



Llywodraeth Cymru
Welsh Government

Welsh Government

Budget Improvement Plan

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Introduction

As part of the 2020-21 Budget, we published a Budget Improvement Plan for the first time. The Plan outlined our vision, including short-term and medium-term ambitions over the next five years, to improve the budget process using the Well-being of Future Generations Act (WFG Act) and the five ways of working to drive continuous improvement.

We have committed to publishing the Plan annually, to recognise the ongoing nature of driving and sustaining longer term change. Our overall aim is that these planned improvements to the budget process will result in greater transparency in the annual Budget documentation to demonstrate how the Act has influenced budget decisions.

The first [Plan](#) outlines the steps we have already taken in our journey to embed the Act in our approach to the Budget. This updated Plan shows how we have built, or plan to build, on this work in future years, including the measures we have undertaken during the current budget cycle.

In publishing the Plan, it is of course against the backdrop of the pandemic. Responding to, and mitigating the impacts, of the crisis has been at the forefront of the Government's agenda this year. We have seen unprecedented levels of Government investment to support public services and the economy through this crisis. Inevitably, with the focus on the crisis, we have not been able to progress all of the measures we signalled in last year's Plan, including the establishment of the Budget Improvement Oversight Group. We have started a conversation with our stakeholders about the future shape and role of the Group and will continue those discussions into the New Year.

Despite the challenging circumstances, we have made progress on a number of the areas identified in the Plan. Pages 4 and 5 of this Plan includes a more detailed summary of our progress made.

Given the cross cutting nature of the annual Budget process, the Plan continues to reflect our ambitions for different aspects of the Budget.

These are summarised below:

1. Spending Decisions – To improve existing processes across Welsh Government that identify and develop spending proposals, improve capabilities to prioritise decisions that more clearly align with the well-being goals and ways of working and to explore opportunities to improve longer-term planning.

- **Embedding the Act in budget decisions** – To explore how we can more clearly demonstrate the ways in which the Act is shaping high-level spending priorities, and our medium-term plans to align the annual Budget process and ongoing budgeting activities across the wider organisation to take forward these improvements. This will align with the other work areas which capture the more detailed actions we will take towards embedding the Act.
- **Longer-term financial planning** – To identify how we can further embed longer-term financial planning into annual budget preparations drawing on sources such as the Future Trends Report and approaches such as scenario modelling.
- **Prevention agenda** – To demonstrate how we are taking forward the prevention agenda, building on the working definition agreed in 2018 with a focus on how we deploy our resources to support a shift in preventative activities.
- **Responding to climate change and biodiversity** – To review how we need to change our budgetary approaches to respond to the challenges of climate change; including minimising carbon impacts and increasing biodiversity, based on current and emerging evidence.
- **Transparency of Budgetary data** – To demonstrate our plans to publish financial data in more open and accessible formats to support its use.

2. Fiscal & Economic Analyses and Assessing Impact:

- **Fiscal Analyses** – To develop capability to understand the distributional impact of both public spending and taxation decisions.
- **Economic Analyses** – To continue to develop the Chief Economist's report to reflect more fully the well-being goals, and developing Value for Money guidance, including an assessment of the recently revised Green Book to determine whether a Welsh Annex is needed to ensure the implications of the Act are fully reflected in the application of the guidance.
- **Assessing Impact of budget decisions to improve outcomes** – To improve our processes around decision-making on spending proposals to better link spending to outcomes. This includes work to revisit and clarify purpose of the Strategic Integrated Impact Assessment (SIIA) of the budget and the evidence-base underpinning it and exploring and developing a gender budgeting approach.

3. Infrastructure Planning – To improve how we consider and align strategic priorities and decisions on capital investment, noting the long-term nature of capital expenditure and the need for greater integration. We will use the opportunity presented by the successor to the current Wales Infrastructure Investment Plan (WIIP) to set out these priorities.

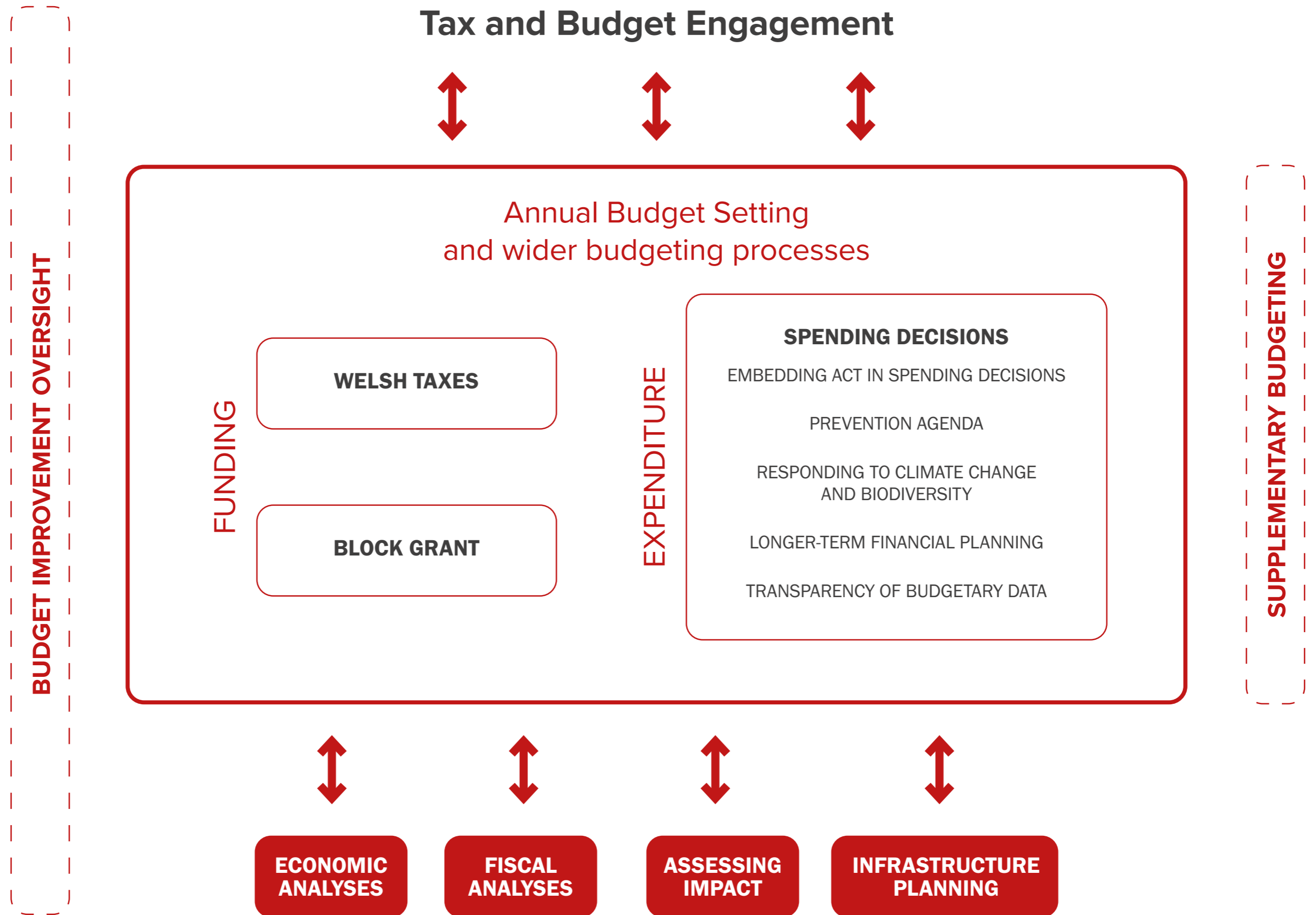
4. Supplementary Budgets – To continue to develop a more comprehensive account on significant allocations from reserves, learning from the approach to the supplementary budgets of 2020-21. We will consider developments occurring in other areas of the budget planning process and assess if, and how, these are appropriate for the supplementary budget process.

