



Llywodraeth Cymru  
Welsh Government

Welsh Government

# Budget Improvement Plan

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# Introduction

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

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

This updated Plan continues to show how we have built, or plan to build, on this work in future years, including the measures we have undertaken during the current budget cycle.

The Plan is published against the ongoing backdrop of responding to the effects of the COVID-19 pandemic, the impacts of the UK's exit from the EU and the climate and nature emergency. This acutely highlights the importance of maintaining progress on our longer term reforms. Despite this context we have remained focussed on our longer term ambitions to reform budget and tax processes. We have undertaken the first multi-year spending review since 2015. We have engaged with other governments on approaches to gender budgeting, alongside how to further embed well-being approaches and how to better assess carbon impacts.

We have maintained delivery of core areas of our Plan, reforming our approach to capital and infrastructure policy through undertaking a fundamental zero-based review to align with the establishment of a new 10 year Wales Infrastructure Investment Strategy, with addressing the climate and nature emergency central to its development. We have continued our work on gender budgeting with two further pilot areas to take forward our approach, building on the lessons of the Personal Learning Account pilot. We have also maintained focus on reforming the Budget Advisory Group for Equality.

In the New Year we will formally establish a Budget Improvement Impact Advisory Group. Maintaining equality at its heart, this strengthened Group will further embed our integrated approach through better understanding the intersectionality between social, cultural, economic and environmental impacts to maximise the impacts of available funding in line with the Well-being of Future Generations Act. This Group will engage and influence improvements to budget and tax processes, in turn supporting the delivery of the Budget Improvement Plan.

Pages 4 and 5 of this Plan include a more detailed summary of our progress made across our budget and tax processes.

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

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

## **2. Fiscal & Economic Analyses and Assessing Impact:**

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

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

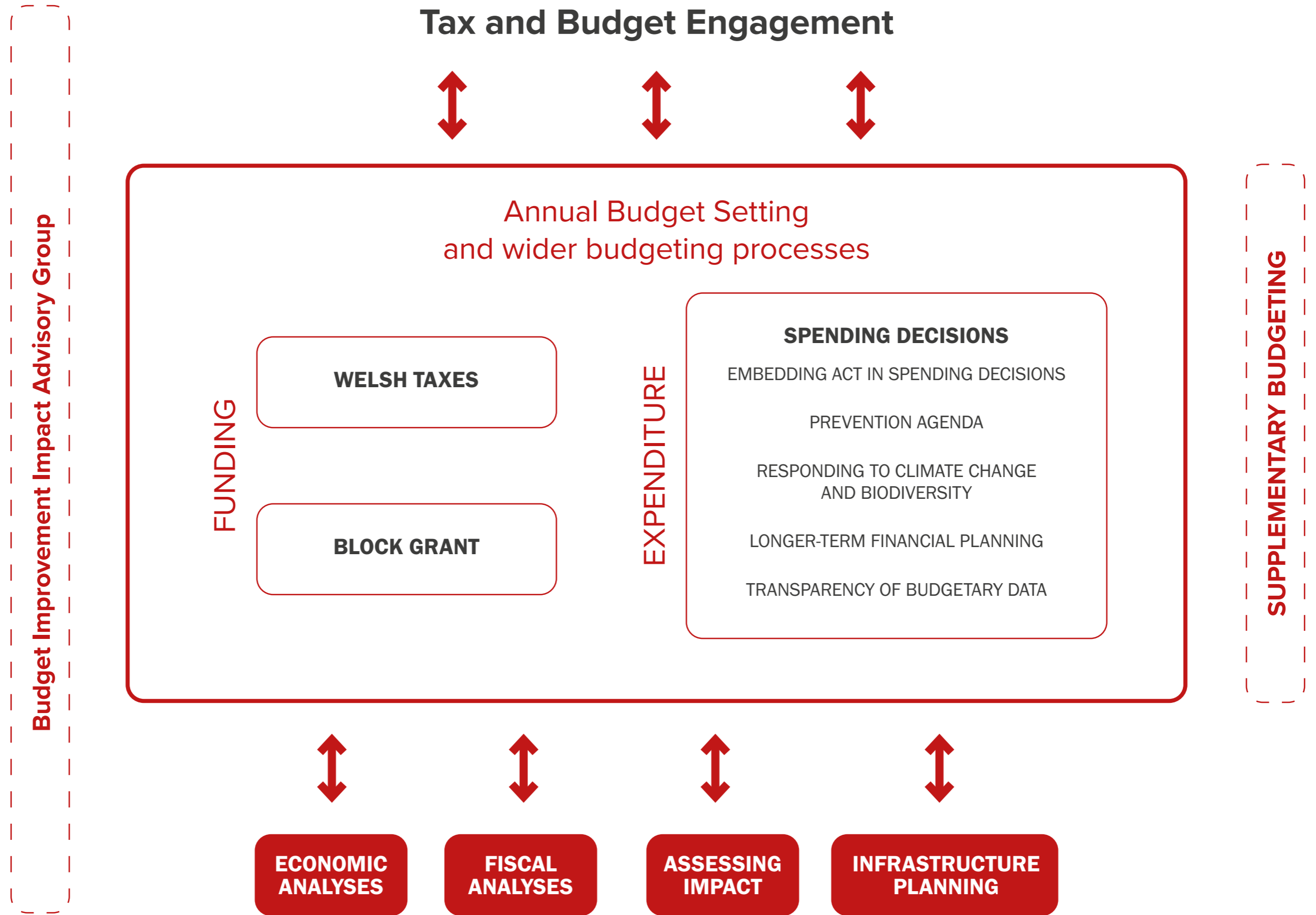
**4. Supplementary Budgets** – To continue to develop a more comprehensive account on significant allocations from reserves, learning from the approach to the supplementary budgets of 2020-21. We will consider developments occurring in other areas of the budget planning process and assess if, and how,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

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

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

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

How does it all work together?



