



Llywodraeth Cymru
Welsh Government

Welsh Government

Draft Budget 2021-22

Protect, Build, Change

December 2020

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Foreword by the Minister for Finance and Trefnydd

I am today publishing our budget proposals for 2021-22. This Budget follows a year dominated by a global pandemic that has affected all of our lives. Primarily a public health crisis and to many a personal tragedy, we have all been touched directly or indirectly by the virus. The consequences of this pandemic for our economy, our society, and our communities are truly profound.

While breakthrough vaccines offer real hope and light at the end of the tunnel, there is no simple reset option in the wake of a pandemic of this scale. As we work together to rebuild, responsible budget management will be essential to protect what matters most and pursue the change that is not just possible, but essential.

This pandemic has hit us after a decade of austerity which starved our budgets of the funding Wales needs and held back the incomes of many. Worse still, it has compounded existing inequalities; the most vulnerable have been hardest hit and some communities have been affected more than others.

As the EU transition deadline looms with enormous implications for our economy we also face the ongoing need to urgently respond to the climate emergency. These challenges have been at the forefront of our minds when shaping this draft Budget as we aim to deliver the fairest possible settlement to help Welsh public services prepare for the challenges ahead.

The UK Government delayed their Spending Review, only announcing the settlement for Wales on 25 November, leaving very little time for our own budget planning in what is a very disappointing budget settlement. The Chancellor also decided to postpone the planned multi-year Spending Review, and instead set spending plans for a single-year only. Once again, this impacts our own ability to provide longer-term certainty for the many services and organisations we fund to deliver for the people of Wales.

Whilst our core resource Departmental Expenditure Limit has risen by £694m in 2021-22, an increase of 4.6 per cent in cash terms, our core budget for day-to-day spending per person in 2021-22 will remain more than 3 per cent lower in real terms than in 2010-11.

The Chancellor claimed to be making a 'once-in-a-generation' investment in infrastructure, yet we received just £60m of additional general capital and saw a reduction of £191m in financial transactions capital. Overall, our capital budget is down in 2021-22 by £131m, a year-on-year cash reduction of 5 per cent. There is therefore a limit on what capital priorities and pressures we can recognise centrally as part of this budget round.

Our determination to keep Wales safe is guided by evidence, and tough decisions have been taken to deliver on our values; from funding free school meals provision to providing the most generous business support package anywhere in the UK. To help Wales recover in the wake of this crisis, this Budget is designed to protect health and jobs, build a greener future and create change for a more equal Wales.

Today I am outlining new funding allocations of £749m revenue and £573m capital as well as providing an initial package of £77m of COVID-19 funding.

Our priority is protecting health and public services where so many sacrifices have been made this year. We are providing an additional £420m for health and social services supporting the NHS's growth and recovery post-pandemic. We are also providing the best possible settlement for local government in the current financial circumstances with £176m to support pressures on schools and social services. Alongside this, specific, targeted allocations will support our priorities and deliver on our values. A further £40m will support the Housing Support Grant, over £20m will meet sixth form and further education demographic pressures investing in Wales' future, £9.4m will support crucial community and school mental health services in addition to a range of investments that further bolster efforts to tackle inequality.

In building a greener future, we are focusing on our priorities of housing, combating climate change, and reinvesting in town centres to maximise the impact of our infrastructure investment. This includes an additional £36.8m for social housing, taking the total budget next year to £200m, and £5m more to develop our National Forest and invest in wider biodiversity. We are investing an extra £40m in education infrastructure, including £5m for the net-zero carbon schools pilot. We will go on decarbonising transport, boosting the funding for active travel by £20m, and providing a total investment of £274.7m in rail and metro.

In line with our commitment to maximise the impact of our infrastructure investment for a greener Wales, we are also making a statement today on the principles for the Wales Infrastructure Investment Plan (WIIP) successor.

I am also making use of our devolved tax powers to help Wales recover. With effect from 22 December 2020, I am lifting the starting threshold of the land transaction tax paid on non-residential property purchases by 50 per cent. Businesses will pay no tax on purchases costing up to £225,000. This will support businesses recovering from the worst of the pandemic as well as helping start-ups. At the same time, I am raising the higher residential rates of land transaction tax by 1 percentage point to provide additional funding for the Welsh Government to invest in our housing priorities. We all have a role to play in meeting the challenges ahead, and these progressive measures will support our businesses, economy and boost our funding for public services in the wake of the crisis. Taken together, these changes will generate around £13m for investment in social housing. From April 2021, I am also increasing our landfill disposals tax rates in line with inflation to support the landfill disposals tax policy objective of reducing waste going to landfill in Wales. This is consistent with UK landfill tax rates for 2021-22 and thus will also act to protect against the risk of waste being transferred across Wales –England border to take advantage of lower rates.

In driving forward the change we want to see for a fairer and more equal society, we are providing an additional £13.4m to support children and young people, including £8.3m for curriculum reform. We are investing more to help workers on low incomes retrain with a £5.4m boost to the free and flexible courses offered through Personal Learning Accounts. We are also investing in the development of improved digital public services, reformed procurement for social value and new cultural projects promoting black history in Wales.

In addition, the Chancellor has confirmed further funding in relation to the coronavirus pandemic in 2021-22. An extra £766m will be provided via Barnett consequential based on comparable spend in England. This funding is welcome but it is significantly less than the £5bn we have received this year. A careful and strategic approach will be adopted once again to provide the right funding at the right time for our response across the NHS and wider public services, as well as business and third sector support. Given that much depends on the path of the pandemic, and in particular the severity of the winter months, I am making £77m of initial allocations today to provide certainty where it is most needed. I will build on these allocations over the coming months and in the final Budget, once I can better assess how funding can best be targeted into 2021-22.

As part of the draft Budget package, I am also including an updated Budget Improvement Plan, building on our commitment last year to provide transparency around improving the Budget and the process around it. We have made good progress in testing new approaches to how we can better assess budget impacts in future, by developing a new distributional impact model for analysing public spending in Wales, and commissioning work to develop a pilot model to estimate greenhouse gas emissions.

Despite the most challenging circumstances we have ever faced as a government, I am proud to announce a budget that delivers on our values and provides sound foundations for the next administration.

The package of funding I am setting out today will support the next steps we must take to protect, build, and change for a more prosperous, more equal, and a greener Wales.

Chapter 1: Strategic context

Overview

- 1.01 The Welsh Government today publishes its draft Budget for 2021-22 which is the final Budget published in this Senedd term. The Budget sets out the Welsh Government's revenue and capital spending plans for 2021-22.
- 1.02 Throughout our budget preparations we have faced significant uncertainties and challenges. When we set spending plans for the current financial year, we could not have predicted the coronavirus pandemic and the way it has impacted on the lives of people, services and businesses in Wales and beyond. This, coupled with the ongoing lack of clarity around a Brexit trade deal with the EU and needing to continue to respond to the climate emergency, creates a significant challenge for us in developing spending plans for the future. This is the challenging backdrop against which this Budget is presented.
- 1.03 In light of the crisis, the UK Government conducted a one-year Spending Review in November rather than conducting the planned multi-year Comprehensive Spending Review. The Spending Review set our settlement for 2021-22 only.
- 1.04 While we had hoped to be in a position to provide longer-term financial certainty for our partners, we are now only able to set revenue and capital plans for a single year.
- 1.05 Our approach has therefore been to maximise the impact of available resources, recognising that we will need to continue to deal with the impact of the pandemic alongside driving forward longer-term change. The allocations show how we are using the resources available to **Protect** public health and jobs as we continue to fight the pandemic, **Build** a greener future whilst making **Changes** for a fairer, more equal Wales. These are the principles which anchor our approach to the allocation of funding and our budget proposals.

Implications of the UK Government's Spending Round

- 1.06 The Spending Review provided a Wales core Resource Departmental Expenditure Limit (DEL) of £15,660m excluding block grant adjustments, which was 4.6 per cent higher than the 2020-21 baseline. In addition, we have received £242m for farm funding and £2m for fisheries which are outside Barnett. The Spending Review also announced additional funding for COVID-19 next year, of which Wales will receive an extra £766m.
- 1.07 The Spending Review also included a reduction of £131m to our capital budget compared to the 2020-21 baseline, made up of a £60m increase to general capital and £191m reduction in financial transactions capital.

- 1.08 The UK Spending Review only covered a single year, so provides little information about the prospects for the Wales budget beyond 2021-22. The UK Government has published longer-term resource and capital plans for certain programmes. However, these do not provide a reliable guide for future funding in Wales, as movements in other programmes not covered by these plans could have a material effect on our overall expenditure limits.
- 1.09 There will now be a further Spending Review next year to provide plans for 2022-23 and beyond. There are also ongoing uncertainties regarding the budgetary position in 2021-22. The future path of the COVID-19 pandemic, and its impact on the economy and public services, may well lead to further changes in the coming year. As we have seen in the current year, the pandemic has required an unprecedented budgetary response. Our resource budget in 2020-21 is now around 30 per cent higher than expected at the time of the final Budget in March. We have £766m of COVID-19 funding for 2021-22, but this is far below the £5bn allocated to Wales this year. Of this COVID-19 funding, some allocations are set out in Chapter four of this draft Budget, with further allocations possible between draft and final Budget.
- 1.10 It is possible that the UK Budget on 3 March 2021 will also have a considerable bearing on the Welsh Government's finances for 2021-22, through further spending or new taxation measures.
- 1.11 To support financial planning beyond this year, the Chief Economist's Report, which is published alongside the draft Budget, provides an analysis of the medium-term fiscal projections which will help to inform scenarios for future resource spending in Wales. Further details on the financial and economic context for the Budget are available in Chapter two.

Fiscal responsibilities and funding

- 1.12 The Welsh Government is primarily funded by a block grant from the UK Government. However, over the past five years, the devolution of tax powers - Welsh Rates of Income Tax, Land Transaction Tax, Landfill Disposals Tax and the financial devolution of Non-Domestic Rates - mean that in 2021-22 around 17 per cent of Welsh Government spending will be funded from tax revenue.
- 1.13 The illustration on the following page highlights the Welsh Government's sources of funding. Further information about tax policy and revenues is provided in Chapter four.
- 1.14 The Welsh Government's fiscal framework agreement sets out the arrangements supporting tax devolution, capital borrowing powers, budgetary management tools, and a needs-based adjustment to the Barnett formula.

Welsh Government Funding 2021–2022

£16.7 billion*

83%

Funding from
UK Government



£2.1 billion

10%

Welsh Rates of
Income Tax



£1.1 billion

6%

Non-Domestic Rates



£264 million

1%

Fully Devolved Taxes
Land Transaction Tax: **£231m**
Landfill Disposals Tax: **£33m**



Capital borrowing by Welsh Government: **£150m** / Planned repayment of capital borrowing: **£7m**
Planned use of Wales' revenue reserves: **£125m**

* Does not include annually managed expenditure (AME) or non-fiscal DEL.

Investment in government priorities

- 1.15** Over this Senedd term the Government has maximised the available resources to support delivery of its key pledges and been agile enough to flex to respond to the huge challenges of COVID-19 and EU exit. Building on the national conversation we had over the summer and into this autumn about what we want our future Wales to look like, the focus of this Budget is on supporting our key priorities to **protect, build and change** in 2021-22.
- 1.16** In setting these plans, our focus has in the fight against the pandemic, been on **protecting** lives, jobs, and our vital public services, which have stepped up to face the challenge of the pandemic on behalf of us all, and continue to do so. We will continue to invest in our vital public services by protecting public health and jobs, in particular, our NHS and local government will receive funding increases.
- 1.17** Key to our **build** priority is how we continue to maximise the impact of our capital investment and support our drive for a greener future with our focus on housing, combating the climate emergency, and investing in our town centres and public transport. Investing in these priorities also reflects the important role our capital investment plays in supporting construction and wider jobs, with the proposed decarbonisation allocations intended to stimulate green jobs. In the 2020-21 Budget, £140m of capital funding was provided in an investment package designed to help combat the climate emergency. In 2021-22, the majority of this funding will be maintained in departmental baselines and we will allocate nearly £80m in additional capital funding to directly support activities that promote decarbonisation and further enhance our rich biodiversity, alongside the actions we are taking as part of our wider investments. This investment complements the wider commitments we are making to tackle the climate emergency, including the comprehensive approach set out in the Low Carbon Delivery Plan.

1.18 Finally, we will strive for **change** for a more prosperous, more equal, and a greener Wales, addressing the climate emergency but also the urgent response to the inequality the pandemic has compounded. Chapter 6 sets out how we have taken further steps as part of this year's budget process to tackle some of the most fundamental challenges facing our country and maximise the impact of new investments across government.

Budget process

1.19 The publication of the UK Government's one-year Spending Review on 25 November impacted upon the timing of this year's Budget. The Welsh Government has, with the agreement of the Senedd's Business Committee and Finance Committee, triggered exceptional arrangements in relation to this year's budget process. This includes publishing the Budget documentation, including the strategic spending plans for revenue and capital, taxation and borrowing proposals, as well as detailed portfolio spending plans together on 21 December.

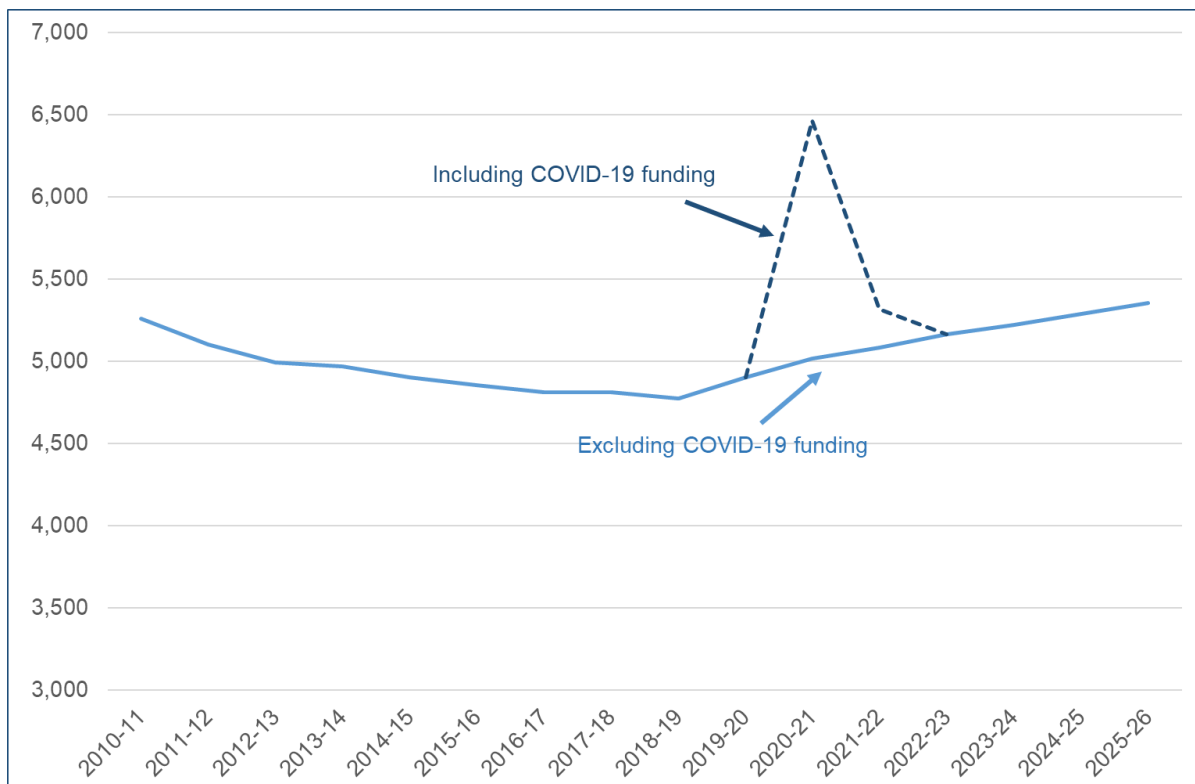
1.20 Following scrutiny of these plans by Senedd Cymru, we will publish the final Budget 2021-22 on 2 March 2021.

Chapter 2: Financial and economic context

- 2.01** The economic and fiscal prospects are considered in greater depth in the Chief Economist's Report which is published alongside this draft Budget.
- 2.02** The Report notes that, as a result of the pandemic, Wales and the UK experienced an unprecedented collapse in economic output (GDP) in the second quarter of this calendar year, followed by a large recovery in the third quarter. The impact on the labour market, and on incomes, has been severe but very much less than the impact on output, as a result of the various support schemes put in place by the UK and Welsh Governments.
- 2.03** Economic prospects for the remainder of this year and beyond are highly uncertain; if effective vaccines are rapidly rolled out, as currently seems likely, an early and sharp recovery is possible. However, the central scenario in the Economic and Fiscal Outlook published by the Office for Budget Responsibility (OBR) alongside the UK Government's Spending Review in November shows output only recovering to pre-COVID-19 levels by the end of 2022.
- 2.04** There would be a further reduction to output if the UK Government fails to confirm a deal with the EU on new trading relations after the Brexit transition period finishes at the end of December. This would be in addition to the long-run loss of output associated with the move from the pre-2021 trading relationship with the EU to a free trade agreement (assessed by the OBR as a loss of 4 per cent in output each year). The COVID-19 pandemic is also having a disproportionate effect on the low-paid and on young people entering the labour market. Further economic disruption is very likely to exacerbate these effects.
- 2.05** Short to medium-term fiscal prospects in Wales will be affected by policy decisions to be taken by the UK Government during fiscal events over the next year. The recent Spending Review has provided some additional resources to the Welsh Government in 2021-22, but these are modest in the context of the short-run pressures from the pandemic and the legacy of over a decade of austerity.
- 2.06** The Welsh Government's core resource budget per person in 2021-22 is still 3 per cent lower in real terms than in 2010-11. Depending on future decisions by the UK Government, it is not expected to recover to its 2010-11 level until 2023-24 (Chart 1). Had it kept pace with GDP growth since 2010-11, the core resource budget would now be nearly £2bn higher and, had it increased in line with the long-run rate of growth in public expenditure, it would be around £6bn higher.

2.07 The longer-run projections in the Chief Economist’s Report provide scenarios for devolved funding over the next decade. The higher scenario for public spending, which the OBR regards as unsustainable under current UK taxation policies, would lead to a slightly faster growth rate than seen in recent years. The middle and lower scenarios would see slower growth than recently. Either of these, combined with an NHS budget which continues to grow at the same rate as announced for England for the next few years, would mean funding for the rest of devolved public services falling in real terms over the next decade.

Chart 1: Medium-term Projection for Welsh Government Resource Budget in Real Terms per Person (£, 2019-20 prices¹)



Source: Welsh Government

¹ For the purposes of chart 1, the OBR’s GDP deflator growth forecast for 2020-21 and 2021-22 has been averaged across the two years. Farm and fisheries funding is excluded to present the resource budget on a consistent basis over time.