5. Welsh Taxes – To demonstrate how we are taking forward delivery under our tax policy framework aligned with our five tax policy principles. This area will explore how we can raise revenue to fund public services as fairly as possible. Tax should help deliver wider fiscal and policy objectives. We will ensure tax policy is simple, clear, progressive and stable, with legislative and administrative clarity and efficiency.

6. Tax and Budget engagement – To develop a strategic approach to engagement on the Budget, from raising awareness of public spending and taxation; engaging meaningfully with key stakeholders and individuals impacted by budget decisions to discuss and consider their views; and working collaboratively with stakeholders to shape improvements to spending and taxation proposals.

The conceptual diagram on the next page sets out the relationship between the different aspects of the annual Budget included in this Plan, and summarised above.

How does it all work together?



Update on progress against planned improvements during 2020

A summary of progress against planned improvements during this period is provided below. Despite the challenging context during the year, we have been able to make good progress in a number of areas. Where we have not been able to make progress at the pace we had envisaged because of the crisis, these ambitions continue to be reflected in our future Plan, albeit with adjusted timescales.

Spending Decisions

- We **strengthened the internal decision-making process** to review the high-volume of requests for funding from central reserves to ensure integration of decisions to maximise the benefits across government and the well-being goals, and seeking to mitigate against negative longer-term impacts. A significant focus of these actions have been to prevent harm to the most disadvantaged and prevent wider negative impacts on the people of Wales and the wider economy. These decisions were guided by the five ways of working of the Act, working collaboratively with partners to respond to the impacts.
- **Preparations for the 2021-22 Draft budget have been framed by Welsh Government's priorities to protect health and jobs, build a greener future and create change for a more equal Wales.** These priorities have also been influenced by Welsh Government's [published approach](#) to Reconstruction in the wake of the pandemic. This approach has been shaped by a wider call for public views through a dedicated mailbox and through engagement with key stakeholders, resulting in over 2,000 submissions.
- We have progressed initial work to identify local authorities interested in taking forward **a pilot of a Social Impact Bond model** - an outcomes based investment model to address social issues - and procurement options are being explored.

Supplementary Budgets

- In publishing the First Supplementary Budget, we **provided a comprehensive narrative of the significant allocations and reprioritisations of existing budgets and their impacts**, to enhance transparency given the unprecedented scale of changes to the Welsh budget.
- We also took the unusual step of publishing an **'extra' Second Supplementary Budget** on 20 October, several months earlier than the normal timetable of early 2021, in recognition of the importance of providing transparency around the financial implications of the crisis. Both these developments exceeded the ambitions originally envisaged in this Plan.

Infrastructure Planning

- We have continued **development of the successor to the Wales Infrastructure Investment Plan (WIIP)** which has focussed on building the strategy around the four sustainable development principles of the WFG Act - to improve the economic, environmental, societal and cultural well-being of Wales. A Written statement on the approach to developing the WIIP successor has been published alongside the 2021-22 Draft Budget.

Welsh Taxes

- We have continued to progress our commitments and take opportunities to **use our existing tax levers to benefit Welsh taxpayers** and deliver wider Welsh Government policy objectives. We introduced a **temporary reduction to the residential Land Transaction Tax rates** on 27 July, raising the starting threshold from £180,000 to £250,000 resulting in an estimated 80 percent of Welsh homebuyers paying no tax on the purchase of their homes, to support the housing market's recovery.
- We published the annual [Tax Policy Work Plan](#) on 29 September covering the period up to the Senedd Cymru elections in May 2021. A report on progress will be published closer to that time.
- We have also **prioritised proposals for a vacant land tax in Wales** with the UK Government to test the agreed mechanism for the devolution of tax competence. This has highlighted the urgent need to establish a fit for purpose process for the devolution of further tax competence.

