

Agenda – Finance Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Owain Roberts
Meeting date: 19 January 2022	Committee Clerk
Meeting time: 09.30	0300 200 6388
	SeneddFinance@senedd.wales

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

Private pre-meeting – Informal (09.15–09.30)

- 1 Introductions, apologies, substitutions and declarations of interest
(09.30)
- 2 Paper(s) to note
(09.30) (Pages 1 – 3)
Minutes of the meeting held on 14 January 2022
 - 2.1 PTN 1 – Letter from the Business Committee to Committee Chairs – Review of the committee timetable and committee remits – 7 January 2022
(09.30) (Pages 4 – 12)
 - 2.2 PTN 2 – Scrutiny of the Welsh Government Draft Budget 2022–23: Written evidence from Ramblers Cymru – January 2022
(Pages 13 – 15)
- 3 Scrutiny of the Welsh Government Draft Budget 2022–23:
Evidence session 5
(09.30–10.15) (Pages 16 – 37)

Sophie Howe, Future Generations Commissioner for Wales
Alex Chapman, Senior Researcher, New Economics Foundation

Supporting documents:

FIN(6)-02-22 P1 – Future Generations Commissioner for Wales
Research Service Brief

Break (10.15–10.25)

4 Scrutiny of the Welsh Government Draft Budget 2022–23:

Evidence session 6

(10.25–11.10)

(Pages 38 – 59)

Victoria Winckler, Director, Bevan Foundation

Supporting documents:

FIN(6)-02-22 P2 – Bevan Foundation

[Bevan Foundation report – A Snapshot of Poverty in Winter 2021 – December 2021](#)

Research Service Brief

Break (11.10–11.20)

5 Scrutiny of the Welsh Government Draft Budget 2022–23:

Evidence session 7

(11.20–12.05)

(Pages 60 – 88)

Sara Jones, Head of Welsh Retail Consortium

Suzy Davies, Chair, Wales Tourism Alliance

Ben Cottam, Head of Wales, Federation of Small Businesses (FSB Wales)

Leighton Jenkins, Head of Policy – Wales, CBI Wales

Supporting documents:

FIN(6)-02-22 P3 – Welsh Retail Consortium

FIN(6)-02-22 P4 - Wales Tourism Alliance

FIN(6)-02-22 P5 - FSB Wales

Research Service Brief

- 6 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.**

(12.05)

- 7 Scrutiny of the Welsh Government Draft Budget 2022-23:
Consideration of evidence**

(12.05-12.25)

Concise Minutes – Finance Committee

Meeting Venue:

This meeting can be viewed

Video Conference via Zoom

on [Senedd TV](#) at:

Meeting date: Friday, 14 January 2022

<http://senedd.tv/en/12719>

Meeting time: 09.30 – 13.06

Remote

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Richard Hughes, Office for Budget Responsibility Andy King, Office of Budget Responsibility David Phillips, Institute for Fiscal Studies Ed Poole, Wales Governance Centre Cian Sion, Wales Governance Centre Huw Thomas, Hywel Dda University Health Board Anthony Hunt, Welsh Local Government Association Dave Street, Association of Directors of Social Services (ADSS)
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk)



	Mike Lewis (Deputy Clerk) Christian Tipples (Researcher) Owen Holzinger (Researcher) Joanne McCarthy (Researcher)
--	--

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

Private pre-meeting – Informal (09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

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

2 Paper(s) to note

2.1. The papers were noted.

2.1 PTN 1 – Letter from the Minister for Education and Welsh Language: Tertiary Education and Research (Wales) Bill – 22 December 2021

2.2 PTN 2 – Letter from the Minister for Finance and Local Government: Second Supplementary Budget 2021–22 – 4 January 2022

3 Scrutiny of the Welsh Government Draft Budget 2022–23: Evidence session 2

3.1 The Committee took evidence from Richard Hughes, Chairman, Office for Budget Responsibility; and Andy King, Budget Responsibility Committee member, Office for Budget Responsibility on the Welsh Government's Draft Budget 2022–23.

Break (10.15–10.25)

4 Scrutiny of the Welsh Government Draft Budget 2022–23: Evidence session 3

4.1 The Committee took evidence from Dr Ed Poole, Wales Fiscal Analysis; Cian Sion, Wales Fiscal Analysis; and David Phillips, Institute of Fiscal Studies on the Welsh Government's Draft Budget 2022–23.

