



Llywodraeth Cymru
Welsh Government

WELSH GOVERNMENT

Budget Improvement Plan

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Introduction

The Budget Improvement Plan outlines 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.

This year’s Plan is published against the ongoing backdrop of responding to the impacts of inflation, the linked cost-of-living pressures that are affecting people across Wales, responding to the ongoing crisis in Ukraine as well as living with the legacy of the Covid pandemic. Alongside these there is an ongoing need to respond to longer term challenges like the climate and nature emergency as well as ensuring the sustainability of public services. This acutely highlights the importance of maintaining progress on our longer-term reforms, to ensure the processes that underpin our Budget and tax decision making processes maximise the impacts of our fiscal levers.

To support us in this work we have established the Budget Improvement Impact Advisory Group. The aim of this Group is to engage and influence improvements to our Budget and tax processes, in turn supporting the delivery of the Budget Improvement Plan. The Group’s progress and influence are set out within this Plan. Details of the Terms of Reference and minutes for the meetings held this year, can be found on the [BIIAG webpage](#).

We have also continued to engage with other Governments across the world, sharing experiences to drive improvements to Budget processes as well as continuing our work on the well-being agenda which is essential in the very challenging times we are facing.

Alongside this we have made progress in a number of areas in our Plan. This includes our work with Children in Wales’s Young Wales Project Board who will work with us throughout 2023 to co-produce a Young Person’s version of the Budget Improvement Plan. This will involve working together with officials across Welsh Government; publication of the Young Person’s version of the Budget Improvement Plan will be alongside the Draft Budget, currently intended in December 2023.

We have made significant improvement to our tax processes, further details of which can be found in the update section.

We have continued our work to embed gender Budgeting across Welsh Government. We have worked with a range of colleagues, both internal and external, to promote a better understanding of gender Budgeting. We continue to learn from our three existing gender budgeting pilots, working collaboratively across the areas to share the ongoing learning and inform how this work can be further embedded and expanded. This will help meet our aim of moving away from specific pilot activity to the practice being truly mainstreamed across the organisation.

If you require any additional information on the Budget Improvement Plan, then please contact BudgetImprovementTeam@gov.wales

Pages 4, 5 and 6 of this Plan include a more detailed summary of our progress made across our Budget and tax processes.

The Budget Improvement Plan is designed around 5 key areas of process:

1. Spending Decisions
2. Fiscal & Economic Analyses
3. Infrastructure Planning
4. Welsh Taxes
5. Engagement

1. Spending Decisions – We are reviewing how we can improve our existing processes across Welsh Government to identify and develop better spending proposals, to improve capabilities and help us to prioritise decisions that more clearly align with the well-being goals and ways of working and explore opportunities to improve longer-term planning.

2. Fiscal & Economic Analyses and assessment of Impact – We continue to evaluate how we can improve existing Fiscal and Economic Analyses across Welsh Government to better identify and assess the impact of our Budget decisions.

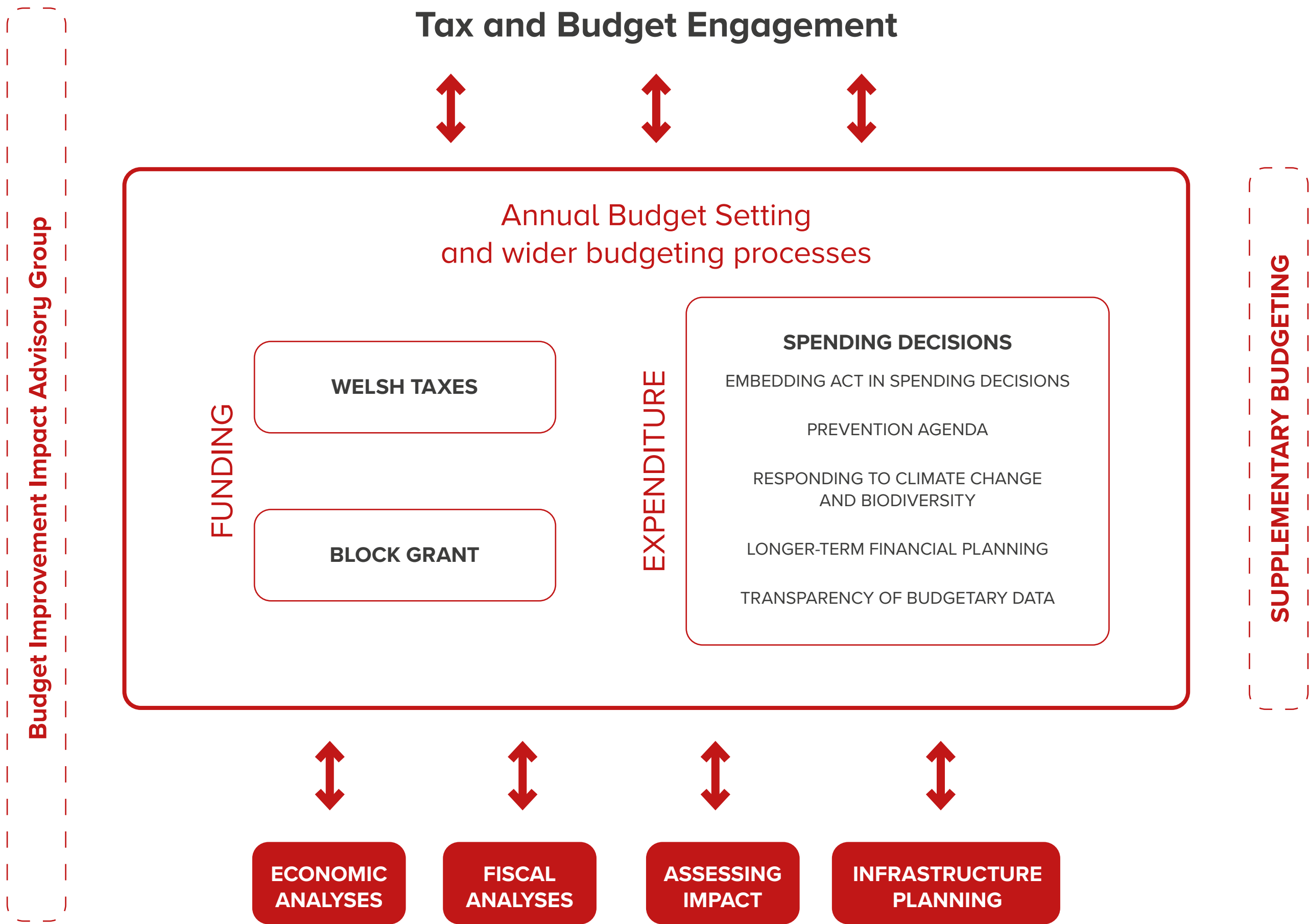
3. Infrastructure Planning – Using the Wales Infrastructure Investment Strategy (WIIS) to explore how we can improve our processes to align strategic priorities and decisions on capital investment, noting the long-term nature of capital expenditure and the need for greater integration.

