the country where incomes are higher and sell to people from outside the area for whom the higher price and higher tax costs are not a deterrent.

It will shut out new entrants to the self-catering industry in those parts of Wales where there is under-tourism and no threat to community identity or cohesion (see the Brooks report).

The proposal will discourage the bringing back into use of empty properties, especially those where mortgage valuations are low compared to asking price, and where renovation/maintenance costs are too high in comparison to the size and value of the property. We suggest that the NDR threshold and council tax proposals will both stifle investment in older properties, undermining the purpose for which these changes have been proposed.

All this applies to second homeowners but, more crucially, it applies to FHLs which lose their business status because of these proposals.

While some of these properties will have been bought by non-locals to run as businesses, some will be owned by local people through inheritance or investment. These proposals could mean local families having to give up their erstwhile businesses in favour of providing a new second home to wealthy outsiders.

This is not the effect on affordability, community sustainability and security of the Welsh language that Welsh Government is seeking.

3) Our Evidence

Over the years we have gathered a great deal of data into the self-catering sector in Wales. It is a richly diverse sector, offering a wide variety of product, from castles to glamping, from luxury beach retreats to bunkhouses in the mountains, from farm stays to city living and everything in between. All are intrinsically different and operate their own business models. There is no one size fits all.

Demand varies across all parts of Wales; some hotspots are incredibly busy whereas some inland areas are quiet and peaceful.

What the evidence and feedback has shown us is that a simple over-arching high threshold simply cannot be met by many 100% legitimate businesses (FHLs).

Many of these businesses have invested substantially in their offer, and by doing so in Welsh tourism as a whole. These very businesses are now under serious threat from the proposed 182-day threshold.

In addition, the sector, having mainly survived the incredibly bruising effects of the pandemic, where any reserves were used up to simply survive, with huge impacts on mental health in the sector are now entering another perfect storm. The market is going 'soft' as the impact of the devastating war in Ukraine and the

massive increases in energy and insurance prices has brought continued uncertainty to the sector and bookings begin to slow right down.

This is not a time to try and drive these businesses to massively higher occupancy. This will only be done in the short term by reduced pricing and offers. Surely not the image that we all want for a vibrant Welsh Visitor Economy? We should be continuing with the long-standing Government tourism policy of **Value not Volume**.

Trying to drive up visitor nights in one sector alone is not a strategy and is most likely to impact adversely in the areas that need it least; the hotspots where we are already suffering from 'over-tourism' as they are top of the visitors list. Extending the season has always been the nirvana of all tourism strategies: Few have really made any real impact on substantially increasing seasons outside the holiday and good weather boundaries.

Unreasonable Notice Period: Welsh Government have stated in correspondence to self-catering property owners that **"..self-catering properties should aim to meet the new criteria during the year beginning on 1 April 2022, so that they can meet the evidence requirements from 1 April 2023"**

The scale of that change requires owners to re-plan their businesses, adapting marketing, operational, investment and financial practices in order to achieve the new criteria. All already have bookings for this year based on their current business and availability strategy. These changes could bring a high risk of financial failure to these businesses and force owners to move away from their current target market, changing their propositions, primarily pricing to achieve substantially higher bookings. Given this season has already started and they already have bookings based their original business strategy, and given the business changes would need time to effect, it is unreasonable to place this burden, impacting this season's business when the legislation has not yet been passed.

Whilst we acknowledge Visit Wales's quality promotion work on this issue at the moment, and we wish it success, unless Welsh Government is prepared to guarantee this with financial pay-outs in the event of market failure due to the introduction of this threshold, it is an unproven claim that hard work by Visit Wales with the industry will create the necessary demand to avoid the need for compensation. There has not even been a pilot study.

Below we set out illustrative highlights and lowlights from our research into the sector, whilst giving you GDPR-compatible access to the full reports.

Case Studies into the Impact of the proposed 182-Day threshold.

At a Cross Party Meeting on the 30th March 2022, we were asked if we could provide some 10-20 case studies into the impact that the proposed threshold would have on businesses.

We put out a call on Friday 1st April with a four-day deadline, so that we could have them in time for this report and collate them for the Appendix. We received well over 400 responses and have been able to include over 200 in the time allowed.

The Case Studies can be found in Appendix 2.

There are some really heart-rending studies. The overall impact of the proposed threshold is to create fear, uncertainty, and doubt, adding to mental health pressures already exacerbated by the experience of the pandemic and the new pressures referred to in the Introduction.

Please analyse these studies and you will see the unintended consequences of the proposed threshold. Businesses that the Welsh Government have funded to diversify from farming will be ruined, owners will lose their homes, businesses, and income as a result of this proposal.

You will see that the case studies confirm who is actually captured by these proposals. They are not the higher-income second homeowners whose contribution to the community and economy is minimal. These are small micro-businesses, no burden on the state, working hard to earn a legitimate living from hospitality. Many have no option but to do short-term letting as they are limited by planning consents.

If this measure is carried through as proposed, any property, outside a hotspot, limited to only operate as a holiday let will become a blighted property. How will that help rural communities in particular?

Larger properties, bunkhouses, specialised charities and adventure accommodation are almost totally reliant on the weekend trade and will never be able to make the threshold. Converted redundant farm buildings and glamping will struggle too, with very few able to meet this threshold, with potentially dire consequences for them.

Even those that can make the 182-day threshold currently are frightened by the prospect of the impact of heavily increased marketing by their peers, most likely at discounted prices, driving their occupancy down to below the threshold.

None of us want to see headlines of businesses closing, people losing their livelihoods, their job and their homes, so **please read** the real impact for so many, contained in the Case Studies.

PASC UK, WTA and UK Hospitality Cymru Survey on the 182-day threshold: Methodology & Key Findings

The full report can be seen here: <https://bit.ly/3KqRx6z>

With little time from the announcement of the Welsh Governments intention to increase the threshold from 70 days to 182 days on the 2nd of March and closing of the Consultation on this on the 12 April, the first thing that we did was to commission a survey to assess the impact of this proposal.

This survey ran for ten days and generated 1212 responses. This is the largest self-catering sector only survey in Wales. Only 16% of respondents believe that they will be able to carry on.

This is lowest confidence indicator we have seen, even at the peak of the pandemic.

The key findings from this report were that a much smaller proportion of the sector achieves the 50% occupancy, or 182-day rate proposed than published by official figures.

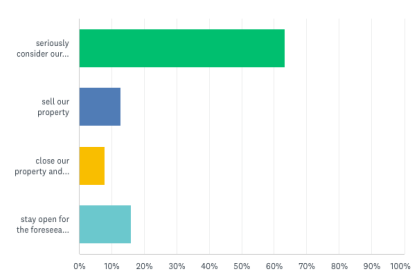
Key data points emerging from this survey of which there were 1212 respondents:

- 40% said properties were in high demand areas, 60% in medium or low demand areas
- 31% of owners generated over 50% of their income from short term lettings
- 85% of properties are on the Non-Domestic Rating list
- 32% have specific Planning Permissions to ONLY operate as short term lets
- 10% have a limit on how many days they can let in a given year

- 34% said that they were currently able to make the 182-day threshold
- 43% never use the properties personally
- 40% said that they closed for 3 weeks a year for maintenance
- 26% spend more than £10k annually in their economy, with a further 22% spending £7.5k
- 50% of all respondents felt that the 105-day threshold was the best solution, 13.5% want it to stay at 70 days and only 7.5% supported 182 days or more
- 63% are seriously considering their future in this sector and only 16% showing any confidence moving forwards.

If the current proposals from the Welsh Government come into effect, (182 days let to go onto Business Rates or pay a possible 300% premium on Council Tax) what impact will it have? We will need to: (Please answer only one)

Answered: 1,029 Skipped: 183



This is an unparalleled threat level for any business sector, especially at this time, and we urge readers of this report to read the Appendix of Owner Case Studies.

Membership Survey by Mid Wales Tourism

Mid Wales Tourism undertook an early survey to test the water in relation to the proposal. They received 148 responses. It was decided that a further, more detailed survey needed to be undertaken to establish a more in-depth body of evidence which could be added to. The initial headline results:

- 75% were NDR Exempt / 19% NDR Not Exempt / 6% Not NDR registered.
- 80% will be able to reach the 252 days available but 80% not reach the 182 days let
- **Out of the 148 businesses who responded to the survey 80 said they would be forced to close (54%)**
- 39% of those stating they would close are NDR registered (Not Exempt)
- 70% of multi businesses said they would be able to reach the 252 days available but not the 180 days let / 50% have said that it would close their business.

With 80% returning that they would not be able to make the threshold this initial survey was an alarming result.

For the full survey results: <https://eu.jotform.com/report/22062488996707004>

Impact upon Mental Health of owners.

In April 2021. Just as Covid Restrictions were beginning to ease across Hospitality, PASC UK in Conjunction with other organisations in Wales (See below) carried out a Survey on how effective Grant support had been in the pandemic. We took the opportunity towards the end of the survey to ask respondents if they had suffered any mental health issues as a result.

Please bear in mind that the purposes of accuracy, all respondents were required to give their name address and contact details so that any data provided could be cross checked.

Over 46% of respondents have either had signs of mental health or are experiencing some form of anxiety or depression.

This was also borne out by the telephone support calls received at the PASC UK office during the pandemic.

PASC UK & ASSC UK-WIDE SECTORAL SURVEY INTO SELF-CATERING FEEDBACK ON FUNDING AND GRANT SUPPORT

Introduction

- The Professional Association of Self-Caterers (PASC-UK) and the Association of Scotland's Self-Caterers (ASSC) are the leading source of knowledge on short-term letting and holiday homes in the UK and Scotland respectively.
- As a UK wide approach, the ASSC and PASC UK seek to harness empirical data about the self-catering sector across the UK in order to be able to inform the UK and devolved governments in terms of future policy decisions.
- A UK-wide sectoral survey was conducted in March 2021 relating to eligibility and access to the various packages of economic support from the UK, Scottish and Welsh Governments in response to the COVID-19 pandemic.
- The results offer valuable insights into the experiences and problems faced by the UK's self-catering operators in accessing the support required to safeguard their businesses during the Covid-19 pandemic.

Survey Overview

- PASC UK and the ASSC gathered data about the grant schemes, due to many self-catering operators highlighting concerns about the eligibility criteria associated with the grants from the UK, Scottish and Welsh Governments in particular, as well as inability to access the Coronavirus Job Retention Scheme or Self-Employed Income Support Scheme from the UK Government.
- PASC UK and ASSC ran an online survey consisting of a series of sector specific questions. This was publicised via PASC UK and ASSC newsletters, as well as via social media channels.
- The online survey elicited 1395 responses from self-caterers in England, Scotland and Wales, from both PASC, ASSC members and non-members alike, across the UK's local authority areas.
- 59% of responses were from members of PASC UK or the ASSC. 41% of responses were from non-members.
- With special thanks to the Wales Tourism Alliance, North Wales Tourism, Visit Pembrokeshire, Tourism Alliance, SW Tourism Alliance and the FHL Business Support Group for circulating the survey throughout Wales.