# Update on progress against planned improvements during 2021

A summary of progress against planned improvements during this period is provided below. Despite the challenging context during the year, we have been able to make good progress in a number of areas. As is the nature of systemic and long term change, in some areas we have had to adapt our plans to reflect the changing circumstances and to demonstrate learning delivering our ambitions will require an adapted approach. These ambitions continue to be reflected in our future Plan, albeit with adjusted timescales.

## Spending Decisions

- We have balanced the short and long term through undertaking the first multi-year spending review since 2015. This includes embarking on a fundamental zero-based approach to capital expenditure aimed at addressing the climate and nature emergency, to underpin the establishment of the new 10 year Wales Infrastructure Investment Strategy. To inform the allocation of multi-year revenue budgets we undertook a new review process to align spending to the new programme for government. We have sought to take an integrated approach to better understand the impact of spending decisions, seeking to better understand the intersectional and unintended impacts of spending to maximise the impact of available funding.
- We have sought to target investment where it can best prevent further harm against the most disadvantaged, particularly resulting from the pandemic.
- In light of the pandemic and pressures facing local authorities we have had to delay the pilot of a Social Impact Bond model which was aimed at children and young people on the edge of care. We are now refocusing the Invest to Save fund to concentrate on taking forward our Programme for Government commitments relating to improving outcomes for looked after children across Wales. The areas of activity are in the process of being developed and will be launched in the new year.

## Supplementary Budgets

- Both the third supplementary budget of 2020-21 and the first supplementary budget of 2021-22 continued to provide a comprehensive narrative of the significant allocations and reprioritisations of existing budgets and their impacts, to enhance transparency.
- The first supplementary budget of 2021-22 also reflected the changes to ministerial portfolios as a result of the new Welsh Government Cabinet responsibilities following the Senedd elections. Those changes were set out in supporting schedules to clearly identify where individual budgets had moved.

## Infrastructure Planning

- We have published our new Wales Infrastructure Investment Strategy (WIIS) to support the delivery of a zero-carbon economy, as the successor to the Wales Infrastructure Investment Plan (WIIP). Built around the four sustainable development principles of the WFG Act - to improve the economic, environmental, societal and cultural well-being of Wales - the WIIS sets the outcomes that investment in infrastructure must help to deliver. We are also publishing our first Infrastructure Finance Plan, aligned to the Draft Budget, setting out the infrastructure investments that are needed over the period 2022-23 to 2024-25 to most effectively deliver those strategic outcomes.

## Welsh Taxes

- We have continued to progress our commitments and take opportunities to use our existing tax levers to benefit Welsh taxpayers and deliver wider Welsh Government policy objectives. To strengthen and embed our distinct approach to tax policy formulation in Wales, we have published an update to our '[Tax Policy Framework](#)' (November, 2021). Here we took the opportunity to restate our tax principles alongside our tax policy approach. Our tax policy approach is our commitment to how we will work collaboratively with our partners to co-produce and co-deliver our tax policy objectives. The Tax Policy Framework update sets out how we will ensure we continue to embed sustainability, fairness and equality considerations in the way in which we address our priorities.
- We published our '[Tax Policy Work Plan for 2021-2026](#)' alongside the update to the Tax Policy Framework. Our tax policy priorities builds on our Programme for Government commitments in relation to devolved and local taxes and furthers our aim of delivering strong and stable tax devolution. Our Tax Policy Work Plan provides clear direction and certainty in respect of our tax policy priorities for the next five years.
- We will continue to report progress annually against our Tax Policy Work Plan, alongside the Draft Budget.