4. Welsh Taxes – How we can take forward delivery under our Tax Policy Framework ensuring it is aligned with our five tax policy principles. Our focus is to raise revenue to fund public services as fairly as possible; to consider how the existing tax levers at our disposal can be used to deliver Welsh Government Programme for Government commitments; and to develop our future tax interests in order to deliver wider fiscal and policy objectives. In line with the tax policy principles set out in the Framework, we will aim to ensure we develop tax policy so that our taxes are simple, clear, progressive and stable, with legislative and administrative clarity and efficiency.

5. Engagement – We continue to develop a strategic approach to engagement on the Budget, including 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 2022

A summary of progress against planned improvements during this period is provided below. Despite the challenging context during the year, we have again been able to make good progress in several 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. In the first year of the Budget Improvement Impact Advisory Group we have spent time establishing the Group and together the Group has explored how Welsh Government undertakes its Strategic Integrated Impact Assessment (SIIA). A sub-group was established and a shared plan of work is being developed with some changes being implemented in time for publication of the SIIA in December 2022. Work will continue on the SIIA into 2023 as well as carrying out work on how we can embed prevention into our processes. Further details of BIIAG's work Plan for 2023 will be published on BIIAG's web page in the new year. Our ambitions continue to be reflected in our future Plan albeit with adjusted timescales.

Spending Decisions

- Following last year's UK Government Spending Review, where budgets were allocated over a three-year period up to March 2025, we have undertaken a Spending Review up to 2024-25 which included a fundamental zero-based review on capital spending. In undertaking this Spending Review, we reflected on some of the processes that underpinned this approach and developed this year's Budget process to learn from this approach and build on the substantive work that informed the Spending Review. We have continued to explore how we can better take an integrated approach to budgeting to enable us to better understand the impact of our spending decisions. We have worked with the BIIAG to consider how we can reform these processes in the longer term as well as making improvements to our SIIA this year. In the context we have faced, we have also sought to build how we can better understand the intersectional and unintended impacts of our spending decisions to allow us to maximise the impact of available funding.
- We have formally established the Budget Improvement Impact Advisory Group (BIIAG). Alongside working with the Group to help build their understanding of the work we are undertaking and to develop a shared agenda, it has been actively influencing improvements to our Budget and tax processes. Substantively the Group has been working with us to explore how we can review our Strategic Integrated Impact Assessment approach which has included reforms to the presentation of the document in this Budget.
- We have continued to engage with other Governments to share Budget improvement experiences, most recently with Scottish, Canadian, Icelandic and New Zealand Governments. This is helping shape learning on our areas such as Spending Reviews, gender budgeting and Budget engagement.

- Given the context we have faced, our 2023-24 Budget has sought to balance the short and longer term challenges we face alongside targeting investment where it can best prevent further harm against the most disadvantaged. We had also intended to engage with BIIAG to shape more fundamental reforms but given the focus this year on establishing the Group and acknowledging the need to spend greater time exploring work on impact assessments, we recognised the need to delay substantive work on how to further embed prevention into our processes. We will continue to explore how a whole budget approach to preventative activity could be best supported and will be working collaboratively with the Budget Improvement Impact Advisory Group to achieve this.
- We have also maintained delivery on prevention through 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 first tranche of funding has been agreed, aimed at supporting foster carers. Future work will be undertaken to further support adoption and fostering.

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 the cost-of-living crisis, 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 are continuing to improve our understanding of our investments on Net Zero, by focusing on delivery of the Wales Infrastructure Investment Strategy. Our Net Zero Delivery Plan contains further analysis on the impact of the policies and actions of Welsh Government and our partners on greenhouse gas emissions.
- We will continue to develop the Chief Economist's report to complement the Well-being of Wales Report, and developing Value for Money guidance, including advising on the application of Green Book principles in the context of the Future Generations Act.
- We remain committed to reviewing our approach to assessing impacts. For the 2023-24 Draft Budget, we have collaborated with the Budget Improvement Impact Advisory Group and are developing a shared Plan to make improvements to the Strategic Integrated Impact Assessment. At the request of the Group, we have made clear links as to how impacts were considered in the budget decision-making process. We have maintained evidence of overarching impacts affecting society, alongside fewer but more detailed case studies on the impacts of specific spending decisions.
- 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 guarantee we are learning lessons from others, we have used our links through the Well-being Governments network (WeGo) to continue and formalise our engagement with world leaders such as Iceland and Canada and widen our networks with others operating in this area. We are working closely with members of the Budget Improvement and Impact Advisory Group (BIIAG) to look at how a tool such as gender budgeting can assist us in strengthening our budget and tax processes, with a particular focus on how we assess the impacts of our spending decisions.