Chapter 3: Funding arrangements

Overview

- 3.01 The Welsh Government and public services in Wales are funded through a combination of a block grant from the UK Government and revenue generated by taxes in Wales.
- 3.02 Land transaction tax (LTT) and landfill disposals tax (LDT) were introduced on 1 April 2018, collected by the Welsh Revenue Authority (WRA), and Welsh rates of income tax (WRIT) were introduced on 6 April 2019. Separately, in April 2015, the financial devolution of non-domestic rates (NDR) replaced the previous arrangements for managing the financial risks. Taken together, WRIT, LTT, LDT and NDR will contribute around £3.4bn to the Welsh Government budget in 2021-22.
- 3.03 As part of the adjustment made to accommodate the devolution of tax powers, the fiscal framework includes a permanent change to the Barnett formula as applied to Wales. The introduction of a needs-based factor, currently set at 105 per cent, has already delivered nearly £600m in additional funding for Wales over the period 2018-19 to 2021-22, around £275m of that in relation to COVID-19 funding.

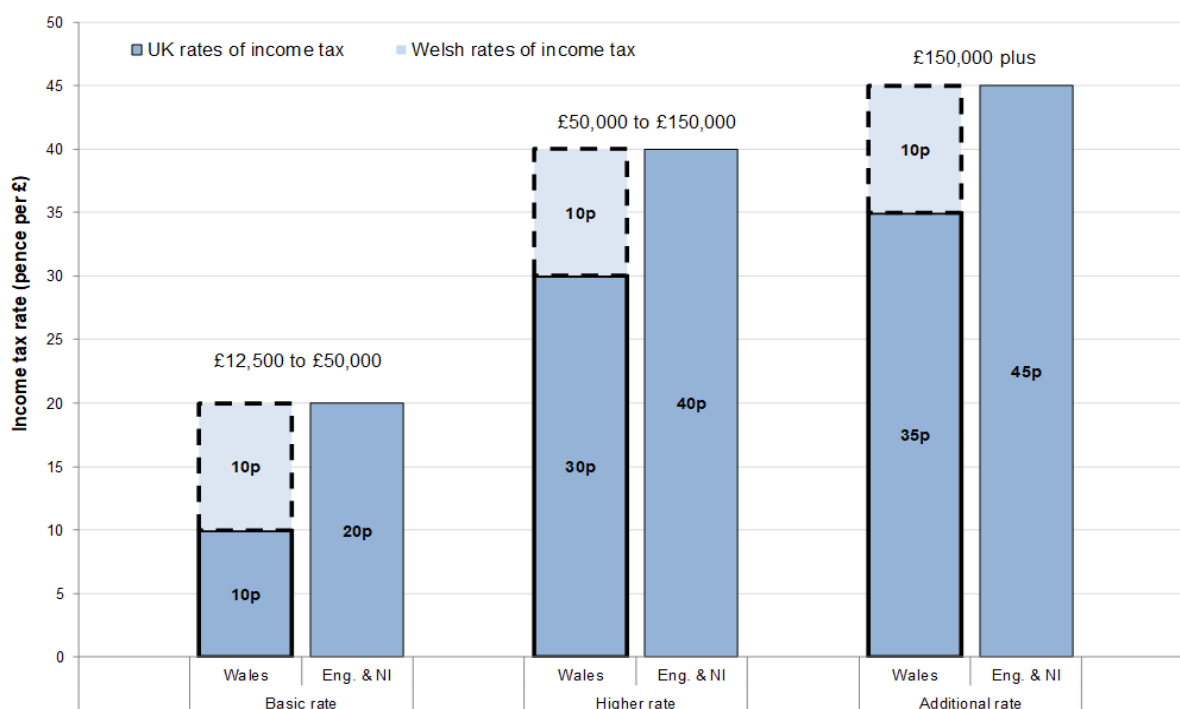
Tax Policy

- 3.04 The tax powers strengthen the links between the Welsh Government and the citizens, communities, and businesses in Wales, and provide additional levers, which can help to deliver our priorities. The Welsh Government's overall approach to taxation is described in our Tax Policy Framework.
- 3.05 The Welsh Government has developed a tax policy cycle. This starts with the publication of a Tax Policy Work Plan, followed by research, analyses, and engagement, and a Welsh Tax Policy Report summarising emerging findings and conclusions, which feed into the next work plan. Now Welsh taxes and the Welsh Revenue Authority have been established, many of the issues are longer-term considerations which will take time to develop, however, the publication of the work plan enables interested organisations and individuals to understand what the Welsh Government is investigating, ask questions, and contribute their views, knowledge, and experiences. The Welsh Government hosts an annual tax conference to provide a further opportunity for stakeholders to discuss the direction of Welsh tax policy – the most recent conference was held as a virtual event on 8 October 2020.

Welsh Rates of Income Tax (WRIT)

3.06 WRIT was introduced on 6 April 2019. Income tax is partially devolved to Wales, which means that while the Welsh Government is able to vary the three income tax rates (basic, higher and additional) for Welsh taxpayers, all other aspects of the tax remain the responsibility of the UK Government, and HMRC continues to administer income tax in Wales.²

Chart 2: Income tax rates in Wales, 2020-21



3.07 The process for Wales involves the UK Government reducing each of the three income tax rates for Welsh taxpayers by 10p, and making a corresponding reduction to the Welsh block grant, which funds devolved public services in Wales. The Welsh Government then decides whether to set the Welsh rates at 10p, thereby reinstating the funding for services (and retaining parity between Welsh and English taxpayers) or to set different rates. In line with its commitment not to increase WRIT during this Senedd term, the Welsh Government proposes to set the rates for 2021-22 at 10p.

Other Welsh taxes

3.08 LTT and LDT were introduced on 1 April 2018. They are fully devolved, which means the Welsh Government is able to decide all aspects of the taxes. In return for the tax revenue, the Welsh block grant has been reduced by an amount equivalent to what the previous UK taxes (stamp duty land tax and landfill tax) raised in Wales for the UK Government. The taxes are collected and managed by the WRA.

² In most cases, Welsh taxpayers are defined as people who live in Wales, however a full definition is provided under s.8 of the Wales Act 2014:

<http://www.legislation.gov.uk/ukpga/2014/29/section/8/enacted>

Land Transaction Tax (LTT)

3.09 In 2020-21, the Senedd approved changes made by the Welsh Government to the main residential rates of LTT. The changes provided a temporary tax reduction period for homebuyers completing transactions between 27 July 2020 and 31 March 2021 inclusive.³ The temporary tax reduction period removed the first threshold which charged tax at a rate of 3.5 per cent on the value of the consideration which was between £180,000 and £250,000. The main residential rates in force before the temporary reduction period are at Table 3.2.

Table 3.1: LTT Residential main rates (27 July to 31 March 2021 inclusive)

Price threshold	LTT rate
£0 to £250,000	0%
More than £250,000 to £400,000	5%
More than £400,000 to £750,000	7.5%
More than £750,000 to £1,500,000	10%
£1.5m plus	12%

3.10 In 2021-22, the temporary tax reduction period for the main residential rates will have ended and the rates and thresholds which have been in force since LTT started operating from 1 April 2018 will again apply. These are set out in Table 3.2 below. This unwinding of the temporary reduction period is consistent with the Welsh taxes principles of being clear and stable enabling citizens and business to plan with certainty.

3.11 In 2021-22, LTT will continue to have the highest starting threshold for the residential main rates in the UK, with around 90 per cent of homebuyers in Wales either paying the same or less tax compared to its predecessor, stamp duty land tax.

Table 3.2: LTT Residential main rates from 1 April 2021 onwards

Price threshold	LTT rate
£0 to £180,000	0%
More than £180,000 to £250,000	3.5%
More than £250,000 to £400,000	5%
More than £400,000 to £750,000	7.5%
More than £750,000 to £1,500,000	10%
£1.5m-plus	12%

³ <https://gov.wales/written-statement-temporary-changes-land-transaction-tax-rates-and-thresholds>

3.12 A higher rate of 3 per cent in addition to the main residential rate in each band may apply where an individual who already owns one or more residential properties buys a further residential property. However, if they are replacing their main residence, the higher rates may not apply. Companies buying residential properties will have to pay the residential higher rates, and trusts buying residential properties may have to pay the residential higher rates. The WRA's annual statistical release for the year 2019-20 included analysis of land transaction tax data in relation to the higher rate surcharge on a geographical basis to help monitor the impact of the higher rate.⁴ The temporary tax reduction period did not apply to higher rates transactions.

Table 3.3: LTT Residential higher rates from 1 April 2018 to 21 December 2020

Price threshold	LTT rate
£0 to £180,000	3%
More than £180,000 to £250,000	6.5%
More than £250,000 to £400,000	8%
More than £400,000 to £750,000	10.5%
More than £750,000 to £1,500,000	13%
£1.5m-plus	15%

3.13 On 21 December 2020, the Welsh Ministers made regulations to effect changes to the rates charged on higher rates residential property transactions and non-residential transactions including the rent element of non-residential and mixed leases. These changes come into effect on 22 December.

3.14 The changes to the higher residential rates have the effect of increasing the tax rates applied to the bands by one percentage point. The bands are unchanged. This will mean, for example, the rate applied to the value within the tax band £250,000 to £400,000 will be charged at 9 per cent. However, as it only applies to the value which lies within the band, it does not mean the entire value of the transaction is taxed at that rate. The full residential higher rates chargeable from 22 December 2020 and in 2021-22 are set out in Table 3.4 below.

Table 3.4: LTT Residential higher rates from 22 December 2020 onwards

Price threshold	LTT rate
£0 to £180,000	4%
More than £180,000 to £250,000	7.5%
More than £250,000 to £400,000	9%
More than £400,000 to £750,000	11.5%
More than £750,000 to £1,500,000	14%
£1.5m-plus	16%

⁴ <https://gov.wales/land-transaction-tax-statistics-april-2019-march-2020-html>

- 3.15** On 21 December 2020 the Welsh Ministers also made regulations to effect changes to the bands applicable to non-residential transactions including the rent element of non-residential and mixed leases. These changes come into effect on 22 December 2020. Additionally, regulations are to be laid to change the specified amount of relevant rent to reflect the changes in the tax bands (increasing the amount from £9,000 to £13,500) maintaining the same relationship between the bands and the relevant rent amount.
- 3.16** The changes to the tax bands, for both the non-residential rates that apply to consideration other than rent and to the rent element of non-residential and mixed leases, increase the zero rate bands from £150,000 to £225,000. This is an increase of £75,000, or 50 per cent, compared to the previous zero rate threshold. The non-residential rates and bands which apply to consideration other than rent and to the rent element of non-residential and mixed leases chargeable from 22 December 2020 are set out in tables 3.5 and 3.6 below.
- 3.17** These changes will result in Wales having the largest nil rate bands for non-residential transactions in the UK. Wales will also retain a lower starting rate of tax for the purchase of business premises (freehold or premium payments) than stamp duty land tax. The vast majority of non-residential transactions in Wales, and all those below around £1.2m in price, will pay the same or less tax than under stamp duty land tax. The Welsh Government will keep the evidence about the impact of the non-residential rates under review.

Table 3.5: LTT non-residential main rates from 22 December 2020 onwards

Price threshold	LTT rate
£0 to £225,000	0%
More than £225,000 to £250,000	1%
More than £250,000 to £1,000,000	5%
£1m-plus	6%

Table 3.6: LTT non-residential lease rent rates from 22 December 2020 onwards

Price threshold	LTT rate
£0 to £225,000	0%
More than £225,000 to £2,000,000	1%
£2m-plus	2%

Landfill Disposals Tax (LDT)

3.18 On introducing landfill disposals tax, a clear message from stakeholders was the need for consistency, certainty, and stability for businesses. The Welsh Government committed to maintain consistency with the UK Government's approach to landfill tax rates for the lower and standard rate of tax in 2018-19 and 2019-20. This was to support the LDT policy objective of reducing waste going to landfill in Wales, and to protect against the risk of waste being transferred across the Wales-England border to take advantage of lower rates. That policy continued for 2020-21. It is considered that stability over rates will benefit businesses even more so this year, given the current economic uncertainty generated by the pandemic and the UK's departure from the EU, therefore, it is intended to maintain consistency with the UK landfill tax rates for 2021-22. The proposed rates, subject to approval by the Senedd, are set out in the table below.

Table 3.7: LDT rates, £ per tonne

Price threshold	2019-20	2020-21	2021-22
Standard rate	£91.35	£94.15	£96.70
Lower rate	£2.90	£3.00	£3.10
Unauthorised disposals rate	£137.00	£141.20	£145.05

Non-domestic Rates (NDR)

3.19 Local taxation is an integral part of the system for funding local government in Wales. The gross revenue payable from NDR is over £1.3bn. Once reliefs are applied, NDR contributes over £1bn towards the annual funding of local services.

3.20 The Welsh Government provides over £230m in statutory reliefs. The permanent Small Business Rates Relief (SBRR) scheme is providing over £125m of relief in 2020-21, with half of businesses paying no rates at all. Our charitable relief scheme provides benefit of over £65m, resulting in charities and community amateur sports clubs receiving between 80 per cent and 100 per cent off their rates bills. Empty Property Rates Relief also provides an initial exemption period when a property has become unoccupied, with relief totalling almost £30m. The impact of coronavirus on the level of property vacancies and the tax base continues to be assessed. These schemes are fully funded by the Welsh Government.

3.21 In 2020-21, as part of emergency COVID-19 measures, we introduced our Retail, Leisure and Hospitality Rates Relief Scheme, providing 100 per cent rates relief to ratepayers occupying premises with a rateable value of up to £500,000. We have also made available over £875m of grant support to non-domestic ratepayers. Those with a rateable value of up to £12,000 have received a grant of £10,000, and those eligible for Retail, Leisure and Hospitality Rates Relief with a rateable value between £12,001 and £50,000 have received a grant of £25,000.

3.22 Throughout 2021-22, extensive work will be carried out in preparation for the next NDR revaluation scheduled to take effect from 1 April 2023. This will include a consultation on setting the decapitalisation rates for properties without a market rental value, planned for the spring. Towards the end of the year, further preparatory work will be undertaken to examine the potential impact of the revaluation on the tax base. The Welsh Government will also continue to monitor the impact of COVID-19 on the non-domestic property tax-base. We will also be considering the longer term policy on the length of time between each revaluation and options for reforming NDR appeals.

Independent tax revenue forecasts

3.23 This draft Budget is accompanied by independent forecasts of devolved tax revenue from the OBR. A separate *Welsh Taxes Outlook* report providing background and detail on the forecasts has been published on the OBR’s website. The forecasts for 2021-22 are shown in Table 3.8.

Table 3.8: Tax revenue forecasts

	2021-22 £m
Land transaction tax	231
Landfill disposals tax	33
Welsh Rates of Income Tax	2,064

Block grant adjustment

3.24 Following the devolution of tax powers to Wales, the Welsh Government’s block grant is reduced to reflect the fact that revenues from devolved and partially-devolved taxes now go directly to the Welsh Government rather than the UK Exchequer.

3.25 For the purposes of this draft Budget, the block grant adjustments for the fully-devolved taxes are consistent with OBR forecasts of the equivalent UK taxes, based on the November 2020 *Economic and Fiscal Outlook*. In total, the block grant adjustment for the fully-devolved taxes is £254m in 2021-22.

3.26 The 2021-22 block grant adjustment for the Welsh rates of income tax is driven by forecast growth in equivalent revenues in England and Northern Ireland in each income tax band, also using the OBR’s November *Economic and Fiscal Outlook*. The block grant adjustment for income tax in 2021-22 is £2,099m.

Wales Reserve

3.27 The Wales Reserve was introduced in April 2018 as part of the fiscal framework arrangements to enable us to deal effectively with volatility arising from tax revenues by retaining unspent resources for use in future years. It replaces the previous budget exchange process

3.28 The Wales Reserve can hold up to £350m. Annual drawdowns are limited to £125m for revenue spending and £50m for capital spending. There are no annual limits for payments into the reserve.

- 3.29** At the start of 2020-21, £336m was held in the reserve – £229m revenue and £107m capital. The capital includes both general and financial transactions. Plans to use funding held in the reserve in-year will be included in the forthcoming 2020-21 third supplementary Budget.
- 3.30** In setting our spending plans for 2021-22 we have planned to draw down £125m revenue from the Wales Reserve.

Borrowing

- 3.31** This draft Budget reflects our plans to borrow £150m in 2021-22 – the maximum that we can currently access in a single year within the fiscal framework. The limited capital settlement that Wales received from the 2020 Spending Review means that we must maximise the levers at our disposal in order to deliver our ambitious capital investments. However, capital borrowing is not a free source of additional money and must be repaid.
- 3.32** It is important we manage our capital budget within the flexibilities that we currently have, but also that we continue to push to ensure that those flexibilities appropriately reflect the challenges we face in long-term infrastructure investments.
- 3.33** Within our existing framework, we will maintain our approach to funding investment by maximising the drawdown of the least expensive forms of capital first – typically our block grant settlement. We will only use more expensive forms of capital financing, such as borrowing, once we have exhausted these traditional sources. Innovative models, including private investment in projects, will only be considered on projects that are low risk and of the appropriate scale.
- 3.34** However, we will continue to push in our discussions with HM Treasury for the broader flexibilities that we need to manage our budget in the most effective way for the people of Wales. In particular, we will press for increases to both the annual and aggregate limits on our access to capital borrowing, as well as for greater year-end carry forward and drawdown flexibilities within the Wales Reserve.
- 3.35** The Welsh Government will draw its borrowing capital from the National Loans Fund. Repayment forecasts for the period we have set capital plans are set out in Table 7.4. The repayment forecast is based on an assumption of a repayment period of 25 years and an interest rate of 0.99 per cent on borrowing in 2021-22.

Innovative finance

- 3.36** In addition to our core capital budgets and borrowing powers, we continue to make full use of innovative financing solutions to help deliver timely additional investment in vital economic and social infrastructure. An update on these schemes is provided in Annex D.

Sources of Finance for Welsh Government

3.37 The sources of finance for Welsh Government comprise block grant funding from the UK Government, in conjunction with fully-devolved taxation, Welsh rates of income tax and non-domestic rates. Table 3.9 sets out sources for resource and capital.