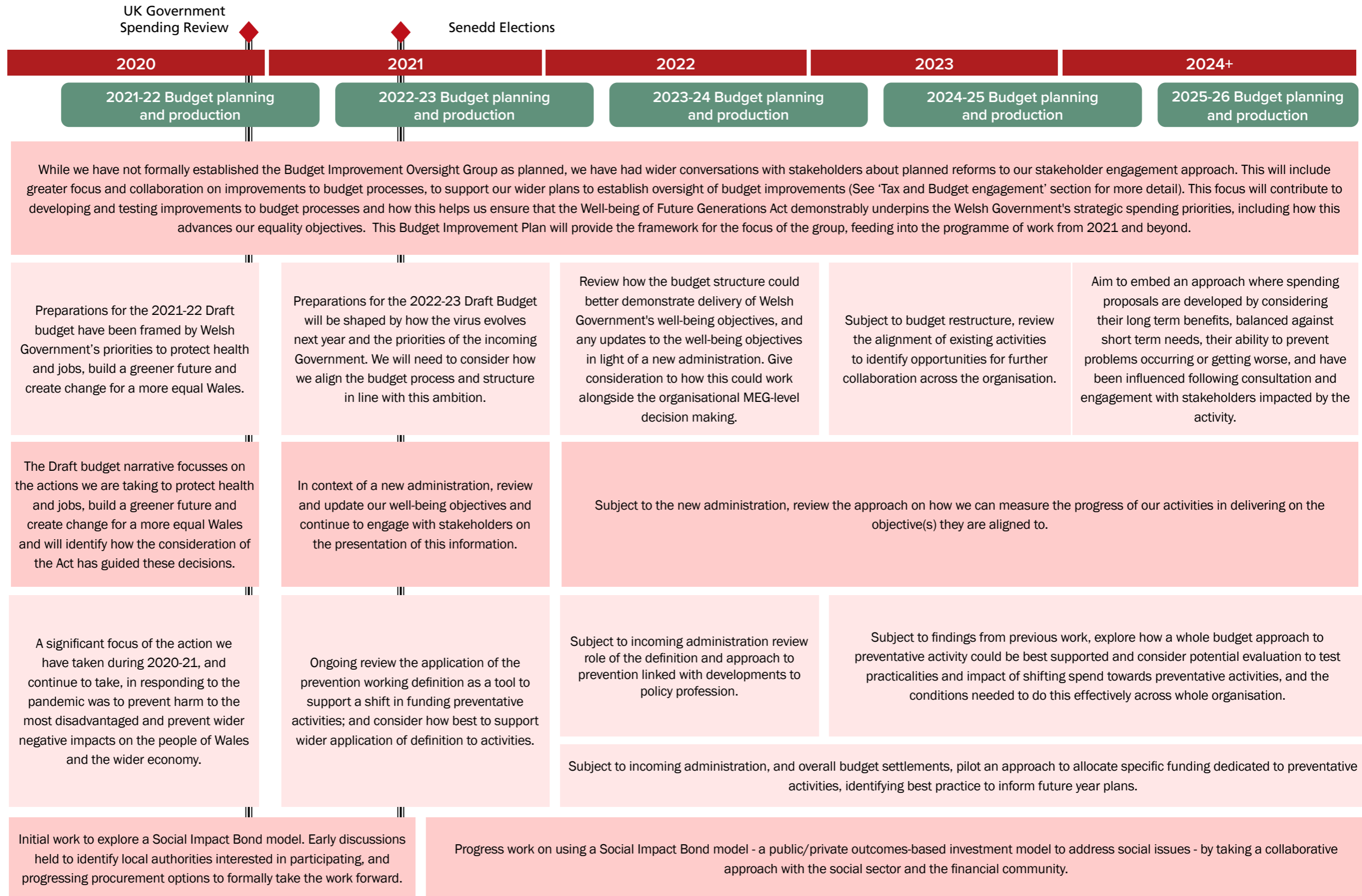
Fiscal & Economic Analyses and Assessing Impact:

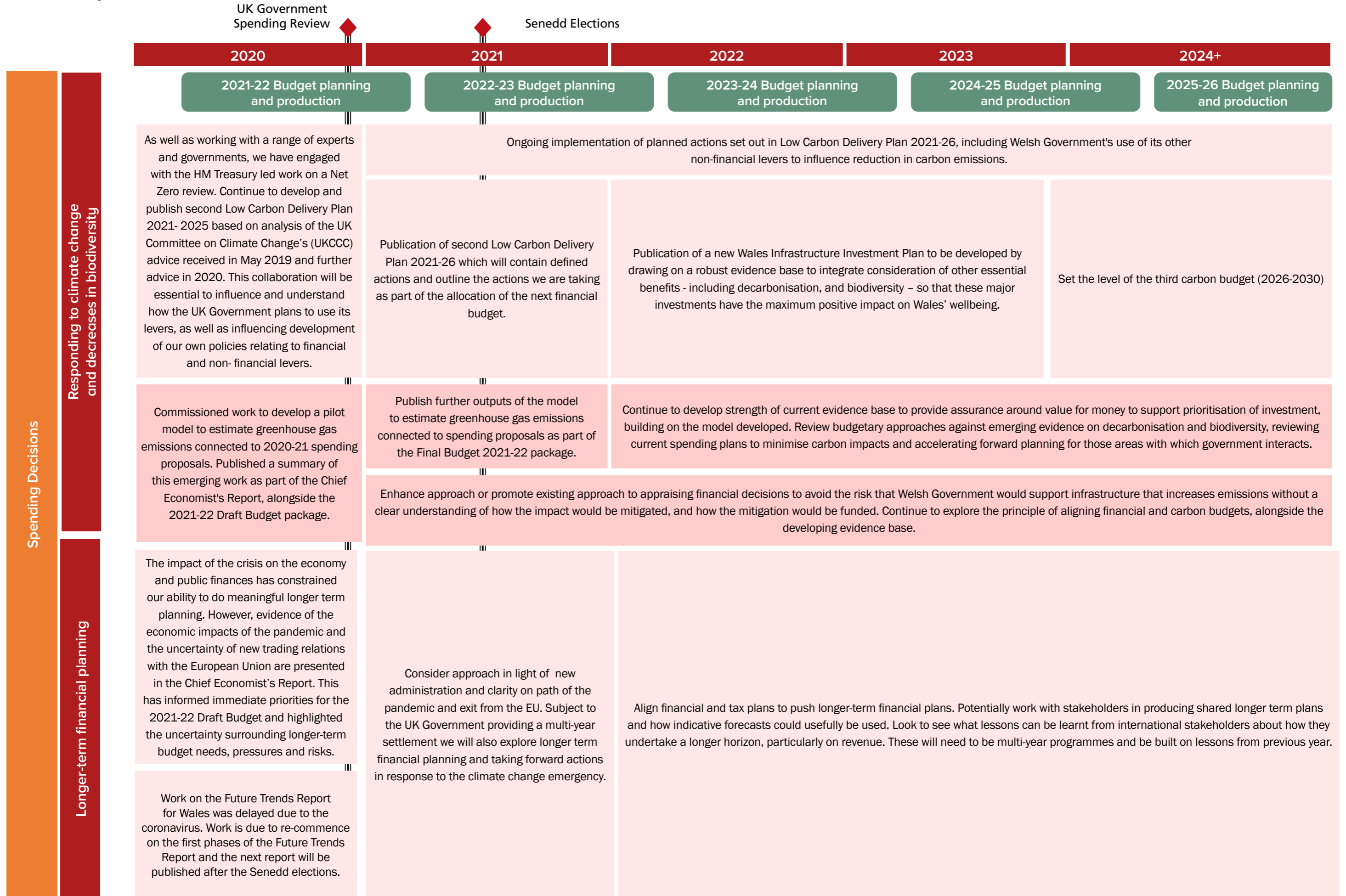
- By drawing on the available data and evidence, Welsh Government economists have played a central role in producing **economic analysis and briefing on the evolving economic crisis** related to both the pandemic and the transition to new trading relations with the European Union. This has included presentations to Cabinet and senior officials, the preparation of bespoke analysis and assessments set out in an internal Monthly Economic Report.
- We remain committed to reviewing our approach to assessing impacts. For the 2020-21 First Supplementary Budget, we presented an Annex summarising the disproportionate impacts of the pandemic. For the 2021-22 Draft Budget, we have **presented information about the impacts of spending proposals as part of the main narrative**. This is complemented by a **summary evidence of the overarching impacts of the pandemic on society, alongside more-detailed case studies on the impacts of specific spending decisions**, presented in the Strategic Integrated Impact Assessment (SIIA). We have also tested new approaches to how we can better assess budget impacts, described below:
- We have developed a **distributional impact model for analysing public spending** in Wales. This analysis focusses on the largest areas of devolved spending and provides a high level understanding of how progressive spending on these areas is. We have published our initial analysis as part of the 2021-22 Draft Budget package.