- Changes to this process are being considered both in the short and longer term with a clearer plan of action being developed collaboratively with the group and further detail can be found within this Plan.
- While the evaluation of the Personal Learning Accounts (PLA) has not yet been published externally, the findings have provided valuable insight on understanding some of the challenges of embedding a gender budgeting approach in a specific delivery area. It is expected that the evaluation will be published in Spring 2023.
- We have worked closely with the evaluation team to ensure that we learn from these early findings, to utilise them to inform changes to the programme design for the new academic year and ensure these are being shared across the pilot areas. We have engaged with service delivery providers, providing training to build their knowledge and capability in understanding of gender budgeting principles. The PLA pilot has highlighted the importance of training and support to ensure a consistent understanding is held across a project team and its delivery chain, particularly during times of change. The importance of accurate and consistent data collection has also been a key area highlighted and specific work is underway across the programme to address this.
- The PLA programme is now working to consider what learning can be taken from the equalities mainstreaming pilot which took place in relation to the Net Zero Skills Plan. They are considering how using a gender budgeting approach in PLA could support implementation of part of this longer-term Plan.
- Within the Young Persons Guarantee (YPG) pilot we have recently agreed a number of newer pilot projects specifically focussing on generation Z which will adopt a gender approach from the design phase. Other packages within YPG that have been established for several years have undertaken a review to assess the gender and intersectional focus within those assessments.
- This learning has been integral in identifying gaps in gender and intersectional focus and projects are now beginning to revisit these assessments using an intersectional approach. Consideration can then be given to project design and resource allocation.
- The E-Move project being delivered by Sustrans Cymru operates a free, community-based e-bike loan scheme in five areas of Wales, most with high levels of deprivation. It promotes and gathers evidence from participants on e-bike usage. Analysing the data collected using a gender and intersectional lens, allows the project to consider the range of characteristics of people accessing the scheme, help to understand some of the barriers to participation and how resource can be directed to address these barriers. The finding from this analysis is informing the design of the next phase of activity.
- We are using the learning from the different strands of activity in embedding gender budgeting to help inform the support we are providing through our learning offer to officials from across Welsh Government. This will be key in supporting a move from focussing on pilot activity to mainstreaming this approach to support better policy making and resource allocation across the organisation.

- We published a distributional analysis of public spending in Wales alongside last year's Budget which set the indicative spending plans for 2023-24 and 2024-25. As usage of public services has not altered significantly, this analysis is relevant for the 2023-24 Budget. We will publish updates when significant changes occur on usage of public services or the allocation of spend. We have explored the analysis of specific policy interventions using distributional analysis, for example active travel, however we have concluded that these are best interpreted using specific data from evaluation and monitoring. The analysis we have published focuses on the largest areas of devolved spending, providing a high-level understanding of how progressive spending on these areas is. This analysis continues to underpin our budgetary considerations on public spending. In addition, distributional analysis plays an important role in our tax decisions and has been used in our work to support people with the cost of living.

Infrastructure Planning

- With the publication of the Wales Infrastructure Investment Strategy (WIS) in 2021, we set out a ten-year vision for the outcomes which investment in infrastructure should enable. The strategy is underpinned by several cross-cutting principles including more collaborative, joined up infrastructure planning and delivery. As one of the critical steps needed to deliver the ambitions of the WIS, we have published an investment project pipeline, setting out the planned infrastructure investments over the next three years of not only the Welsh Government, but also those of our local authority partners and other public and private organisations. By sharing the infrastructure plans of multiple organisations and sectors we aim to support the identification of opportunities to collaborate and join up planning and delivery of investments in Wales.