Table 3.9 SOURCES OF FINANCE FOR WELSH GOVERNMENT

COMPONENTS OF WELSH FINANCING	2021-22 Draft Budget December 2020
	£000s
RESOURCE FINANCING	
Departmental Expenditure Limit (DEL):	
Fiscal	14,351,223
Non-Fiscal	690,064
Drawdown from the Wales Reserve	125,000
Annually Managed Expenditure (AME):	
Fiscal	27,915
Non-Fiscal	149,934
Wales Devolved Financing:	
Non-Domestic Rates	1,101,000
Welsh Rates of Income Tax	2,064,061
Land Transaction Tax	230,998
Landfill Disposals Tax	32,728
Principal repayment of borrowing	-6,887
TOTAL RESOURCE FINANCING	18,766,036
CAPITAL FINANCING	
Departmental Expenditure Limit (DEL):	
General	2,255,555
Financial Transactions	112,604
Annually Managed Expenditure (AME):	
Capital	968,961
Wales Devolved Financing:	
Borrowing	150,000
TOTAL CAPITAL FINANCING	3,487,120
TOTAL WELSH FINANCING	22,253,156

Chapter 4: COVID-19

- 4.01 In the Spending Review, the Welsh Government received £766m in consequential in 2021-22 as a result of COVID-19-related spending announcements in England in devolved areas.
- 4.02 We intend to deploy this funding in our continuing efforts to respond to, and mitigate the impact of, the pandemic. While we now have hope through the vaccines, much uncertainty remains around the exact path the pandemic will take and the impacts this will continue to have on our public services and the wider economy into next year. In order to ensure that any decisions best meet the evolving challenges presented by the pandemic, it is prudent to retain as much flexibility as possible now and we intend to make further allocations from this funding at final Budget as we better understand the impact of the winter months on the spread of the disease. In particular we will consider what additional funding is needed to support the NHS and local government as they stand at the forefront of our response to the pandemic.
- 4.03 We are however allocating funding to a small number of areas now where there is an operational need in order to sustain services.

Investing in homelessness support

- 4.04 As some of the most vulnerable people in our society, people experiencing homelessness are at disproportionate risk to COVID-19 owing to their lack of safe housing, and access to hygiene facilities and support services. Throughout the pandemic, and in partnership with local authorities, and the third sector, we have provided significant funding for measures to support people experiencing homelessness. In order to build on the progress made to date, we have increased the Homelessness Prevention Grant by £4m this year to £21.9m in 2021-22. This grant supports the delivery of services aimed at preventing homelessness, and where it cannot be prevented, ensuring it is rare, brief, and un-repeated. The additional funding will enable us to maintain the emergency provision of accommodation and support in the early part of the next financial year as required, and ensure continuity of provision. This investment, coupled with additional £40m funding for the Housing Support Grant (see Chapter 6), represents an important step towards achieving our long-term goal of ending homelessness in Wales. See case study 4 in Annex C for further details.

Investing in the contact tracing workforce

- 4.05 We are allocating an initial £10m to sustain the contact tracing workforce to ensure that we are able to continue effectively dealing with the current and projected cases of COVID-19 to help reduce transmission rates. It is important that the contact tracing workforce is maintained through 2021 to have the capacity to investigate and trace new positive cases and close contacts, and to cope with any future peaks in cases. This investment will significantly help with regional recruitment and workforce planning for what is a central part of the Government's strategy to restart the economy while containing the spread of the virus.

Investing in Free School Meal Provision

4.06 Ensuring the continuation of free school meal provision has been a key priority for the Welsh Government over the course of the pandemic. Wales has led the way in ensuring that during these times of great uncertainty, those who rely on free school meals have still been able to receive them during the school holidays. We were the first of the UK nations to confirm that free school meal provision would be made available during the summer holidays and the first to announce that provision would continue throughout the school holidays until Easter 2021. Building on the £52.7m of funding announced so far this year, we will provide an additional £23.3m to extend free school meals in school holidays for the entirety of 2021-22. This investment will ensure that local authorities can provide a nutritious meal during the school holidays for all children from low income and disadvantaged backgrounds irrespective of whether they are physically in a school building or not. This investment will not only help to reduce poverty and health inequalities in our society, but will also provide support for families who are struggling to make ends meet during these difficult times.

Investing in bus support

4.07 Buses play a central role in connecting people and communities across Wales and provide access to key services, particularly for people from households without access to private transport. However, the ongoing social distancing measures and the marked decrease in people travelling by public transport has left Welsh bus companies with significant shortfalls in revenue. Building on the significant support we have already provided in 2020-21, we are providing an additional £18.6m for the bus industry in 2021-22. During this period of ongoing uncertainty, this funding will provide stability to bus operators to continue to run efficient services in the early part of the next financial year. This investment will also fund a review into how bus services operate so that we can both safeguard and subsequently reform the industry to meet the needs of the people of Wales and the continuing challenges posed by COVID-19.

Investing in the third sector and volunteering

4.08 The third sector, and the volunteers it supports, have played a vital role in our response to the pandemic and will be similarly support individuals and communities during our recovery. We know that income for the sector is expected to shrink with fundraising activity severely curtailed, and this is likely to continue while COVID-19 measures remain in place. We have allocated £3m of COVID-19 funding to provide early certainty in the next financial year to the sector as they continue to be at the forefront of our response to the pandemic. This is alongside the additional £0.7m we are separately providing during 2021-22, enabling the sector to continue to support the most vulnerable individuals in our communities (as set out in Chapter 6).

Investing in catch up learning

4.09 The COVID-19 pandemic has impacted every aspect of education in Wales, with protection measures interrupting conventional teaching and access to educational institutions. We know that this year has been defined by disruption and anxiety for many students, and that the impact of this disruption is likely to be felt long into the next academic year and possibly beyond. In response to the pandemic, we launched the 'Recruit, Recover, Raise Standards' plan, accelerating learning for key individuals and groups with funding for schools to recruit new staff to address lost learning. The additional investment of £29m in the academic year 2020/21 is providing the equivalent of 600 extra teachers and 300 teaching assistants, targeting extra support at Years 11, 12 and 13, as well as disadvantaged and vulnerable learners of all ages. Of this investment, £17m has been provided in 2020-21 and we are allocating £12m in 2021-22. This significant investment will help us combat the loss of learning, skills, and productivity, and will bring tangible benefits to students and the wider economy in Wales.

Investing in Communities for Work Plus

4.10 Communities for Work Plus provides specialist employment advisory support and intensive mentoring to people who are either in or at risk of poverty, and who face complex barriers to employment and training opportunities. Through helping people in unemployment gain work experience, learn new skills, or through expert employment advice, Communities for Work Plus enables people to build confidence and unlock their potential. Building on the £3m in 2020-21 for the recruitment of additional mentors and employer liaison officers to support our local authority and third sector delivery partners across Wales, an additional £6m will be provided in 2021-22. Against a backdrop of significant economic uncertainty, this funding will ensure that the service continues to provide expert advice to support and empower people out of unemployment.

Chapter 5: EU Transition

End of Transition and the Implications for Wales

- 5.01 The past year has seen Wales face uncertainty and challenges not only through the COVID-19 pandemic, but as a result of the EU exit transition period which ends on 31 December. We have been disappointed by the lack of transparency and meaningful engagement from the UK Government on transition matters and EU programme replacement funding, and even more so by the UK Government's failure to fulfil its commitment to replace EU funding in full at the November 2020 Spending Review.
- 5.02 We have also seen the UK Government's assertion of their respect for devolved competencies directly conflicted by their proposed use of the UK Internal Market Bill's financial assistance powers to spend directly in Wales through the Shared Prosperity Fund.
- 5.03 Even where we were provided with funding in the Spending Review, the replacement farm funding provided by the UK Government is £137m less than we would expect for 2021-22, which will have impacts for our rural communities and environment. The UK Government's proposal for a UK-wide Shared Prosperity Fund will be worth just £220m next year for the whole UK – a significant reduction compared to the £375m per year from which Wales alone currently benefits through the European Structural and Investment Funds. This has serious implications for our businesses, communities, and people across Wales who are already struggling from the impact of the COVID-19 pandemic.
- 5.04 Our [Framework for Regional Investment](#), which we have developed with a wide range of stakeholders across Wales, including local government, business, academia, and the third sector, and through a public consultation, sets out a greater role for regions and communities so that our investments will reach those who most need it, and will support jobs and prosperity in a way which is both inclusive and sustainable. The lack of UK engagement on a replacement for EU Structural and Investment Funds has undermined three years of work and collaboration.
- 5.05 On fisheries, the funding we have received at £2.1m will go some way to support the maritime and fisheries sector, which is particularly vulnerable to changes as a result of our exit from the EU. The funding we have received for fisheries and farm support is reflected in the allocation for the Environment, Energy and Rural Affairs portfolio.

- 5.06** Any funding allocated to UK Government Departments for 2021-22 onwards to meet the costs of new responsibilities and functions was subsumed within overall departmental settlements. As such, we cannot separately identify specific allocations in respect of new functions that were previously delivered and managed at an EU level. This forms part of our overall settlement from which we will need to fund around 4,000 new responsibilities and functions that will fall to the Welsh Government. Some of these functions will have a disproportionate impact on Wales, for instance, the new duties associated with additional checks at our ports, and we will continue to press the UK Government to provide further funding to meet these costs.
- 5.07** As the UK approaches the end of the transition period, we continue to assess the financial implications, and pursue measures to mitigate the impact of this uncertainty. Our £50m European Union Transition Fund, announced at the start of 2018, has helped Wales' businesses, public services and most vulnerable people face the end of the transition period with as little disruption as possible. This fund has, for instance, been utilised to support the social care sector, tackle food insecurity, and build up business resilience; areas which have also all been affected by the pandemic.
- 5.08** The Welsh Government has done as much as possible to prepare Wales for the changes that are coming. Our [End of Transition Plan](#), published on 11 November, sets out a range of key actions to help mitigate, as far as possible, the negative impacts on Wales, including from a no deal outcome. This includes measures to support businesses in Wales when our trading relationship with the EU will change significantly. Helping businesses to manage the dual challenges of the pandemic and the end of the transition period are key priorities. As well as the newly relaunched Business Wales EU Transition Portal and bespoke specialist advice delivered by the service, we have provided £100m of business development grant funding this year aimed at specifically helping businesses to prepare for long-term challenges associated with life post-COVID-19 and life outside the EU.
- 5.09** At the time of preparing the Budget, we still do not know whether there will be a comprehensive trade agreement in place at the end of the year and what the full implications will be. For that reason, we are not allocating any funding in the Budget, beyond the fisheries and farm support funding but will keep this under review as we move through the passage of the Budget. As set out in the End of Transition Plan, additional funding from the UK Government is critical for delivering actions within the Plan.

Chapter 6: Investing in our Government's priorities

Overview

- 6.01 The Budget continues to place investment in our vital public services at the heart of our spending plans, as well as supporting our ambitions for a more equal, prosperous, and greener Wales.
- 6.02 Whilst we must acknowledge the challenge of planning a Budget whilst not knowing the path the pandemic, or the way we will exit the EU, we have strived to maximise the resources available to us. At the centre of our plans is continued investment in our NHS and public services, which are vital to supporting the people of Wales as we move to recover and reconstruct in 2021-22.
- 6.03 From the outset, we have prioritised health, together with providing local government with the best possible settlement in the current financial circumstances. Our preparations have been shaped by our focus on **protecting** health and jobs, **building** a greener future, and driving **change** for a more equal, fairer Wales.
- 6.04 As a result of the additional funding Wales received for 2021-22, we are able to provide increases to all portfolios in this Budget. We are able to recognise some specific pressures on spending, and make a number of targeted investments in line with our priorities. However, it is worth noting that, even with the increases announced in this Budget, our core resource budget per person in 2021-22 will still be 3 per cent lower in real terms than it was in 2010-11. It is therefore unsurprising that there remain significant and widespread pressures on the Budget.

Protect

- 6.05 Our absolute priority must be to preserve life and protect the people of Wales. COVID-19 has been devastating for many families, not only for those who have lost loved ones, but also for the many others who are suffering from chronic illnesses and conditions because of delayed treatment as a result of the pandemic. This Budget prioritises the protection of people's health and jobs as we move to recover and rebuild for a better Wales.

Investing in health, well-being and social care

- 6.06 We are providing more than £385m extra funding for core NHS services, taking total NHS funding in 2021-22 to more than £8.4bn. This additional funding will protect core NHS services, ensuring that it has the necessary investment to sustain core service delivery and continue to respond to the immediate and long-term impact that the pandemic has had on the health of the Welsh population.
- 6.07 As well as covering pay increases for our hardworking and dedicated NHS staff, it will fund other inflationary cost growth in NHS services and also allow us to continue investing in transforming the delivery of health services with new service models, technologies, and treatments. These will include further developments in the areas of Genomics and Advanced Therapy Medicinal Products (ATMPs).

- 6.08 We will also continue to invest in Primary Care transformation and reform of the Primary Care contracts, protecting and improving vital services in communities across Wales for the long term.
- 6.09 During the pandemic, we have seen the importance of our workforce, and we will increase investment by £17.5m for the education and training of new health professionals and ongoing support for our existing staff.
- 6.10 We will also allocate £25m in supporting the transformation of services. We will continue our investment in preventative programmes and prioritise digital programmes. These will include national data, digital wards, prescribing, and eye care and we will continue to explore further digital transformation and targeted support to maintain essential services. During the pandemic, the use of technology has been accelerated across Wales, not only by embedding new ways of working but by improving access to healthcare advice from homes. These new ways of working are providing services out of the hospital setting and show how digital technology can empower patient care.

Public Health Wales – Health Protection

- 6.11 The experience of the COVID-19 pandemic has highlighted the need for increased investment in health protection. We will provide an extra £10m to Public Health Wales to support the transformation of health protection services in Wales. Building on the investments we have already made into modernising and increasing capacity in the Public Health Wales microbiology service, this investment will ensure Wales has a leading-edge health protection service for the long term.

Social care

- 6.12 We are also increasing the Social Care Workforce Grant by £10m in 2021-22 to £50m. This will support the delivery of sustainable services and the sustainability of the workforce, recognising the significant impact the pandemic has had on the sustainability of the social care sector. Closer integration of health and social care remains at the centre of the vision we set out in *A Healthier Wales*.
- 6.13 We will continue to support third sector organisations by allocating an additional £1.5m through Social Services third sector Grants. This will help to ensure they can respond effectively and support the ongoing COVID-19 response and longer-term reconstruction and recovery of social care.
- 6.14 We will invest an additional £2m in Social Care Wales which will continue the expansion of the professional registration of the social care workforce and provide ongoing support for the stabilisation and recovery of the sector through delivery of the Workforce Strategy.
- 6.15 In 2021-22 we will also maintain our total investment in the Integrated Care Fund by £89m but, within this envelope, we will prioritise £2m to support high-need looked after children who are currently being sent outside of Wales. This is in addition to the £40m capital contribution to the Integrated Care Fund from within the Housing and Local Government Portfolio.

6.16 Building on the £0.3m investment in 2020-21 as part of our £320m reconstruction package we will invest an additional £0.6m in the National Fostering Framework to provide the infrastructure for the Foster Wales campaign during 2021-22, with the intention of providing sufficient care home places to support children's well-being, independence, and future life chances. This investment demonstrates our ongoing commitment to guaranteeing the best future possible for children who are looked after, including those with complex needs. We recognise that the pandemic will have disproportionately impacted our most vulnerable children, including children who are looked after. This preventative approach builds on the significant support we put in place this year through the Local Authority Hardship Fund, and focuses on ensuring that every child in Wales has the support they need to thrive during this extraordinary time.

Investing in mental health and well-being.

6.17 Protecting Mental Health Services in 2021-22 remains a priority. Recognising the impact that the pandemic has had on many people's mental health and well-being, we are allocating an additional £20m within Health and Social Services to increase support across a range of areas. We will raise our commitment under *A Healthier Wales* for the Mental Health Service Improvement Fund through doubling our funding from £7m to £14m, and providing increased support for frontline non-clinical services, all age crisis support and memory assessment services.

6.18 We will also support an expanded Health for Health Professionals service, providing a free, confidential support service for health and care professionals.

6.19 The pandemic is inevitably causing additional negative impacts to mental health for people of all ages, not least children and young people. In this Budget, we are maintaining our investment in supporting mental health within education. Building on £2m allocated in 2020-21, we are allocating a further £4m to support the rollout of Child and Adolescent Mental Health Services (CAMHS) in-reach across Wales, providing an overall budget of £9m for the whole-system approach to mental health in 2021-22. This work programme, which continues our preventative approach, will include the provision of school-based counselling. Further detail on the impact of this funding is presented in case study 1 in Annex C. We will also be maintaining the additional funding provided in last year's Budget of £2m to higher education and £2m to further education to build on their support services for students, staff training and innovative approaches in supporting mental health, well-being and additional learning needs.

6.20 For those vulnerable children and young people who need more significant support, we will invest an additional £5.4m for NHS CAMHS for Tier 4 and Community Intensive Teams. Further detail on the impact of this funding is presented in case study 1 in Annex C. As part of the increase in mental health funding, we will expand the use of digital technology in the delivery of services, for example, by increasing the provision of online Cognitive Behavioural Therapy.

6.21 Taken together with the increase in the NHS Mental Health ring fence for pay and inflation, this translates to more than £42m of additional investment supporting mental health services in 2021-22. Further investment in mental health can be seen across government, in line with our approach to prevention and protection of mental health and well-being, including employment support, debt advice, housing support, sports and access to green spaces, as set out in *Together for Mental Health Delivery Plan*.

Local government

6.22 Local government is a critical partner for Welsh Government in our mission to improve education, provide the social care services our communities need, combat poverty and deliver a step change in social housing. They provide essential services to everyone, including some of the most vulnerable people in our communities. We recognise the immense effort that local government have contributed in delivering the response to the pandemic, proving themselves to be agile, for example through the use of digital or a mixture of digital and face-to-face delivery.

6.23 We continue with our aim to give the sector the best possible settlement in the current financial circumstances. As such, we are providing an uplift of £176m, which takes account of the negative impact of the pandemic on non-domestic rates (NDR) collection and the freeze of the NDR multiplier by a compensating rise in the revenue support grant element of the settlement. This builds on a significantly improved settlement in the current year to enable support and delivery of critical and valued local services focusing on schools and social care.

6.24 In addition, we have committed to provide as much early certainty on specific grant allocations as possible to enable local authorities to plan their full range of services for the coming year. We are maintaining our overall investment in specific grants across our budget with nearly £1bn invested in 2021-22. Local government will also benefit from some of the other additional revenue and capital allocations proposed in this Budget.

6.25 Alongside the revenue funding, we are also maintaining capital support to local government at £198m, including £88.8m of supported borrowing to continue to support local government in delivering our joint priorities including decarbonisation, housing, and economic recovery following COVID-19.

Investing in education

6.26 Children and young people's education has been profoundly disrupted by the immediate and continuing consequences of the pandemic, the impact of which will be felt long into the next academic year and possibly beyond.