Summary

It is hoped that the survey results will inform greater discussion regarding the support provided to self-catering operators in the UK during the Covid-19 pandemic.

Some of the key findings include:

- A good proportional split of responses were from across the UK, predominantly from **rural locations** with 47.38% being from England, 38.63% from Scotland and 15.63% from Wales.
- NOTE: the survey did not extend to operators in Northern Ireland due to limitations in sources for circulation.
- The majority of self-catering businesses have been running for at least 6 years. A large proportion of self-catering businesses have been running for 11 to 20 years or more, with some operating over 40 years.
- **Over 46% of respondents have either had signs of mental health or are experiencing some form of anxiety or depression, there is evidence of the impact of the Covid-19 crisis being felt across the sector.**
- Currently there is a mixed picture in terms of business confidence, with 38% of respondents being somewhat optimistic and 20% somewhat pessimistic and almost 27% taking a neutral view at the moment, not knowing what to expect.

The Full report is available here:

<https://www.pascuk.co.uk/reports/> Where it can be downloaded. Look for this icon.



The Economic Impact of the Self-Catering Sector on the Welsh Economy

In August 2021 PASC UK published the most extensive report into Welsh Self-catering, utilising live booking data from numerous booking platforms plus visitor surveys.

The full report can be found on this page and downloaded:

<https://www.pascuk.co.uk/reports/>



Key highlights were as follows:

Wales



Gross Visitor Spend by Item (Wales)



£87.2m
Accommodation fees



£13.4m
Travel to and from property



£7.7m
Food and drink
(in local shops)



£27.5m
Food & drink
(bars, cafes & restaurants)



£4.4m
Outdoor recreation and other sport



£49.7m
Visitor attractions



£5.5m
Travel during stay



£15.1m
Food and drink
(in supermarkets)



£7.2m
Other shopping



Areas with the greatest number of properties

1. Dyfed (3,130)
2. Gwynedd incl. Conwy (2,520)
3. Anglessey (735)
4. Powys (690)
5. Clwyd (270) & West Glamorgan (270)

In the appendix to this report, you can see the data provided by the booking platforms on actual occupancy. This is based upon paid bookings only.

Wales



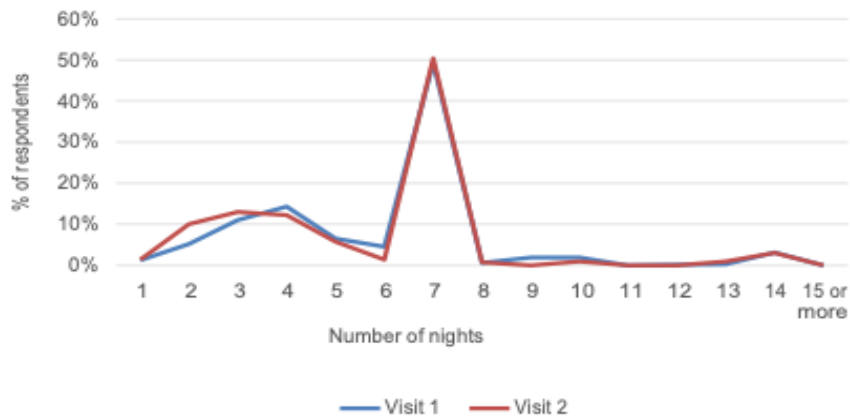
The Short Break Staycations

The popularity of the short break is on the rise, with most operators now only able to sell seven-night stays in peak times, the summer holiday and Whitsun being the most likely. The visitor wants an experience filled two-to-three-night stay. These most commonly have to fit around weekends, making out of season midweeks really hard to fill. If you are in a hot spot area, this will be easier, but for many rural businesses filling midweek for around six months of the year is going to be nigh on impossible.

Visitor characteristics

This section looks at findings from visitors for up to two visits to a self-catering property. Visit 1 is the most recent visit i.e., 2020 and visit 2 is pre-Covid-19 i.e. 2019. On average visitors spent 5.9 nights during visit 1 and 5.7 nights in visit 2. The distribution of responses is shown in Figure 3.3 and demonstrates a very consistent trend between visit 1 and 2.

Figure 3.3: Number of nights stayed per visit



Actual Booking Data across 792 Properties

This spreadsheet shows the number of nights let across the various ‘sleeps’ sizes of properties in Wales. In general terms the larger the property the harder it is to achieve the same occupancy as a smaller property, simply because there are fewer large groups that want to go away together than family sized units.

This is real reason why a one size fits all threshold, at a heightened level, will particularly penalise certain types of business in non-high demand areas.

Sleeps	No of properties	Avg 2019 nights	Avg 2020 nights	Avg 2021 nights	Avg of 2019 £	Avg of 2020 £	Avg of 2021 £
(blank)							
1-5	433	155	96	158	£ 14,611	£ 9,165	£ 17,004
6-10	291	125	80	128	£ 18,205	£ 11,531	£ 20,863
11-15	37	127	78	132	£ 38,503	£ 22,373	£ 43,399
16-20	17	78	44	83	£ 46,078	£ 23,025	£ 46,948
21-25	6	79	44	63	£ 53,865	£ 25,241	£ 35,185
26-30	4	144	48	101	£ 141,148	£ 49,014	£ 119,061
31-35	2	96	21	68	£ 80,657	£ 14,744	£ 72,804
36-40	1	90	31	16	£ 90,324	£ 34,189	£ 23,380
46-50	1	28	22	39	£ 44,220	£ 23,805	£ 59,581
Grand Total	792	140	87	143	£ 18,959	£ 11,336	£ 21,154

This data has been provided by the SuperControl Booking System and shows actual bookings placed and paid for on their system. The vast majority of these are professionally let business who have opted to pay

for a booking system. As can be seen there is not one column of nights let that averages anything close to 182.

Impact of the increased threshold on Women and Carers

We have received some compelling data on the impact of the proposed threshold increase on women, and particularly those who are also carers.

Below we have included some data from a report into this, and it's clear that there is a real issue here. Women play a huge role in this sector, and in most cases are the driving force in these businesses. Many of them have other responsibilities too.

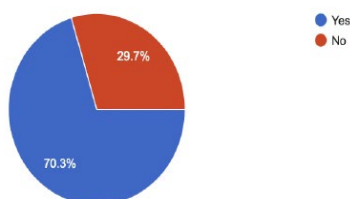
This survey clearly highlights the need for the Welsh Government to carry out a full Economic Impact Study, into the proposed measure, to include what impacts it will have on different parts of society.

Once again, this illustrates how the target of the proposed measure is the wealthy second homeowner, depriving a local from buying a house, yet will have hugely detrimental effects through unintended consequences.

The full report can be accessed here. <https://docs.google.com/forms/d/1iNNZ56ebZl-bBlSqOgRUDWnmFwDOme4v0mIEeLZeTLU/viewanalytics>

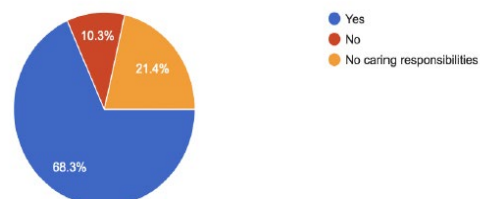
3. Do you have caring responsibilities - perhaps for school-age children, a disabled child/partner or elderly parents?

145 responses



4. Does your self-catering accommodation business have to fit around these responsibilities?

145 responses



5. Conclusion

Our evidence shows many micro locally run family FHL businesses will simply shut down: Some of the buildings will be sold, possibly to buyers outside of Wales because they will not be in the right location or price bracket, others converted back to farm buildings or re-absorbed into owners' own primary residences.

There is a risk that some will be abandoned in an attempt to avoid paying tax on an un-productive building.

As a tool to bring properties back into a market which is affordable to local people, it will not work. Rather it will reduce local owners' ability to earn an income and cause a decline in secondary jobs in hospitality, retail, house maintenance and cleaning etc.

It will not safeguard the Welsh language as these businesses will be lost to wealthier outsiders prepared to meet the higher costs of having a second home or self-catering businesses in Wales.

We recommend that:

- (a) Welsh Government observes the majority response to the Original Consultation and Increase the threshold from 70 Days to 105 Days (that's a 50% increase) and align with FHL HMRC taxation rules;
- (b) We adopt the term 'Holiday Let Businesses' for FHLs that comply with 105 days letting and full HMRC tax compliance;
- (c) Properties that are limited by (i) planning permission to only be short term commercial lets and (ii) lie within the curtilage of an owner's primary residence are not made liable to pay the additional council tax premiums if they do not hit 105 days let;
- (d) Allowances can be made when whatever threshold is finally determined upon, accommodating limitations on availability (as opposed to occupancy) such as, carrying out repairs, property improvements, closure due to ill-health or caring responsibilities. We would be pleased to work with the Welsh Government in determining what these might be;
- (e) We work with Visit Wales to drive quality and nightly yield up to improve profitability and sustainability of this sector of the industry;
- (f) We work with Visit Wales, Welsh Government and other partners to push forward the green, low-zero carbon agenda in the self-catering business sector.

Appendix 1

The Welsh Government 'Local Taxes for second homes and self-catering accommodation' Response evidence:

The Welsh government has proposed legislation that does not reflect the consultation responses, the following analysis of the data presented in the published response document is shown below. In each case, the proposed legislation takes no account of the majority views expressed by those who took part in the consultation, and in many cases creates legislation that represents the opinion of just a tiny fraction of the respondents who took part.

Q. How effective are premiums in addressing housing issues?

A. 79% said little or no effect, 9% said positive effect.

Result: go with the 9% and push forward with the council tax premiums as a means of addressing housing issues

Q. Is current max of 100% appropriate?

A. 64% said appropriate or too high, 20% said too low.

Result: go with the 20% and raise the maximum

Q. Should self-catering accommodation thresholds be higher?

A. 75% said either no change or no support for higher thresholds, 22% supported higher.

Result: go with the 22% and raise the thresholds

Q. If thresholds changed, what should new available to let threshold be? A. 149 replies suggested greater than the current 70 days (15% of respondents), 38 suggested 210 days (4% of respondents).

Result: go with the 15% of all respondents who supported an increase and set the level in line with the 4% of all respondents who suggested 210 days

Q. If thresholds changed, what should new actually let threshold be?

A. 118 replies suggested greater than the current 70 days (12% of respondents), 38 suggested 105 days (4% of respondents), 9 suggested 182 days (0.9% of respondents).

Result: go with the 12% of respondents who supported an increase and set the level in line with the 0.9% of respondents who suggested 182 days

Of keynote are the responses to Q9 'If the self-catering thresholds were to be changed, what do you suggest the new thresholds should be'.