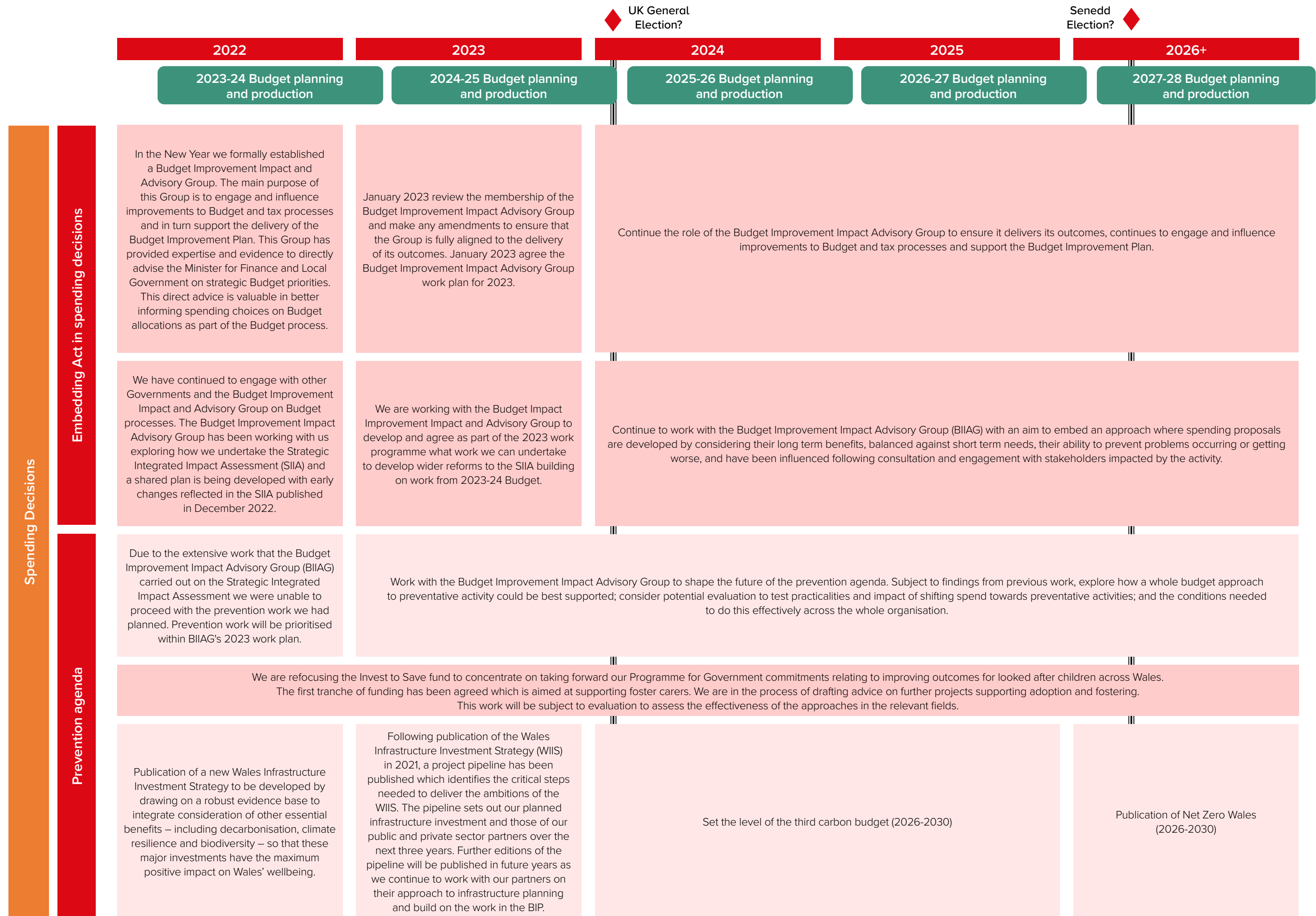
Welsh Taxes

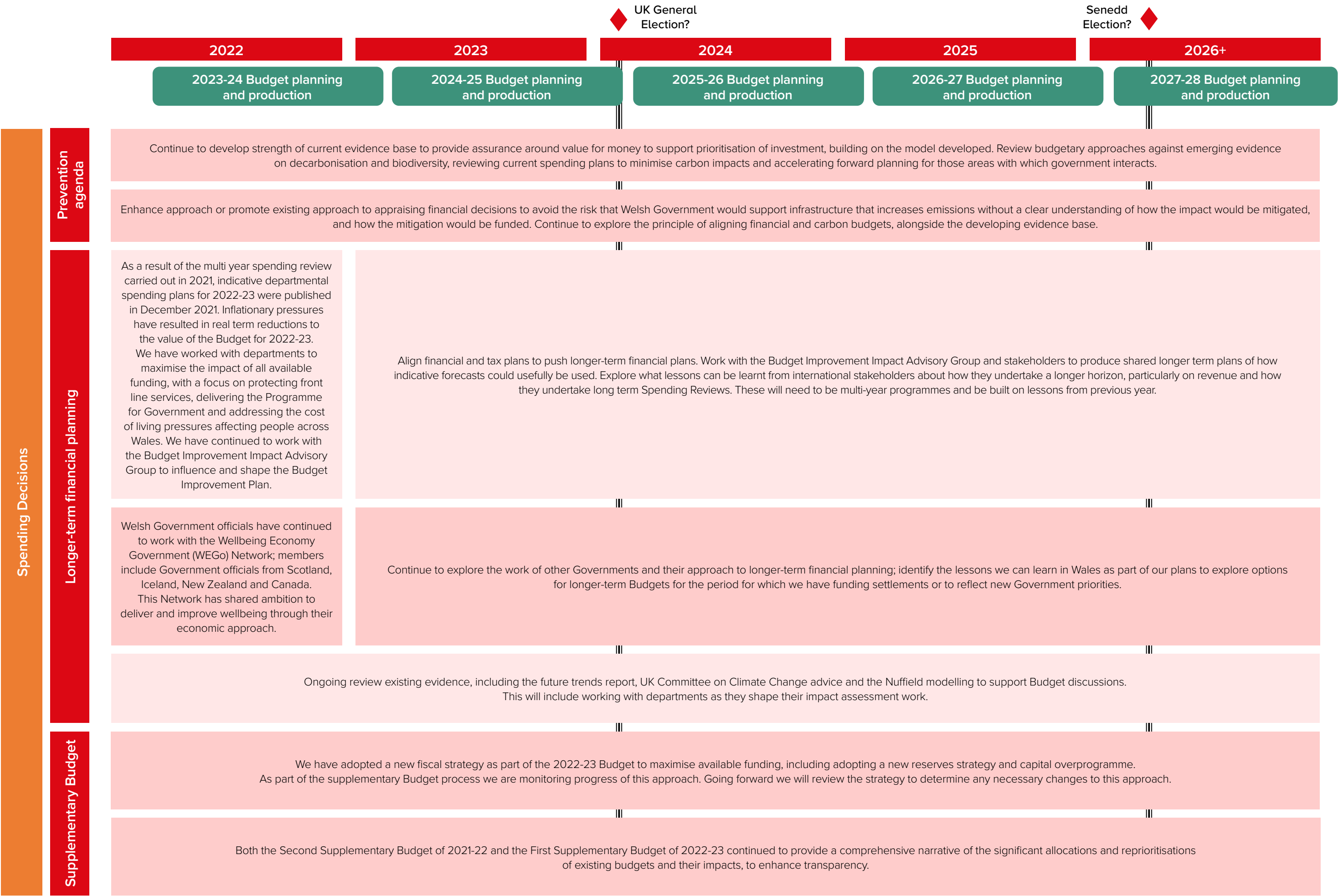
- We are continuing to progress our commitments and take opportunities to use our existing tax levers to benefit Welsh taxpayers and deliver wider Welsh Government policy objectives.
- In November 2021, we published the Tax Policy Work Plan for 2021-2026 to coincide with publication of the updated Tax Policy Framework. The Workplan sets out our tax policy priorities to deliver strong and stable tax devolution and support delivery of our Programme for Government commitments in relation to devolved and local taxes. Our Tax Policy Work Plan provides clear direction and certainty in respect of our tax policy priorities for the next five years.
- In December 2021, we published our first annual report against the five-year Tax Policy Work Plan. We are continuing to report progress annually against our Tax Policy Work Plan. The next Report will be published alongside the Welsh Government's December 2022 Draft Budget.
- Earlier this year the independent reviews of our two fully devolved taxes, the Land Transaction Tax (LTT) and the Landfill Disposals Tax (LDT), were commissioned and are due to report early 2023.