Break (11.25–11.35)

5 Scrutiny of the Welsh Government Draft Budget 2022–23: Evidence session 4

5.1 The Committee took evidence from Huw Thomas, Director of Finance Hywel Dda University Health Board (Representative for the Welsh NHS Confederation); Cllr Anthony Hunt, Leader, Torfaen County Borough Council (WLGAs Spokesperson for Finance and Resources); and Dave Street, Director of Social Services, Caerphilly County Borough Council (Representative for the Association of Directors of Social Services Cymru) on Scrutiny of the Welsh Government Draft Budget 2022–23.

6 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

6.1 The motion was agreed.

7 Scrutiny of the Welsh Government Draft Budget 2022–23: Consideration of evidence

7.1 The Committee considered the evidence.

8 Nomination of the Public Services Ombudsman for Wales – Consideration of draft report

8.1 The Committee agreed the report.

Agenda Item 2.1

FIN(6)-02-22-PTN 1
Pwyllgor Busnes

Business Committee

Senedd Cymru

Bae Caerdydd, Caerdydd, CF99 1SN
SeneddBusiness@senedd.cymru
senedd.cymru/SeneddBusnes
0300 200 6565

Welsh Parliament

Cardiff Bay, Cardiff, CF99 1SN
SeneddBusiness@senedd.wales
senedd.wales/SeneddBusiness
0300 200 6565

To: Chairs of Senedd committees, via email

7 January 2022

Review of the committee timetable and committee remits

You will recall that, on 16 December 2021, the Chairs' Forum considered, and endorsed, the Business Committee's suggested approach to conducting a review of the committee timetable and committee remits.

Chairs expressed a range of different views at the 21 December meeting, with some Chairs finding the current timetable challenging, whilst others expressed concerns about changing the current approach. There were no concerns raised about committee remits, although it is proposed that remits will continue to fall within the scope of this review.

To build on this, I invite you to discuss the review with your committees and to provide a written response to the review. The focus of this aspect of the review is to gather the agreed view of each committee.

In doing so, I would be grateful if you would consider the terms of reference for the review, and a number of specific questions. Whilst addressing the questions will be helpful, they are not intended to be prescriptive.

The terms of reference, and questions, are enclosed with this letter.

I also enclose a copy of the paper considered by the Business Committee and the Chairs' Forum.

Whilst you might wish to refer to feedback you have received from external stakeholders in your response, the Business Committee does not expect committees to consult with stakeholders in the time available for this review.

The timescale for this review is tight, as the Business Committee is aiming to implement any changes arising from the review at the start of the summer term 2022.

Consequently, as agreed at the Chairs' Forum meeting on 16 December 2021, the review will need to be completed in early March in order to provide committees with sufficient time to plan for any changes made.

To enable this, please submit your written response by 12pm on Friday 4 February 2022. This is a week later than the original deadline proposed in the suggested approach.

Alongside this consultation with committees, Business Managers will be discussing the review with their Groups, and individual committee members will be surveyed too.

Draft proposals, based on the evidence gathered, will be discussed at the Chairs' Forum meeting on 17 February 2022. The Business Committee will then make decisions about the future timetable and committee remits in the light of that discussion.

If you require any further information, please contact the Clerk to the Chairs' Forum, Alun Davidson, who is supporting the Business Committee with this review.

Yours sincerely,



Elin Jones MS

Llywydd

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

[Enclosure 1]

Business Committee: Review of the committee timetable and committee remits

Terms of reference and consultation questions

Terms of reference

To review the current approach to the committee timetable, and committee remits, with a view to identifying any changes to the approach that could improve committee effectiveness, whilst maintaining an appropriate balance between the time committee members spend on committee work (in and outside committee meetings) and their wider responsibilities.

Consultation questions

Timetable - status quo

To what extent does the current approach to the committee timetable provide:

sufficient time for committees to undertake their work effectively?

sufficient flexibility to meet peaks in committee workloads and/or future business requirements for additional committee capacity?

an appropriate balance between the time Members spend on committee work (in and outside committee meetings) and their wider responsibilities?

Timetable - alternatives to the status quo

What changes could be made to the committee timetable to improve committee effectiveness, whilst maintaining flexibility to accommodate additional committee business, and an appropriate balance between the time Members spend on committee work (in and outside committee meetings) and their wider responsibilities?

If changes are to be made to the timetable, when should these changes be implemented?