- 6.27 We are allocating an additional £21.7m in recognition of the predicted increased demographic of 16-19 year olds in sixth forms and further education as a result of more students being predicted to stay in post-compulsory education. In addition, as part of our COVID-19 reconstruction plan published in October, we provided £10m in 2020-21 to support the further education sector to support an increase in enrolments due to higher-than-anticipated grades and because of the limited options in the labour market. In 2021-22, we are allocating a further £5m to provide support to students for the remainder of this academic year.
- 6.28 Alongside this, we are maintaining the £13.9m of support for specialist further education provision to ensure young people up to the age of 25 with learning difficulties and/or disabilities whose needs cannot be met in their local college are able to access further education and training suitable to their needs.

Housing and Homelessness

- 6.29 We strongly believe that everyone in Wales should have a decent place to call home and we are committed to our goal of ending homelessness. Investing in good quality housing, housing support, and homelessness prevention are crucial areas of investment to help protect the most vulnerable in society.
- 6.30 Through the Housing Support Grant we are continuing to invest in our shift to a prevention and rapid rehousing approach to tackle homelessness in Wales. This early intervention grant programme to local authorities supports activity which prevents people from becoming homeless, stabilises their housing situation and helps potentially homeless people to find and keep accommodation. To build on the progress made during the pandemic, we have allocated an additional £40m in 2021-22 to deliver transformational change to achieve our ambition of ending homelessness. Further detail on the impact of this funding is presented in case study 2 in Annex C.

Creating a sustainable economy

- 6.31 Building on the business and regional economic development capital baseline of £40m, we will allocate a further £5m financial transactions capital for the Repayable Fund for SMEs within the Economy Futures Fund. This supports our ambitions in implementing *Prosperity for All: economic action plan* (EAP) which invests in people and businesses and will strengthen the offer for regional economic development. The funding will also support the COVID-19 reconstruction and recovery plan. It would also allow us to deliver a positive and coherent response to a no deal Brexit or indeed the challenges resulting from a deal, and will work in tandem with the Development Bank of Wales (DBW) 'offer' such as Wales Flexible Investment Fund.

- 6.32 The pandemic has accelerated the need to rethink how we use town and city centres. We are allocating an additional £3m revenue to support our high streets, and town and city centres recognising the important contribution they make to the economy. Through our 'Town Centre First' approach we are aiming to encourage multiple reasons to visits to town centres, not just to shop, but for leisure, services, living, working and experience and to encourage our partners to locate services. Communities are at the heart of this vision to create high-quality town centre environments which contribute to people's health and well-being. We are also allocating £1.4m capital in 2021-22 in a pilot approach that aligns with "town centre first" approach. Public sector authorities are required to consider the need to put the health and vibrancy of town centres at the heart of their location strategies and investment decisions.
- 6.33 To complement this work, we are allocating a further £3m towards providing a fund to support rapid spreading and scaling of good practice across the foundational economy. The foundational economy provides the jobs at the heart of local communities across sectors such as care and health services, food, housing, energy, tourism, construction and retailers on the high street - accounting for four jobs in every ten and £1 in every £3 spent. This additional funding will support rapid results across our priorities for the foundational economy including health, social care, construction and procurement.
- 6.34 Wales has long been a successful exporting nation, with goods and services exported all over the world. The value of Welsh goods exports was worth £17.7bn in 2019; whilst in 2018, exports of goods were equivalent to 23 per cent of Wales' GDP. The delivery of trade and investment activities are a key part of the Priorities for Reconstruction; to protect and build the resilience of the Welsh economy in the face of COVID-19 and the end of EU transition. Additional funding of £1.6m will support the delivery of the new Export Plan which forms part of our overall efforts to support economic recovery and sets out actions to assist businesses to recover and rebuild their exports as they face challenges brought by COVID-19 as well as the end of the EU transition period. The Export Plan will drive growth of Welsh exports and reinvents and adapts our export support in the longer term.

Violence against Women, Domestic Abuse and Sexual Violence (VAWDASV)

- 6.35 Women and their children are disproportionately affected by VAWDASV and the pandemic has deepened and aggravated this impact. We were able to offer significant support to VAWDASV services this year in response to this increased demand. We are investing an additional £1.6m in 2021-22 to support preventative work, including healthy relationship education in schools and VAWDASV awareness raising campaigns. As a government, we have publicly committed to making Wales the safest place in Europe for women, funding will be directed towards delivering the objectives of Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 and significant work has been undertaken since the introduction of the Act.

Female Offending and Youth Justice

- 6.36 By working with families in the justice system, we are creating better outcomes not just for them but for their children and for future generations. Allocating a further £0.5m to the Blueprints for Female Offending and Youth Justice will enable the continued support of the Visiting Mums' project and the roll out of trauma informed training to all Youth Offending Teams in Wales to divert children and women from the criminal justice system and help rehabilitation and prevent re-offending. This additional investment in the Blueprints helps provide meaningful multi-generational improvements in the lives of some of the most vulnerable people in our society.

Advice Services

- 6.37 Whilst the coronavirus outbreak is affecting everyone, the evidence is clear that the most disadvantaged people in Wales will experience the most severe financial impacts caused by the crisis. As a result, we expect that the combined impacts of COVID-19 and European transition will continue to increase demand on advice services and it will be more important than ever that people can access free and impartial advice on debt, employment, income maximisations, and welfare benefit issues.
- 6.38 We are therefore providing an increase of £1.1m in funding for advice services in 2021-22 in recognition of our commitment to social welfare advice services which help ensure a co-ordinated, cost-effective, easily-accessed sustainable provision of quality-assured social welfare advice services. Over 80 per cent of people accessing the advice services are from groups with protected characteristics. Furthermore, income maximisation is a key activity delivered through the Single Advice Fund, and between January and September 2020, services have helped people to claim over £20m of additional welfare benefit income.
- 6.39 We also have a proud record of support for Credit Unions, which feature strongly in our efforts to tackle poverty through supporting financial inclusion and building financial resilience. In 2021-22, we are providing an additional £1.5m of financial transactions capital to ensure that now, more than ever, credit unions can provide assistance to their members to navigate the unprecedented times that lie ahead.

Third Sector and Volunteering

- 6.40 The third sector, and the volunteers it supports, have played a vital role in our response to the pandemic and will be similarly involved supporting individuals and communities during recovery. The varied work of the 30,000-strong third sector in Wales contributes to prevention, from delivering a range of early interventions such as social prescribing and early years support, through to supporting individuals in crisis. On top of this, since March, over 21,000 volunteers have signed up to the Welsh Council for Voluntary Action's Volunteering Wales portal, though we know that many more people are volunteering through local initiatives and more informally.

- 6.41 We also know that income for the sector is expected to shrink with fundraising activity severely curtailed and this is likely to continue while COVID-19 measures remain in place. We have therefore allocated an additional £700,000 to support the third sector during 2021-22, enabling them to continue to support the most vulnerable individuals in our communities. Alongside this, we have provided £3m of COVID-19 funding to the sector as they continue to be at the forefront of our response to the pandemic.

Welsh Language

- 6.42 We have protected the budget of £20.9m to promote the Welsh language and £12.7m for Welsh in education in 2021-22 as we remain fully committed to reach a million Welsh speakers by 2050 and increase the percentage of the population who speak Welsh daily from 10 per cent to 20 per cent, as set out in *Cymraeg 2050*. The funding will help support activities through the medium of Welsh which are delivered through our valued partners such as our schools, Mentrau Iaith, Urdd, Merched y Wawr and Young Farmers. The Welsh language is an integral part of our culture and everyday lives and, as such, there is a lot of cross-cutting work across Government to mainstream Welsh. We promote the Welsh language throughout the organisations and institutions we fund, including all local government services who deliver key services, including schools. During the pandemic we made funding available to protect Welsh language institutions and events and mitigate the impact of the crisis. This included additional funding of £3.1m capital to the Urdd to provide support in the absence of it being able to create income from its residential centres and £0.5m to the National Eisteddfod to provide support with the costs associated with the postponement of the Tregaron Eisteddfod.

Coastal Risk Management Programme

- 6.43 People should be able to sleep safely in their homes without worry of floods and coastal erosion, especially in coastal areas. We are investing substantial funding in giving people this reassurance. We are investing £58.6m (£30.6m revenue and £28m capital) in flood and coastal defence in 2021-22 and, in line with our longer-term commitment, we are providing a further £3.4m of revenue on top of the £4m maintained from 2020-21, for the Coastal Risk Management Programme. This will fund up to 13 coastal defence schemes across Wales which could reduce current and future flood and coastal erosion risk to over 16,600 properties if all of these schemes are able to be progressed next year.

Build

- 6.44 Our capital investments are a key lever to building for a greener future, by ensuring that our infrastructure priorities are set within our overarching decarbonisation and biodiversity ambitions. In doing so, we are maintaining and building on the foundation provided through the £140m investment package we announced in the 2020-21 Budget to help combat climate change.
- 6.45 The infrastructure that we invest in and build today will be in place many decades into the future. We are committed to ensuring that the right decisions are taken now, to maximise the economic and social benefits that infrastructure investment can deliver, whilst avoiding locking-in future carbon emissions and creating difficulties in meeting our carbon reduction targets alongside recognising the impacts infrastructure has on biodiversity.
- 6.46 In balancing short and longer-term needs, we also recognise the economic stimulus infrastructure provides at a time that it is so badly needed. This Budget supports jobs and economic growth, delivering an infrastructure network that Wales needs, whilst always reflecting clearly the realities of the climate emergency that we face.

Housing

- 6.47 We believe that everyone in Wales should have a decent place to call home and nobody should be homeless. Investing in good-quality housing, housing support, and homelessness prevention are crucial areas of investment to help protect the most vulnerable in society.
- 6.48 We know that to meet need, we must aim to build some 3,500 affordable, primarily social, homes each year. Making these homes green and sustainable will reduce fuel poverty, enhance occupant well-being and contribute to lowering our carbon emissions.
- 6.49 To achieve this, this Budget provides an additional £37m on top of existing funding, taking our overall investment in social housing grants in 2021-22 to £200m.
- 6.50 Investment in good-quality housing has a direct impact on the health of the occupants, significantly helping to reduce pressure on health and social services budgets and services. This means that for every £1.20 spent on decent homes, the taxpayer saves £1.80 on the cost of young people not in employment, education or training. Our support for social landlords also ensures that the Welsh Housing Quality Standard is achieved and maintained, and that our social homes are easy and cheap to keep warm whilst reducing our carbon footprint.

- 6.51 We are also introducing Phase 3 of Help to Buy Wales to support our ambition of affordable housing, with an allocation of £74m in financial transactions capital. Through the shared equity loans to buyers, this scheme enables people to purchase their own home, which forms an important part of our economic recovery, stimulating growth in the house building industry and associated supply chains. The scheme requirements will support our drive for higher standards, setting higher space and quality standards and broadband readiness, and ensuring that properties meet new home owners' expectations when making the most significant purchase of their lifetime.
- 6.52 Following the Grenfell Tower tragedy, high rise residential buildings continue to face a range of systemic building safety weaknesses. We remain clearly of the view that individual leaseholders should not have to pay for defects and deficiencies in build quality where there is a clear failure to build to standards, and we will continue to press developers to meet their moral obligations and remediate these buildings.
- 6.53 However, where it is right for government to provide support to ensure the safety of people's homes we are committed to doing so, and doing so now. We recognise the significant mental health concerns and potential for people living in these properties to require additional financial and wider support. Therefore, building on the £10.6m that we have provided in this current financial year, in 2021-22 we are making available £32m (£20m general capital and £12m financial transactions capital) to help address building safety concerns. Given the scale of this issue, this investment will provide a solid foundation through remediating building defects, and supporting the installation of sprinklers and evacuation alert systems in a number of affected high rise buildings.

Investing in renewable energy and tackling fuel poverty

- 6.54 By tackling fuel poverty, we make a real contribution to addressing a range of negative impacts that go beyond health needs, including the educational attainment of children, and time off school and work due to sickness, as well as playing a key role in reducing carbon emissions.
- 6.55 The Warm Homes Arbed scheme alone resulted in 1,945 homes being improved across 19 separate projects in 10 local authority areas in 2019-20. In addition, the Warm Homes Nest scheme provided 4,544 households with a home energy improvement package, and a modelled average energy bill saving of £282 per year.
- 6.56 Our renewable energy and public sector energy efficiency programmes, supported by the Welsh Government Energy Service, are also identifying a pathway for decarbonising the energy system at a local level for local benefit. In 2019-20, the Welsh Government Energy Service supported the delivery of projects which will provide lifetime energy bill savings and income to the public sector of nearly £57m and lifetime income for community energy groups of nearly £15m. Combined, the projects supported will save 146,000 tonnes of carbon dioxide over their lifetime.

- 6.57 In 2021-22 we are allocating an additional £20m (£15m capital and £5m revenue) on top of existing budgets to ensure that we maximise the benefits of both our fuel poverty, and renewable energy programmes, taking our total investment in these programmes in 2021-22 to £40m.

Investing in sustainable and public transport

- 6.58 This Budget provides for key investment in public transport to deliver our vision of an accessible, sustainable transport system, maintaining our current public transport network during the pandemic and in the future as we come out of the pandemic. We recognise the value of public transport in maintaining access to jobs, health services, education, and leisure. In particular, during the pandemic, public transport has been essential to ensure many key workers can reach their place of work.
- 6.59 This Budget provides £275m of capital funding to support the continued delivery of the South Wales Metro alongside the continued development of other rail infrastructure schemes to improve services across Wales including continued development and delivery of the North Wales Metro and South West Wales Metro. These investments are vital in helping deliver our ambition for modal shift, decarbonisation of transport modes, and improved access to jobs, services, education, and leisure for all.
- 6.60 Alongside maintaining a number of existing specific allocations, we are also providing an additional £20m of capital funding in 2021-22 bringing our total investment for active travel projects and interventions to around £55m. Active travel investment delivers improved active travel access to employment, education, key services and other key traffic generating destinations, increasing levels of active travel and connecting communities. Investment in active travel can significantly improve mental and physical health outcomes, through increased physical activity, reduced air pollution, more experience of the outdoors, and increased social interaction.

Electric vehicle transformation

- 6.61 Building on the £28m supporting the continued decarbonisation of our public transport fleet, and improving our charging infrastructure, we are allocating an additional £10m of financial transactions capital, taking our total investment in 2021-22 to £38m. This will progress the shift to low-emission vehicles supporting improvements in air quality, particularly in urban areas, and contribute to addressing climate change.

Strategic road network

- 6.62 We are allocating an additional £15m as part of our statutory responsibility to maintain the strategic road network, which represents a £17bn asset. This takes our total funding to £168m (comprising capital and revenue funding) alongside £11.5m to promote road safety. This network provides the arteries not just for the travelling public, including public transport, but is also key for freight and industry in the safeguarding of jobs. This additional funding will aid in more preventative capital interventions to reduce deterioration in asset structures. Not only does pro-active maintenance help prevent road closures and improve traffic flows, leading to less congestion, but it also allows us to continue to promote biodiversity through our *Green Corridors* strategy for the Trunk Road and Motorway Network initiative.

Investing in our town centres

- 6.63 The pandemic has accelerated changes to our high streets, town and city centres, highlighting the need to rethink how we use public spaces for leisure, learning, and living, and reemphasising the need for local accessible services.
- 6.64 The Valleys Task Force is a key Government commitment to support the communities in the South Wales Valleys become more prosperous and resilient – an area that has been one of the hardest hit by the pandemic in terms of employment, educational attainment, and poverty. Although the programme comes to an end in March 2021, the impacts of COVID-19 have delayed delivery some of the key flagship capital schemes. Therefore, we are allocating £9m of capital funding to the Valleys Task Force in 2021-22, to ensure that our commitments to bring back hundreds of homes into use through the empty homes grant are delivered.
- 6.65 We are planning to invest £1.4m in 2021-22 in a pilot approach that aligns with our ‘Town Centre First’ approach. Public sector authorities will consider the need to put the health and vibrancy of town centres at the heart of their location strategies and investment decisions.
- 6.66 In recognition of the importance of community assets, we are allocating a further £1m in financial transactions capital in 2021-22 to the Wales Council for Voluntary Action’s Community Asset Loan Fund. The funding will be offered to third sector organisations who were aiming to purchase and/or improve community assets, including land and buildings, including those in town centres. Community facilities provide local access to a range of services including training, advice services, opportunities to socialise, and volunteer, health and well-being activities such as exercise classes and weight loss groups.
- 6.67 This Budget provides an additional £5m of financial transactions capital in 2021-22 to support our wider regeneration activities through our Town Centre Loans programme. The fund will be a catalyst to bring vacant and underutilised buildings back into use in the town centre, redeveloping them as shops, homes, and leisure facilities and generating footfall to support businesses to grow and prosper both now and into the future.

Net-zero carbon schools

- 6.68** We are continuing to invest significant funding in our 21st Century Schools and Colleges Programme to provide the best environment for learners, as well as supporting and stimulating the Welsh construction industry and related supply chains. Through this draft Budget, we are investing an additional £40m of general capital in 2021-22, as well as £2.6m of financial transactions capital to support the Mutual Investment Model element of Band B. These allocations have been made on top of existing budgets, bringing our education infrastructure budget to more than £240m in 2021-22. Further detail on the impact of this funding is presented in case study 4 in Annex C.
- 6.69** This additional £40m includes £5m of capital funding in 2021-22 to take forward delivery of a Carbon Zero Pilot Project to decarbonise schools and colleges in Wales. The funding will assist delivery partners in transforming the education infrastructure in Wales as we continue our transition towards sustainable school and further education estates. See case study 5 in Annex C for further details.

Investing in our NHS

- 6.70** The focus on health infrastructure requirements that the pandemic has highlighted in 2020-21, has meant that providing sustainable, essential services into 2021-22 and beyond is now more important than ever. The importance of service continuity across all specialties means that the diagnostic and specialist equipment programmes pathway needs to be advanced at pace to meet increasing service demands.
- 6.71** To meet this need, we will be providing an additional £10m of capital funding in 2021-22 to create a total investment of £20m to ensure that the NHS in Wales has access to key diagnostic equipment to ensure it can meet both short and longer-term needs. Replacement programmes will include CT scanners and fluoroscopy suites to help tackle significant patient waiting times.
- 6.72** The Carbon Trust is developing a NHS Decarbonisation Strategic Delivery Plan which will be completed by early 2021, focusing on action to restrict carbon emissions across NHS Wales. The Strategic Delivery Plan will be a launch pad for delivering actions in the future and this Budget provides £6m of additional capital funding to create total funding of £16m in 2021-22 to deliver these energy efficiency opportunities including increasing the use of renewable energy.
- 6.73** This additional funding brings total capital investment in Health and Social Services in 2021-22 to more than £380m, including £45m to take forward development of a pipeline of Health and Wellbeing Centres.
- 6.74** The Welsh Government is undertaking a programme of work to better understand the level of carbon emissions that result from its budgetary decisions, and the first provisional analysis – looking at Welsh Government Health and Social Services spending – is included as an annex to the Chief Economist's Report.