- Work to deliver the Programme for Government commitment to introduce legislation permitting local authorities to raise a visitor levy has been taken forward including publishing a consultation document in September 2022, undertaking a range of engagement sessions with stakeholders and commissioning research into different aspects of designing a visitor levy.
- In response to the Programme for Government commitment to “develop further effective tax, planning and housing measures to ensure the interests of local people are protected”, we are progressing work with our stakeholder partners on a framework for local authorities to bring forward areas they would like to be subject to a set of separate LTT rates applying to second homes and short-term holiday lets.
- In September 2022, Royal Assent was given to the Welsh Tax Acts etc. (Power to Modify) Act 2022. This Act provides Welsh Ministers with greater flexibility to respond when changes are needed quickly to the Welsh Tax Acts as a result of external events. Work will commence on establishing the longer term architecture for the Welsh Government and the Senedd to make changes to the Welsh Tax Acts.
- In October 2022, we introduced changes to LTT main rates and bands following the UK Government’s decision to change its equivalent stamp duty rates and bands. These changes were already under consideration by the Welsh Government.
- During this year we have continued to build constructive working relationships with HMRC and HM Treasury on reserved taxes. The engagement has meant issues to be addressed being highlighted earlier, supporting better policy making.
- We are continuing to improve Welsh Government internal processes so that, where appropriate, taxation is considered as part of policy development, to ensure that there are no unintended taxation or other liabilities.

Engagement

- We have developed a strategic approach to engagement on the Budget, by 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.
- We held our annual tax conference on 23rd November. The tax conference helps promote the Welsh tax agenda. The agenda included a range of presentations including the Office for Budget Responsibility and the OECD.
- Our Welsh Rates of Income Tax calculator published on gov.wales was updated to provides an interactive way of illustrating how Welsh Rates of Income Tax is spent on key public services in Wales.
- We continue to work closely with the Welsh Revenue Authority, the body responsible for the administration and management of the collection of the two fully devolved taxes in Wales.
- We also maintain our Service Level Agreement with HMRC to administer and manage Welsh Rates of Income Tax.
- We take a co-ordinated and strategic approach to communications and engagement, ensuring activity aligns with Ministerial objectives. Engagement and collaboration with our key partners and stakeholders continue to be a priority, particularly given the current challenging and complex Budget situation.
- We have engaged with our key partners, including local authorities, Statutory Commissioners, third sector organisations and social partners, in advance of the preparation of the Draft Budget. This provided the opportunity the Minister for Finance and Local Government to set out the challenging economic and fiscal position; and for partners to set out their views on priorities for funding to achieve the greatest impact and benefit, as we work collectively to respond to the current context and tackle longer term challenges including the climate and nature emergency.
- Work to improve budget literacy and engage with young people on Welsh taxes and the Budget is underway. We have developed an animation on the Welsh Budget for children and young people. This animation will be published as part of a suite of content on the Draft Budget. It will also feature in our engagement work with the members of the Children in Wales’s Young Wales Project Board as part of our budget literacy activity on co-production of the Budget Improvement Plan.
- We continue to raise awareness of Welsh Rates of Income Tax, including promotion of the tax calculator, which was developed to illustrate the amount of money Welsh citizens pay on their Welsh Rates of Income Tax and where that money is being spent. Public awareness that the Welsh Government is able to set different income tax rates in Wales stands at 32%.
- Building on the work we have undertaken to engage young people in Welsh Government budgetary matters, our next step will be to develop a young person’s version of the Budget Improvement Plan. We will continue to use key fiscal events, such as the publication of the Draft Budget on 13th December 2022, to raise awareness of how money is raised and spent in Wales.