Remits

Do you believe there is a need to adjust the remit of your committee? For example, to balance work across committees, and/or to improve lines of accountability.

Measuring the effectiveness of your committee

Has your committee established a means of assessing the effectiveness of its work?

This question is posed in order to determine whether any changes made as a consequence of this review can be monitored in this context.

[Enclosure 2 – Business Committee paper]

Review of the committee timetable, and committee remits: Draft approach

Purpose

1. To provide a draft approach to the review of the committee timetable, and committee remits, for consideration by the Business Committee.

Background

2. The Business Committee agreed a fortnightly committee timetable at the start of the Sixth Senedd, on the basis that it would provide:
 - sufficient meeting time for committees to perform their roles;
 - a fair balance between the time members are expected to spend on committee work and their wider responsibilities;
 - flexibility for committees to hold additional meetings when there is a need to complete time-limited work, and/or address peaks in workload; and
 - sufficient flexibility to accommodate an additional committee in the system, if needed (currently the Special Purpose Committee).
3. In addition to a fortnightly timetable, the Business Committee increased the amount of time available during the week within which committees could meet – this includes Monday mornings and the occasional use of Fridays for Stage 2 consideration of Bills.
4. Protected weeks were retained, to provide dedicated time for the Chairs' Forum, Scrutiny of the First Minister Committee, and further additional meeting time for committees to request if needed.
5. A secondary objective, expressed at the time the timetable was agreed, was to encourage committees to make efficient use of their meeting time. For example, to hold one-off stakeholder roundtables to gather a range of evidence at once, rather than deploying the more traditional “panel after panel” approach to evidence gathering over a number of weeks.
6. The Business Committee previously agreed to review the committee timetable, and the remits of committees, at Easter 2022 i.e. after two terms of operation.

7. However, the volume of requests from committees for additional meetings, and the concerns expressed by some committees with the current timetable, have led to this review being brought forward.
8. The Llywydd has also indicated that the Chairs' Forum would be consulted on the review at its 17 February meeting.
9. Most concerns raised to date have been in relation to timetabling, rather than remits, though concerns have been raised about the breadth of the remit set for the Legislation, Justice, and Constitution Committee.
10. The proposals in this paper suggest reviewing both timetabling and remits at the same time, due to the possible interdependency between the two i.e. if a review of remits resulted in the creation of a new committee, the timetable would need to take account of this.
11. It would be possible to separate these reviews, should that be the Business Committee's preference, though a review of remits that took place at a later date might necessitate further changes to the timetable.

Draft terms of reference

12. Draft terms of reference are suggested in the box below:

Draft terms of reference

To review the current approach to the committee timetable, and committee remits, with a view to identifying any changes to the approach that could improve committee effectiveness, whilst maintaining an appropriate balance between the time committee members spend on committee work (in and outside committee meetings) and their wider responsibilities.

13. The review will consider the status quo and options for the future operation of the timetable.
14. Under the headings below are questions that expand on the terms of reference, and could be addressed during the course of the review:

Timetable – status quo

Does the current approach to the committee timetable provide:

- sufficient time for committees to undertake their work effectively?
- sufficient flexibility to meet peaks in committee workloads and/or future business requirements for additional committee capacity?

- an appropriate balance between the time Members spend on committee work (in and outside committee meetings) and their wider responsibilities?

Timetable – alternatives to the status quo

- What changes could be made to the committee timetable to improve committee effectiveness, whilst maintaining flexibility to accommodate additional committee business, and an appropriate balance between the time Members spend on committee work (in and outside committee meetings) and their wider responsibilities?
- If changes are to be made to the timetable, when should these changes be implemented?

Remits

- To consider whether committee remits should be adjusted. For example, to balance work across committees, and/or to improve lines of accountability.

Interdependencies

15. The review will need to consider:

- the resourcing and/or technological constraints on timetabling, and how this should be managed in the future e.g. the number (and type) of committee meetings that can be held concurrently; and
- the impact on Senedd Commission resources, including staffing, of any changes proposed as a consequence of this review (or maintaining the status quo, should that be the preferred option).

Committee effectiveness

16. The review could consider the extent to which Committees have established means of assessing the effectiveness of their work, so that any changes made as a consequence of this review can be monitored in this context.

17. This could be extended to capture any committee innovation that has arisen in response to a fortnightly (and more flexible) timetable e.g. alternative approaches to evidence gathering, work conducted outside meetings etc.