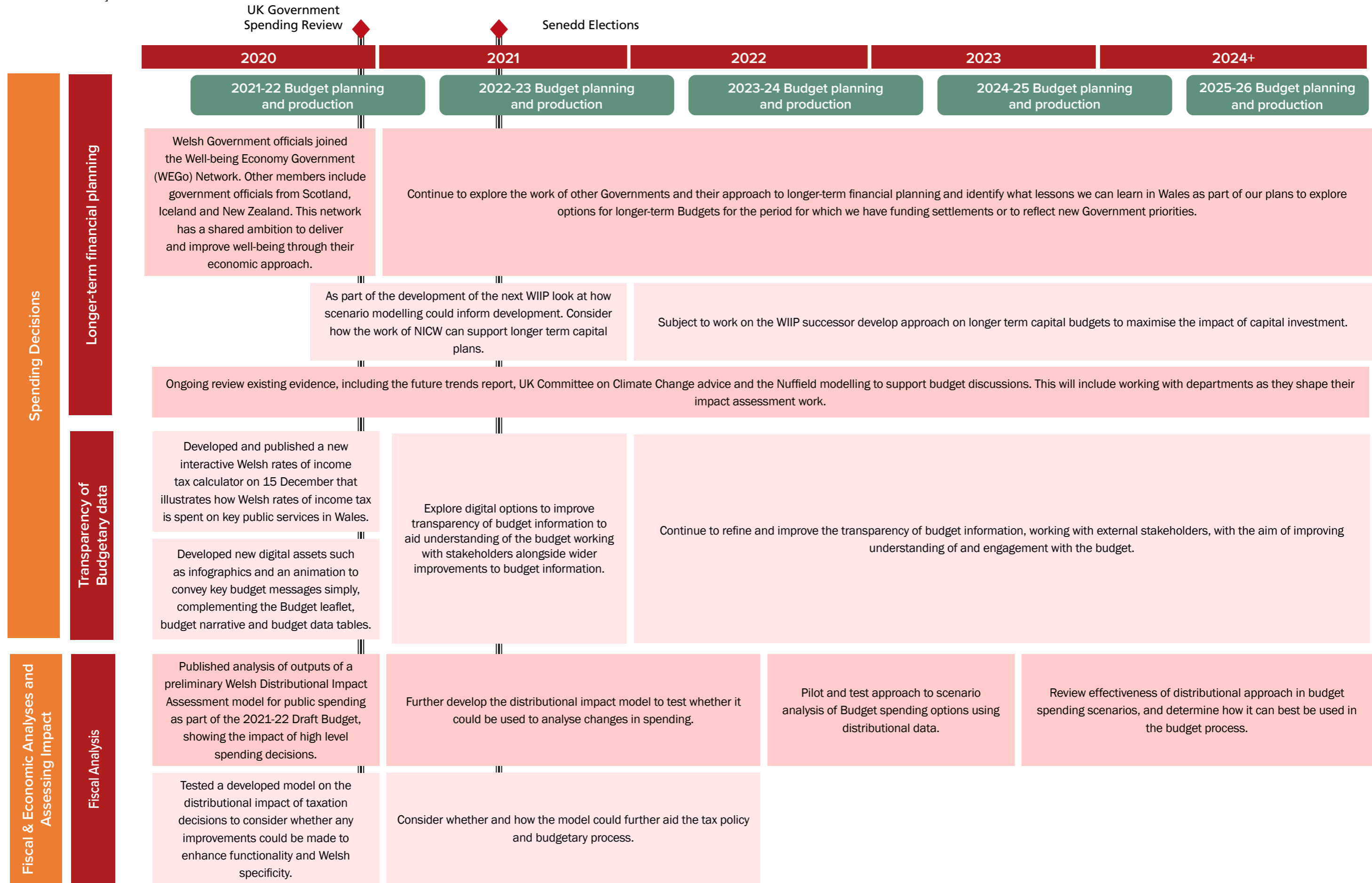
- We commissioned work to **develop a pilot model to estimate greenhouse gas emissions** connected to 2020-21 spending proposals. We published a summary in the Chief Economist's Report, as part of the 2021-22 Draft Budget package. This will present the model's outputs for Health budgets, the assumptions used and limitations of the approach. We intend to publish additional outputs as part of the Final Budget.
- We have **continued work to take a 'gender focussed' approach** for Welsh Government's Personal Learnings Account (PLA) programme, to help identify and understand potential impacts on different groups, to improve how we prioritise and allocate resources. Monitoring of the pilot's delivery highlighted that the flexibility of the PLA offer appealed to a wider range of people to develop skills in sectors with known gender biases. A formal evaluation of the programme will commence in 2021.