*Of the 155 responses suggesting a rise on the **availability** criterion, 149 proposed thresholds higher than the current 140 days, ranging from 150 to 365 days. The most common specific suggestion was **210 days** a year. The most common specific suggestion for **commercial occupancy** was **105 days**. Only 9 responses supported a range of between 182 days or 6 months (9 responses).*

Manon Antoniazzi

Prif Weithredwr a Chlerc y Senedd
Chief Executive and Clerk of the Senedd

Mark Isherwood MS
Public Accounts and Public Administration Committee Chair
[by e-mail]

15 February 2022

Dear Mark

Thank you for your letter dated 10 December 2021 regarding the use of the acronym 'B.A.M.E' by the Senedd Commission.

Early during the Autumn term 2021, Commission officials consulted with the Commission's Race, Ethnicity and Cultural Heritage workplace equality network (REACH) regarding its preferences. Network members expressed a number of opinions, and the networks' collective preference was to retain the acronym B.A.M.E. As a result of your letter, the network has worked with the Commission's Diversity and Inclusion team to revisit the position.

The Senedd Commission considered the use of the acronym 'B.A.M.E' at its meeting on 31 January. The Commission considered a paper that set out some of the wider debate surrounding the use of the acronym and recognised the difficulty of capturing the complex histories and cultures of people from ethnic minority backgrounds in a single phrase or acronym.



Commissioners agreed that the Commission would:

- a. Observe context as a key driver for use of terminology and opt for specificity when using terminology wherever possible;
- b. Where specificity is not possible, to replace use of the acronym and collective term B.A.M.E. with the collective term(s) 'ethnic minority' and 'ethnic minority community'; and
- c. regularly review use of terminology and monitor internal and external debate.



In addition they agreed that Commission officials should seek meetings with those Members of the Senedd who are from an ethnic minority background to discuss the matter further, and that the



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information Commissioners had considered should form the basis of a briefing for Members, initially committee chairs.

Commissioners agreed that the guidance contained in the paper would be published internally to support Commission officials in drafting documents.

The Chairs' Forum will consider the item on Thursday 17 February 2022.

You will be aware that the Commission's Sixth Senedd Diversity and Inclusion Strategy is currently being consulted upon. Members have been asked to engage with the consultation process through the Members' Engagement Survey which is currently live. A number of Members have indicated that they would welcome a further discussion with Commission Officials, and these are currently being arranged. Similarly, if Members of the Public Accounts and Public Administration Committee would find a similar conversation helpful, please let me know, and I can make the necessary arrangements.

Yours sincerely



Manon Antoniazzi

Prif Weithredwr a Chlerc y Senedd / Chief Executive and Clerk of the Senedd

Croesewir gohebiaeth yn Gymraeg neu Saesneg. We welcome correspondence in Welsh or English.





Llywodraeth Cymru
Welsh Government

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Ein cyf/Our ref: MA/RE/1163/22

Peredur Owen Griffiths, MS
Chair
Finance Committee
Senedd Cymru
Cardiff Bay
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22 April 2022

WELSH TAX ACTS etc. (POWER TO MODIFY) BILL

Dear Peredur,

Thank you for the Finance Committee report which was published on 08 April 2022 in relation to the Welsh Tax Acts etc. (Power to Modify) Bill ("the Bill"). Please see my response below to your request for information in advance of the Stage 1 General Principles Debate. The examples do not identify any known issues in relation to the Welsh Tax Acts, rather, the examples outlined are solely for the purposes of responding to the Committee's request. I will provide a further detailed written response in relation to the other recommendations of the Finance and LJC Committees following the Stage 1 General Principles Debate.

I have also written today to the Chair of the Legislation, Justice and Constitution Committee to set out my response to their four recommendations requesting information in advance of the Stage 1 General Principles Debate.

Recommendation 2. The Committee recommends that, prior to the debate on the general principles of the Bill, the Welsh Government provides examples of the specific circumstances in which it envisages the regulation-making power in section 1(1) being used to amend each Part of the Tax Collection and Management (Wales) Act 2016 (other than Part 2), the Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Act 2017 and the Landfill Disposals Tax (Wales) Act 2017.

Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017

Review of the Parts of the Act and examples of amendments which may be made by regulations under the Welsh Tax Acts etc. (Power to Modify) Bill.

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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.

1. There are a number of crucial areas of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (“LTTA”) where the Senedd provided the Welsh Ministers with regulation making powers subject to the draft affirmative procedure. The Senedd has also already provided the Welsh Ministers with the power to set rates and bands for LTT by regulations subject to the made affirmative regulation making procedure. However, there are areas where regulation making powers do not exist, including in relation to the calculation of tax (Part 3). The examples below include cases where the Welsh Ministers have existing regulation making powers (and where urgency may make making regulations by the made affirmative procedure necessary or appropriate) and cases where the Welsh Ministers do not have regulation making powers. This is not intended to be a full list of every possible change that could be necessitated by the external events set out in the four purpose tests in the Bill. It provides examples, as requested, of situations in which the regulation making power in section 1(1) of the Bill might amend each Part of the LTTA.
2. In addition, the 2020 consultation paper: *Tax Devolution: Enabling changes to the Welsh Tax Acts*¹ included six examples setting out UK government policy changes that have occurred in the past, the actions the Welsh Ministers could take currently, and what they could do with the three regulation making powers as set out in the consultation document². The sixth example would **not** meet any of the four purpose tests and the power in this Bill could not be used to effect the change. This is because the change would not be as a result of an external event but would represent Welsh Government policy changes. I have been clear that the power will only be used to respond to external events, and the scope of the power has been constrained by the inclusion of four purpose tests which set out with absolute clarity in what circumstances the power may be used.

Part 1: Overview

3. Part 1 provides an overview of the Act, setting out the purpose of each Part. It is possible that this part of the Act may need to be amended if a new Part was introduced by regulations made under the power in the Bill, or changes to the purpose of any of the existing Parts or the Schedules (such as expanding the matters covered). Any changes to this Part would arise from the making of consequential amendments that potentially flow from substantive changes made using section 1(1) of the Bill.

Part 2: The Tax and Key Concepts

4. Part 2 provides for a tax to be charged on land transactions and makes provision about the key concepts underlying the tax. These include rules establishing which transactions are land transactions and chargeable interests, when interests are acquired, the treatment of transactions involving contracts and other kinds of transactions, which land transactions are, and which are not, chargeable to the tax, and what is, and what is not, chargeable consideration in relation to a chargeable transaction.
5. The rules relating to the substantial performance of a contract being a land transaction were introduced into Stamp Duty Land Tax (SDLT) to address substantial avoidance activities in stamp duty (that is the predecessor duty that applied to contracts transferring

¹ *Tax Devolution in Wales - Enabling changes to the Welsh Tax Acts* (July 2020) is available to view at: <https://gov.wales/enabling-changes-to-welsh-tax-legislation>. See Chapter 4, pp 27 - 35

² Powers 1-3 have now been replaced with a single regulation-making power as set out in the draft Bill. References to powers 1-3 may be read as being in relation to the single power provided in the Bill.

land prior to its replacement by SDLT). In the event that promoters contend they have found a way for the current rules to be exploited, then it will be necessary to make changes as quickly as possible to protect the tax base.

6. Similarly, the SDLT rules relating to sub-sales were aggressively exploited. By the time of devolution of the tax to Wales, a series of legislative changes had already been made to the predecessor tax which closed the perceived opportunities. However, in the event that promoters again seek to exploit these rules then it will be necessary to make changes (in line with purpose test 1(1)(b) - protecting against tax avoidance) to ensure that the legislation can be clarified to stop taxpayers entering schemes. At the same time action can be taken to challenge those who have already sought to exploit the rules to seek to avoid their tax obligations.
7. There have also been recent tax cases relating to attempts to exploit the rules relating to annuities. These have been unsuccessful, but, in the event that a way was found to exploit the annuity rules, then the Welsh Ministers (subject to Senedd approval) would want to make changes at pace that would, without question, stop such activity. The WRA would continue to challenge those who contended that the pre-amended rules achieved the result they desired.
8. A further example is that the UK government may seek to make licences and tenancies at will subject to SDLT and therefore no longer exempt interests. If the Welsh Ministers wanted (subject to Senedd approval) to introduce an equivalent change at pace in Wales, then purpose test 1(1)(c) (responding to a change to a predecessor tax that may affect amounts paid into the Welsh Consolidation Fund) could be used.
9. Equally, in relation to many of the sections included in Part 2 it is possible that a court decision could find that the law operates in a manner that differs from that in which it was previously understood to operate. The court decision could relate to LTT, SDLT, Land and Buildings Transaction Tax (LBTT) or, perhaps, a land law case. For example, a court case could find that the creation, surrender, release or variation of an interest has a meaning and effect that would require clarification of our legislation. The Welsh Ministers may consider that failing to clarify the law in this way would result in unintended consequences, for example transactions escaping tax or being liable to tax. The regulation-making power set out in this Bill could be used, if necessary or appropriate, to make these types of changes at pace using purpose test 1(1)(d).

Part 3: Calculation of tax and reliefs

10. **Part 3** makes provision in relation to the calculation of tax, the bands and tax rates, and reliefs available (including the reliefs Targeted Anti-avoidance Rule).
11. In the event that the UK government introduced a new charging regime, similar to the SDLT higher rates for additional dwellings regime (LTT's higher rates residential property transactions), then the regulation making power would enable Welsh Ministers, if necessary or appropriate, to respond at pace, potentially introducing a similar or equivalent type of change using purpose test 1(1)(c).
12. Similarly, if the UK government choose to change the method of calculation of SDLT, as happened previously in the move from the 'slab' to the 'slice' system in 2014 for residential property transactions, it would be likely to impact on the block grant adjustment. Such an impact would therefore change the amount that would be paid into the Consolidated Fund and purpose test 1(1)(c) could be used to make legislative changes. For residential transactions, the change from the slab to the slice method of

calculation was forecast to reduce the SDLT effort by a significant amount with most buyers benefitting from a tax saving. The Welsh Ministers could decide to follow the change in methodology, make different changes, or not to introduce any change. The Welsh Ministers do not have existing regulation making powers within the Act to effect such changes. Regulations made using the power provided in this Bill would be needed to bring such changes into effect, and in this particular case, the sooner the regulations are made, the sooner Welsh taxpayers would pay less tax.