## Fiscal & Economic Analyses and Assessing Impact:

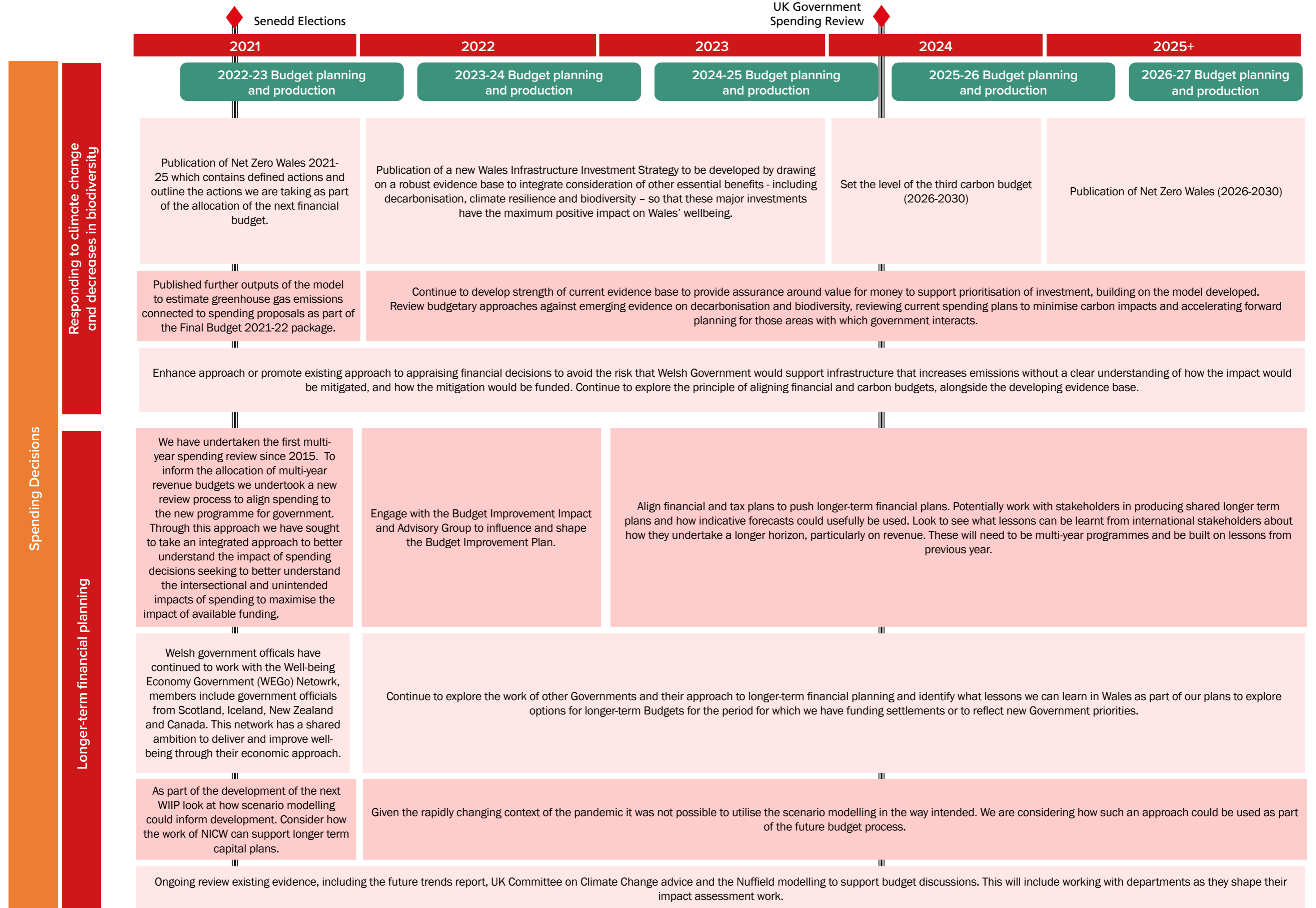
- By drawing on the available data and evidence, Welsh Government economists have continued to play a central role in producing economic analysis and briefing on the evolving economic challenges related to both the pandemic and the transition to new trading relations with the European Union. This has included presentations to Cabinet and senior officials, the preparation of bespoke analysis and assessments set out in an internal Monthly Economic Report.
- We remain committed to reviewing our approach to assessing impacts. For the 2022-23 Draft Budget, we have maintained the approach of presenting information about the impacts of spending proposals as part of the main narrative. This is complemented by a summary evidence of the overarching impacts of the pandemic on society, alongside more detailed case studies on the impacts of specific spending decisions, presented in the Strategic Integrated Impact Assessment (SIIA). We have engaged with other governments on how they undertake similar approaches and also tested new approaches to how we can better assess budget impacts, described below:

- We have continued to evolve our work to embed a gender focused approach in a number of areas and are ensuring that Welsh Treasury are driving forward this important activity. To ensure we are learning lessons from others, we have used our links through the Wellbeing Governments network (WeGo) to reinvigorate our connections with world leaders in this area including Iceland and Canada.
- External factors have led to a delay in establishing the emerging findings of the evaluation into the Welsh Government Personal Learning Account (PLA). It is expected that an interim report will be published in the spring with a final report following in late summer 2022. However available data from the programme indicates the flexibility offered has appealed to a wide range of people who have looked to develop skills in non-gender typical areas.
- As part of this Budget Improvement Plan we have also established two further gender budgeting pilots which will commence in early 2022. To ensure that those who may face complex barriers in accessing support, the Young Person's Guarantee team will embed Gender Budgeting in their planning and development of the services. This will ensure that the full range of impacts in delivery can be understood and the programme can evolve to ensure it meet the needs of all young people.
- Active travel has an important role to play in providing a sustainable transport system across all communities of Wales. For this change to happen it is imperative that we understand the impacts across all areas of the population to ensure that barriers can be addressed and resource directed in the most appropriate way. We will be undertaking a targeted gender budgeting pilot in the area of active travel.
- We have looked to refine and extend our distributional impact model for analysing public spending in Wales. So far the analysis has focussed on the largest areas of devolved spending, providing a high level understanding of how progressive spending on these areas is. This year we have looked to make improvements to our methodology and see whether additional areas of spend can be included. We have published this update as part of the 2022-23 Draft Budget package.
- We have built on the work we commissioned and published as part of the Chief Economist's Report in the 2021-22 Draft Budget package. Through the fundamental zero-based approach of general capital budgets to establish a new 10 year Wales Infrastructure Investment Strategy, we focused on better understanding the impacts of our investments on Net Zero. Published in our new Infrastructure Finance Plan are a range of assessments undertaken in each capital assessment area. This has been aligned with the new [Net Zero Delivery Plan](#) which contains further analysis on the impact of the policies and actions of Welsh Government and our partners on greenhouse gas emissions.