Evidence gathering

18. The following approach to evidence gathering is proposed:

- **Committees** – the Business Committee invites each committee to provide a written response to the questions posed by the review.
- **Committee members** – committee members will be invited to complete a survey to obtain their views on the time currently allocated for committee work, their view on

what the correct balance should be between time spent on committee work and their wider responsibilities, and the level of priority they are able to dedicate to committee work.

- **Chairs** – the Chairs’ Forum is consulted on any proposals for change that arise from the review, prior to proposals being finalised.
- **Party Groups** – Business Managers invite a view from their party groups.
- **Data** – data on the usage of allocated time, additional meeting time, and types of committee activity, can be provided.

Timescales

December 2021

- Consult the Chairs’ Forum on the terms of reference and approach to the review (16 December).

January 2022

- Three-week period of evidence gathering (10 – 28 January).

February 2022

- The Business Committee considers draft proposals, based on the evidence received (8 February)
- The Chairs’ Forum considers the draft proposals and the timing of the introduction of any changes to the timetable (17 February)).

March 2022

- The Business Committee confirms proposals (1 March).
The Business Committee publishes a report and tables any motions needed to give effect to remit changes (should there be a need for any) (to be made in Plenary on 9 March).

April 2022

- Timetable changes to be implemented at the start of the summer term.

Consulting the Chairs’ Forum

19. Whilst there is an appetite to resolve perceived issues with the timetable quickly, there is a tension between this and the lead-in time needed for committees to plan their work.

20. The Business Committee might wish to consult the Chairs’ Forum, at its meeting on 16 December, on the scope and timescale for the review before taking a final decision.

Ramblers Cymru: Reflections on the Welsh Government Draft Budget 2022-23

About Ramblers Cymru

Ramblers Cymru are Wales' leading walking charity, dedicated to creating a Wales where everyone can enjoy walking in the outdoors and the mental and physical benefits it brings. We are the guardians of the path network and help protect access to the places we all love to walk.

Why paths and access to green spaces matter

As a result of the COVID pandemic, many people are discovering a new appreciation of the paths and green spaces on their doorsteps, of the benefits walking brings to their health and wellbeing, and of the enjoyment to be had by being close to nature.

Our route to recovery as a nation must build healthier and happier communities. We must secure help people connect with the environment, be active on foot, and cherish our green spaces.

The Welsh Government has acknowledged the important environmental and recreational role of the public rights of way network and access to the green space, in strategies and policies such as the National development Framework, Future Wales: the National Plan 2040; Natural Resources Policy; Planning Policy Wales; and Healthy Weight: Healthy Wales.

Ramblers Cymru are calling on Welsh Government to back this recognition with fair funding.

Fair Funding for rights of way and access

The recently reinstated Access Improvement Grant from Welsh Government to Local Authorities and National Park Authorities, has provided £2m this year (£1.35m in 2019/20). While welcome, this equates to just 64p per person in Wales, and is not aligned with the benefits investment in quality access can bring. For example, in 2014 the economic value of coastal walking trips in Wales was estimated at £547m.

Local authority Rights of Way and Countryside teams have seen falling resource for many years, due to austerity and the wide-ranging pressure on local government budgets. This has been compounded by the absence of any dedicated Welsh Government improvement funding between 2017-2020, and further exacerbated by significantly increased footfall pressures brought by the pandemic.

One local authority in Wales have 1,800 unresolved issues on their path network – almost 10% of which have been outstanding for over 15 years. Another has just 38% of its paths in a satisfactory condition. Across Wales, Authorities are failing to fulfil their statutory duties to secure and maintain public access.

Paths, access and green space in the draft budget

The Climate Change Main Expenditure Group

Access to the countryside, coast, rights of way, Areas of Outstanding Natural Beauty and National Parks all sit in the portfolio of the Minister for Climate Change.

Given the expressed recognition by Welsh Government of the role of outdoor access to a wide range of societal and economic impacts, and the declaration of nature and climate emergencies, it is of concern that the Climate Change MEG is projected to be the hardest hit both in real terms, and percentage terms at the end of this 3-year budget. In fact, it is the only MEG in a negative situation at the end of the period on percentage terms.

Budget Expenditure Lines

Because of the potential impact on paths, access, and the opportunities for people to enjoy the outdoors on foot, Ramblers Cymru would welcome the Committee examining the following budget decisions through the scrutiny process:

'Promote and support protected landscapes, wider access to green space'

Within this Budget Expenditure line, *Landscape and Outdoor Recreation* will receive £17.4m. This is a reduction of 15% in real terms on the current budget.