13. The rules relating to the specific reliefs are to be found in Schedule 2 (so far as they apply to pre-completion transactions) and Schedules 6 to 22. Any perceived avoidance opportunities could be closed quickly by making changes using the regulation making power (purpose test 1(1)(b)) in this Bill and the made affirmative procedure. This would prevent, at pace, new entrants into the avoidance arrangements seeking to exploit the reliefs. For those taxpayers who had previously arranged their affairs to attempt to avoid tax, enquiries by the WRA to establish all the facts and arguments, including, where appropriate, taking any appeals to the Tribunals and higher courts will resolve the tax position.
14. In addition, the introduction of a new SDLT relief will have an impact on the block grant adjustment and therefore the amounts paid into the Consolidated Fund by the Secretary of State (the introduction of a new SDLT relief is likely to result in an adjustment that would increase the Welsh Government's block grant). The absence of a similar relief or other changes to the rules in Wales could result in undesirable impacts for Welsh citizens, Welsh businesses or other businesses with a Welsh presence or seeking to expand into Wales. The use of the power by the Welsh Ministers would enable them, subject to Senedd approval, to introduce a similar relief or similar tax reductions by alternative means. Whilst there are pre-existing draft affirmative regulation making powers to make changes to the reliefs rules (including introducing, amending or removing a relief) the power in the Bill would enable the relief to be brought into effect sooner by made affirmative regulations.
15. Regulations made under the power in the Bill to comply with international obligations (section 1(1)(a)) could arise where, for example, a trade agreement or membership of a new trading bloc require equal treatment for entities similar to UK entities when transacting land. The example of the previous charities relief that applied to EU and EEA charitable bodies is an example of treaty obligations requiring provision in land transaction taxes.

Part 4: Leases

16. Part 4 makes provision about the application of the LTTA to leases. It is possible that the need to make changes to the rules that apply to leases will arise if changes to the approach to the taxation of leases by the UK government are made. This could be due to other types of property rights becoming taxable (for example a licence to occupy a property). Or other rules could need to be changed that apply to the current lease regime to stop avoidance, or that the rules are amended in a manner that would increase the revenues derived from the granting or assignment of leases. Whilst the same rules that currently apply more generally to leases might be used, it is also possible that specific rules will need to be crafted for each type of new property interest. Depending on the specific circumstances, these changes could meet either meet the purpose test in section 1(1)(c) or section 1(1)(b).

Part 5: Application of Act of TCMA to certain persons and bodies

17. Part 5 makes provision about the application of the LTTA and the Tax Collection and Management (Wales) Act 2016 to certain persons and bodies, including companies, partnerships and trusts.
18. It is possible that, to incentivise investment into the UK, changes are made at a UK Budget to provide tax treatment for overseas entities to receive similar tax treatment to investment vehicles that have already been provided with specific treatment. The current rules, for example, set out that unit trust schemes are treated as a single entity (a company) for LTT purposes rather than each unit trust holder being treated as one of many joint buyers (as their units are to be treated as shares in a company). Similar treatment was also extended to co-ownership authorised contractual schemes (COACS) in the mid-2010s (and has, with the exception of the SDLT seeding relief for COACS, been included in the LTT legislation). It is possible that future treaty obligations could result in new entities requiring a similar treatment to similar UK entities (or be provided with specifically crafted rules) when buying property in the UK. Such changes could potentially meet the requirements of the purpose test in section 1(1)(a) where that equivalent treatment arose due to compliance with an international obligation.
19. Equally, absent a treaty obligation, the UK government may provide treatment to attract investment that the Welsh Government may consider attractive for Wales as well. Where the provision of the treatment may have an impact on the amount paid into the Welsh Consolidated Fund the Welsh Ministers will be able to provide similar treatment (subject to Senedd approval) to entities investing in Wales as it would meet the purpose test in section 1(1)(c).
20. A court decision could find that any aspect of the rules did not operate as the WRA and many advisers believed. Clarification of the rules may be necessary to ensure the LTT regime continues to operate in a cohesive manner. That clarification could be required with near immediate effect. For example, any court decision that found that the joint buyers' rules operated in a manner that undermined the effective self-assessment of LTT (or compliance activity of the WRA), would require an early and near immediate consideration to ensure the tax regime remained effective. The powers in this Bill would enable any such clarification, if considered necessary or appropriate, through triggering purpose test 1(1)(d) and this could be actioned at pace using the made affirmative procedure.

Part 6: Returns and payments

21. Part 6 makes provision about when returns and payment of the tax are to be made including deferral rules and procedure.
22. A court decision could find that any aspect of the rules did not operate as the WRA and many advisers believed. Clarification of the rules may be necessary to ensure the LTT regime continues to operate in a cohesive manner. That clarification could be required with near immediate effect. For example, any finding that changes the existing filing obligations on taxpayers or what constitutes a notifiable transaction could undermine the effective self-assessment of LTT. The powers in this Bill would enable any such clarification, if considered necessary or appropriate, through triggering the purpose test in section 1(1)(d) and this could be actioned at pace using the made affirmative procedure.

23. The UK government could also change their rules on notifiable transactions. For example, currently, freehold transactions with consideration of less than £40,000 are not a notifiable transaction in both SDLT and LTT. If the UK government were to increase that figure, that would represent a tax simplification for SDLT taxpayers as fewer transactions would result in a filing obligation. However, there would also be tax liability consequences too as an increase in the notification figure would, without other changes, result in tax not being paid under the respective higher residential rates rules. The change by the UK government may therefore result in a change to the amounts paid into the Consolidated Fund (thus triggering purpose test 1(1)(c)). In this instance, the Welsh Ministers may choose to replicate the UK changes to reduce the filing obligations (subject to Senedd approval), but limit it so that it applies only to those transactions liable to the main residential rates of LTT.

Part 7: General anti-avoidance rule

24. Part 7 inserts into the Tax Collection and Management (Wales) Act 2016 the provisions establishing the general anti-avoidance rule for the devolved taxes. Part 7 amendments will not be used to make any further changes to the TCMA. Instead, changes will be made directly to the TCMA using the power within the Bill, provided such changes meet the relevant criteria.

Part 8: Interpretation and final provisions

25. Part 8 introduces Schedule 23 which makes amendments to the Tax Collection and Management (Wales) Act 2016 ("TCMA"). Part 8 amendments will not be used to make any further changes to the TCMA. Instead, changes will be made directly to the TCMA using the power within the Bill, provided such changes meet the relevant criteria

26. The Part also contains provisions that apply generally for the purposes of the LTTA, including definitions of expressions used in the Act for example, 'residential property' and 'connected persons'. There have been many recent Tribunal cases in which taxpayers have contended that they have acquired both residential and non-residential property. When such mixed transactions occur the tax payable by the buyer is calculated based on the non-residential rates rather than the residential rates (and thereby incurring a lower tax charge). In the event that the UK government made changes to their rules following a loss with significant impacts, the Welsh Ministers may decide to make similar changes (subject to approval of the Senedd). Depending on the particular scenario, it is possible that the regulations could be made using this powers in this Bill, as 1(1)(b) may be triggered or (and probably also), due to the impact on the block grant adjustment, the Consolidated Fund test would be met (purpose test 1(1)(c).

Landfill Disposals Tax (Wales) Act 2017

Review of the Parts of the Act and examples of amendments which may be made by regulations under the Welsh Tax Acts etc. (Power to Modify) Bill.

Part 1: Overview

26. Part 1 provides an overview of the Act. It is possible that this Part of the Act could need to be amended in the event that a new Part was introduced by regulations made under the power in the Bill. Any changes to this Part would arise from the need to make consequential amendments that potentially flow from the substantive changes made by the regulations.

Part 2: The Tax and Taxable Disposals

27. Part 2 provides the rules in relation to taxable disposals and exempt transactions, setting out the conditions that must be met for there to be a taxable disposal of waste to landfill. There are a number of concepts that are key to the operation of the tax, for example, disposal of the material as waste, and that the use of the material which is incidental to its disposal by way of landfill does not negate an intention to discard material. It is possible that changes using the power in the Bill could arise in relation to countering avoidance activity (the purpose test at section 1(1)(b)), the amounts paid into the Consolidated Fund (the purpose test at section 1(1)(c)) and the findings of courts (the purpose test at section 1(1)(d)).
28. In particular, those seeking to avoid paying Landfill Disposals Tax (LDT) could seek to exploit a perceived lacuna in these definitions to seek to dispose of waste by landfill without incurring a tax charge. In these cases, the Welsh Ministers may use section 1(1)(b) to rectify the issue and prevent further avoidance.
29. Similarly, a finding by a court that a definition permits activity without incurring a tax charge may result in a need to clarify the law by regulations that meet the purpose test in section 1(1)(d) to protect the tax base and potentially the environment. This may be the case especially if the ruling applied to Wales only and allowed disposal of waste in Wales at a substantially lower cost than in England.
30. Finally, it is possible that the UK government could make changes to the predecessor tax that result in a tightening the definitions so that more activity was within the scope of their tax, perhaps even creating what would amount to an additional condition for LDT purposes. This could impact both on the amount paid into the Consolidated Fund (as the predecessor tax would be making a greater tax effort than previously), and could impact on the environment as Wales became a cheaper place to dispose of waste. Accordingly, Welsh Ministers may consider making regulations that meet the purpose test in section 1(1)(c) to lessen the impact on the Consolidated Fund. Whilst a number of regulation making powers are already provided to make changes, they are subject to the draft affirmative procedure and cannot be made with retrospective effect (back to the date of an announcement by the Welsh Ministers). The powers within the Bill will enable regulations to be made via the made affirmative procedure, and will also allow regulations to have retrospective effect.

Part 3: Taxable Disposals Made at Authorised Landfill Sites

31. Part 3 makes provision about how the tax is to be charged on taxable disposals at authorised landfill sites, including the persons on whom the tax is chargeable, the calculation of tax, reliefs, registration and accounting requirements, and payment, recovery and repayment of the tax.
32. There are a number of Parts of the LDT Act which contain definitions heralding from the UK's past membership of the EU. An example is the definition of non-hazardous waste (requirement 5 of section 16(1) LDT Act). It is possible that future trade agreements and treaties could contain requirements for common definitions between the contracting countries or entities, which do not correspond with the existing definitions. In this scenario, section 1(1)(a) could be used to ensure compliance with international obligations.

33. In relation to tackling avoidance (section 1(1)(b)), it is possible that a situation will arise where attempts may be made by taxpayers to stretch the definitions of some of the types of materials in order to obtain a lower rate of tax. Alternatively, they could seek to exploit the extent to which a mixture of materials can still be treated as a qualifying mixture to which the lower rate of tax applies. Welsh Ministers may wish to be able to stop any avoidance activity at the point that it is identified by use of the power to clarify any aspect of the legislation that is potentially being exploited. The WRA would then address the avoidance activity that had occurred prior to the date the amending regulations came into force.
34. This Part also includes a number of reliefs that taxpayers can claim. Whilst there is already a power provided to the Welsh Ministers to make draft affirmative regulations to create a new relief, or modify or remove an existing relief, there may be situations where it may be necessary to make these changes so that they have immediate effect or potentially retrospective effect. If the UK government amended a similar relief in landfill tax to tighten the conditions it is possible that disposing of the waste in Wales will remain possible, and subject to relief. The power in the Bill (section 1(1)(c)) could be used due to the impact on the amount paid into the Consolidated Fund (the UK government would be making a greater tax effort through landfill tax leading to the amount paid into the Consolidated Fund reducing). There would therefore be benefits to adopting the same or a similar tightening of the conditions quickly, both to address the revenue issue but also the potential environmental issues too.
35. Alternatively, the UK government might amend an existing relief or introduce new relief to provide relief from LDT. A new relief could perhaps be temporary to address a specific environmental issue that has arisen, for example, to provide relief from LDT for disposals to landfill that arise from flooding or another specified event. The amounts paid into the Consolidated Fund will increase (UK government will be making a lesser tax effort with LDT). The Welsh Ministers may wish to use section 1(1)(c) (subject to Senedd approval) to provide a similar relief in Wales, potentially with retrospective effect, so that the relief is available to taxpayers in Wales from the same date as a similar relief is available in England.