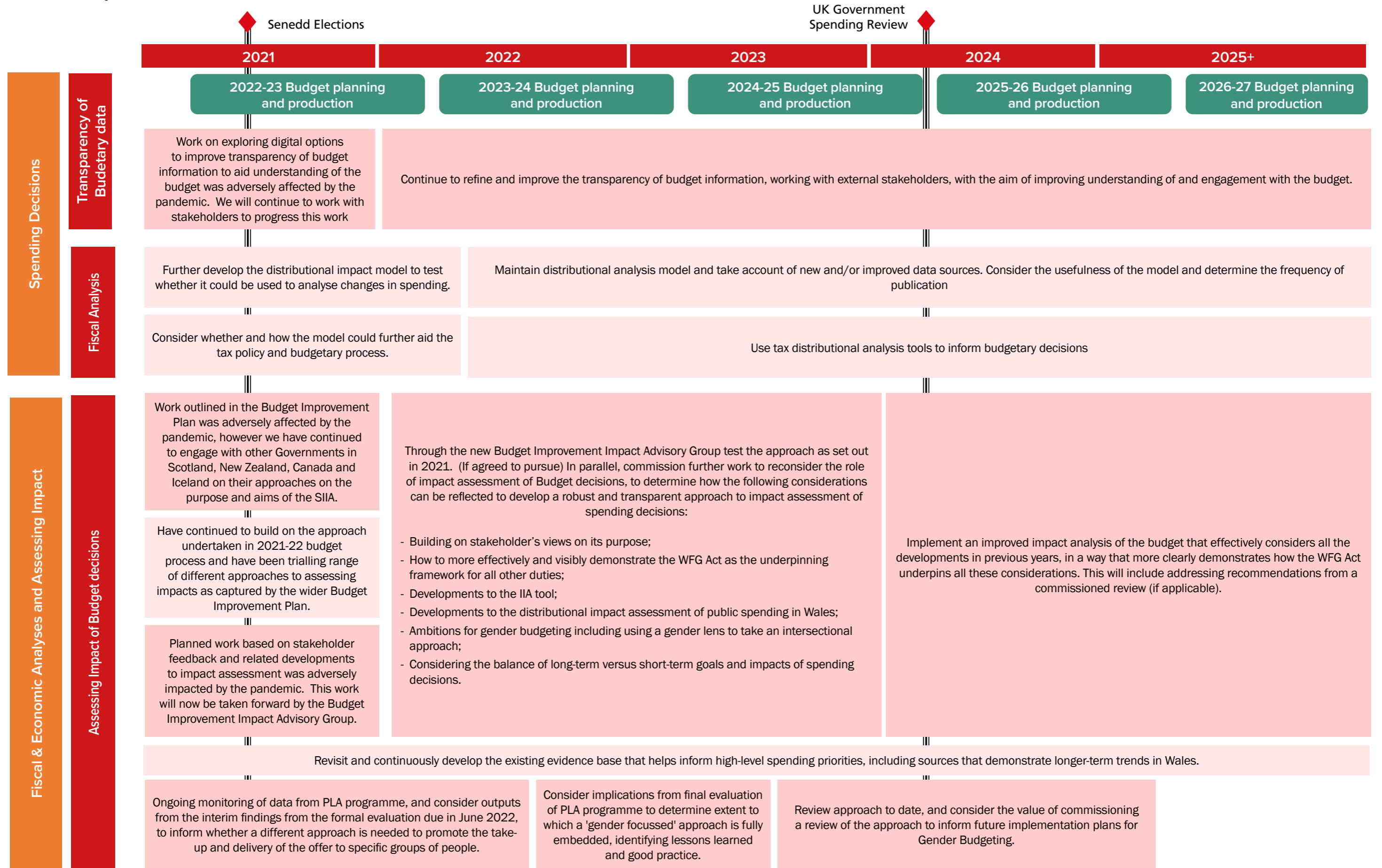
## Tax and Budget engagement

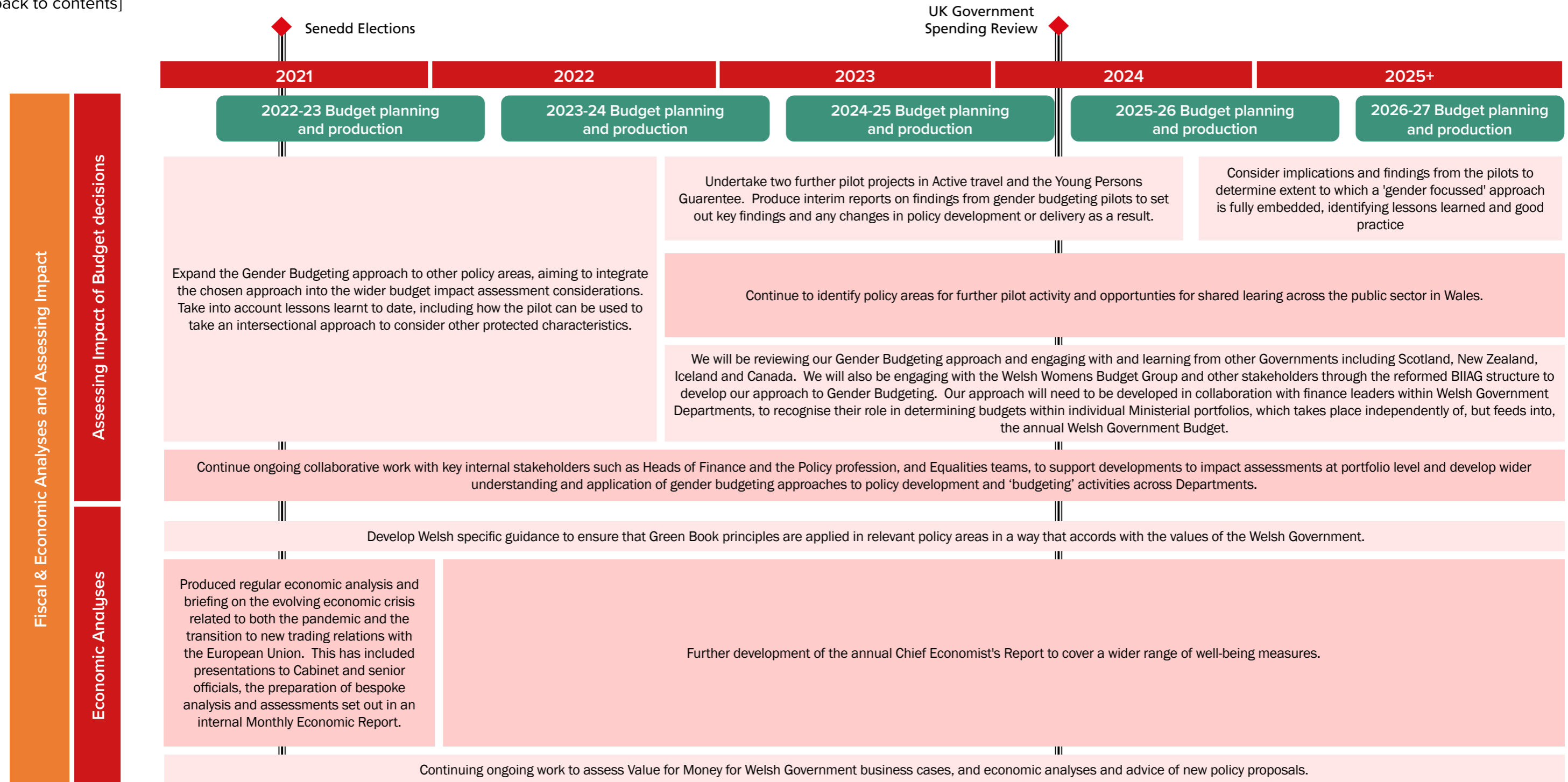
- We held a virtual annual tax conference on 3rd November to help promote the Welsh tax agenda. The agenda included presentations by external organisations such as the Office for Budget Responsibility. International contributors from Philadelphia and Amsterdam presented their experiences with tourism taxes and a plenary discussion explored methods for raising awareness of and increasing engagement around the subject of taxation.
- The Tax Engagement Group met in September and discussed various tax policy considerations including in relation to the issue of second homes and the Tax Policy Framework.
- Our [Welsh rates of income tax calculator](#) published on gov.wales provides an interactive way of illustrating how Welsh rates of income tax is spent on key public services in Wales.
- We have progressed our plans to evolve our approach to engaging with stakeholders to influence improvements to budget processes. In December we re-convened the members of the Budget Advisory Group for Equality to discuss and agree a proposal to evolve the Group's membership and terms of reference. In the New Year we will formally establish a Budget Improvement Impact Advisory Group. This group will engage and influence improvements to budget and tax processes, thereby supporting the delivery of the Budget Improvement Plan
- We engaged sixth form economics students as part of our developing programme of Budget literacy. Students participated in surveys and teachers drew on our communications content material for lessons discussing tax and spend and the economy in Wales. Virtual Q&A sessions were held with each school, attended by the Minister for Finance and Local Government and the Chief Economist, during which they talked about their roles and answered questions from students.
- Social media content ahead of the 2022-23 Budget aimed to increase awareness of the Draft Budget and its relevance to new audiences, with simple narrative and an animation on how Welsh Government spends its money.
- On the day of publication, we published and promoted a range of digital assets across Welsh Government, Welsh Treasury and departmental channels to communicate key Budget messages simply. This included an animation and a budget leaflet. We also developed a technical briefing and press notice to support engagement with key media stakeholders.
- Film content of the Minister for Finance and Local Government promoting the key messages for the 2022-23 Draft Budget publication was developed and published across social media channels.