Supporting our national institutions and our tourism and creative sectors

- 6.75 We are investing additional capital funding of £8m to support the key tourism and creative sectors within our economy, and to provide funding to our sponsored bodies to maintain the estate and undertake a range of decarbonisation and digital transformation programmes, and supporting biodiversity.
- 6.76 All of our sponsored bodies are working closely with the Carbon Trust and, most significantly, this investment provides initial funding for the development at the National Slate Museum in Llanberis, as well as initiatives to reduce the carbon footprint of the National Library of Wales and the National Outdoor Centre for Wales - Plas Menai. There is also strong evidence to support that investment in both culture and sport contributes to physical and mental well-being.
- 6.77 Not only are the tourism and creative sectors key parts of the Welsh economy, they are also among those hardest hit by the pandemic. Investing in these sectors to provide employment opportunities available at all levels of qualifications will help alleviate some of the challenges during the recovery.
- 6.78 Tourism is key to the foundational economy, generating £2.5bn of expenditure by overnight visitors to Wales in 2019. The sector employs more than 130,000 people, contributing to 10 per cent or more employment in many local authority areas. The creative sector is one of the fastest growing in Wales, with an annual turnover of more than £2.2bn and employing over 56,000 people.

Investing in physical and mental health

- 6.79 We are committed to increasing physical activity levels and the importance of preventing ill health. The additional capital investment of £2m in 2021-22 in local sporting facilities increases the available funding to £5m. This investment is vital to increase participation in sport and outdoor activity. This is also important in ensuring that Wales is well positioned to compete internationally and to help host international events, providing a unique opportunity to promote the Wales brand on the international stage in the future. Research by Sport Wales reports that for every £1 invested in sport in Wales, there is a return of £2.88, and that approximately £3.5m of benefits for Welsh communities was generated from participating and volunteering in sport in 2016-17.

Circular Economy

45 per cent of emissions come from the goods that we produce and consume. A circular economy approach that keeps resources in use for as long as possible and avoids waste is therefore a key component to making progress on our net zero aims. The pandemic has also highlighted key vulnerabilities in supply chains, and a focus on a circular economy can help shorten those supply chains, improving our economic and environmental resilience. Building on the action we have already taken to support businesses and public bodies to use more recycled materials, we are committing an additional £26.6m (£6.6m revenue and £20m capital), taking our total investment in 2021-22 to more than £80m.

- 6.80 This funding will enable us to continue our work to not only improve recycling, but also address social inequalities. This includes building on the rapid expansion of Repair Cafés to create town centre and community hubs across Wales where people can take goods to be repaired or access items for reuse. Additionally, the Circular Economy Fund will continue to support publicly funded bodies, which has already seen funding given to 112 projects delivering action in our schools, universities, hospitals, local authorities, fire and rescue services and communities across Wales

Biodiversity and the National Forest

- 6.81 We are allocating an additional £5m for biodiversity and the National Forest, taking the overall budget to £32m in 2021-22 allowing us to build on the projects and programmes we have in place to help meet our national and international commitments for biodiversity, tackling the nature and climate emergencies whilst ensuring that our recovery from COVID-19 is truly a green one. This includes continuing to take action to support the restoration of **Natura 2000** and other protected sites, havens to our most valuable and threatened species and habitats. We will also continue investment in the restoration of our **Peatlands** through the **National Peatland Action Programme (NPAP)**, delivering benefits for biodiversity whilst also helping to tackle the effects of climate change through increased carbon capture and flood prevention. Alongside this we will continue development of the **National Forest** to provide opportunities to enhance biodiversity through better connected and managed woodlands.

Change

- 6.82 In line with this Government's core values of fairness and equality, this Budget puts our values into action. The pandemic has thrown our societal inequalities into sharp relief, with some of the most economically and socially vulnerable people being the hardest hit. As a government, we are engaged in understanding and responding to these unprecedented challenges, and our approach continues to be underpinned by our focus on the impacts of the pandemic on protected groups in Wales. This section provides an overview of additional allocations we are making in this Budget to deliver on our ambition to champion change for a more prosperous, more equal, and a greener Wales.

Investing in children and young people

- 6.83 The COVID-19 pandemic has had a disproportionate impact on children from deprived communities. We are allocating an additional £2.2m to the School Holiday Enrichment Programme, almost doubling our investment to £4.9m in 2021-22. This will provide opportunities for up to 14,000 children aged 7-11 years to be more active, eat healthily, and develop friendships whilst also making the most of local school facilities in disadvantaged areas during the summer holidays.

Investing in education

- 6.84** In recognition of our continued ambition to deliver a world-class curriculum, we are investing an extra £8.3m in 2021-22 to support schools in transitioning to curriculum reform. This funding will support curriculum realisation in all schools, supporting engagement of practitioners in the National Network, the next phase of innovation schools, Qualifications Wales, and supporting the ongoing development of the curriculum and associated bilingual resources. Alongside this we are maintaining £1m investment in supporting access to increased play opportunities in the school holidays. This funding allows community based playwork schemes to open their doors to more children, providing healthy meals and snacks. Supporting children's play is even more important as we help them recover from events over the past year.
- 6.85** Through building greater equity within our education system, we are ensuring that each and every learner has the opportunity to achieve their full potential. The Pupil Development Grant (PDG) plays an essential role in supporting pupils eligible for free schools meals, including looked after children. We are continuing to invest record levels of investment in the PDG of more than £100m in 2021-22. On top of this, we are allocating an additional £2m for the PDG Access fund, bringing total funding next year to more than £10m. This scheme helps families of disadvantaged and vulnerable learners meet the everyday costs associated with school including school uniform, and equipment for sports and extracurricular activities.
- 6.86** For over a decade we have provided dedicated funding for supporting improved outcomes for children from ethnic minority and Gypsy, Roma and Traveller backgrounds. We know this cohort of children have been disproportionately affected by COVID-19 and so we are increasing funding for Minority Ethnic and Gypsy Roma Traveller Grant by £1m, bringing total funding in 2021-22 to £11m. The grant is used to help overcome the additional barriers that prevent learners from these backgrounds from achieving their full potential, such as develop language skills and to build relationships to encourage school attendance.

Investing in employment

- 6.87** While the pandemic has exposed the fragility and vulnerability of some sectors of the economy, it has also provided a valuable opportunity to rethink our society and our economy. Our investments will be guided by the need to increase our future resilience against the impending climate crisis and other future impacts. We know that transitioning to a more sustainable economy will require changes to the workforce and the skill sets of people in Wales. As such, we are committed to supporting people into secure employment and providing quality re-training pathways to sustainable careers.

- 6.88** Key to this ambition is improving accessibility of further and higher education for people in Wales, regardless of their age or where they are in their careers. In 2021-22, we are allocating an additional £5.4m to expand our Personal Learning Account programme to provide support for employed people, furloughed workers, or individuals at risk of redundancy to gain higher level skills and qualifications in priority sectors. This additional investment will directly benefit those negatively impacted by the pandemic, opening up more opportunities for people to switch careers or upskill also seeking to tackle gender inequality within these sectors. Further detail on the impact of this funding is presented in case study 3 in Annex C.
- 6.89** The COVID-19 pandemic has had a disproportionately negative impact on some of the most vulnerable people in the workplace, particularly those with the lowest level of job security and pay. To provide further protection to these workers, £0.2m will be invested in the development of social partnership and the enforcement of workers' rights to ensure these rights are respected and are at the forefront of employers' and public service deliverers' minds as we emerge from the pandemic.
- 6.90** We have increased investment in the Childcare Offer for Wales, enabling more families to access employment by supporting them with the costs of childcare. Building on the universal entitlement to early education the Offer provides additional hours of funded childcare to the working parents of 3 and 4 year olds. We have increased the baseline budget from £60m to £75m in 2021-22 and will be working with local authorities to ensure more parents access the support available to them.

Investing in equality and inclusion

- 6.91** The pandemic has highlighted and exacerbated inequalities within our communities. We believe in fair treatment of every person and, in line with our priority of a more equal Wales, we will work to ensure fairer access to services and support opportunities for all.
- 6.92** Equality and Human Rights are central to the work of the Welsh Government and our vision for Wales. We believe in fair treatment of every person. We know that the pandemic has highlighted and exacerbated inequalities within our communities. We have allocated an additional £1.1m to the equality and inclusion budget in 2021-22 to take forward actions aimed at addressing the differential impacts of the pandemic on people in Wales, including Black, Asian and Minority Ethnic communities and disabled people.
- 6.93** The Black Lives Matter movement has brought to the fore a number of critical issues in regards to structural and overt racism that we need to address as a country. We are committed to better commemorating and celebrating people from diverse and ethnic backgrounds that have contributed to the Wales that we know today. As a small step towards addressing some of these issues, £0.6m will be allocated in 2021-22 to support a range of actions to better reflect Black, Asian and Minority Ethnic history in our cultural sector. This investment will start to help redress some of the structural inequalities in Welsh society by improving cultural representation in public spaces and through building a more informed relationship with our history.

6.94 Enormous social, economic, environmental, and cultural challenges face public services, other sectors, and communities in Wales more widely. It is therefore important that decisions made in Wales reflect the diversity and the range of views of Welsh people. Through an allocation of £0.1m we will be investing in improving diversity and inclusion in public appointments. A more equitable public appointments system will improve and strengthen Boards' decision making, bring lived experiences to discussions, and better reflect the diversity of the people of Wales.

Maximising digital innovation

6.95 As digital technologies become increasingly central to everyday life, our public services need to evolve to meet our changing needs and expectations. The provision of good public services, designed around the needs of the user (whether they want to access the service digitally or otherwise) will increasingly depend upon the extent to which we embrace digital transformation. It is clear that the scale and pace of technological change and innovation will continue to have profound effects on the Welsh economy. We have already seen the pandemic accelerating trends in automation and how digital technology has connected us and enabled us to operate as a society.

6.96 The pandemic has demonstrated that, with the correct digital tools, it is possible to deliver rapid change at scale to help save lives and protect the most vulnerable. While necessity has fostered a radical shift in our ability to work from home or remotely, a commitment to values drove the change which saw Caerphilly County Borough Council deploy Intelligent Automation to deliver an instantaneous, 24/7 free school meal application process. Our task now is to ensure that this good practice becomes the norm in our public services. We will drive up digital capability so that transformation consistently serves our objective to bring about a more equal Wales. To support this work we are providing an additional £4.9m for the Centre for Digital Public Services Wales.

6.97 As a critical component of our proposed Digital Strategy for Wales, this organisation will enter its second year of operation helping to meet the need for training, good practice sharing, and expert help for service transformation.

6.98 In addition to this, we will invest an extra £2.8m in the Public Sector Broadband Aggregation, bringing our total investment to £11.5m in 2021-22. This investment will help provide connectivity and digital services to the public sector in Wales, enabling more efficient collaboration and mobility for public sector workers.

Maximising the Impact of Procurement

6.99 Procurement is at the forefront of delivering against our commitment on social value. Through an additional £1.2m we are strengthening the National Procurement Service to help support our local businesses by generating time and cost efficiencies, which can be re-invested in supporting frontline service provision for our citizens. This investment will also build on our purchasing power to better support the Welsh economy, helping safeguard the delivery of over 30 national procurement frameworks for the Welsh public sector, accounting for £300m of public sector expenditure.

Improving our evidence base

- 6.100** We are committed to improving how we assess the impacts of our budget decisions. In line with this commitment, we are investing an additional £0.6m to triple the Welsh sample size of the Family Resources Survey which will help us better understand incomes and living circumstances of households across Wales to better tackle inequality and poverty. This investment will also support the improvement of the new approach we have published alongside this Budget to monitor the distributional impact of our policies and spending.
- 6.101** Alongside this, and now in its second year, an additional £0.2m will be invested in the Trade Survey for Wales, which continues to provide essential evidence for assessing the impact of the UK's exit from the EU on trade and business in Wales. The Survey will continue to play a role in representing Wales' interests in future trade negotiations.

Chapter 7: Welsh Government spending plans

Wales' expenditure budget

- 7.01** Devolved expenditure in Wales for 2021-22 comprises allocations to Welsh Government Main Expenditure Groups (MEGs) of £20bn.
- 7.02** The Final Budget 2020-21 was restated in December 2020 to reflect changes to Ministerial portfolios. A restatement annex has been published on the Welsh Government's draft Budget 2021-22 web page. It can be found at: <https://gov.wales/draft-budget-2021-2022>. Table 7.5⁵ on the *reconciliation of capital baseline adjustments* sets out the detail of the changes between the plans as per 2020-21 Final Budget (Restated), and then 2021-22 indicative capital baselines
- 7.03** Table 7.1 shows the components of the Wales expenditure budget, broken down by MEG and indicative budgets for the Senedd Commission, the Auditor General for Wales and the Public Services Ombudsman for Wales. The table also shows unallocated reserves funding. The MEG allocations reflect the high-level priorities set out in Chapter 6 and form our control totals for managing the Budget throughout the year.

⁵ This shows adjusted Final Budget 2020-21 figures to remove time-limited funding, including all financial transactions capital (FTC) allocations and repayments -meaning that all 2021-22 FTC allocations have been made from a zero baseline. In addition, EU Transition Fund allocations have been removed, as has the majority of the Transport for Wales' capital budget. This is to allow a revised version of the financing requirements for the South Wales Metro and broader rail investment to be made through this draft Budget. The adjustment to the capital baselines also reflect some areas where there have been changes in the pipeline of future developments.

Table 7.1 Allocation of the Wales Budget

MAIN EXPENDITURE GROUPS (MEGs)		2021-22 Draft Budget December 2020
		£000s
Health and Social Services		9,212,875
Housing and Local Government		6,026,310
Economy and Transport		1,691,348
Education		2,696,556
Mental Health, Wellbeing and the Welsh Language		336,084
Environment, Energy and Rural Affairs		719,126
Central Services and Administration		416,840
Total Allocations to Welsh Government MEGs		21,099,139
Unallocated Resource	Fiscal Resource	811,458
	Non-Fiscal Resource	149,515
Unallocated Capital	General	109,038
	Financial Transactions	5,311
Senedd Commission		62,914
Public Services Ombudsman for Wales		5,110
Wales Audit Office		8,148
Electoral Commission		1,750
Direct Charges to the Welsh Consolidated Fund		773
TOTAL WELSH BUDGET		22,253,156

Categories of expenditure

7.04 Within the MEG allocations there are different types of expenditure which are used for different purposes:

- Fiscal resource
- Non-fiscal resource
- General capital
- Financial transactions
- Annually Managed Expenditure (AME)

Tables 7.2a and 7.2b set out the MEG allocations by these categories.

Table 7.2a - Summary of the Welsh Government MEG Total Allocations

2021-22 DRAFT BUDGET TOTAL MEG ALLOCATIONS										
£000s										
MEG*	Resource			Capital			AME			TOTAL MEG
	Fiscal	Non Fiscal	Resource Total	General	Financial Transactions	Capital Total	Resource	Capital	AME Total	
HSS	8,495,807	186,137	8,681,944	382,528	0	382,528	148,403	0	148,403	9,212,875
HLG	4,189,141	381	4,189,522	615,465	90,806	706,271	1,130,517	0	1,130,517	6,026,310
E&T	580,468	192,436	772,904	777,163	13,766	790,929	127,515	0	127,515	1,691,348
Educ	1,513,470	111,052	1,624,522	249,491	1,968	251,459	-148,386	968,961	820,575	2,696,556
MHWL	264,095	10,278	274,373	45,938	-227	45,711	16,000	0	16,000	336,084
EERA	507,559	21,675	529,234	189,892	0	189,892	0	0	0	719,126
CSA	361,695	16,000	377,695	35,165	980	36,145	3,000	0	3,000	416,840
TOTAL	15,912,235	537,959	16,450,194	2,295,642	107,293	2,402,935	1,277,049	968,961	2,246,010	21,099,139

*MAIN EXPENDITURE GROUPS (MEGs): Health and Social Services (HSS); Housing and Local Government (HLG); Economy and Transport (E&T); Education (Educ); Mental Health, Wellbeing and Welsh Language (MHWL); Environment, Energy and Rural Affairs (EERA); Central Services and Administration (CSA)

Table 7.2b – Summary of Welsh Government MEG Allocations

FISCAL RESOURCE ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2021-22 Draft Budget December 2020
Health and Social Services	8,495,807
Housing and Local Government	4,189,141
Economy and Transport	580,468
Education	1,513,470
Mental Health, Wellbeing and the Welsh Language	264,095
Environment, Energy and Rural Affairs	507,559
Central Services and Administration	361,695
Total Fiscal Allocations to Welsh Government MEGs	15,912,235

NON-FISCAL RESOURCE ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2021-22 Draft Budget December 2020
Health and Social Services	186,137
Housing and Local Government	381
Economy and Transport	192,436
Education	111,052
Mental Health, Wellbeing and Welsh Language	10,278
Environment, Energy and Rural Affairs	21,675
Central Services and Administration	16,000
Total Non-Fiscal Allocations to Welsh Government MEGs	537,959

Total Resource Allocations to Welsh Government MEGs	16,450,194
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GENERAL CAPITAL ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2021-22 Draft Budget December 2020
Health and Social Services	382,528
Housing and Local Government	615,465
Economy and Transport	777,163
Education	249,491
Mental Health, Wellbeing and the Welsh Language	45,938
Environment, Energy and Rural Affairs	189,892
Central Services and Administration	35,165
Total General Capital Allocations to Welsh Government MEGs	2,295,642

FINANCIAL TRANSACTION CAPITAL ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2021-22 Draft Budget December 2020
Health and Social Services	0
Housing and Local Government	90,806
Economy and Transport	13,766
Education	1,968
Mental Health, Wellbeing and Welsh Language	-227
Environment, Energy and Rural Affairs	0
Central Services and Administration	980
Total Financial Transaction Capital Allocations to Welsh Government MEGs	107,293

Total Capital Allocations to Welsh Government MEGs	2,402,935
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AME RESOURCE ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2021-22 Draft Budget December 2020
Health and Social Services	148,403
Housing and Local Government	1,130,517
Economy and Transport	127,515
Education	-148,386
Mental Health, Wellbeing and the Welsh Language	16,000
Environment, Energy and Rural Affairs	0
Central Services and Administration	3,000
Total Resource AME Allocations to Welsh Government MEGs	1,277,049

AME CAPITAL ALLOCATIONS	
MAIN EXPENDITURE GROUPS (MEGs)	£000s
	2021-22 Draft Budget December 2020
Health and Social Services	0
Housing and Local Government	0
Economy and Transport	0
Education	968,961
Mental Health, Wellbeing and Welsh Language	0
Environment, Energy and Rural Affairs	0
Central Services and Administration	0
Total Capital AME Allocations to Welsh Government MEGs	968,961

Total AME Allocations to Welsh Government MEGs	2,246,010
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Table 7.3 – Direct borrowing for capital purposes 2021-22

	2021-22 (£000s)
Total borrowing outstanding as at 1 April (principal)	197,500
Proposed capital borrowing to be drawn in-year	150,000
Repayment of principal in-year	(6,887)
Aggregate capital borrowing outstanding as at 31 March	340,613
Interest payments due in-year	3,569

Table 7.4 - Direct borrowing for capital purposes, repayment schedule

Repayment schedule based on borrowing at levels detailed above (£000s)			
	Amounts falling due within 1 year	Amounts falling due within 1 – 5 years	Amounts falling due after 5 years
Principal	6,887	50,188	290,425
Interest	3,589	18,845	42,479

Table 7.5 - Reconciliation of capital baseline adjustments

MEG	Baseline Adjustment(£,000)	Comments
Health and Social Services	-2,888	<ul style="list-style-type: none"> Reduction reflects change in planned pipeline activity.
Housing and Local Government	-150,505	<ul style="list-style-type: none"> Entire reduction reflects removal of FTC allocations.
Economy and Transport	-306,740	<ul style="list-style-type: none"> £85.2m reflects removal of FTC allocations. £200.1m, removed from the transport baselines, largely reflecting reductions in the Transport for Wales capital budget. Financing requirements for the South Wales Metro and wider rail schemes have been reset through the additional allocations made through this budget. £21.2m has been removed from the Business and Regions baseline, which is primarily driven by the cessation of the Valleys Task Force in March 2021.
Education	-8,025	<ul style="list-style-type: none"> £8.2m reflects removal of time limited allocation for Carbon Neutral House in 2020-21. £195k increase reflects removal of FTC repayments.
Mental Health, Wellbeing and Welsh Language	-18,358	<ul style="list-style-type: none"> £16m reduction reflects the removal of FTC allocations from the baseline. £2.4m reflects removal of non-recurrent allocations to Welsh Government Sponsored Bodies made in 2020-21.
Environment, Energy and Rural Affairs	-2,500	<ul style="list-style-type: none"> £2m reduction reflects the removal of FTC allocations from the baseline. £500k reduction reflects removal of a single year allocation from the European Transition Fund in 2020-21.
Central Services and Administration	-3,000	<ul style="list-style-type: none"> £1m reduction reflects the removal of FTC allocations from the baseline £1.5m reduction reflects revised delivery profile in the Gypsy Traveller Sites budget. £500k reflects removal of non-recurrent allocation to International Development in 2020-21.