Part 4: Taxable Disposals Made at Places other than Authorised Landfill Sites

36. Part 4 makes provision about how the tax is to be charged on taxable disposals at places other than authorised landfill sites, including, the persons on whom the tax is chargeable, the procedure for charging, payment, and late payment interest on unpaid tax.
37. The rules relating to taxable disposals made at places other than authorised landfill sites was a new development for landfill taxes across the UK. Furthermore, the design of the rules for LDT differ from those taxing similar types of disposals in Scotland and the rest of the UK. These rules have yet to be tested before the courts and it is possible that a future court decision may result in the rules operating in a manner that does not permit or makes it very difficult to charge tax at the unauthorised disposals rate. The Welsh Ministers may consider making regulations that meet the purpose test in section 1(1)(d) in these circumstances to provide clarification for taxpayers. Those regulations, especially if made using the made affirmative procedure, could address the courts findings quickly and (subject to the Senedd's approval) maintain the effectiveness of the unauthorised disposals regime. Many of the individual sections in this Part include regulation making powers subject to the draft affirmative procedure, but the nature of the regime may require the changes to be made more urgently, particularly if the WRA is

addressing a number of similar cases at the same time where the decision could have a direct impact on their outcome.

Part 5: Supplementary Provision

38. Part 5 makes supplementary provision in connection with the tax, including, the designation of non-disposal areas within authorised landfill sites, the inspection of premises and information sharing, penalties, and the application of the provisions of this Act and TCMA in specific circumstances
39. In relation to this Part, it is most likely that the need to use the power in the Bill will arise from court decisions (section 1(1)(d)). For example, the court decision could relate to the meaning or application of 'reasonable excuse' for the purposes of a penalty for non-compliance with the duty to be registered³. It is possible that the decision could find that the meaning and application of reasonable excuse was narrower than the Welsh Ministers anticipated so that taxpayers will be charged penalties in inappropriate circumstances, or, conversely, that penalties should be remitted in many more situations so as to render the penalty regime ineffective. Any changes made by the Welsh Ministers using the power to clarify the legislation will be subject to Senedd approval.
40. Part 5 also makes provision for a Landfill Disposals Tax Communities Scheme. An external event as provided for in section 1 of the Bill would be highly unlikely to trigger any changes to the rules relating to the Landfill Disposals Tax Communities Scheme.

Part 6: Final Provisions

41. Part 6 contains provision that applies generally for the purposes of this Act (including provision about the interpretation of this Act). There will be a very limited likelihood that changes to this Part will meet the four purpose tests. It is possible that a court decision could impact the meaning of some of the interpretations (albeit that many are a cross reference to sections of the Act and therefore any clarifications made by regulations would relate to that Part rather than Part 6).

Tax Collection and Management (Wales) Act 2016

Review of the Parts of the Act and examples of amendments which may be made by regulations under the Welsh Tax Acts etc. (Power to Modify) Bill.

42. The examples provided for each of the Parts below are not exhaustive, but seek to demonstrate the types of areas where external events could lead to the Welsh Ministers seeking to make changes to the Welsh Tax Acts (subject to Senedd approval) using the power provided by the Welsh Tax Acts etc. (Power to Modify) Bill. Most of the scenarios cited may trigger purpose test 1(1)(d) in relation to responding to a court or tribunal decision that affects, or may affect, the operation of any of the Welsh Tax Acts or regulations made under those Acts.

Part 1: Overview

43. Part 1 provides an overview of the Act. It is possible that consequential amendments may be needed to this Part of the Act in the event that a new Part was introduced by regulations made under the power in the Bill, or in the event that new elements are added to existing Parts.

³ S65 Landfill Disposals Tax (Wales) Act 2017

Part 2: The Welsh Revenue Authority

44. Part 2 establishes of the Welsh Revenue Authority. Making changes to this Part is excluded from the power in the Bill.

Part 3: Tax Returns, Enquiries and Assessments

45. Part 3 makes provision about the assessment of devolved taxes namely, taxpayers' duties, tax returns, WRA enquiries into tax returns, determinations and assessments of tax by the WRA and claims for tax relief, repayments and the procedure for making them.
46. It is possible that legal challenges by taxpayers to the validity of the return process, the process or scope of enquiries opened by the WRA or, any assessments or determinations made could reduce WRA's ability to properly assess taxpayers. Examples of decisions that the UK government has previously needed to respond to include *HMRC v Jason Wilkes [2021] UKUT 0150* which resulted in HMRC being unable to use section 29 Taxes Management Act 1970 ("TMA 1970") to assess High Income Child Benefit Charge. The charge was an amount of tax for which the taxpayer was liable, not "income which ought to have been assessed to income tax" within the meaning of s.29(1)(a).
47. The UK government subsequently introduced amendments at pace in Finance Act 2022 to enable HMRC to make assessments for a loss of tax in relation to child benefit. Another example was the various legal challenges to the validity of certain HMRC's automated notices including notices to file returns (s8 TMA 1970). In this instance, the UK government announced changes to their systems that would have both prospective and retrospective effect⁴. Accordingly, should similar cases be brought against WRA in Wales, or decisions in other cases impact in the Welsh Tax Acts, section 1(1)(d) could be used to make the necessary changes to the law quickly, so as to provide clarification and avoid further challenge.
48. Claims to repayment of tax overpaid is restricted in a number of circumstances⁵. It is possible that a future court decision could result in one or more of these restrictions being found not to apply in the way that differs from that initially believed by the WRA. Stopping potential further claims for repayment of tax as a result of such a court decision quickly could be necessary in circumstances where making such repayments now unfairly favour certain taxpayers. Equally, if the court's decision found that the law related to claims operated in a more restricted manner than was intended, then again it may be necessary for the legislation to be amended quickly to permit the ability to claim to be widened. Section 1(1)(d) would permit urgent amendment to the law in these types of circumstances.

Part 3A: General Anti-Avoidance Rule

49. Part 3A makes provision in regards to counteracting avoidance arrangements in relation to devolved taxes (the general anti-avoidance rule – the 'GAAR'). Whilst it is likely that Welsh Ministers will need to make changes to the operation of the GAAR only in limited circumstances, it is possible that changes at short notice and subject to the approval of the Senedd may be necessary.

⁴ [Automated Decisions: Technical note October 2019 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

⁵ [Tax Collection and Management \(Wales\) Act 2016 \(legislation.gov.uk\)](https://legislation.gov.uk) – section 67

50. This limited need for change is most likely to arise in situations where a court rules on the meaning of different provisions which reduces, or widens, the scope of the GAAR in an unanticipated or unexpected way. Such a position may arise, for example, where a court takes a view on the interpretation of 'artificial' (a key concept in the GAAR) which is broader or narrower than was previously understood and therefore widens the scope of the GAAR or potentially reduces its effectiveness. In these situations, the ability to use section 1(1)(d) to clarify the law urgently would be extremely beneficial to protect the revenues on the one hand and taxpayers on the other.

Part 4: Investigatory Powers of WRA

51. Part 4 makes provision about the WRA's investigatory powers, including in relation to notices requiring information and the inspection of premises.

52. Most likely, clarification of the law as regards Part 4 will be as a result of decisions by the courts. The Welsh Ministers may decide that clarification of Part 4 (subject to Senedd approval) is required to enable the WRA to continue to operate its compliance activity effectively. Such court decisions could arise from cases where the taxpayer challenges the use of the WRA information powers resulting in a change in their ability to use them, or in a finding that previously they have been used ultra vires. Information powers are essential for the work undertaken by the WRA to check that taxpayers are paying the correct amount of tax.

53. To provide a specific example, a future court decision could result in the conditions required to be met for the WRA to issue an information notice, such as "checking a person's tax position" and "reasonable to require", operate in a more restrictive manner than had been previously understood. That would result in a more restrictive information notice regime as it does not provide the WRA with the anticipated tools to address avoidance and evasion of the devolved taxes. Use of the power within section 1(1)(d) would enable swift clarification of the legislation to reflect the court decision more clearly.

Part 5: Penalties

54. Part 5 makes provision for and in connection with the imposition of penalties in relation to devolved taxes.

55. It is most likely that the need to use the power in the Bill will arise as a result of court decisions. For example, a court decision could find that the meaning or application of 'special circumstances'⁶ or 'reasonable excuse'⁷ is narrower than originally was considered reasonable, so that either taxpayers will not be provided with penalty reductions in appropriate circumstances, or, conversely, that the reductions should be provided in many more situations so as to render the penalty regime ineffective. The use of the power within section 1(1)(d) in these types of circumstances would enable clarity of the law for taxpayers and WRA alike, ensuring that the rules operate effectively.

56. Furthermore, an unanticipated court interpretation concerning the types of disclosures or assistance that a taxpayer can provide to reduce the amount of penalties to which they will be liable (commonly referred to as 'telling', 'helping' and 'giving') could lead to a harsher penalty regime creating unfairness for taxpayers.

⁶ [Tax Collection and Management \(Wales\) Act 2016 \(legislation.gov.uk\)](#) – Section 125 TCMA

⁷ [Tax Collection and Management \(Wales\) Act 2016 \(legislation.gov.uk\)](#) – Section 126 TCMA

Part 6: Interest

57. Part 6 makes provision for interest to be payable on late payments to the WRA and on repayments by the WRA. It is a short Part containing just eight sections. It is possible that a court could find that the meaning of the “relevant amount”⁸ as defined in section 161(2) is wider than originally anticipated and is found to include any amount paid to the WRA so that the WRA has to pay repayment interest in more circumstances than had been originally anticipated. The Welsh Ministers may consider making regulations that meet the purpose test in section 1(1)(d) to clarify the legislation.

Part 7: Payment and Enforcement

58. Part 7 makes provision about payments to the WRA and the recovery of unpaid amounts. This is again a short Part, containing only seven sections. It is possible that a court may find that the rules operate in a manner that differs from what was originally anticipated and how taxpayers, the WRA, and potentially the courts themselves have operated the legislation. The Welsh Ministers may consider making regulations that meet the purpose test in section 1(1)(d) to clarify the legislation.