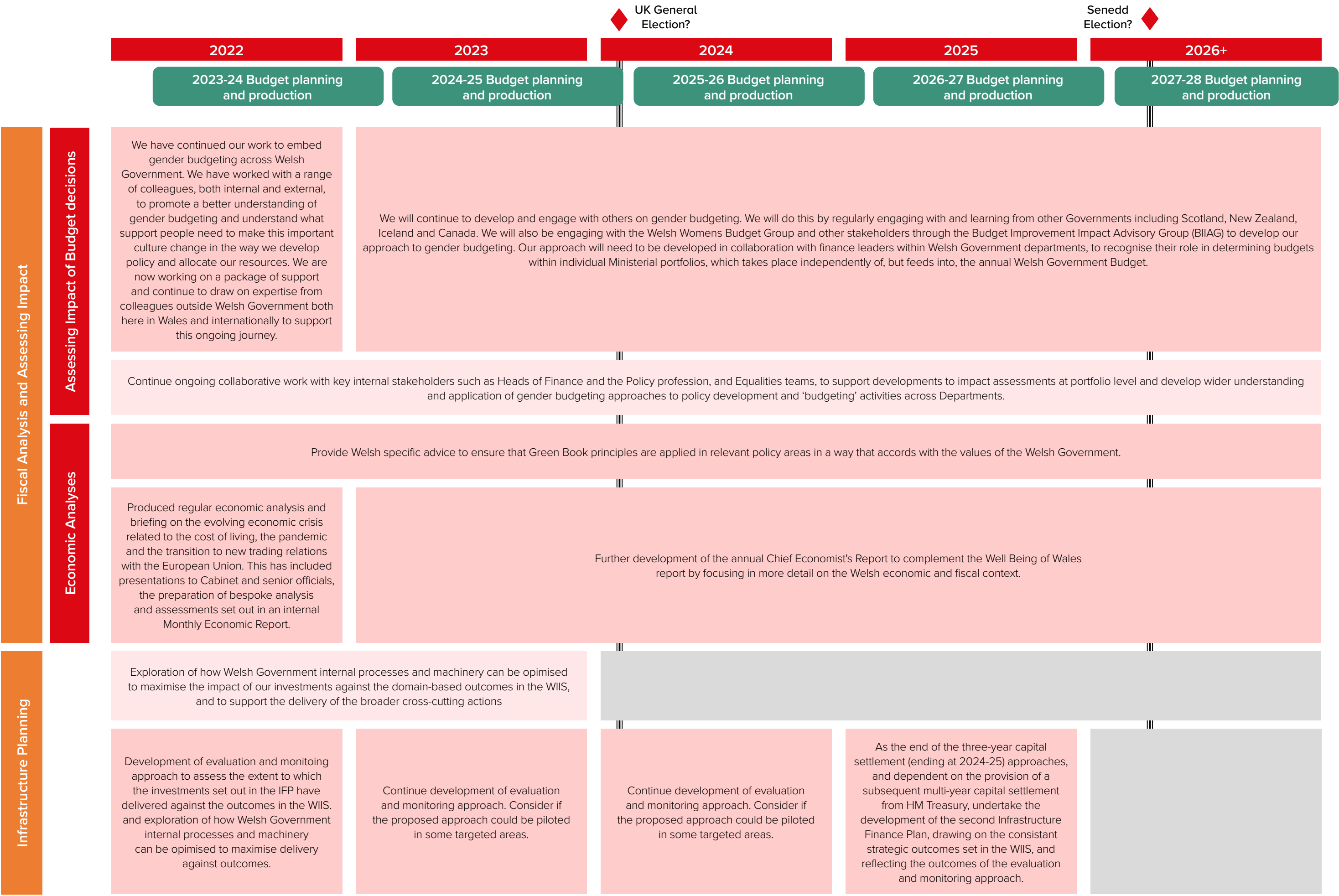


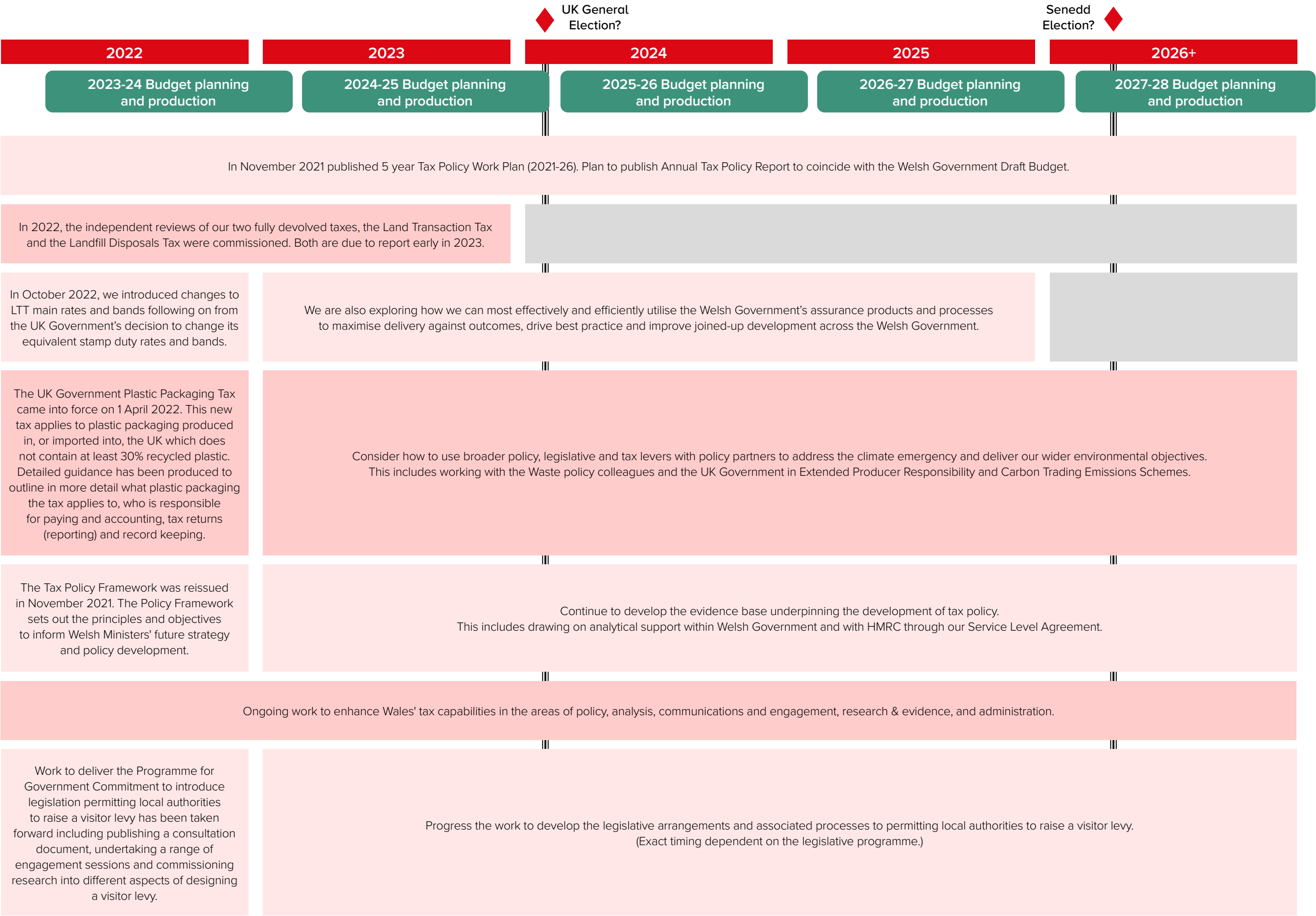


		2022	2023	2024	2025	2026+
		2023-24 Budget planning and production		2024-25 Budget planning and production	2025-26 Budget planning and production	2026-27 Budget planning and production
Fiscal Analysis and Assessing Impact	Transparency of Budgetary data	Welsh Government officials have worked with stakeholders and the Budget Improvement Impact Advisory Group to deliver training on budget literacy. Work has commenced with Children in Wales, Young Wales Project Board to co-produce a Young Person's version of the Budget Improvement Plan for publication in December 2023.		Continue to work with Children in Wales, Young Wales Project Board to publish a co-produced version of the Budget Improvement Plan in December 2023.		Continue to refine and improve the transparency of Budget information, working with external stakeholders, with the aim of improving understanding of and engagement with the Budget.
	Fiscal Analysis	Maintain distributional analysis model and take account of new and/or improved data sources. Results from the model are fairly stable over time so updates will be published when significant changes occur on usage of public services or the allocation of spend.				
		Use tax distributional analysis tools to inform budgetary decisions.				
	Assessing Impact of Budget decisions	We have worked with the Budget Improvement Impact Advisory Group and explored how we undertake the Strategic Integrated Impact Assessment. A sub-group was established and a shared plan of work is being developed with some changes being implemented in time for publication of the SIIA in December 2022. We have continued to work with other Governments in Scotland, New Zealand, Canada and Iceland on their approaches on the purpose and aims of the SIIA.		