Annex A: Reconciliation of administrative budget and resource allocations in the annual Budget motion

	2021-22 DRAFT BUDGET							
	£000s							
	HSS	HLG	E & T	Educ	MHWWL	EERA	CSA	TOTAL
Resource	8,681,944	4,189,522	772,904	1,624,522	274,373	529,234	377,695	16,450,194
Capital	382,528	706,271	790,929	251,459	45,711	189,892	36,145	2,402,935
Resource AME	148,403	1,130,517	127,515	-148,386	16,000	0	3,000	1,277,049
Capital AME	0	0	0	968,961	0	0	0	968,961
TOTAL MANAGED EXPENDITURE	9,212,875	6,026,310	1,691,348	2,696,556	336,084	719,126	416,840	21,099,139
Reconciliation to Resources								
Resource Consumption - Welsh Government Sponsored Bodies	-230	-200		-340		-10,000		-10,770
Supported Borrowing		-88,800	1,250					-87,550
National Insurance Fund Receipts Collection Costs	-906							-906
National Non-Domestic Rates Payable (and Collection Costs)		-1,106,172						-1,106,172
Interest Repayments on Borrowing							-3,589	-3,589
PFI			-9,243					-9,243
RESOURCES REQUESTED	9,211,739	4,831,138	1,683,355	2,696,216	336,084	709,126	413,251	19,880,909

*MAIN EXPENDITURE GROUPS (MEGs): Health and Social Services (HSS); Housing and Local Government (HLG); Economy and Transport (E&T); Education (Educ); Mental Health, Wellbeing and Welsh Language (MHWWL); Environment, Energy and Rural Affairs (EERA); Central Services and Administration (CSA)

Annex B: Year-on-Year Changes

RESOURCE – Year-on Year-Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Draft Budget December 2020	% Change
Health and Social Services	8,256,527	8,681,944	5.15%
Housing and Local Government	3,921,776	4,189,522	6.83%
Economy and Transport	736,897	772,904	4.89%
Education	1,567,175	1,624,522	3.66%
Mental Health, Wellbeing and Welsh Language	263,729	274,373	4.04%
Environment, Energy and Rural Affairs*	496,573	529,234	6.58%
Central Services and Administration	363,677	377,695	3.85%
Total Resource Allocations to Welsh Government MEGs	15,606,354	16,450,194	

*For the purposes of showing a like-for-like year on year comparison, £231.145m in respect of direct payments funding for farm subsidies has been included which reflects an adjustment made in the First Supplementary Budget 2020-21.

CAPITAL – Year-on-Year Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Draft Budget December 2020	% Change
Health and Social Services	369,416	382,528	3.55%
Housing and Local Government	709,190	706,271	(0.41)%
Economy and Transport	790,726	790,929	0.03%
Education	217,516	251,459	15.60%
Mental Health, Wellbeing and Welsh Language	53,785	45,711	(15.01)%
Environment, Energy and Rural Affairs	157,392	189,892	20.65%
Central Services and Administration	30,746	36,145	17.56%
Total Capital Allocations to Welsh Government MEGs	2,328,771	2,402,935	

AME RESOURCE – Year-on -Year Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Draft Budget December 2020	% Change
Health and Social Services	217,667	148,403	(31.82)%
Housing and Local Government	1,160,255	1,130,517	(2.56)%
Economy and Transport	29,525	127,515	331.89%
Education	(123,801)	(148,386)	19.86%
Mental Health, Wellbeing and Welsh Language	3,013	16,000	431.03%
Environment, Energy and Rural Affairs	2,400	0	(100.00)%
Central Services and Administration	2,999	3,000	0.03%
Total Resource AME Allocations to Welsh Government MEGs	1,292,058	1,277,049	

AME CAPITAL – Year-on-Year Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Draft Budget December 2020	% Change
Health and Social Services	0	0	0.00%
Housing and Local Government	0	0	0.00%
Economy and Transport	0	0	0.00%
Education	863,631	968,961	12.20%
Mental Health, Wellbeing and Welsh Language	0	0	0.00%
Environment, Energy and Rural Affairs	0	0	0.00%
Central Services and Administration	0	0	0.00%
Total Capital AME Allocations to Welsh Government MEGs	863,631	968,961	

TOTAL – Year-on-Year Percentage Change	£000s		
MAIN EXPENDITURE GROUPS (MEGs)	2020-21 Final Budget Restated December 2020	2021-22 Draft Budget December 2020	% Change
Health and Social Services	8,843,610	9,212,875	4.18%
Housing and Local Government	5,791,221	6,026,310	4.06%
Economy and Transport	1,557,148	1,691,348	8.62%
Education	2,524,521	2,696,556	6.81%
Mental Health, Wellbeing and Welsh Language	320,527	336,084	4.85%
Environment, Energy and Rural Affairs*	656,365	719,126	9.56%
Central Services and Administration	397,422	416,840	4.89%
Total Allocations to Welsh Government MEGs	20,090,814	21,099,139	

*For the purposes of showing a like-for-like year on year comparison, £231.145m in respect of direct payments funding for farm subsidies has been included which reflects an adjustment made in the First Supplementary Budget 2020-21.

Annex C: Strategic Integrated Impact Assessment

Introduction

1. As set out within the Budget Improvement Plan, we remain committed to reviewing our approach to assessing impacts. For this 2021-22 draft Budget, we have included details of the impacts of spending decisions as part of the main narrative in Chapter 6, with this annex providing an overview of the strategic evidence which has informed our spending decisions, in line with our priorities to protect health and jobs, build a greener future, and create change for a more equal Wales. This annex should be read alongside Chapter 2 of the main Budget narrative and the Chief Economist's Report which separately outline the financial and economic context that has shaped this Budget.
2. To complement this, we also present more-detailed case studies on the impacts of specific spending decisions within this annex to better demonstrate how assessment is undertaken in more detail.
3. During this unprecedented year, there has been a range of emerging evidence produced highlighting the direct and indirect impacts of the pandemic on society and the economy as well as the longer-term impacts we are continuing to face related to climate change and the decline in biodiversity. This includes the disproportionate impacts on specific groups of people, particularly those with protected characteristics, recognising that often the intersection between these groups helps us better understand the impacts of our decisions.
4. These direct and indirect effects of COVID-19 continue to be a priority area for Government funding in this Budget and beyond. There are 'four harms' often referred to from the pandemic, these are:
 - direct health harms from the virus;
 - indirect health harms from reduced supply or demand for healthcare including the risk of critical care beds being overwhelmed due to COVID-19 patients;
 - harms due to lockdown and social distancing; and
 - wider socio-economic harms that include the impacts of recession and missed education.
5. This pandemic has also impacted the ability for us to draw on official sources of evidence where data often relates to before the pandemic or we cannot always be certain that any observed changes or differences have been caused directly by the pandemic. In this context, we have welcomed the information presented by our third sector partners during this year, highlighting the impact on protected groups.

Evolving our approach to assessing impacts

6. We have published an updated Budget Improvement Plan as part of the 2021-22 draft Budget. This includes updates on the actions we have taken to evolve our approach to assessing impacts, alongside our longer term ambitions (See Annex E for more detail).
7. For the first time this year, we have developed a new distributional impact model for analysing public spending in Wales, focusing on the largest areas of devolved public spending. We have published initial summary results of this work as part of the 2021-22 draft Budget, outlining how we intend to progress this work in future years.
8. We have also commissioned work to develop a pilot model to estimate greenhouse gas emissions connected to spending proposals. We have published an outline of our approach in the Chief Economist's Report.

Health impacts

9. The immediate impact of the COVID-19 pandemic has placed an unprecedented strain on the health service. So far, it is likely that at least 400,000 people have been infected with COVID-19 in Wales, based on assuming a 0.8 per cent infection fatality rate and the number of deaths. There has been around 10,000 hospital cases⁶ and over 3,600 people⁷ have died of COVID-19.
10. However, the longer-term health impacts are likely to be even more significant, with the impacts of the COVID-19-related recession likely to be felt for many years after the virus has been brought under control⁸.
11. The health system has had reduced supply as a result of the pandemic, with hospital patients being discharged and elective surgery cancelled in anticipation of demand pressures, as well as to reduce the risk of infection. This will need to be addressed to mitigate the long-term health harms that will be associated with reduced healthcare use. There is currently a backlog of referrals and elective activity that poses a financial and logistical challenge in terms of the resource required to catch up.
12. The pandemic has not been a 'great leveller'. While hospital admissions and deaths have been largely seen in older people, it has also exacerbated existing health and financial inequalities, with hospital admissions and deaths being twice as high in the most deprived quintile, based on the Welsh Index of Multiple Deprivation when compared with the least deprived quintile⁹.

⁶ Based on Public Health Wales data

⁷<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deaths-registered-weekly-in-england-and-wales-provisional/week-ending-27-november-2020#deaths-by-region-in-england-and-wales>

⁸https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907616/s0650-direct-indirect-impacts-covid-19-excess-deaths-morbidity-sage-48.pdf

⁹ <https://gov.wales/sites/default/files/publications/2020-10/technical-advisory-cell-coronavirus-covid-19-and-health-inequalities.pdf>

Social care

13. The social care system is also experiencing significant challenges as a result of the pandemic which will continue over the next few years as well as needing to respond to the ongoing challenge of Wales' ageing population. We have also seen reports from the sector that costs this year of infection prevention and control measures in care homes and reducing agency staff moving between homes have also been significant.

Mental health

14. We also know that the self-reported prevalence of common mental health problems has increased since the pandemic¹⁰¹¹. Based on data from Public Health Wales' 'How are we doing in Wales' survey, 72 per cent of people said the virus had made their quality of life worse, 26 per cent of people were concerned 'a lot', and 37 per cent 'a little' about their mental health over the winter months¹².
15. We also know the impacts of poor mental health are not felt equally. Wales' most deprived communities have the poorest mental health and well-being, and the pandemic is likely to have worsened this further. A summary of UK and international research¹³ suggests that children and younger people will have been impacted by the closure of education settings as well the impact of labour market changes on younger people (see 'Economic impacts' section). Loneliness and isolation will have affected many people, but particularly older people, and those who were already vulnerable in our communities and/or suffered from mental health conditions before the pandemic.
16. It is predicted that the pandemic may increase rates of anxiety, depression, and post-traumatic stress disorder, as well as increase the risk of trauma and attachment issues in children exposed to adverse childhood experiences¹⁴.

Economic impacts

17. The spread of COVID-19, and the actions to contain it, have had a dramatic impact on the UK and many countries around the world. The strict lockdown needed to manage the pandemic led to a fall in the UK's economic activity that was unprecedented in modern times. The uncertainty surrounding the UK's departure from the EU Single Market has also constrained business investment exacerbating pre-existing weak productivity growth.

¹⁰<https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/coronavirusanddepressioninadulthoodgreatbritain/june2020>

¹¹ It is also important to note that there could be a variety of reasons for change in depressive symptoms before and during the pandemic, rather than this solely being a result of the coronavirus pandemic

¹² <https://phw.nhs.wales/topics/latest-information-on-novel-coronavirus-covid-19/how-are-you-doing/how-are-we-doing-in-wales-reports/>

¹³ https://gov.wales/sites/default/files/statistics-and-research/2020-09/review-impact-mass-disruption-wellbeing-mental-health-children-young-people-possible-therapeutic-interventions_0.pdf

¹⁴ <https://phw.nhs.wales/topics/latest-information-on-novel-coronavirus-covid-19/traumatic-stress/#What%20are%20the%20Likely%20Mental%20Health%20Consequences%20of%20the%20COVID-19%20Crisis?>

18. The Chief Economist's Report provides more detailed on the economic context, outlook, and the impacts of COVID-19 and of exiting the European Union. The report highlights the negative impact of the labour market on disadvantaged groups, with particularly adverse impacts on the low-paid and on young people entering the labour market. It also highlights the pandemic's impact on increasing inequality and the likely "scarring" impacts on younger people in both education and the labour market.

Impact on Equalities

Gender

19. Emerging evidence indicates that the pandemic continues to have different impacts when considering gender. An Office for National Statistics (ONS) analysis¹⁵ of monthly deaths in England and Wales from COVID-19 found that males had a higher rate of death due to COVID-19 than females. We also know that there are differences in virus exposure through the number of reported positive cases. Public Health Wales¹⁶ shows that females are more likely to test positive as critical workers in Wales are more likely to be women than men¹⁷ and therefore at higher risk of contracting the virus.
20. Women are also more likely to work in lower-paid jobs and are more likely to care for dependants. The Institute for Fiscal Studies (IFS) found that among couples with children aged 4 to 15, mothers are one and a half times more likely than fathers to have lost their job or quit since the start of the pandemic. They also found 9 per cent of all women age 20-65 reduced their working hours because of caring responsibilities compared with 5 per cent of men.
21. Women are also twice as likely to be victims of domestic violence as men based on police recorded crime¹⁸, though this will not capture unreported incidences. At the start of the pandemic, there was a reported increase in calls to domestic abuse charities and to police services¹⁹, both in Wales and across the UK. While calls have now returned to pre-COVID-19 levels, it is thought that the impact on victims has become more severe and complex.

¹⁵<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsinvolvingcovid19englandandwales/deathsoccurringinjune2020>

¹⁶ <https://public.tableau.com/profile/public.health.wales.health.protection#!/vizhome/RapidCOVID-19virology-Public/Headlinesummary>

¹⁷ <https://gov.wales/coronavirus-and-employment-analysis-protected-characteristics>

¹⁸<https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/articles/domesticabusevictimcharacteristicsenglandandwales/yearendingmarch2020>

¹⁹<https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/articles/domesticabuseduringthecoronaviruscovid19pandemicenglandandwales/november2020>

Children and young people

22. Results of a survey²⁰²¹ of 23,000 children and young people in Wales, published by the Children's Commissioner for Wales, highlighted the range of different experiences since the outbreak of the pandemic and the impact of school closures. Some children experienced bereavement, distress, and worry. Many missed friends, families, and felt they were missing out on their education. At the same time, many children described how they valued a chance to spend more time with their family, to play and relax more, or learn in a different way.
23. The survey included the experiences of children and young people from Black, Asian and Minority Ethnic backgrounds, as well as disabled children and young people. These highlight that all these groups were more likely to report negative experiences of the lockdown than White and non-disabled children.
24. Research also suggests that across the UK, children from lower socio-economic backgrounds are likely to be at greater risk of falling behind in their education compared to peers and limited research suggests that children with additional learning needs may be at greater risk of mental health difficulties.
25. Recent analysis²² has highlighted that younger people are bearing the largest employment impacts of the crisis so far, with employment for those aged under 25 falling by 305,000 in the UK since the crisis began, 54 per cent of the total fall in employment.

Older people

26. ONS's statistics on weekly deaths registered²³ in England and Wales continues to show that older people, particularly those aged over 75 years, are more likely to die after contracting COVID-19. The Bevan Foundation highlighted²⁴ that 'shielded' groups, including the elderly and people with chronic illnesses, were more likely to experience a deterioration in health and well-being during the first wave of the pandemic. They also faced continued anxiety as the 'shielding' rules were relaxed, with many people continuing to 'shield' or maintaining their reduced levels of 'normal' activities.
27. The IFS has also reported²⁵ that older workers are also at greater risk of suffering serious and persistent consequences from the economic impact arising from the pandemic. Older individuals who lose their jobs are less likely to secure re-employment, or to find a job on a similar wage to their previous earnings, than younger workers.

²⁰ https://www.childcomwales.org.uk/wp-content/uploads/2020/06/FINAL_formattedCVRep_EN.pdf

²¹ The survey sample was self-selected, and disseminated via school learning platforms. As a result, the findings will not be representative, with learners who had limited access to the internet or a digital device being poorly represented

²² <https://www.employment-studies.co.uk/resource/labour-market-statistics-november-2020>

²³ <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/death-registered-weekly-in-england-and-wales-provisional/week-ending-27-november-2020>

²⁴ <https://www.bevanfoundation.org/news/2020/10/experiences-of-shielding/>

²⁵ <https://ifs.org.uk/publications/15040>

Race

28. There has been a range of published research and statistics highlighting that Black, Asian and Minority Ethnic groups across the UK are experiencing greater harm from the virus than the majority of the population.
29. Welsh Government evidence^{26,27} from June highlighted a range of factors, which, for different ethnic groups, could affect the risk of the pandemic on their health and well-being either directly or through a disproportionate impact on socio-economic factors. This included ONS analysis^{28,29} of COVID-19-related deaths in England and Wales which showed that the risk of death involving COVID-19 among some minority ethnic groups was significantly higher than of those of White ethnicity.
30. People working in certain occupations, such as critical workers, are thought to be at higher risk of infection through the jobs that they do. Analysis^{30,31} on the protected characteristics of critical workers found that while employees with a White ethnicity accounted for 94 per cent of the estimated 490,000 critical workers in Wales, other ethnic groups were more likely to be critical workers. The analysis also showed that within some minority ethnic groups there was an even higher proportion of women.
31. The analysis also looked at employees in industries told to close during the first UK-wide lockdown. It found that 20 per cent of all Welsh employees of a Black, Asian and minority ethnic background worked in industries told to close, compared to 15 per cent of White employees.