Part 8: Reviews and Appeals

59. Part 8 makes provision for and in connection with reviews of and appeals against decisions of the WRA. This Part relates to the review and appeals procedures when there is a disagreement between the taxpayer and the WRA. A court could find that the appealable decisions⁹ include decisions made by the WRA that were not previously understood to be appealable. Furthermore, the court decision could find that certain WRA decisions that were previously believed and treated as appealable were no longer appealable decisions. In such circumstances the Welsh Ministers may wish to take action at pace, using section 1(1)(d) to ensure that taxpayers’ interests remain protected and the WRA decisions are appealable.

Part 9: Investigation of Criminal Offences

60. Part 9 confers powers on the Welsh Ministers to make subordinate legislation in relation to the investigation of criminal offences relating to devolved taxes. This Part contains powers to make draft affirmative regulations in relation to the application of the Police and Criminal Evidence Act 1984, the Criminal Justice and Police Act 2001 and the Regulation of Investigatory Powers Act 2000, to the WRA. The Part also makes some amendments to the Proceeds of Crime Act 2002 and provides the Welsh Ministers with an ability to make specified order in relation to that Act.

61. It is highly unlikely that any of the four purpose tests will be triggered in such a way that the Welsh Ministers will find it necessary or appropriate to make regulations in relation to Part 9 using the power in the Bill. I will consider bringing forward an amendment to exclude this Part from the Bill in a similar manner to Part 2 of the TCMA.

Part 10: Final Provisions

62. Part 10 contains provision that applies generally for the purposes of this Act, including the issuing of notices by WRA, the giving of notices to WRA and interpretation.

⁸ (an “amount paid in connection with any liability to pay ... an amount of devolved tax”)

⁹ [Tax Collection and Management \(Wales\) Act 2016 \(legislation.gov.uk\)](https://legislation.gov.uk) – Section 172 TCMA

63. It is possible that a court could interpret 'notice' in a manner that renders notices already issued invalid or ineffective. Similarly, the court could find that the rules for the issuing of a notice differ from what was understood to be the effect of the rules, again, invalidating notices received from, or issued to, taxpayers such as amendments to returns, or notices of enquiry.
64. A court could also potentially take a broader view on what may constitute a valid tax 'return', in a way which renders the WRA online returns ineffective or limits the amount of information the WRA collects (in turn impacting the WRA's ability to risk assess returns).
65. In these types of scenarios, purpose test 1(1)(d) may be triggered, enabling Welsh Ministers to respond at pace if required.

I hope that the attached information helps to provide clarification in advance of the Stage 1 General Principles Debate.

I am copying this letter to the Chair of the Legislation Justice and Constitution Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

CC: Chair of the LJC Committee



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA/RE/1495/22

Peredur Owen Griffiths MS,
Chair Finance Committee,
The Senedd,
Cardiff Bay,
Cardiff
CF99 1NA

04 May 2022

Dear Peredur,

I am writing to inform you of our approach to the publication of supplementary budgets during 2022-23.

I intend to continue with the practice adopted over recent years and publish two supplementary budgets during the financial year.

A first supplementary budget will be tabled on 21 June to allow for a debate on 12 July, prior to the summer recess. This allows a period of three weeks for scrutiny under Standing Orders.

The budget will also provide an opportunity to reflect the changes arising from the UK Government's Spring Statement and Main Estimates exercise, alongside any allocations from our reserves.

Following current practice, I intend to publish a Second Supplementary Budget later in the financial year.

I hope you find this update helpful.

Yours sincerely,

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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 the Senedd Finance Committee Inquiry into Post-EU Funding Arrangements

Welsh Local Government Association - The Voice of Welsh Councils

The Welsh Local Government Association (WLGA); is a politically led cross party organisation that seeks to give local government a strong voice at a national level. The Association represents the interests of local government and promotes local democracy in Wales. The 22 councils in Wales are all members of the WLGA and the 3 fire and rescue authorities and 3 national park authorities are associate members.

We believe that the ideas that change people's lives, happen locally

Communities are at their best when they feel connected to their councils through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows sustainable communities to thrive.

The main aim of the Association is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

This means:

- Promoting the role and prominence of councillors and council leaders
- Ensuring maximum local discretion in legislation or statutory guidance
- Championing and securing long-term and sustainable funding for councils
- Promoting sector-led improvement
- Encouraging a vibrant local democracy, promoting greater diversity
- Supporting councils to effectively manage their workforce.

Introduction

1. WLGA welcomes the decision of the Committee to undertake an inquiry into Post-EU Funding arrangements and the opportunity to provide evidence.
2. Local Government has been a key partner in designing and delivering EU Funded Programmes for over 20 years, working with the European Commission, the Welsh Government, and key partners from the third sector, private sector and the Higher and Further Education sectors, in developing specific programmes for Wales.
3. Councils across Wales have benefited from a number of different programmes, most recently the 2014-2020 European Structural and Investment Funds (ERDF & ESF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF) and the European Territorial Cooperation Programmes (ETC).



4. Councils and their communities have benefited directly from the EU programmes, which have funded specific projects across a range of interventions, from regenerating their town centres, their urban, rural and coastal communities to supporting people to access employment opportunities.
5. Councils across Wales have also benefited from EU funded programmes and projects run by many other partner organisations, including the Welsh Government, further education colleges, universities, the third sector, and the private sector. Examples include business support programmes, apprenticeships, tourism marketing and environmental projects.
6. This means that councils across Wales are in a good position to maximise the opportunities from the new replacement UK Funding Programmes, building on all their experiences of designing and delivering projects with key partners from the wider public sector, third sector, the private sector and the higher and further education sectors.
7. Given this background, councils are also well placed to lead, manage and coordinate the new replacement UK Funding Programmes. They have been working collaboratively within the 4 Economic Regions of Wales for a number of years on key economic development, regeneration, skills and employment initiatives. This led to the development of the 4 City and Growth Deals, with all councils working together with both the UK and Welsh Governments to deliver key economic interventions across Wales.

Progress in establishing and delivering replacement funds for EU structural funds, including:

- the UK Shared Prosperity Fund
 - the Community Renewal Fund; and
 - the Levelling Up Fund
8. There is a feeling within local government that progress to date has been relatively slow in designing, developing and launching the Shared Prosperity Fund.
 9. Although the WLGA, along with the local government associations of England, Scotland and Northern Ireland, have been involved discussions with the UK Government's Department for Levelling Up, Housing and Communities (DLUHC) over the last 3 years, the more meaningful engagement only took place in recent months with discussion intensifying during the last few weeks prior to the formal launch of the Fund on the 13th of April.



10. The WLGA welcomed the opportunity to input into the development of the Fund, though earlier and more detailed engagement would have been appreciated. It is also unfortunate that much of the detail emerged during the pre-election period, which meant it was particularly challenging in terms of ensuring that all council leaders were able to engage in the process.
11. As with the UK Community Renewal Fund (CRF) and the UK Levelling Up Fund (LUF) local authorities are concerned with the lack of lead in time to enable the design, development and delivery of SPF projects. The timescales are extremely challenging, without the ability to move funds between financial years. This is in stark contrast to the flexibility afforded by the multi-annual EU Funding Programmes that enabled delivery over a 10-year period.
12. We welcome very much the decision to deliver the SPF based on allocations rather than on a competitive basis as the competitive nature of both the CRF and LUF was inherently wasteful.
13. The CRF was considered as the precursor to the SPF but, as the CRF has now been extended, it isn't evident that the learning from the CRF informed the development of the SPF, apart from the decision to deliver the SPF on the basis of allocations.
14. The LUF is not strictly a replacement for the EU Structural Funds as, in Wales, it is a Barnett Consequential arising from the English Towns Fund.
15. Replacing some EU Funded Programmes with UK Funded Programmes has created new challenges for local government in Wales, Scotland and Northern Ireland. Local government in England has a longer history and experience of working with Ministers and Officials at the UK Government. Local government currently sits within the Department for Levelling Up, Housing and Communities and was previously under the Minister for Housing, Communities and Local Government). Establishing and building new relations with Ministers and officials in a Department that traditionally worked mainly with councils in England, has made it more challenging for councils across the devolved nations. Relationships have been good, though, with the UK government's officials working on SPF and these are developing.



How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU

16. The type and level of the replacement EU funding announced for Wales by the UK Government to date differs in several ways from the funding that Wales used to receive from the EU Programmes.
17. The type of funding announced for both the CRF and SPF i.e. mostly revenue, is similar to the type of funding Wales has received from the European Social Fund (ESF) for investments in skills and employment interventions. Whilst there is some capital funding within the SPF, it's very small compared to the funding Wales received from the European Regional Development Fund (ERDF) for investments in infrastructure, physical regeneration and business support. Whilst more capital funding is provided via the LUF, it's not new or replacement EU funding as it's a Barnett Consequential for Wales linked to replacement of the UK Government's Towns Fund in England.
18. It does not seem that there is any replacement EU funding for either the funding that Wales used to receive from the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF) or the European Territorial Cooperation Programmes (ETC).
19. The WLGA has argued strongly from the outset that Wales should receive at least as much in replacement EU funding as it would have received if the UK had remained in the European Union. The funding announced for Wales by the UK Government to date, for 3 financial years, falls short of the funding Wales would have received if the UK had remained in the EU. If the UK had remained in the EU, Wales would now be receiving funding for the next 7-10 years under the new EU Funding Programmes for 2020-2027, with the highest levels of funding from the new Structural Fund Programmes, funding from the new Common Agricultural Policy for agriculture and rural development, funding from the new Maritime and Fisheries Fund and the new Territorial Cooperation Programmes. Our Young People and Education institutions would continue to benefit from funding from the ERASMUS+ Programme and our Universities would continue to benefit from the HORIZON EUROPE Programme. All this funding would have been additional, over and above the block grant, and match funded by a plethora of funding streams across the public and private sector.
20. Further, the SPF budget allocation for the UK and Wales is less than it would have been as UK Government has taken account of EU Funds remaining from the 2014-2020 EU Programmes. That funding, which will continue to be received and spent up until 2023, has been 'netted off' by the UK Government in arriving at the allocation.



21. For the UK as a whole, the SPF is planned to ‘ramp up’ from £0.4bn this financial year to £0.7bn in 2023-24 and £1.5bn in 2024-25, Therefore instead of £4.5bn being available over three years (at £1.5bn p.a.) it will amount to £2.6bn – leaving a gap of £1.9bn. For Wales, the SPF allocations up to 2024/25 (including funds for the UK Government’s ‘Multiply’ adult numeracy initiative) are £89m, £153m and £343m, totalling £585m). At 23% of the UK total¹ that is clearly a good share reflecting the level of need in Wales. However, compared with the funding Welsh Government has indicated Wales would have received from the EU it is £585m plus £47m from the Community Renewal Fund against a potential £1.404bn – or a difference of £772m. Moreover, a new EU programme would have given a further 7+3 years of funding certainty whereas SPF commitments currently run only up to 2024/25.