We are working with the Budget Improvement Impact Advisory group to take forward actions in 2023 and continue to work together to develop a robust and transparent approach to impact the assessment of spending decisions: <ul style="list-style-type: none">• Building on stakeholders' views on its purpose;• How to more effectively and visibly demonstrate the WFG Act as the underpinning framework for all other duties;• Developments to the distributional impact assessment of public spending in Wales;<ul style="list-style-type: none">• Ambitions for gender budgeting including using a gender lens to take an intersectional approach;• Considering the balance of long-term versus short-term goals and impacts of spending decisions.		Implement an improved impact analysis of the Budget that effectively considers all the developments in previous years, in a way that more clearly demonstrates how the WFG Act underpins all these considerations. This will include addressing recommendations from a commissioned review (if applicable).
		Ongoing monitoring of data from PLA programme, and consider outputs from the interim findings from the formal evaluation due in June 2022, to inform whether a different approach is needed to promote the take-up and delivery of the offer to specific groups of people.		Consider implications from final evaluation of PLA programme to determine extent to which a 'gender focussed' approach is fully embedded, identifying lessons learned and good practice.		Review approach to date, and consider the value of commissioning a review of the approach to inform future implementation plans for gender budgeting.
		Undertake two further pilot projects in Active Travel and the Young Persons Guarantee. Produce interim reports on findings from gender budgeting pilots to set out key findings and any changes in policy development or delivery as a result.		Consider implications and findings from the pilots to determine extent to which a 'gender focussed' approach is fully embedded, identifying lessons learned and good practice.		
		Continue to identify policy areas for further pilot activity and opportunities for shared learning across the public sector in Wales.				

UK General Election?