Sexual orientation, gender reassignment and gender identity

32. Research³² by University College London and the University of Sussex found that bisexual, trans, and gender diverse respondents tended to have higher rates of depression. The research found that LGBTQ+ individuals who had experienced discrimination were more likely to be depressed. Taken together, it could be argued that COVID-19 is exacerbating existing inequalities in mental health conditions, and there is indicative evidence that this could be related to increased levels of discrimination towards LGBTQ+ communities.

²⁶ <https://gov.wales/coronavirus-covid-19-and-black-asian-and-minority-ethnic-bame-population-wales>

²⁷ <https://gov.wales/covid-19-bame-advisory-group-potential-impact-covid-19>

²⁸ <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/Covid-19covid19relateddeathsbyethnicgroupenglandandwales/2march2020to15may2020>

²⁹ This analysis is corroborated by research published by both the Intensive Care National Audit & Research Centre and the IFS.

³⁰ See footnote 16

³¹ <https://gov.wales/coronavirus-covid-19-and-black-asian-and-minority-ethnic-bame-population-wales>

³² <https://www.medrxiv.org/content/10.1101/2020.08.03.20167403v1.full.pdf>

Disability

33. ONS analysis³³ from September showed that in Wales, disabled people represented 68 per cent of all deaths involving COVID-19, which is likely partially explained by disability being more common in older populations and those more likely to be the most vulnerable to the virus. We know the pandemic has also had, and continues to have, an adverse impact on the experiences of disabled people compared to non-disabled people, with evidence of increasing levels of anxiety and a deterioration in well-being. In September,³⁴ 83 per cent of disabled people in Britain compared with around 71 per cent non-disabled people said they were 'very' or 'somewhat' worried about the effect the pandemic was having on their life.
34. Around half of disabled people who were receiving medical care before the pandemic indicated that they were either currently receiving treatment for only some of their conditions, or that their treatment had been cancelled or not started, compared with just over a quarter of non-disabled people who were receiving care for a physical or mental health condition before the pandemic.

Welsh Language

35. The Well-being of Wales 2020 report highlights that while national indicators on the Welsh language are broadly consistent with previous years, there has been a slight decrease in the percentage of people speaking Welsh daily and being able to speak more than just a few words of Welsh.
36. Research³⁵ has also been undertaken to find out how COVID-19 and its restrictions have affected Welsh language community groups. The results including showing that for all the activities usually carried out by community groups prior to the pandemic, over two-thirds (68 per cent) had not been carried out at all since the start of the lockdown period
37. Tourism, culture, sport and language also contribute to wider economic, social and environmental outcomes for people in Wales, including mental and physical health and community cohesion. Recent Welsh Government research³⁶ identified that health and well-being factors were positively impacted depending on individuals' access to arts and culture.

Socio-economic disadvantage

38. Prior to the pandemic, there has been little change in relative income poverty levels in Wales for a number of years³⁷. The Chief Economist's Report highlights that while income inequality is lower in Wales than across the UK as a whole, reflecting the low proportion of high and very high income earners in Wales, poverty can have a longer lasting impact on life chances.

³³<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/corona-virus-covid-19-related-deaths-by-disability-status-england-and-wales/2-march-to-14-july-2020>

³⁴<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/disability/articles/coronavirus-and-the-social-impacts-on-disabled-people-in-great-britain/september-2020>

³⁵ <https://gov.wales/effects-covid-19-welsh-language-community-groups-survey-results>

³⁶ <https://gov.wales/exploring-relationship-between-culture-and-wellbeing>

³⁷ <https://gov.wales/relative-income-poverty-april-2018-march-2019>

39. We know that changes to the welfare system have strong links to poverty, especially growing levels of in-work poverty. The Equality and Human Rights Commission³⁸ has previously suggested that Wales is more reliant on welfare than the other nations, meaning reductions made to in-work and out-of-work benefits have a greater impact, including changes to the measures introduced as a result of the pandemic. As of October 2020,³⁹ there were 272,000 people on Universal Credit in Wales, 75 per cent up compared with March 2020. COVID-19 has also seen the number of people who rely on Welsh Government and local authorities increase significantly.
40. An ONS analysis⁴⁰ on COVID-19 deaths also highlights that people living in more deprived areas of Wales have experienced almost twice the mortality rates compared to those living in less deprived areas. While general mortality rates are normally higher in more deprived areas, COVID-19 appears to be taking them higher.
41. The National Survey for Wales' August results⁴¹ highlighted that 21 per cent of respondents said that COVID-19 has caused problems for their household finances. A recent report by Citizens Advice⁴² highlights that those most likely to have fallen behind on household bills are families with children, people who are unemployed or have seen a negative impact of the crisis on their work, and those with a disability or long-term health condition.
42. The number of people receiving support in Wales through the Discretionary Assistance Fund (DAF) has also increased significantly. As of 1 May, the rules were relaxed for applications to the DAF to help those facing unexpected financial hardship as a result of COVID-19. Between mid-March and November, almost 100,000 COVID-19 related DAF payments were made, around three times more compared with the same period last year.
43. Some of the most vulnerable households have also been impacted by homelessness as a result of the pandemic. Recent management information⁴³ for Wales indicates that as of 30 September, over 4,000 individuals⁴⁴ had been brought into temporary accommodation since March. The same data estimated there were 110 individuals sleeping rough as of September.

³⁸ <https://www.equalityhumanrights.com/en/publication-download/wales-fairer-2018>

³⁹ <https://gov.wales/sites/default/files/statistics-and-research/2020-11/key-economic-statistics-november-2020-628.pdf>

⁴⁰ <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsinvolvingcovid19bylocalareasanddeprivation/deathsoccurringbetween1marchand31july2020>

⁴¹ <https://gov.wales/national-survey-wales-monthly-survey-august-2020-html#section-51079>

⁴² <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/citizens-advice-cymru-wales-policy-research/coronavirus-arrears-estimating-the-size-of-lockdown-arrears-in-wales1/#>

⁴³ <https://gov.wales/homelessness-accommodation-provision-and-rough-sleeping-september-2020>

⁴⁴ There are caveats to the data: (a) One local authority did not include 'homeless at home'.

(b) Two local authorities were unable to obtain data from women's refuges in their local authorities.

(c) One local authority has reported households, not persons. Therefore, there will be a small undercount in the total figures presented (d) One local authority was unable to supply the figure for September in time

44. Prior to the pandemic, although relative child poverty rates showed a slight downward trend in the latest data, almost 3 in 10 (28 per cent)⁴⁵ children in Wales lived in relative income poverty (after housing costs) compared to just under a quarter of the general population in Wales⁴⁶. These sources will not capture the impact of the pandemic. However, evidence suggests that school closures earlier this year may have disadvantaged those living in deprived locations to a greater extent. A Children in Wales survey⁴⁷ found that digital exclusion was more prevalent in poorer families, with 40 per cent of low income families missing at least one essential resource to support their child's learning from home, and 64 per cent of respondents citing digital inclusion as an issue for families they worked with.
45. Evidence suggests that workers on a low wage, or those already in poverty have been most affected by the pandemic's impact on jobs and financial security. Several sectors with greater in work poverty rates, including the accommodation, food and beverage, and retail sectors, were highly impacted by social distancing measures and research suggests that people in these sectors remain at high risk of future job losses related to the pandemic.

Environment

46. Before COVID-19, private car use was growing, light goods vehicle traffic was up, and public transport use was broadly stable. Active travel (walking and cycling) was generally stable at a national level, increasing in a handful of places due to specific interventions involving shared bikes.
47. During the initial lockdown in March 2020, across the UK, car trips were down by 81 per cent and freight fell by 78 per cent⁴⁸. This decrease was only temporary however, and by July 2020 road traffic was back to 80 per cent of pre-UK-lockdown levels. In contrast, public transport use was at only 30 per cent of earlier levels, and rail footfall in Wales at only 12-15 per cent of pre-COVID-19 levels⁴⁹. Travel patterns have also changed in response to the pandemic, with a move away from the pre-COVID-19 'twin peaks' of congestion during weekdays, with more evenly spread public transport and road use throughout the day⁵⁰.
48. The medium to longer-term impacts of transport use is less clear. It is also unclear how other sectors have been affected during the pandemic and what the changes in the concentrations of air pollutants have been. It will therefore take some time to understand the full impacts of actions related to COVID-19 on climate change, greenhouse gas emissions and air quality.

⁴⁵ See footnote 36

⁴⁶ Covering the period between April 2018 and March 2019

⁴⁷ <https://www.childreninwales.org.uk/news/news-archive/new-report-launched-covid-19-impact-low-income-disadvantaged-families/>

⁴⁸ RoyalHaskoning DHV, The Impacts of Covid-19 on Travel Patterns in the UK – Third Phase research findings

⁴⁹ Information provided by Transport for Wales from station gateline passenger counts

⁵⁰ O2 station insights data provided to Transport for Wales

49. Early modelling of carbon dioxide emissions suggests that global emissions are expected to fall during 2020. The UK Committee on Climate Change reported^{51,52} in June that carbon dioxide emissions are expected to drop by a record 5-10 per cent as a result of the COVID-19 pandemic, with a potentially larger fall for the UK. It is important to note that this effect is only temporary, and carbon dioxide emissions must still be cut consistently year on year until they reach net zero globally in order to slow global warming.
50. Early results⁵³ from studies into the effect on air quality show a complicated picture. The first two months of the UK-wide lockdown earlier in the year saw significant decreases in some pollutant levels (e.g. nitrogen oxides), consistent with reduced traffic levels, however other pollutant levels increased (e.g. fine particulate matter and ozone).
51. Research⁵⁴ has also highlighted that the lockdown periods in Wales have led people to increasingly recognise the value of their environment and having the time to explore and enjoy their local habitats.

Case studies on impacts of specific spending decisions

52. This annex provides case studies below on the impacts of specific spending decisions to supplement the information we have provided in chapters four and six.

⁵¹ <https://www.theccc.org.uk/publication/reducing-uk-emissions-2020-progress-report-to-parliament/>

⁵² Other organisations have reported expected falls of similar levels. For example, <https://www.iea.org/reports/global-energy-review-2020/global-energy-and-co2-emissions-in-2020>

⁵³ https://airquality.gov.wales/sites/default/files/documents/2020-08/Analysis_of_Welsh_Air_Quality_Data_Impacts_of_Covid-19_Final_Issue2.pdf

⁵⁴ <https://naturalresourceswales.gov.uk/about-us/strategies-and-plans/green-recovery-supporting-the-environmental-sector-in-wales/?lang=en>

Case study 1 – Support for children and young people’s mental health

53. Population-based surveys in both Wales and beyond all point to higher levels of anxiety or concern as a result of the pandemic. We also know the impacts of poor mental health are not felt equally, and the pandemic may have exacerbated this. Whilst the true mental health impact is difficult to quantify, demand and capacity modelling work for NHS mental health services will need to respond to an increased level of demand. We also recognise that getting the right treatment at an early stage, together with greater awareness of mental health, can, in many cases, prevent longer-term adverse effects.
54. In October 2020, we updated our delivery plan⁵⁵ for the *Together for Mental Health* strategy to set out new or accelerated actions to respond to changing mental health needs as a result of the pandemic. Alongside this strategy and plan, our children’s rights impact assessment outlines the importance we were placing on children’s rights in our approach⁵⁶. This also presents evidence that personal well-being declines from primary school to secondary school, especially for girls. Prevention and the promotion of positive mental well-being are therefore major features of the plan. We invested an extra £2.7m during 2020-21 to strengthen mental health support across all ages, to prevent issues escalating and reduce the need for specialist mental health services.
55. In this Budget, we are allocating additional funding to both the whole system approach to mental health (£4m) and Children and Adolescent Mental Health Services (CAHMS) (£5.4m) to continue to respond to increasing demand for these services.
56. The whole system approach provides counselling and emotional support for school children, teachers, and other school staff and school senior leaders, contributing towards the overall health and well-being of children and young people, including their emotional health and resilience. As part of this, the CAMHS School In-Reach pilot programme aims to build capacity in schools, including skills, knowledge and confidence, to support pupils’ mental health and well-being and improve schools’ access to specialist liaison, consultancy, and advice when needed. The pilot programme currently operates across six local authorities and four local health board areas with the interim evaluation⁵⁷ showing that schools that engaged with the pilots felt better-placed to support staff and learners on the school’s return. The extra £4m in 2021-22 will support scaling up the pilot to other areas of Wales.
57. The £5.4m additional funding will be directed towards bolstering the NHS CAMHS service plans against Tier 4 and Community Intensive Teams, for children and young people who have mental health conditions which need formal diagnosis and intervention.

⁵⁵ <https://gov.wales/mental-health-delivery-plan-2019-to-2022>

⁵⁶ <https://gov.wales/sites/default/files/publications/2020-07/together-for-mental-health-childrens-rights-impact-assessment.pdf>

⁵⁷ <https://gov.wales/evaluation-child-and-adolescent-mental-health-service-camhs-reach-pilot-programme-interim-report>

Case study 2 – Housing Support Grant

58. Preventing and ending homelessness is a key Government priority, and one which has been brought into sharper focus during the COVID-19 pandemic, with over 4,000 people estimated to have been brought into temporary accommodation since March based on our inclusive ‘everyone in’ approach. The Housing Support Grant – an early intervention grant programme aimed at preventing homelessness – forms a key part of our response to the challenge of preventing and ending homelessness in Wales. This Budget commits a further £40m to build on the temporary measures adopted during the pandemic and help ensure that everyone can continue to access the housing provision and housing support services that they need.
59. We know how important stable accommodation can be, particularly to households with children, where homelessness can have a significant impact on child development and educational attainment. A settled and secure home is important for parents too, helping them to secure longer term training and employment opportunities, and reduce their risk of falling into poverty. The Housing Support Grant will continue to assist those most vulnerable in society with the often multiple challenges that they can face. It will also seek to improve access to services in rural areas, given the distinct challenges involved in tackling the issue of rural homelessness in Wales.
60. According to Welsh Government’s 2018-19 Homelessness in Wales⁵⁸ publication, the presence of dependent children or a pregnant woman was the most commonly stated (at 43 per cent) ‘priority need’ category for those households accepted as homeless and in priority need. 21 per cent related to cases where a member of the household was vulnerable due to mental illness, a learning disability or learning difficulties, and 12 per cent related to where the applicant was fleeing domestic abuse or threatened abuse.
61. Investing in the Housing Support Grant can help to reduce pressure on other public services. As noted above, over 4,000 people in Wales have been brought into temporary accommodation since the pandemic began in March⁵⁹. Evidence from Crisis UK indicates that people who experience homelessness for three months or longer cost public services an average of £18,388 which equates to over £73m in costs to public services in Wales (including over £25.5m in health services alone) just for those people currently in emergency accommodation if their homelessness is not resolved. Public Health Wales also estimates that Housing First models for homeless individuals with complex needs returns £3.60 for every £1 spent; and every £1 invested in moving people out of homelessness generates £2.80 in benefits.
62. We are also allocating an additional £4m COVID-19-specific funding to the Homelessness Prevention budget to help to maintain continuity of the emergency provision of accommodation and support in the early part of the next financial year as required.

⁵⁸ <https://gov.wales/sites/default/files/statistics-and-research/2019-07/homelessness-april-2018-march-2019-993.pdf>

⁵⁹ <https://gov.wales/homelessness-accommodation-provision-and-rough-sleeping-september-2020>

Case study 3 - Personal Learnings Account programme

63. Skills and qualifications are the biggest single influence on a person's chance of being in employment, and on them earning a good income. Secure, well-paid, and sustainable employment offers both a route out of poverty and protection against it, not just for the individual, but also for their dependents.
64. The Personal Learning Accounts (PLA) pilot was launched in September 2019 to provide vocational retraining of employed people in industry sectors where there is a demonstrable skills shortage. The pilot was open to those over 19 years old, living in Wales, and earning less than £26,000 per year, and gave employed people the chance to access free and flexible courses and qualifications within five priority sectors: engineering, construction, digital, health, and financial services. To recognise the gender bias within these sectors, we took forward a 'gender-focused' approach for the pilot to help to identify and understand potential impacts, including unintended impacts, on different groups, to improve how we prioritise and allocate resources.
65. Since then, COVID-19 has impacted the economy and labour market at an unprecedented scale, threatening to reverse progress made in reducing unemployment and economic inactivity in Wales over the last decade. This year's Chief Economist's Report highlights that disadvantaged groups in the labour market are being worse affected, with particularly adverse impacts on the low-paid and on young people entering the labour market.
66. 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 these sectors, and showed unexpected results when considering the take-up by gender. For example, management information from the pilot showed that while there was a gender bias seen for sectors such as engineering and construction, 60 per cent of learners taking up ICT courses and qualifications were female, and over 80 per cent of learners taking up a Professional Sector course (including AAT/accounting qualification) were female. Conversely, over 70 per cent of learners taking up a care-related course/qualification were male.
67. As a result of the pilot's early positive results, and to recognise the emerging impacts of the pandemic, the Welsh Government took the decision to roll out the PLA offer across Wales from September and expand it to support employed people who have been furloughed, those at risk of redundancy, or those who have been negatively impacted by COVID-19. Additional priority sectors have also been included. We have allocated an additional £5.4m in 2021-22 to support this.
68. Early data from the wider programme will be available in the New Year. This will enable continued monitoring of the offers' take up, including by other protected characteristics. A formal evaluation of the programme will commence in 2021, with interim findings helping to inform the programme's delivery. Work has also been commissioned from the Learning and Work Institute to understand and explore the ongoing take-up of the offer, and identify any unintended barriers for groups with protected characteristics, with findings available in early 2021.