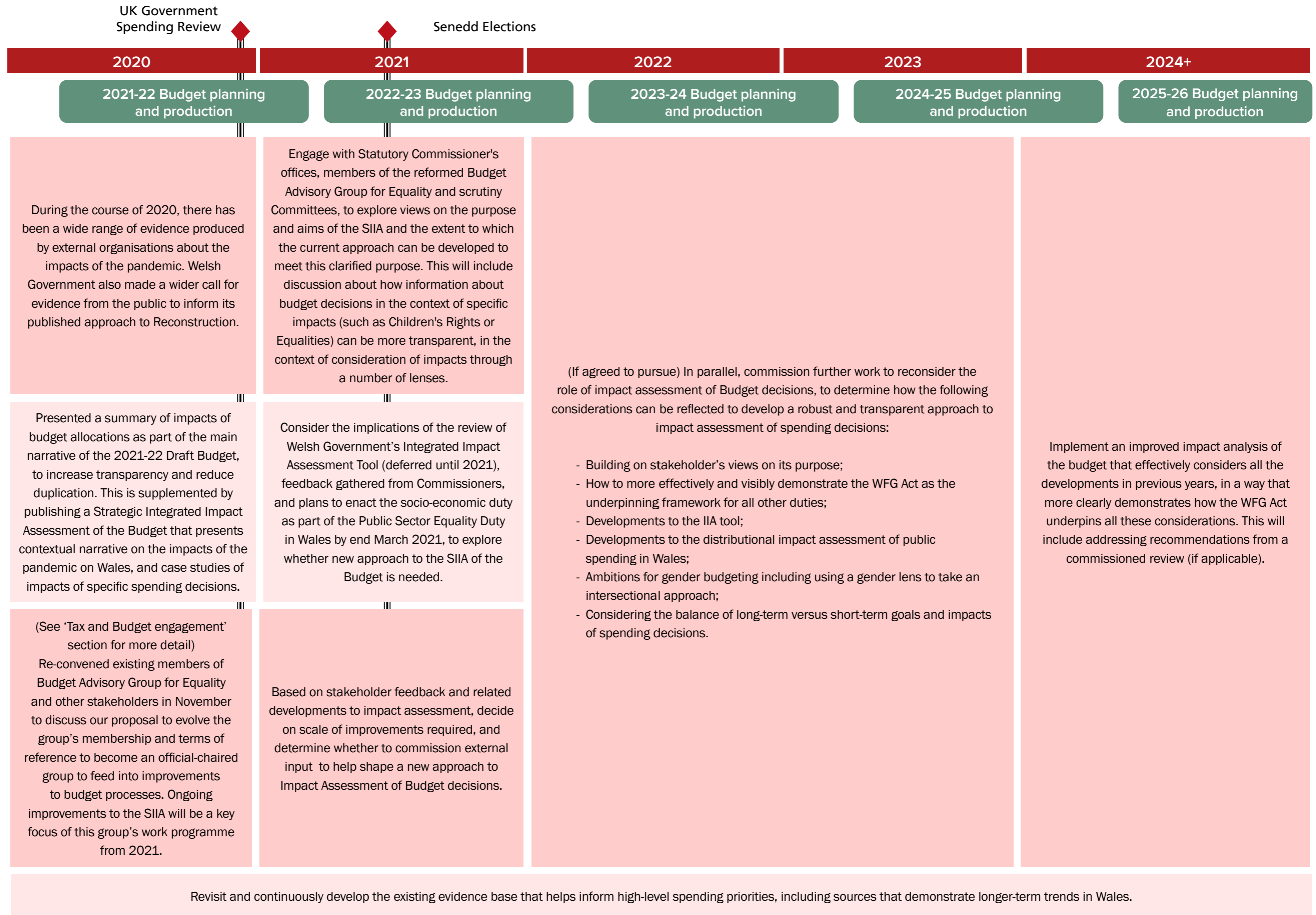
Tax and Budget engagement

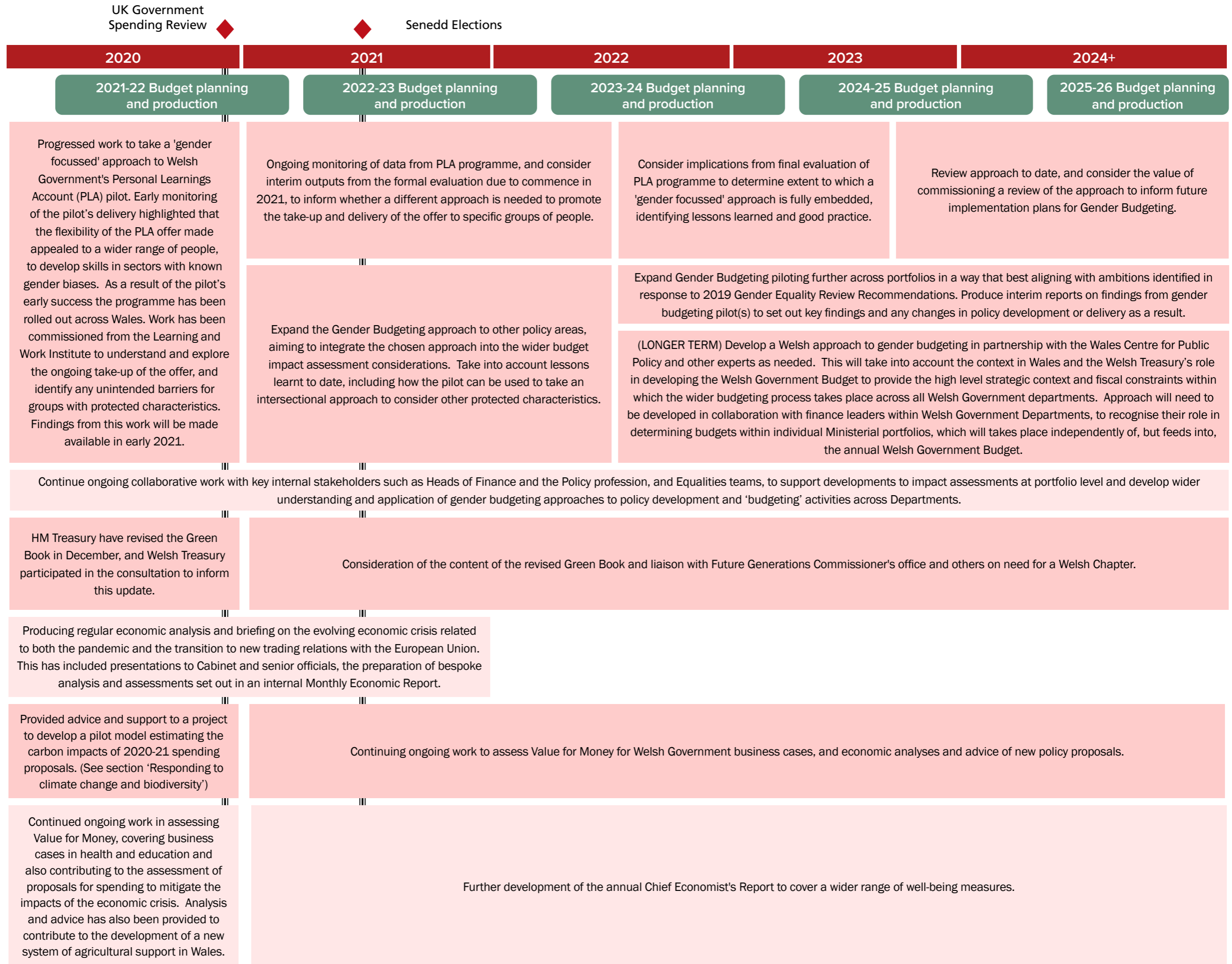
- We **held a virtual annual tax conference** on 8 October to help promote the Welsh tax agenda. The agenda included presentations by external organisations such as the Office for Budget Responsibility and a session hosted by Demos on methods to raise awareness and engagement around tax.
- We **developed and published a new interactive [Welsh rates of income tax calculator](#)** on 15 December that illustrates how Welsh rates of income tax is spent on key public services in Wales.
- We have progressed our plans to **evolve our approach to engaging with stakeholders to influence improvements to budget processes**. In November, we re-convened the members of the Budget Advisory Group for Equality group to discuss and agree a proposal to evolve the group's membership and terms of reference. This will become an official-chaired group to feed into improvements to budget processes, framed by the Budget Improvement Plan.
- We **developed new communications activity in advance of publishing the 2021-22 Draft Budget to increase awareness of the Draft Budget**, aiming to reach new audiences with simple narrative and an animation around how Welsh Government spends its money.
- We also **produced a short film by the Minister for Finance and Trefnydd**, and promoted this via social media channels in the week leading up to the 2021-22 Draft Budget publication.
- As part of the Draft Budget, we **published and promoted a range of digital assets across Welsh Government, Welsh Treasury and departmental channels to communicate key Budget messages simply on the day of publication**. This included an animation and a budget leaflet. We also developed a technical briefing and press notice to support engagement with key media stakeholders.