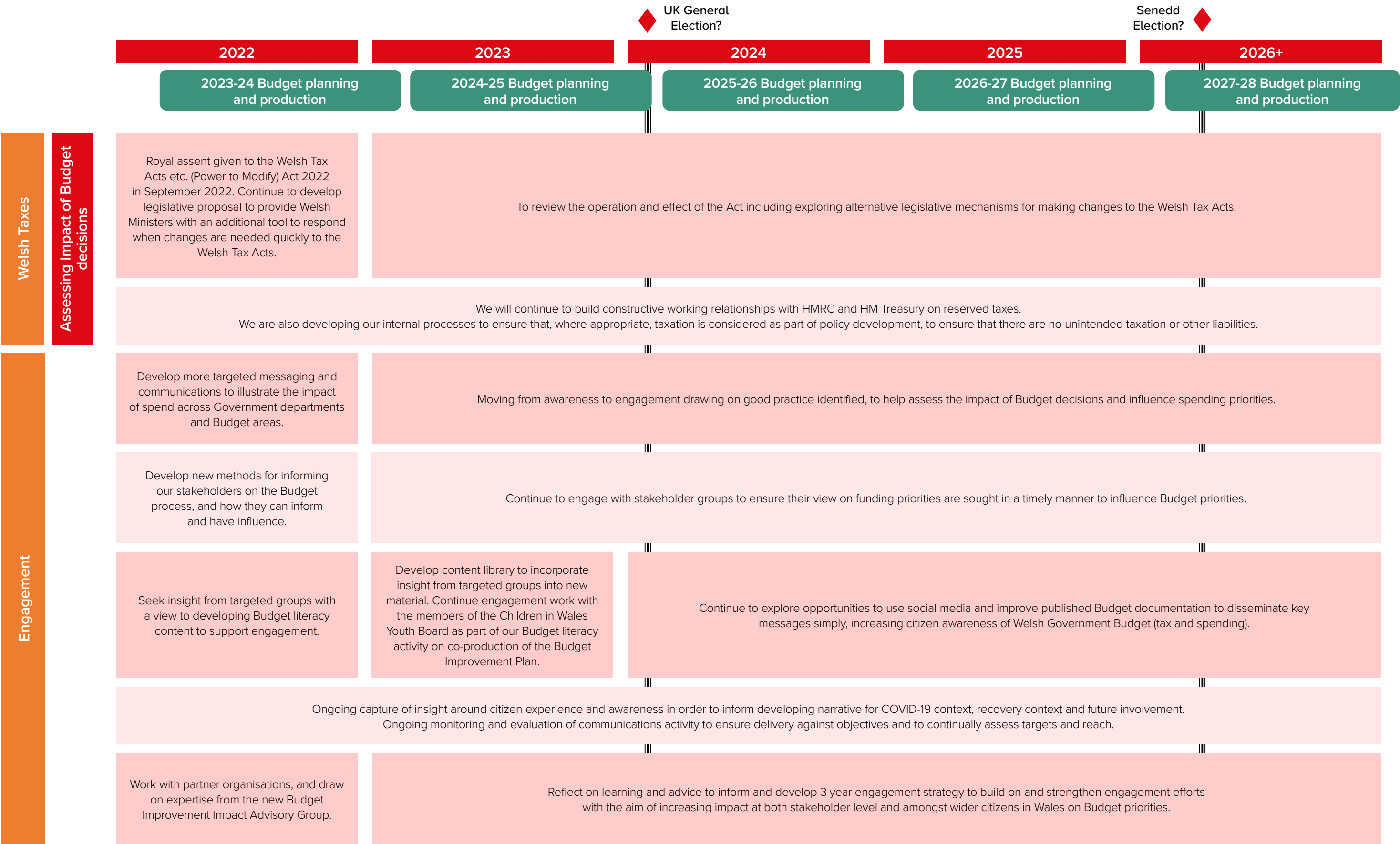
Senedd Election?

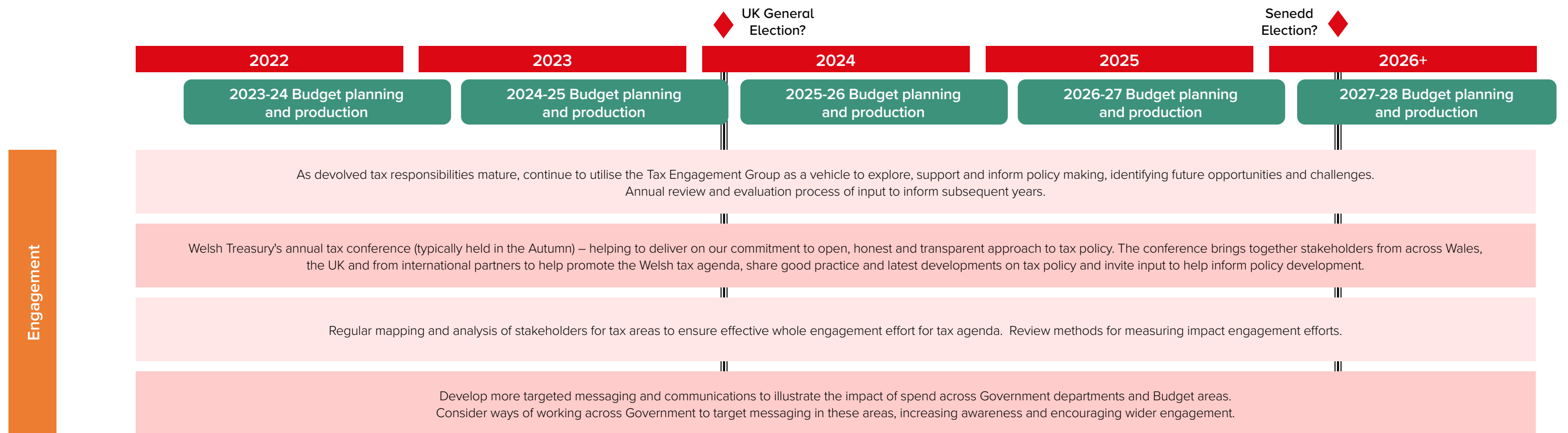




UK General Election?

Senedd Election?





Key

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

SIIA – Strategic Integrated Impact Assessment of the budget

IIA – Integrated Impact Assessment

UKCCC – UK Committee on Climate Change

WCPP – Wales Centre for Public Policy

MEGs – Main Expenditure Groups

BELs – Budget Expenditure Lines

WIIS – Wales Infrastructure Investment Strategy

LTT – Land Transaction Tax

FGC – Future Generations Commissioner

PLA – Personal Learning Account