Case Study 4 – Carbon Zero pilot

69. As part of the £40m additional investment in the 21st Century Schools and Colleges Programme, £5m will be targeted to take forward delivery of our carbon zero pilot projects. The pilot will offer local authorities, further education institutions, and their supply chains the opportunity to seek additional funding to develop and deliver innovative infrastructure solutions, delivering against the path towards net zero whole-life carbon buildings.
70. Work commenced in November 2020 on the construction of Llancarfan Primary School in the Vale of Glamorgan. This will be Wales' first Net Zero Carbon School, with completion scheduled for late 2021. The Local Authority Design Team have worked closely with stakeholders in designing the school, including working with staff and learners in the development of teaching resources to provide an insight into the net-zero carbon agenda. This links to our curriculum and provides a tangible link between the technology in their new school and how this affects the environment around them.
71. A systematic approach was undertaken towards understanding the carbon base case for the Welsh Government's minimum Building Research Establishment Environmental Assessment Method (BREEAM) 'Excellent' standard alongside 'Low Carbon' and 'Net-Zero Carbon' options. This has identified reductions of over 40 tonnes of carbon dioxide emissions annually for the BREEAM 'Excellent' standard, and over 17 tonnes of carbon dioxide emissions for the 'Low Carbon' solution. The 'Net-Zero Carbon' solution represents a reduction of 42.6 tonnes of carbon dioxide emissions against the current 'BREEAM Excellent' standard school through on-site battery storage and exporting surplus on-site generated green energy back to the grid.
72. The new school will be constructed to BREEAM Excellence standards, as well as being net-zero carbon in its operation. This will include targets for habitat creation and enhancement, such as enhancing carbon sinks like small wooded areas and meadows, beneficial for reducing air pollution and sequestering carbon. Planting designs will look to restore ecological features where possible and connect with habitats in the surrounding area; for example, by restoring native hedgerows to maximise their utility as a wildlife corridor. The design will provide nature engagement areas such as a sensory garden and allotments areas as well as bat and bird boxes and a bug and hedgehog home. The Sustainable Urban Drainage Solution will also provide an opportunity to enhance features with rain garden areas and swales.
73. Alongside the pilot, we propose to work with further and higher education and professional institutions in Wales to develop a toolkit for monitoring, reporting, and evaluating each pilot project. Whilst leading the way in decarbonising the education estate in the UK, the pilot provides significant opportunities in research, jobs, and manufacturing, all contributing towards economic recovery and foundational economy for Wales.

Maximising existing resources

74. While the 2021-22 draft Budget has resulted in increased funding for all Main Expenditure Groups (MEGs), actions will have been taken within each MEG to repurpose or reprioritise funding to manage pressures and to help fund priority areas. In some cases this has resulted in reductions to budgets at Budget Expenditure Line level. A fuller description of these changes is presented in the Ministerial evidence papers, published as part of the 2021-22 Draft Budget package and can be found at:
<https://gov.wales/draft-budget-2021-2022>

Annex D: Technical information

Innovative Finance schemes

1. In previous Budgets, we have set out the range of innovative finance schemes that have been developed.
2. Unhypothesized funding continues to be distributed through the Revenue Support Grant, for two local government borrowing initiatives – for highways and schools. Funding also continues to be allocated for two rounds of investment using the Housing Finance Grant.
3. In 2021-22, the Coastal Risk Management Programme (CRMP) will see investment in local authority coastal defence assets. CRMP will see £150m of additional investment over a three-year period (2019-20, 2020-21, and 2021-22) to manage current and future risks from climate change and sea level rise to coastal communities across Wales. There are currently 23 local authority schemes in the programme.
4. Innovative finance schemes provide a much-needed boost to capital budgets, enabling around £870m of infrastructure investment to be delivered sooner than would have otherwise been achievable. Details of the funding implications for the period covered by this draft Budget are set out in the table below.

Operational schemes	Estimated capital value (£m)	2021-22 Revenue Implications (£m)
LGBI ⁶⁰ Highways improvements	170	12
LGBI Schools – Band A Acceleration	170	10
Housing Finance Grant	130	4
Housing Finance Grant 2	250	9
Flood & Coastal Risk Management	150	7
Total	870	42

5. Three schemes are being developed using the Mutual Investment Model (MIM), which was launched in 2017: completing dualling of the A465, the development of the new specialist Velindre Cancer Centre, and supporting the next phase (Band B) of the 21st Century Schools and Colleges Programme. These schemes will see additional investment of more than £1bn in Wales, ensuring vital facilities for the public are accessible sooner than would otherwise have been available through capital budgets.

⁶⁰ Local Government Borrowing Initiative

6. In July 2018, the A465 dualling project became the first MIM scheme to be tendered to the market. In July 2019, the procurement of a Private Sector Delivery Partner to support the Education programme commenced.
7. In September 2020, commercial close was reached for the Education programme and the Welsh Education Partnership Company established. A pipeline of projects is now being developed with the first project expected to commence construction during 2022.
8. In October 2020, financial close was reached for the A465, with the main construction commencing in January 2021. The A465 will open in phases and be fully completed by mid-2025.
9. The Velindre Cancer Centre has recently undergone a review of the clinical model. Further consideration of the model and the business case is ongoing, with consideration of the procurement timetable following in the near future.
10. Service payments for MIM schemes will not begin until the assets are available for public use.

Financial Transaction Capital

11. Financial transactions have been used to finance the public sector shareholding in the Education programme and A465 MIM schemes. This shareholding was evaluated and will now be managed by the Development Bank of Wales (DBW) on behalf of Welsh Ministers. DBW was provided with £0.783m in 2020-21 and £8.7m in 2020-21 to fund MIM activities in respect of the Education programme and A465 MIM schemes respectively.

Annex E: Budget Improvement Plan

Alongside this draft Budget, we have published an update to our Budget Improvement Plan. We first published this Plan alongside the 2020-21 draft Budget, which outlines our vision, including short-term and medium-term ambitions over the next 5 years, to improve the budget process using the Well-being of Future Generations Act goals and the five ways of working to drive continuous improvement. This update presents our rolling 5-year ambitions as well as a summary of our progress against planned commitments from last year's Plan during 2020.

This has been published as a separate document and can be found at:

<https://gov.wales/draft-budget-2021-2022>

Annex F: Implementation costs of legislation

Costs of Implementing Enacted Legislation in 2021-22

[Click on the title of each Act for background information]

Title of Act	Which BEL funds the costs?	Implementation phase	Year	RIA estimate of costs (£)	Actual costs (£)	Amount set aside in Budget (£)
Health and Social Services						
<u>Public Health (Wales) Act 2017</u> ⁶¹	Health Improvement & Healthy Working	July 2017 – March 2022	2017-18	232,400	21,890	
			2018-19	816,800	516,794	
			2019-20	388,400	224,832	
			2020-21	107,200	352,000	
			2021-22	325,400		325,400
<u>Regulation and Inspection of Social Care (Wales) Act 2016</u> ⁶²	Sustainable Social Services	2016 – April 2019	2016-17	2,100,000	282,000	
			2017-18	1,800,000	1,500,000	
			2018-19	1,800,000	1,500,000	
			2019-20	1,800,000	1,500,000	
			2020-21	1,800,000	550,000	
			2021-22	550,000		550,000

⁶¹ Opportunity costs identified in the RIA have been removed from estimated figures, which now show only costs where a flow of funds was expected. Actual costs and the amount set aside for 2021-22 have been updated following re-profiling during the implementation phase.

⁶² Due to the phased approach adopted for implementation, costs to the service regulator have been staggered rather than concentrated in the first year as indicated in the RIA.

Title of Act	Which BEL funds the costs?	Implementation phase	Year	RIA estimate of costs (£)	Actual costs (£)	Amount set aside in Budget (£)
<u>Public Health (Minimum Price for Alcohol) (Wales) Act 2018</u>	Substance Misuse	2019-20 – 2023-24	2019-20	250,820	250,820	
			2020-21	274,000	160,000	
			2021-22	330,000		100,000
<u>Health and Social Care (Quality and Engagement) (Wales) Act 2020</u>	Healthcare Quality Improvement	2020-2022	2020-21	398,000	91,211	
			2021-22	2,739,000		2,739,000
<u>Children (Abolition of Defence of Reasonable Punishment) (Wales) Act 2020</u>	Support for Families & Children	2020-21 – 2026-27	2020-21	600,000	Expect full spend	
			2021-22	800,000		1,000,000

Title of Act	Which BEL funds the costs?	Implementation phase	Year	RIA estimate of costs (£)	Actual costs (£)	Amount set aside in Budget (£)
Housing and Local Government						
<u>Renting Homes (Wales) Act 2016</u> ⁶³	1100 Housing Policy (formerly Independent Housing)	Jan 2016 - April 2021	2016-17	140,000	-	
			2017-18	65,000	-	
			2018-19	35,000	-	
			2019-20	0		
			2020-21	20,000	Full spend anticipated	
			2021-22	-		-
Education						
<u>Additional Learning Needs and Education Tribunal (Wales) Act 2018</u> ⁶⁴	5115 (Additional Learning Needs)	Sept 2021 -	2016-17	27,409	27,409	
			2017-18	158,000	123,461	
			2018-19	175,000	257,274	
			2019-20	353,500	16,314 (to date)	
			2020-21	272,000	51,503 (to date)	
			2021-22	-		2,536,000
	5511 (Raising Standards)	July 2024	2016-17	-	-	
			2017-18	270,000	270,000	
			2018-19	3,200,000	3,200,000	
			2019-20	3,200,000	3,142,783	
			2020-21	3,200,000	144,136 (to date)	
			2021-22	-		3,200,000

⁶³ Due to a delay in implementation the anticipated costs have been re-profiled into the current and future years. Anticipated costs in 2021-22 are yet to be fully determined.

⁶⁴ Implementation period will continue for longer than anticipated in RIA

Health and Social Services

Public Health (Wales) Act 2017

1. Across its broad range of provisions, the Public Health (Wales) Act will make an important contribution to public health in Wales. This puts in place important protections for the public, including extending the smoke-free requirements to certain open spaces, a mandatory licensing scheme for special procedures, as well as prohibiting the intimate piercing of anybody under the age of 18. The Act addresses other important public health issues including obesity and the planning of toilets for use by the public.

Regulation and Inspection of Social Care (Wales) Act 2016

2. The Regulation and Inspection of Social Care (Wales) Act is a set of provisions that provides a revised and streamlined legislative framework for the regulation and inspection of care and support in Wales. The Act proposes to introduce changes that will:
 - reform the regulatory regime for care and support services;
 - provide a regulatory framework that requires an approach to the regulation of care and support services focused on outcomes for service users;
 - reform the inspection regime for local authority social services functions;
 - reconstitute and re-name the Care Council for Wales as Social Care Wales and broaden its remit; and
 - reform regulation of the social care workforce.

Health and Social Care (Quality and Engagement) (Wales) Act 2020

3. The act is a mechanism for improving and protecting the health, care and well-being of the current and future population of Wales, building on the assets we have in Wales to strengthen and future proof our health and social care services for the future. This will also facilitate a stronger citizen voice, improving the accountability of services to deliver improved experience and quality of care for people in Wales, and contributing to a healthy and prosperous country. Taken together the provisions are intended to have a cumulative positive benefit for the population of Wales and to put in place conditions which are conducive to improving health and well-being. The Act proposes to introduce changes that will:
 - place quality considerations at the heart of all that NHS bodies in Wales and the Welsh Ministers (in relation to their health functions) do;
 - place a duty of candour on all NHS bodies at an organisational level, requiring them to be open and honest when things go wrong. In relation to the duty of candour, NHS bodies are defined as local health boards, Trusts, Special Health Authorities (including NHS Blood and Transplant in relation to its Welsh functions) and primary care providers in Wales in respect of the NHS services they provide;

- strengthen the voice of citizens across health and social services, further connecting people with the organisations that provide them with services; and
- strengthen the governance arrangements for NHS Trusts.

Children (Abolition of Defence of Reasonable Punishment) (Wales) Act 2020

4. The purpose of the Act is to abolish the common law defence of reasonable punishment so it is no longer available in Wales to parents or those acting *in loco parentis* as a defence to assault or battery against a child. The act is intended to support children's rights by prohibiting the use of physical punishment, through removal of this defence. The intended effect of the Act, together with an awareness-raising campaign and support for parents, is to bring about a further reduction in the use and tolerance of the physical punishment of children in Wales.

Housing and Local Government

Renting Homes (Wales) Act 2016

5. At the heart of the Act are the new 'occupation contracts'. With a limited number of exceptions, the Act replaces all current tenancies and licences with just two types of occupation contract:
 - secure contract – modelled on the current secure tenancy issued by local authorities; and
 - standard contract – modelled on the current assured shorthold tenancy used mainly in the private rented sector.
6. The Act requires landlords to issue a written statement of the occupation contract which clearly sets out the rights and responsibilities of landlords and those renting from them. A minimum six-month occupation period will be maintained by the Act and landlords will have to ensure the property is fit for human habitation. The Act also helps protect people from being evicted simply for complaining about the condition of a property.
7. People who find themselves in difficult circumstances also benefit from the Act. It will help to prevent current homelessness situations where a joint tenant leaves the tenancy, thereby ending the tenancy for everyone else. The new approach to joint contracts will also help victims of domestic abuse by enabling the person carrying out domestic abuse to be targeted for eviction.

Education

Additional Learning Needs and Education Tribunal (Wales) Act 2018

8. The Additional Learning Needs and Education Tribunal (Wales) Act 2018 replaces the current Special Educational Needs (SEN) framework with a reformed system based on Additional Learning Needs (ALN).

9. The Act makes provision for universal, statutory Individual Development Plans for all children and young people with ALN. This will bring an end to the current distinction between school led interventions and local authority issued statements and will integrate the separate legislative arrangements that exist for pupils in schools and post-16 students in colleges. The Act also seeks to improve collaboration between local authorities and health boards, as well as establishing a fairer and more transparent system with greater emphasis on disagreement avoidance and dispute resolution.

Annex G: Glossary of financial terms

Action	<i>Within each Spending Programme Area (SPA), budgets are allocated to a number of sub-programmes known as Actions.</i>
Ambits	<i>Descriptions of the specific purposes for which the Welsh Ministers are authorised by the Senedd to spend resources. Ambit descriptions and resource limits are contained within the annual Budget motion. Ambits correspond to MEGs.</i>
Annually Managed Expenditure (AME)	<i>Expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and is therefore reviewed twice a year as part of the HM Treasury's Budget and pre-Budget report processes. AME typically consists of programmes which are large, volatile, or demand-led; for example, the issue of student loans.</i>
Budget Expenditure Line (BEL)	<i>Within each Action, budgets are allocated to a number of sub-expenditure groups known as BELs. Tables showing budgets at BEL level are available at: http://gov.wales/funding/budget/?lang=en</i>
Barnett formula	<i>The formula used by the UK Government to calculate changes to the block grant allocated to the Welsh Government (and other devolved administrations). The Welsh Government receives the same changes in funding per head of the population as announced in England for services which are devolved to Wales. As part of the fiscal framework agreed between the Welsh Government and UK Government in 2016, there is also a needs-based factor applied to the Barnett formula allocations to Wales. This is currently set at an additional five per cent.</i>
Budget Motion	<i>The means by which the Senedd authorises the Welsh Ministers to spend resources up to a specific level for specified purposes and to draw cash up to a specific limit from the Welsh Consolidated Fund.</i>
Capital	<i>Expenditure that in the main results in a physical asset, for example a new building. A proportion of the Capital DEL includes financial transactions capital.</i>
Departmental Expenditure Limit (DEL)	<i>The multi-year budget limit for the Welsh Government set by HM Treasury. DEL is planned and controlled on a multi-year basis in Spending Reviews. The Welsh Government DEL and AME budgets have separate capital and resource limits.</i>
Depreciation	<i>The drop in value of an asset due to wear and tear, age, and obsolescence. Under resource budgeting, depreciation is part of the Welsh Government's DEL but is a non-fiscal resource DEL item.</i>
Direct Charges on the Welsh Consolidated Fund	<i>Expenditure which is legally required to be charged directly to the Welsh Consolidated Fund and therefore does not score against the budgets of the Welsh Government or any other body. Direct charges include the remuneration of the Presiding Officer and Auditor General.</i>
Financial Transactions Capital	<i>Financial transactions capital is part of the capital DEL settlement that can only be used for loans and equity investments to third parties. In the main, the funding must be repaid to HM Treasury.</i>
Fiscal Resource DEL (previously known as near-cash)	<i>The Fiscal Resource DEL budget scores most of the department's current expenditure. Expenditure is recorded on an accruals basis. It includes expenditure on pay, current procurement, resource grants, and subsidies.</i>

Main Expenditure Group (MEG)	<i>The Welsh Government DEL is divided into a number of Main Expenditure Groups. There are currently seven MEGs: Health and Social Services; Housing and Local Government; Economy and Transport; Education; Energy, Environment and Rural Affairs; Mental Health, Wellbeing and Welsh Language; and Central Services and Administration.</i>
Non-Fiscal Resource DEL (previously known as non-cash)	<i>The Non-Fiscal Resource DEL budget scores the department's current expenditure in respect of impairment of student loans and depreciation. Non-Fiscal Resource DEL is ring-fenced and cannot be used to fund fiscal resource DEL spending.</i>
Receipts	<i>Some areas of Welsh Government activity generate income, for example, through the sale or rental of assets. These are represented in the Budget as negative figures.</i>
Resource budgeting	<i>The Welsh Government's Budget is set on a resource basis derived from accruals information. Accruals information measures resources as they are consumed rather than when the cash is paid. So, for example, resource budgeting includes a charge for depreciation, a measure of the consumption or wearing out of capital assets.</i>
Resource (previously known as revenue)	<i>Current expenditure, for example funding for the pay of public sector workers and to purchase consumable goods and services.</i>
Spending Review	<i>Every two or three years, HM Treasury reviews expenditure for each UK Government Department and sets budgets for the forthcoming years. Budgets for the devolved administrations are derived from these budgets via the Barnett formula, which is the mechanism used by HM Treasury to calculate public expenditure allocated to Wales to reflect changes in spending levels allocated to public services in England.</i>
Spending Round	<i>The Spending Round is a UK Treasury-led process to allocate resources across all government departments, according to the Government's priorities. It does not include a revision to tax forecasts.</i>
Total Managed Expenditure (TME)	<i>This is an HM Treasury control total which is made up of the total Departmental Expenditure Limit plus Annually Managed Expenditure.</i>
Wales Reserve	<i>The Wales Reserve has been in operation since April 2018 as a tool to enable the Welsh Government to manage its budget across years. The Welsh Government will be able to save surplus revenues from the devolved taxes and underspends on the Departmental Expenditure Limit in the Reserve for use in future years. The Reserve will be able to hold up to £350m, with an annual drawdown limit of £125m for resource and £50m for capital. There will be no annual limit for payments in to the Reserve.</i>
Welsh Consolidated Fund	<i>The account into which the money voted by the UK Parliament for use by the Welsh Government, the Senedd Commission, the Auditor General, and the Public Services Ombudsman for Wales is paid.</i>
WGSB	<i>Welsh Government Sponsored Body. Examples include the Higher Education Funding Council for Wales and the Arts Council of Wales.</i>