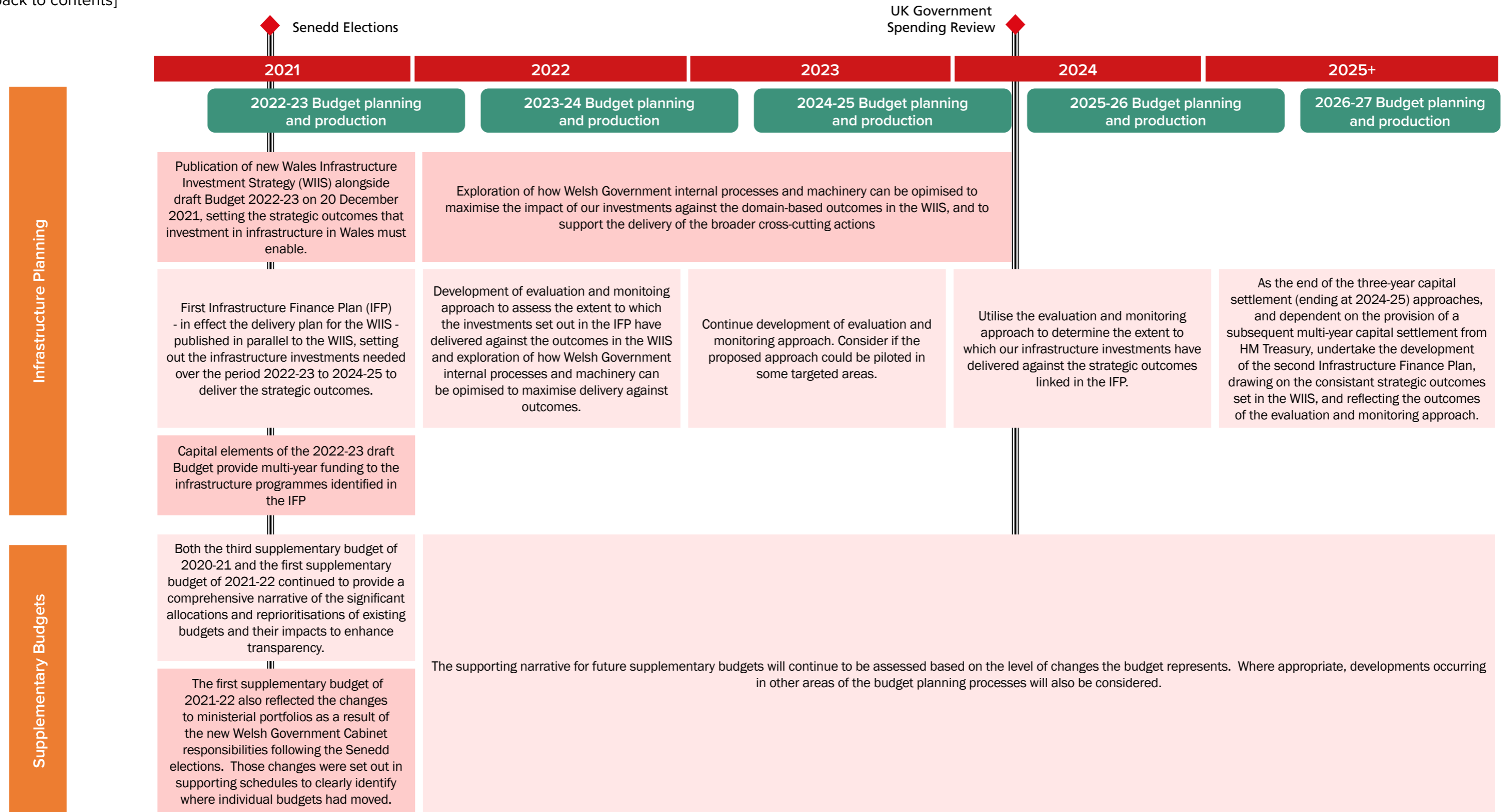
		2021	2022	2023	2024	2025+	
		2022-23 Budget planning and production	2023-24 Budget planning and production	2024-25 Budget planning and production	2025-26 Budget planning and production	2026-27 Budget planning and production	
Budget Improvement Oversight	Embedding Act in spending decisions	We have progressed our plans to evolve our approach to engaging with Stakeholders to influence improvements to budget processes. In December we re-convened the members of the Budget Advisory Group for Equality to discuss and agree a proposal to evolve the groups membership and terms of reference. Explore and develop mechanisms to access expertise and evidence to directly advise the the Minister for Finance and Local Government on strategic budget priorities. This is with the aim of providing direct advice to inform spending choices on budget allocations as part of the budget process, including balancing competing priorities.	In the New Year we will formally establish a Budget Improvement Impact Advisory Group. this group will engage and influence improvements to budget and tax processes in turn supporting the delivery of the Budget Improvement Plan. This group will also provide expertise and evidence to directly advise the Minister for Finance and Local Government on strategic budget priorities. This is with the aim of providing direct advice to inform spending choices on budget allocations as part of the budget process, including balancing competing priorities.	Review the Budget Improvement Impact Advisory Group and make any amendments to ensure that the group is fully aligned to the delivery of its outcomes.	Continue the role of the Budget Improvement Impact Advisory Group to ensure it delivers its outcomes and continues to engage and influence improvements to budget and tax processes and also supporting the Budget Improvement Plan.		
		Both the third supplementary budget of 2020-21 and the first supplementary budget of 2021-22 continued to, provide a comprehensive narrative of the significant allocations and reprioritisations of existing budgets and their impacts, to enhance transparency.	Engage with other Governments and Budget Improvement Impact Advisory Group on budget processes.	Utilising BIIAG with an aim to embed an approach where spending proposals are developed by considering their long term benefits, balanced against short term needs, their ability to prevent problems occurring or getting worse, and have been influenced following consultation and engagement with stakeholders impacted by the activity.			
		Engage with stakeholders to ensure that the budget is aligned to the Programme for Government and the Wellbeing Future Generations objectives.	Aim to embed an approach where spending proposals are developed by considering their long term benefits, balanced against short term needs, their ability to prevent problems occurring or getting worse, and have been influenced following consultation and engagement with stakeholders impacted by the activity.				
	Spending Decisions	Prevention Agenda	A significant focus of the action we have taken during 2021-22, and continue to take, in responding to the pandemic was to prevent harm to the most disadvantaged and prevent wider negative impacts on the people of Wales and the wider economy, alongside responding to prevention on climate and nature emergency.	Engage with the Budget Improvement Impact Advisory Group to shape the future of the prevention agenda.	Subject to findings from previous work, explore how a whole budget approach to preventative activity could be best supported and consider potential evaluation to test practicalities and impact of shifting spend towards preventative activities, and the conditions needed to do this effectively across whole organisation.		
			Initial work to explore a Social Impact Bond model was adversely affected by the COVID-19 pandemic and work was not able to progress as planned.	We are refocusing the Invest to Save fund to concentrate on taking forwards our Programme for Government commitments relating to improving outcomes for looked after children across Wales. The areas of activity are in the process of being worked up and will be launched in the new year. This will be a collaborative approach with the social sector and the financial community.			
Ongoing implementation of planned actions set out in Low Carbon Delivery Plan 2021-26, including Welsh Government's use of its other non-financial levers to influence reduction in carbon emissions.							