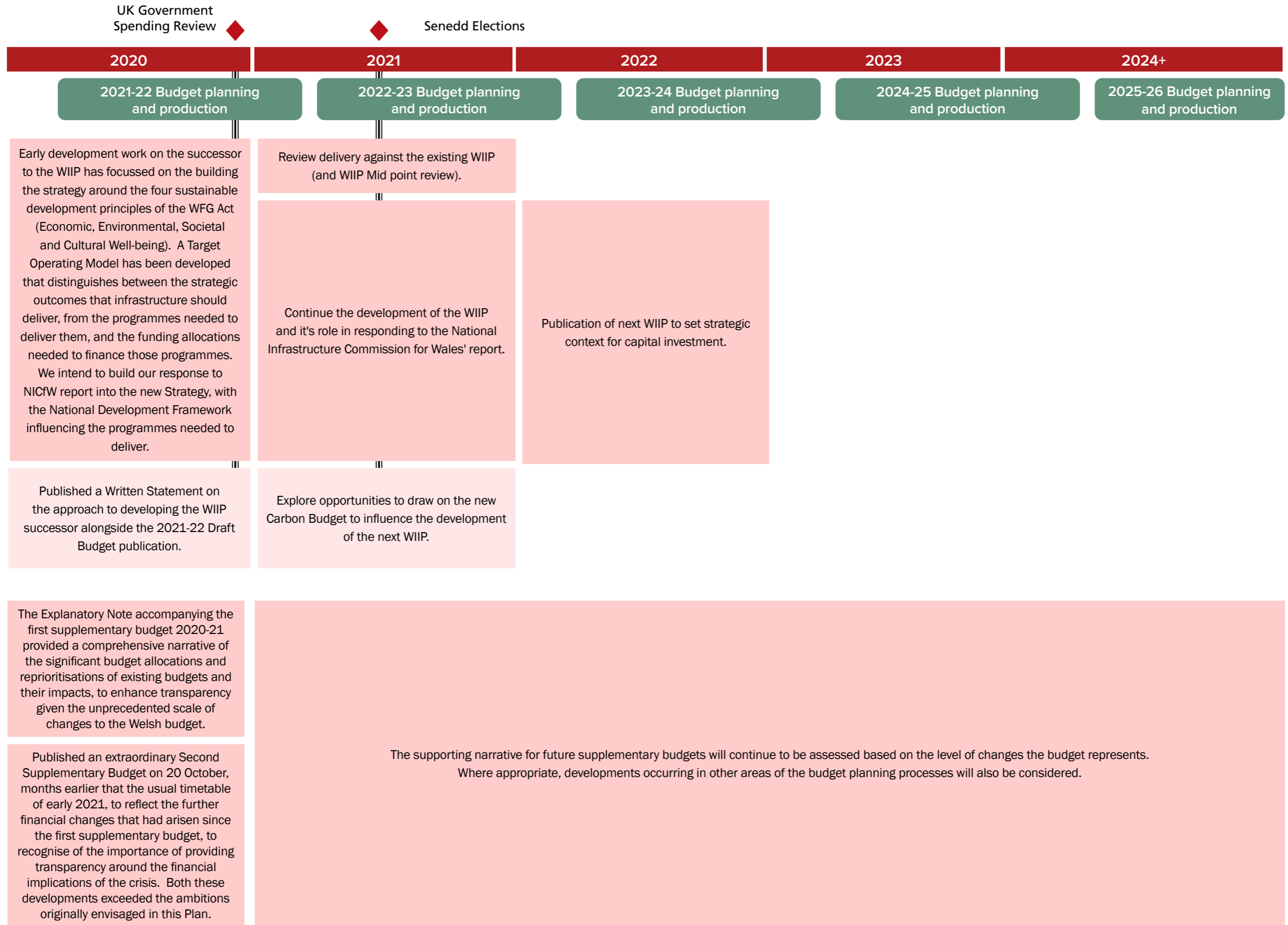




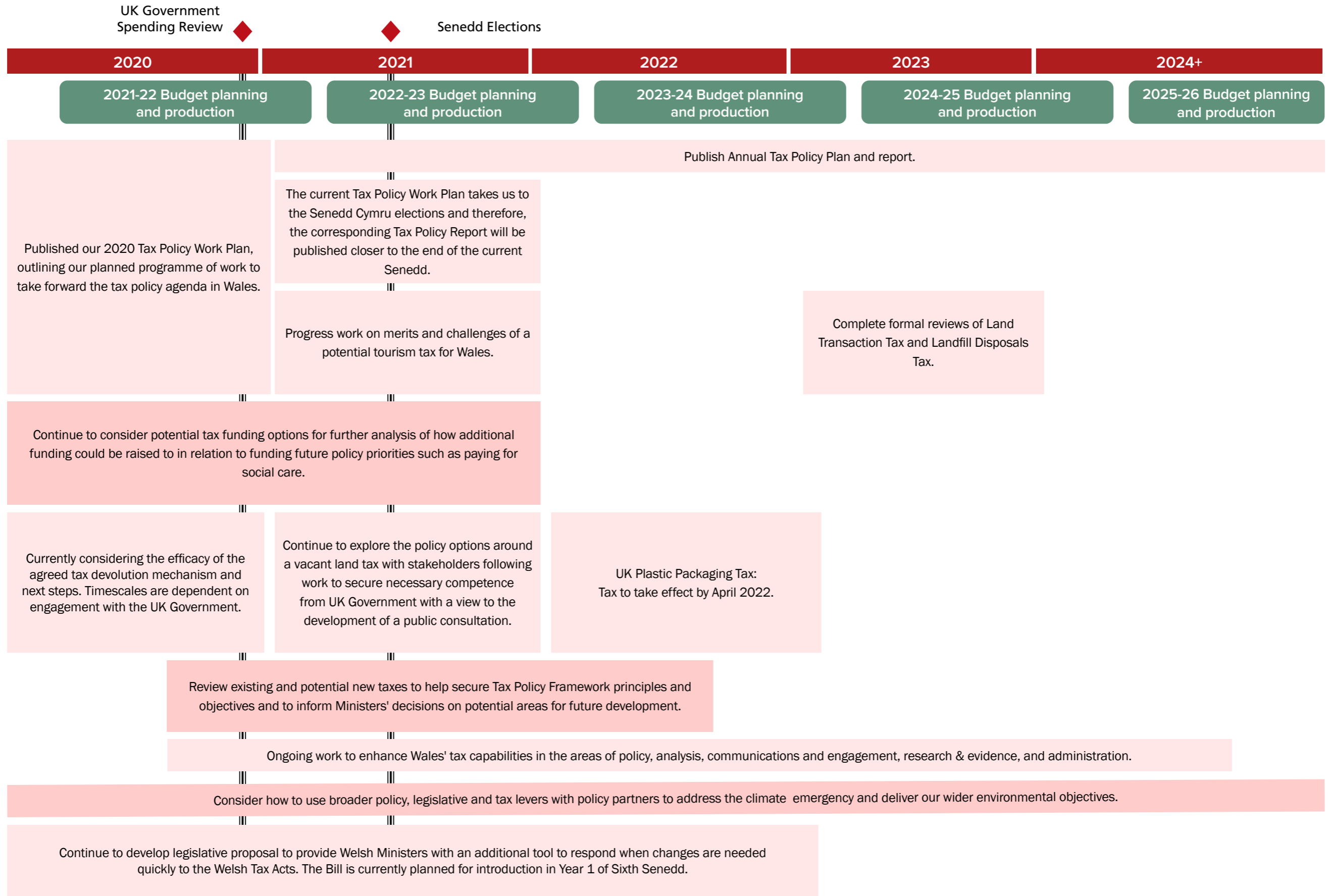


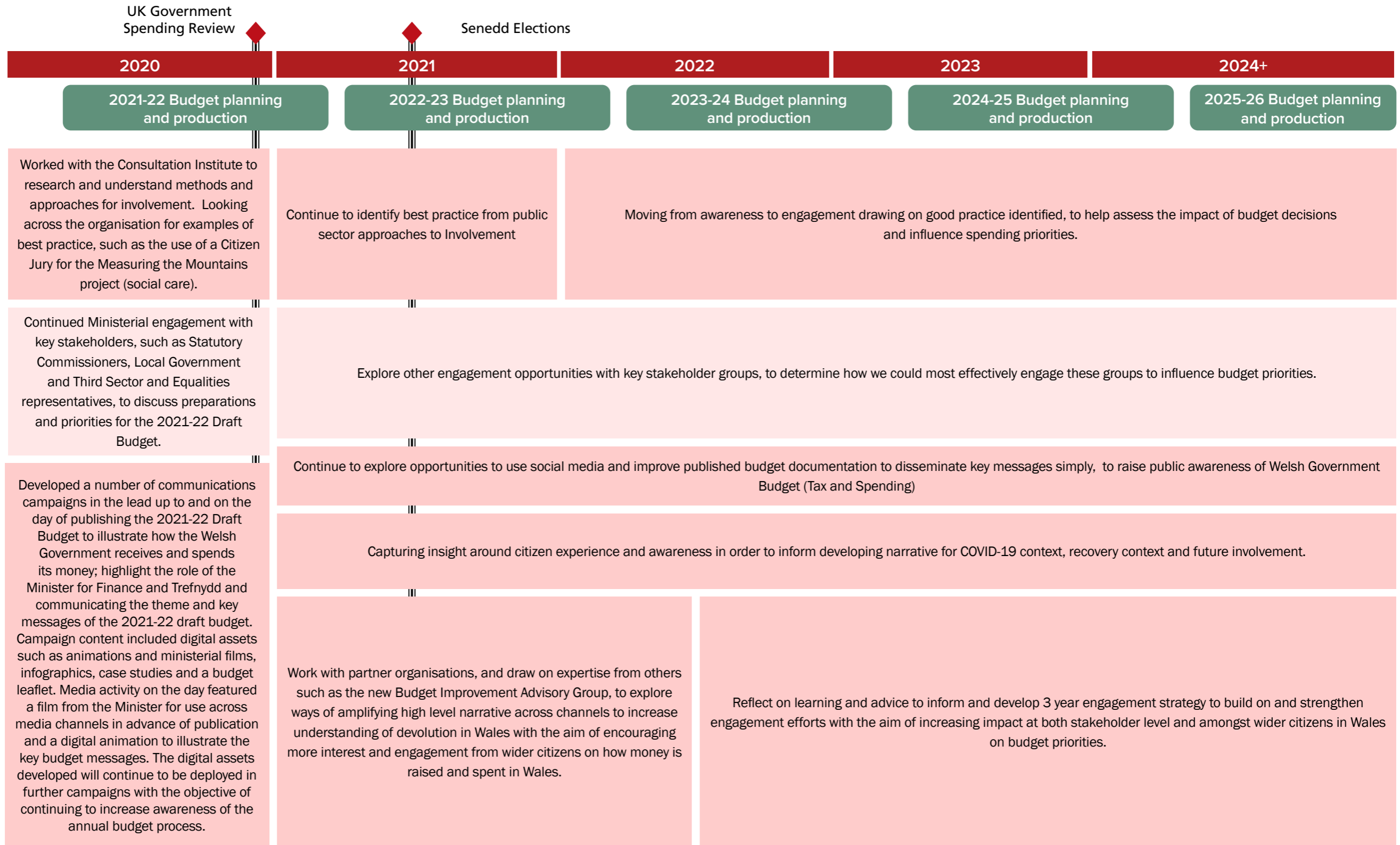






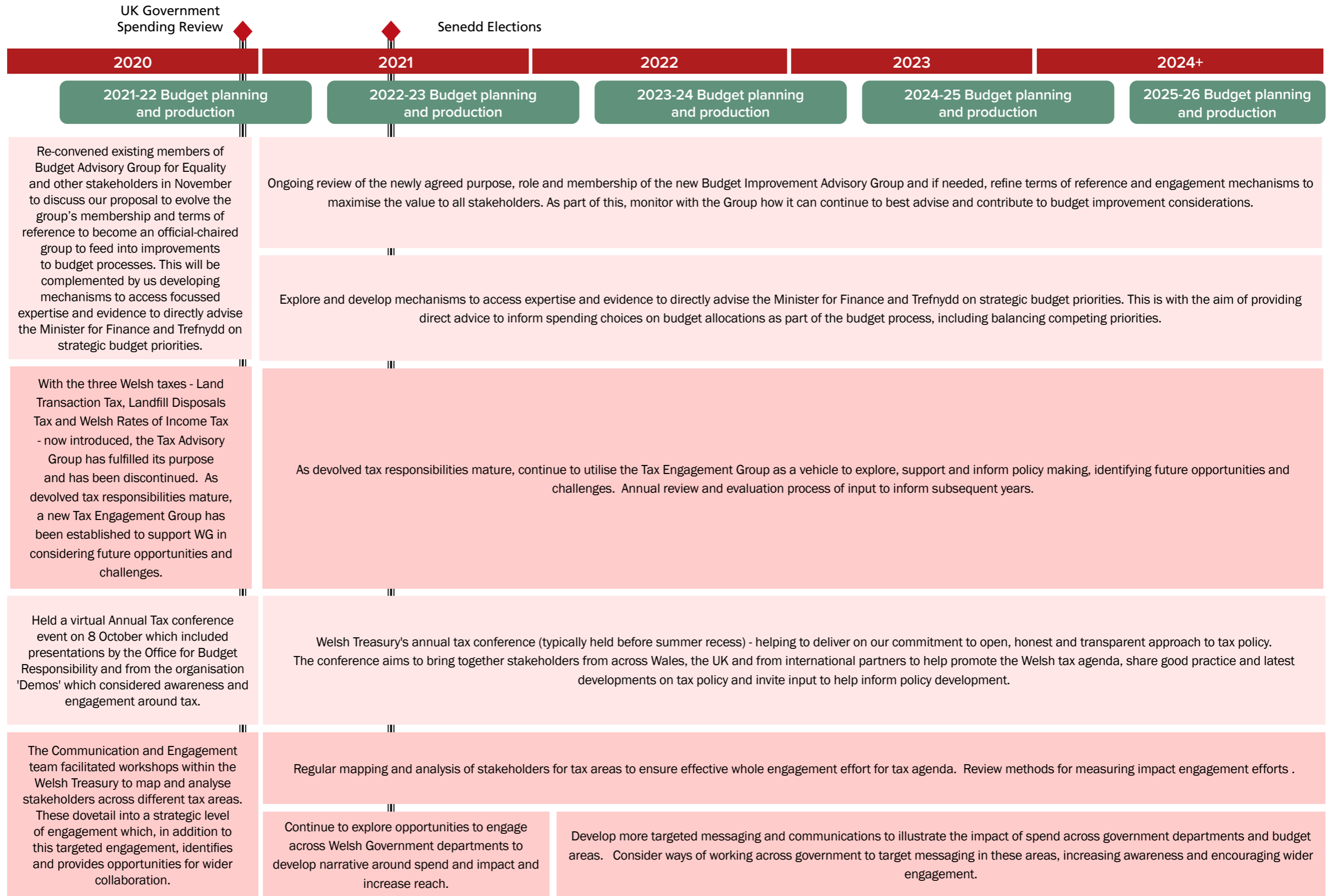
Welsh Taxes





Tax and Budget Engagement

Tax and Budget Engagement



Key

WFG Act – Well-being of Future Generations (Wales) Act

SIIA – Strategic Integrated Impact Assessment of the budget

IIA – Integrated Impact Assessment

UKCCC – UK Committee on Climate Change

MEGs – Main Expenditure Groups

BELs – Budget Expenditure Lines

WIIP – Wales Infrastructure Investment Plan

NICW – National Infrastructure Commission for Wales

FGC – Future Generations Commissioner

BAGE – Budget Advisory Group for Equality