The mechanisms and structures being established to administer those funds in Wales, the roles of those involved, in particular the Welsh and UK Governments, and the consequent impact on accountability arrangements.

22. WLGA welcomes the decision of the UK Government to allocate these funds directly to councils as the democratically elected bodies, closest to the people they serve. Their community leadership role means that councils are best placed to lead, manage and coordinate the new funding streams within their local areas, working with all key partners and stakeholders within their local areas, as they know their areas best.

23. WLGA also welcomes the encouragement for councils to continue to work with their neighbouring councils and all key partners and stakeholders in the four economic regions of Wales. This approach; led, managed and coordinated by councils, mirrors our work as part of developing the *Framework for Regional Investment in Wales*, with key partners and stakeholders across Wales during the last four years. It also recognises that councils have been working together for several years in the four economic regions of Wales on key economic development, regeneration, skills and employment interventions.

24. It is unfortunate that the UK Government and Welsh Government ultimately failed to reach an agreement on the delivery of the SPF in Wales. The WLGA believes that we deliver the best outcomes when all tiers of government work collaboratively and in co-ordination. We will, however, endeavour to work with both governments to ensure that the interventions developed as part of the Investment Plans for the SPF complement and add value to similar Welsh Government funded activity. This will help to maximise the funding available and avoid some potential major gaps in provision.

¹ That is 23% of the £2.49bn total shown in the UK Government’s breakdown of allocations to the four nations, rather than the full £2.6bn of the SPF.



The amount of legacy funding that Wales is due to receive following the UK's exit from the EU and associated with EU structural fund programmes.

25. It is misleading to use the term 'legacy funding' as the funding Wales was allocated under the 2014-2020 EU Programmes can continue to be spent until the end of 2023 in line with the N+3 rule. It is neither new funding nor legacy funding.
26. There remains a fundamental difference of opinion between the UK and Devolved Governments over whether the funding allocated via the SPF equates to what would have been received if the UK had remained in the EU.
27. The UK Government in effect nets-off the amounts of funding the 4 nations continue to receive under the EU arrangements. That is inevitably lower than the gross figure that would have been received under the current and new EU funded programmes.
28. The devolved governments of Wales, Scotland and Northern Ireland continue to challenge the methodology adopted by the UK Government.
29. As a result of the UK Government's methodology being applied in the same way to funding for farms, Welsh Government has stated that Wales' rural communities will be £243m worse off than if the UK had remained in the EU.
30. As explained above, the funding from the SPF for Wales has taken into account the balance of funds from the 2014-2020 EU Structural Fund programmes and is therefore less than Wales would have received if the UK had remained in the EU. The combined 'gaps' of £772m in relation to the SPF and £243m in agricultural funding result in a grand total of £1.015b, which is the shortfall figure that Welsh Government has quoted.

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Agenda Item 4



Dadansoddi
Cyllid Cymru

Wales Fiscal
Analysis

Written Evidence to the Finance Committee's inquiry into Post-EU Funding Arrangements

GUTO IFAN

ED GARETH POOLE

Wales Fiscal Analysis

MAY 2022

Preface

Declaration of funding

Wales Fiscal Analysis is hosted by the Wales Governance Centre and the School of Law and Politics at Cardiff University, and funded through a partnership between Cardiff University, the Welsh Government, the Welsh Local Government Association, the Wales Council for Voluntary Action, and Solace Wales. The programme continues the work of Wales Public Services 2025 hosted by Cardiff Business School, up to August 2018.

About us

Wales Fiscal Analysis (WFA) is a research body within Cardiff University's Wales Governance Centre that undertakes authoritative and independent research into the public finances, taxation and public expenditures of Wales.

The WFA programme adds public value by commenting on the implications of fiscal events such as UK and Welsh budgets, monitoring and reporting on government expenditure and tax revenues in Wales, and publishing academic research and policy papers that investigate matters of importance to Welsh public finance, including the impact of Brexit on the Welsh budget and local services, options for tax policy, and the economics and future sustainability of health and social care services in Wales.

Working with partners in Scotland, Northern Ireland, the UK and other European countries, we also contribute to the wider UK and international debate on the fiscal dimension of devolution and decentralisation of government.

Contact details

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Written Evidence to the Finance Committee's inquiry into Post-EU Funding Arrangements

03 MAY 2022

1. This written evidence submission to the Finance Committee's inquiry into Post-EU Funding Arrangements focuses on replacements to the European Union Structural and Investment Funds. It addresses two main points from the consultation's terms of reference: first, how proposed funding for Wales compares to previous EU funding; and second, legacy funding for Wales from the EU following the UK's exit from the EU.

How the funding proposed for Wales and funding received via continued UK participation in EU programmes, compares to the funding received while the UK was a member of the EU

2. During the 2014-2020 programming period, Wales was allocated over €3 billion from the European Structural and Investment Funds (see **Figure 1**). This allocation amounted to an average of **£375 million a year**, most of which came from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). A smaller amount was allocated from the European Agricultural Fund for Rural Development (EAFRD).

Figure 1

Planned allocations for Wales from European Structural and Investment Funds, 2014 - 2020

	EU allocation		
	EUR (millions)	GBP (millions)	Average £M per year
European Regional Development Fund (ERDF)	1,409	1,205	172
European Social Fund (ESF)	1,008	861	123
European Agricultural Fund for Rural Development (EAFRD)	652	557	80
Total ESI	3,069	2,623	375

Source: European Commission (2022) ESIF 2014-2020 Finance Implementation Details. Notes: Based on a conversion rate of £1 : €1.17 (as per Welsh Government 2022)

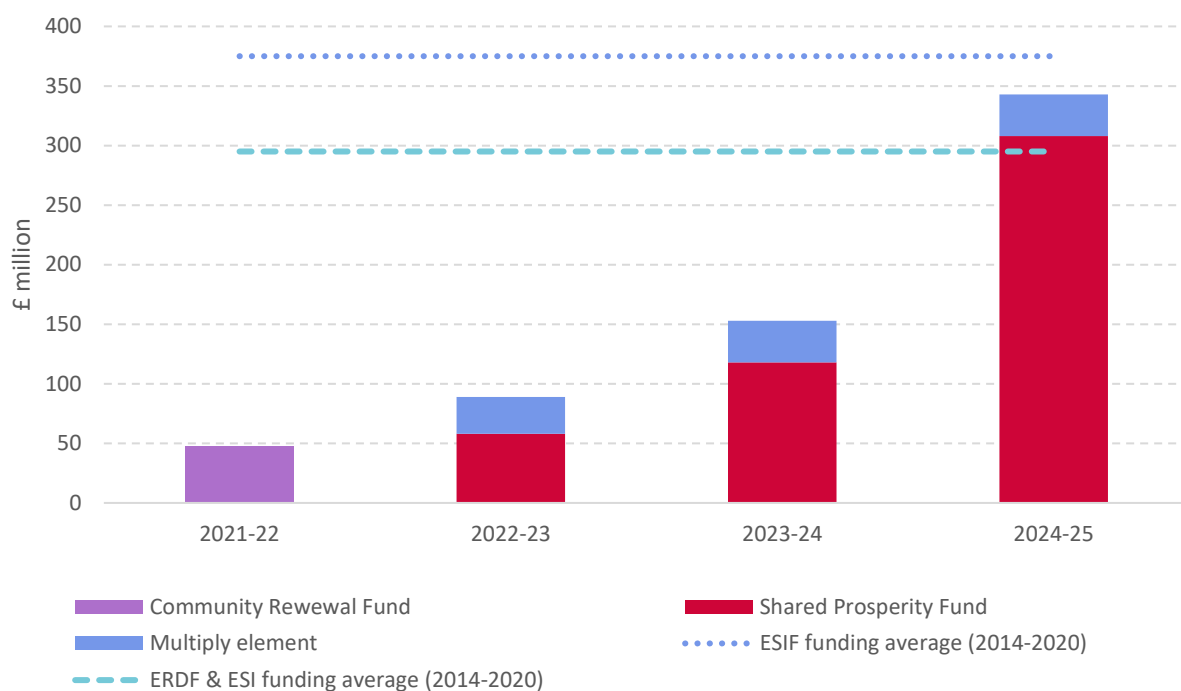
3. The Shared Prosperity Fund (SPF) was first mentioned as a replacement for EU structural funds in the 2017 Conservative manifesto. The 'Heads of Terms' for the fund was published as part of the 2020 Spending Review, which made clear that it was **replacing only the ERDF and ESF**.¹ There was also a pledge that the total amount of funding would "ramp up" until it at

¹ HM Treasury (2020) [Spending Review 2020, box 3.1](#)

least matches “current EU receipts”. In May 2021, the precursor to the SPF, the UK Community Renewal Fund was announced for 2021-22. Later, the Autumn 2021 Budget and Spending Review provided further details, such as the UK-wide funding profile for 2022-23 to 2024-25. The pre-launch guidance for the fund in February 2022 was followed by a full prospectus on 13 April 2022.²

4. It was announced that Wales would be receiving £585 million from the SPF over 2022-23 to 2024-25. Funding per year will increase over coming years to around £343 million by 2024-25 (**Figure 2**). Funding for Wales through the SPF will therefore broadly match the funding received through the ERDF and ESF during the 2014-2020 programming period (£295 million), after adjusting for inflation, by 2024-25. The potential shortfall in funding during intervening years will be addressed in the next section.

Figure 2
Funding allocations for Wales from Community Renewal Fund and Shared Prosperity Fund (2021-22 to 2024-25)



Source: Department for Levelling Up, Housing and Communities (2022) *UK Shared Prosperity Fund: prospectus*. Notes: Average ESIF and ERDF & ESI funding averages presented in nominal terms (not adjusted for inflation)

5. Of the total allocation to Wales, £101 million (£34 million per year) will need to go towards Multiply interventions, the UK government’s programme to improve numeracy in the adult population.³ Since the Multiply element has been allocated along the same lines as the overall

² Department for Levelling Up, Housing and Communities (2022) [UK Shared Prosperity Fund: prospectus](#), 13 April 2022

³ Department for Levelling Up, Housing and Communities (2022) [Multiply in Scotland, Wales and Northern Ireland: Guidance](#).

SPF, the allocation for Wales is 5 times greater per person compared to the UK average. This large allocation will risk duplicating other existing approaches and schemes in what is a devolved area. As such, there is a strong case for the UK government to allow flexibility for some of this funding to go towards other interventions.