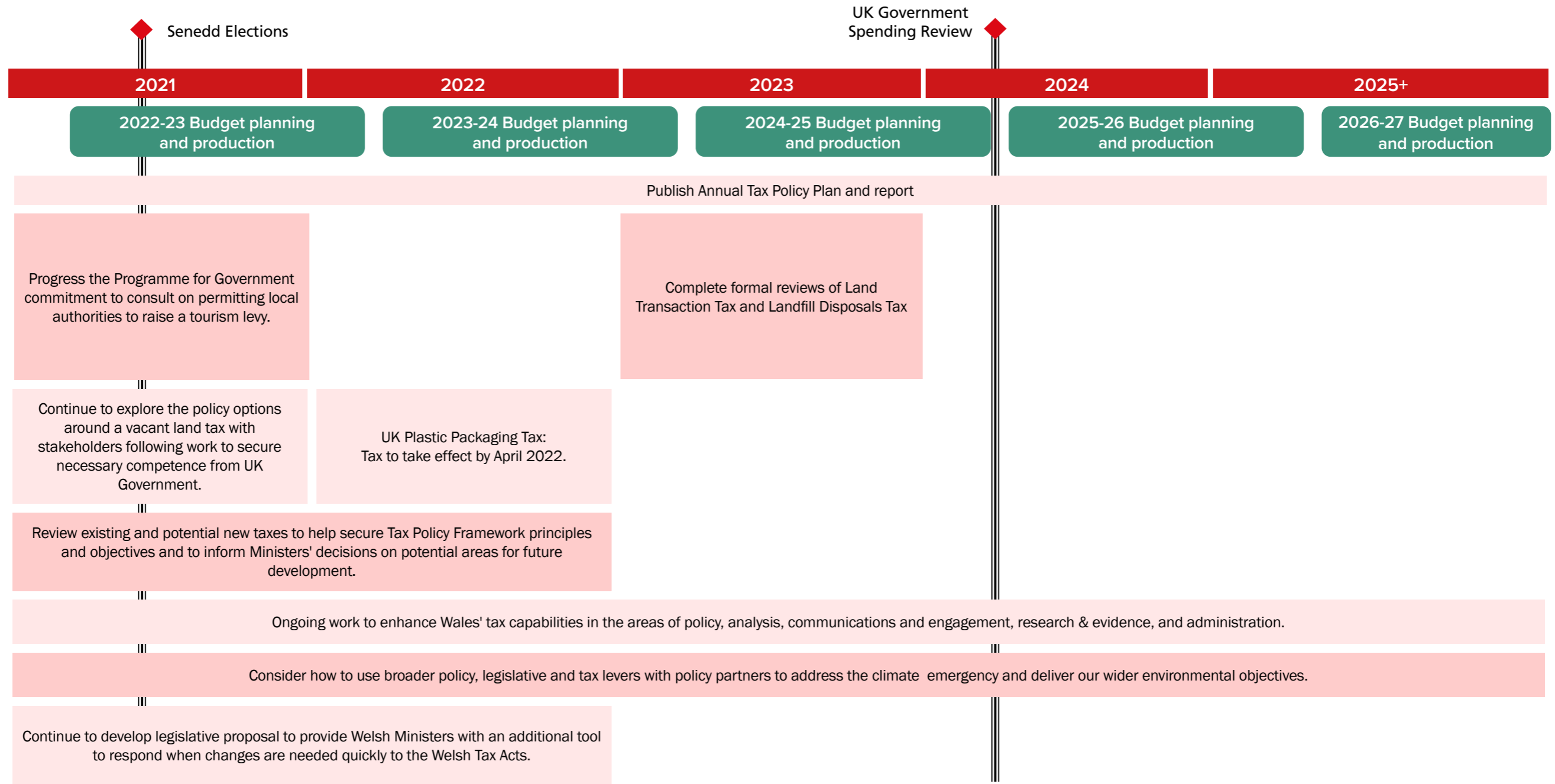




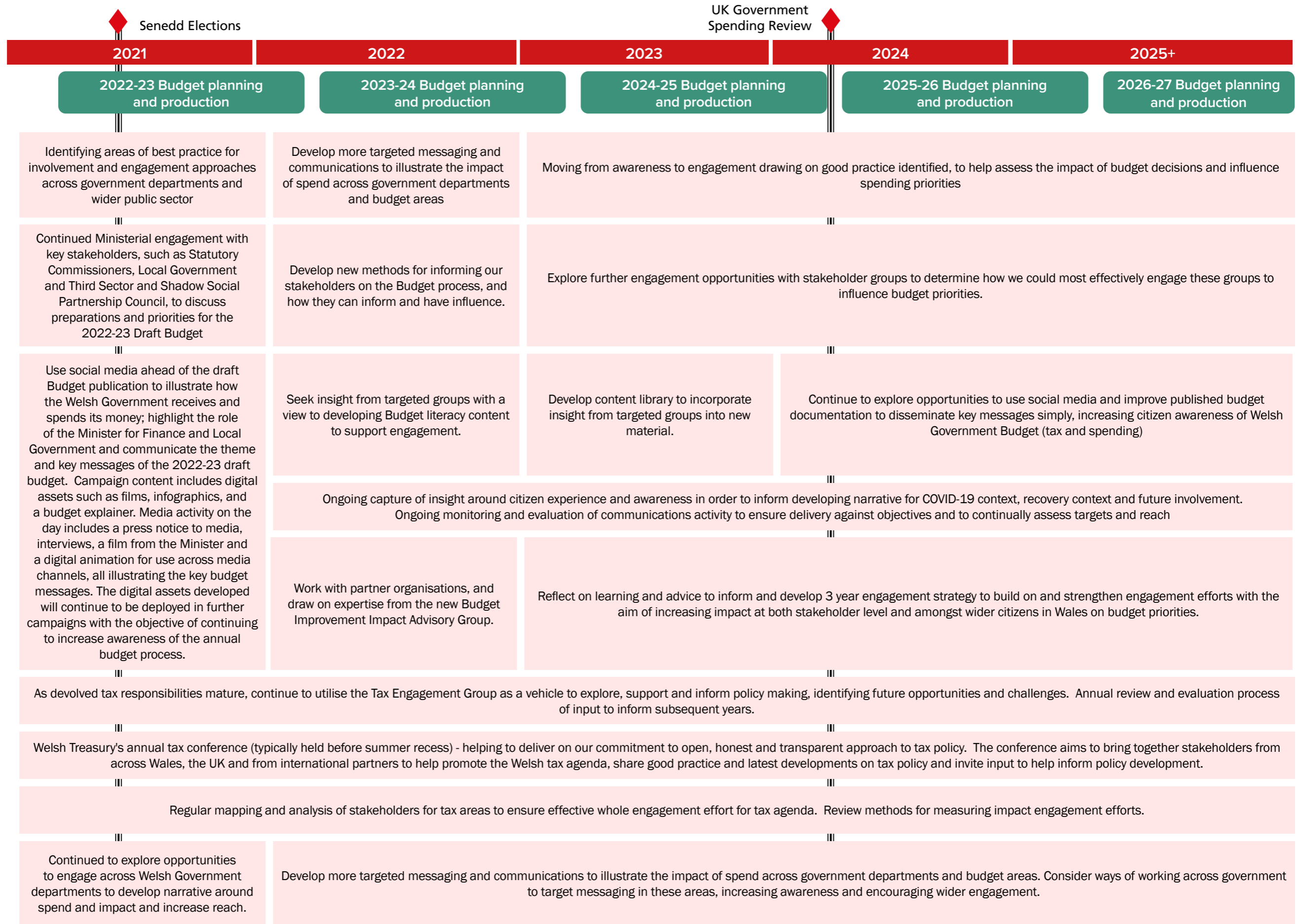




Welsh Taxes



Tax and Budget Engagement



# Key

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

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**SIIA – Strategic Integrated Impact Assessment of the budget**

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**IIA – Integrated Impact Assessment**

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**UKCCC – UK Committee on Climate Change**

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**MEGs – Main Expenditure Groups**

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**BELs – Budget Expenditure Lines**

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**WIIS – Wales Infrastructure Investment Strategy**

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**NICW – National Infrastructure Commission for Wales**

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**FGC – Future Generations Commissioner**

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**BAGE – Budget Advisory Group for Equality**

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**BIIAG - Budget Improvement and Impact Advisory Group**

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