6. Wales was by far the largest recipient of EU funding relative to its population of the UK nations. This position has been maintained by the SPF allocation methodology – funding per person will be nearly 5 times greater than the average across the UK. The commitment to match EU funding by nation has effectively retained the ‘cliff-edge’ in EU funding which resulted from the much greater EU allocations that went to regions classed as ‘less developed regions’ (in Wales’ case, the West Wales and the Valleys region).
7. While Wales’ total allocation has been determined by previous allocations from the EU, SPF allocations by local authority in Wales have been allocated according to three steps: firstly, 40% according to population; 30% according to the CRF index;⁴ and 30% according to Welsh Indices of Multiple Deprivation. While it is not possible to compare allocations at local authority level with previous EU funding (due to most EU-project allocations spanning more than one area), there is an apparent shift away from the West Wales and the Valleys region towards East Wales (**Figure 3**). Funding per person will remain higher overall in West Wales and the Valleys, but below levels previously received from the EU.

Figure 3
Funding allocations for Wales from Community Renewal Fund and Shared Prosperity Fund (2021-22 to 2024-25)

	Shared Prosperity Fund			ERDF & ESF (adjusted for inflation)		
	£m per year	% share	£ per person	£m per year	% share	£ per person
West Wales and the Valleys	250	73%	126	285	83%	144
East Wales	93	27%	79	58	17%	49

Source: Department for Levelling Up, Housing and Communities (2022) UK Shared Prosperity Fund Allocations; Welsh Government (2022) EU Structural Funds Programme 2014 to 2020: commitment and spend

The amount of legacy funding that Wales is due to receive following the UK’s exit from the EU and associated with EU structural fund programmes

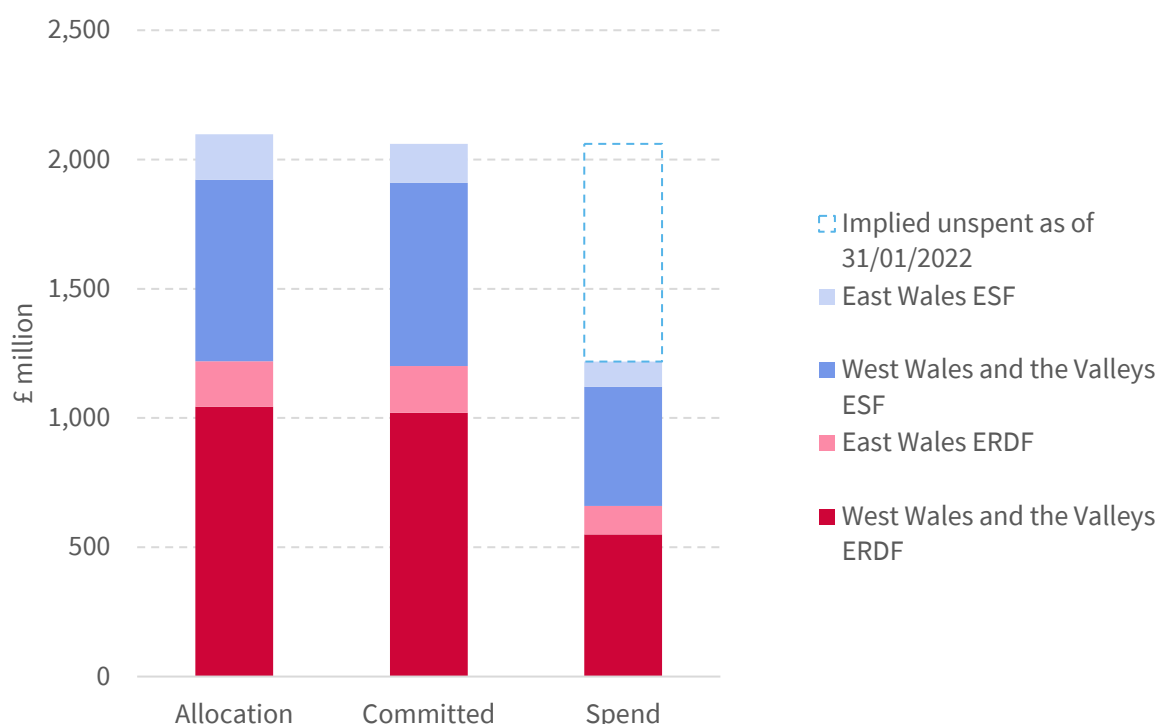
8. The EU generally allows three years after the formal end of funding programmes for remaining money to be paid out. While the transition period under the UK and EU’s Withdrawal Agreement ended on 31 December 2020, some EU structural funding will continue until the end of 2023, if funding had already been committed. Any unspent funding by the end of 2023 may be returned to the EU.

⁴ This index reflected a weighted average of statistics reflecting productivity levels, household income, skills, unemployment, and population density. See: <https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-prioritisation-of-places-methodology-note>

9. A key area of disagreement between the Welsh and UK governments is the extent to which the lower allocations from the SPF for years 2021-22 to 2023-24 will leave Wales worse off relative to previous EU funding levels. The slow “ramp up” of funding is intended to mirror the “tail-off” of EU funding as existing EU funding programmes come to an end.⁵ However, this reasoning does not appear in the SPF prospectus or methodology note and a breakdown of expected legacy funding for Wales from the EU has not been published.⁶
10. **Figure 4** provides a breakdown of allocation, commitment, and spending of 2014-2020 EU Structural Funds by programme for Wales, as of the end of January 2022. Of the £2.1 billion allocation, 98% of the funding had been committed to approved projects. Over £1.2 billion of funding had been paid out to beneficiaries by this point. This implies that there will be a further £841 million of EU funding to be paid out before the end of 2023, if all committed funding is delivered. However, all this funding has already been committed and decided for projects and will not represent new funding for projects (applications for new funding have already closed). Furthermore, ESI funds are typically paid out to beneficiaries to compensate them for spending they have occurred, meaning there is a lag between funding being decided and being paid out.

Figure 4

Allocation, commitment, and spend of EU Structural Funds Programme 2014 to 2020, by programme



⁵ Welsh Affairs Committee (2021) [Oral evidence: Responsibilities of the Secretary of State for Wales, HC 96](#), 14 January 2021

⁶ However, in evidence to the Welsh Affairs Committee, Simon Hart MP claimed the ‘tail-off’ in EU funding would amount to £391.7 million in 2021-22, £402.1 million in 2022-23, £258.5 million in 2023-24 and £67.9 million in 2024-25.

11. Part of the disagreement may stem from the different time horizons and how the funding will be paid out. The Welsh Government argue that, from 2021, funding recipients in Wales would have been able to apply for new funding worth up to an average of £375 million a year from the ESIF - though there would have been a substantial lag before this new funding was fully committed and paid out to projects. EU structural funding worked in seven-year cycles, with spending paid out often lagging commitments made to projects and costs incurred by beneficiaries. In contrast, the UK government will pay the SPF allocation to lead authorities at the start of the financial year, with underspends being returned at the end of the financial year.
12. In the interests of transparency and accountability, both governments should more clearly present and publish the rationale behind their claims over funding levels to Wales.

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Analysis

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Public Services Ombudsman for Wales

1st Supplementary Budget Motion 2022/23

Explanatory Memorandum to the Chair of the Finance Committee

This Supplementary Budget submission has been completed consistently with Standing Orders 18A.2 and 20.36 of the Welsh Parliament dated November 2021.

Background – Staff costs & income

The UK Government has implemented a 1.25% increase in employer's National Insurance contributions for 2022/23. This was referred to in our Estimates submission in October 2021 and equates to an annual cost of £38k.

The increase in National Insurance contributions for staff is outside of the Ombudsman's control and, similar to the Senedd Commission, we did not include this additional cost pressure in our estimate on the advice of Welsh Government. We were advised that, as in previous years, such charges should be handled in the aggregated Welsh budget through an in-year supplementary budget allocation. That treatment reflects the approach when employers' pension contributions increased significantly in 2019/20.

We are also providing additional payroll work and support for the Future Generations Commissioner and propose to include additional expenditure of £2k, matched by additional income. This element will increase resource expenditure by £2k, fully offset by income, so will not change net resource or net cash.

Our overall supplementary budget submission seeks a net increase of £38k.

Additional Resources Sought

We propose a variation to the annual budget motion in compliance with Standing Order 20.36 in respect of:

- A sum of £38k to cover the National Increase in employers National Insurance contributions
- Additional income and costs of £2k as a result of PSOW providing additional payroll work for the Future Generations Commissioner

Background – IFRS 16

A new accounting standard, International Financial Reporting Standard 16 - Leases ('IFRS 16'), had been due to take effect from financial year 2020-21. Due to the pandemic, a decision was initially made to defer the implementation of IFRS 16 until 1 April 2021. In November 2020 an additional announcement was made to further defer the implementation until 1 April 2022.

IFRS 16 requires all leases to be accounted for on a consistent basis. Previously, leases classified as "operating leases" were not recognised and were reported "off-balance sheet". This change primarily affects the treatment of the lease of our office building at Bocam Park, which is not currently classified as an asset and is not depreciated.

From 1 April 2022, the building will be recognised as a right-of-use asset and it will be depreciated over the anticipated future lease period. This change results in an increase to the depreciation and interest finance charges in the Ombudsman's budget. The overall PSOW resource budget will therefore increase. However, these changes will not increase the cash requirement from the Welsh Consolidated Fund. There will be no change in the amount of rent paid to the landlord on implementation of IFRS 16, however the accounting presentation will be different.

Variation of Resources Sought

As a result of IFRS 16 we are therefore proposing a supplementary budget to reflect the following changes:

- Premises and facilities – a decrease of £198k
- Change in working capital – an increase of £198k
- Interest charges – an increase of £7k
- Depreciation – an increase of £204k

These IFRS 16 changes increase the Ombudsman's overall resource budget by £13k, however there is no increase in the net cash requirement.

Ongoing Pressures

We are all facing a period of increased inflation, much higher than anticipated last September when our Estimate was submitted. We will work to contain cost increases as far as possible but we do not include a contingency in our budget so, as indicated in our Estimates submission, we cannot rule out the need for a further supplementary budget later in the year.

Supplementary Budget 2022/23	£000s	£000s	£000s	£000s
PSOW Expenditure	Budget Laid	Changes NI increase/FGC	Changes IFRS 16	Revised Budget
Staff salaries and related costs	4,182	40		4,222
Premises and facilities, including leases	369		(198)	171
Professional fees	234			234
IT costs	250			250
Office costs	119			119
Travel, training and recruitment	60			60
Communications	65			65
Total Revenue Expenditure	5,279	40	(198)	5,121
Total Income	(17)	(2)		(19)
Net Revenue Expenditure	5,262	38	(198)	5,102
Capital Expenditure	5			5
Total Resources Required	5,267	38	(198)	5,107
Depreciation and amortisation charges	70			70
Depreciation – leased assets	-		204	204
Interest charges – IFRS 16	-		7	7
Total Resource Expenditure	5,337	38	13	5,388
Depreciation – total	(70)		(204)	(274)
Interest charges – IFRS 16	-		(7)	(7)
Change in working capital – IFRS 16	-		198	198
Other non-cash movements	20			20
Cash Requirement from WCF	5,287	38	-	5,325

Agenda Item 9

By virtue of paragraph(s) ix of Standing Order 17.42

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