The proposed capital budget element under this BEL is set at £5m per year over the 3-year period. This is a reduction from £8.9m in 2021/22.

It is not clear from the information provided if the Access Improvement Grant is part of this expenditure area, or if it is being maintained at its current level.

'Green Infrastructure'

There is no capital budget for green infrastructure (was £1.4m in 21/22)

'Sponsor and manage delivery bodies'

Natural Resources Wales' budget is rising by 1%.

NRW have a vital role to play in providing and promoting responsible access to the outdoors, and have faced significant budgetary challenges over recent years. It is a concern that rising demand from increased visitors, without a meaningful increase in budget, will adversely affect the management of NRW estate, and some of our key recreational assets, like the Wales Coast Path.



Y Cerddwyr
3 Iard y Cowper
Heol Curran
Caerdydd CF10 5NB

Ffôn 029 2064 4308
Ffacs 029 2064 5187

E-bost cerddwyr@ramblers.org.uk
www.rambblers.org.uk/wales

Ramblers Cymru
3 Cooper's Yard
Curran Road
Cardiff CF10 5NB

Phone 029 2064 4308
Fax 029 2064 5187

Email cerddwyr@ramblers.org.uk
www.rambblers.org.uk/wales

'Sports & Physical Activity' (Economy MEG)

Sport Wales is allocated a reduced budget (-2%).

As Wales recovers from the pandemic, we need more opportunities for people to increase physical activity through organised sports and recreational activities. This is key to improving mental and physical health, and reducing health inequalities. The reduction of support under this budget line could inhibit those opportunities.

Conclusion

Ramblers Cymru encourage the committee to consider the implications of the issues raised above, and to explore recommendations for how this draft budget could be strengthened to help Wales realise the benefits of paths and outdoor access for current and future generations.

Agenda Item 3



Comisiynydd
**Cenedlaethau'r
Dyfodol**
Cymru

**Future
Generations**
Commissioner
for Wales

Future Generations Commissioner for Wales: Response to Senedd Finance Committee's call for information on the Welsh Government Draft Budget for 2022-23

26 Nov 2021

Dear Peredur,

Thank you for the opportunity to provide input on the focus of the Finance Committee's scrutiny of the Welsh Government's 2022-23 budget.

This budget marks an important moment for the new Welsh Government. It has significance as the first budget since the Programme for Government (2021) and the publication of Welsh Government's new well-being objectives. It comes at a time when we are focused on the climate and nature emergencies following the UN Climate Conference COP26 and the launch of the Net Zero Wales plan for 2021-25, and during a critical period of shaping our economic recovery from the COVID-19 pandemic. As such, the need to put the well-being of future generations at the centre of this budget has never been more important.

With this in mind, I will be interested to see how Welsh Government demonstrate how their spend will help them meet their new well-being objectives and policy commitments in the new Programme for Government.

In recent years, my focus has been on the following policy areas, which I believe could have the biggest impact on current and future generations in Wales. I will be particularly interested to see how Government are prioritising spending in these areas for 2022-23 (further detail on each area provided below):

- investment in skills and training,
- decarbonisation of homes,
- responding to the nature emergency, and
- scrutinizing the Government's carbon impact assessment of its budget.

Alongside this, in recognition of the critical point in time of this budget in terms of the climate emergency, I will also be interested in understanding:

- whether the concrete commitments made in the budget deliver on the ambitions set out in Net Zero Wales and our national decarbonisation targets; and
- the synergy between Net Zero Wales, the budget, and priorities set out in the new Wales Infrastructure Investment Strategy.

A number of these areas overlap with the areas you highlight in your letter – climate change, inequality, key priorities for 'building back better' – as outlined below.

In terms of key policy investments that I've highlighted in recent reports, along with my "*Fit for the Future Programme for Government*" published in May, recommendations include:

- **Financing the decarbonisation of homes:** £14.75bn investment will be needed to 2030, which includes £1.7bn from Welsh Government; with specific recommendations to increase Welsh Government funding allocations as follows:

- £108m/year Social Housing Decarbonisation Grant and
- Doubling fuel poverty funding (through the Warm Homes programme) to £73m/year.
- **Skills:** my analysis has highlighted how investment to date has been inadequate. A skills pipeline along with investment is urgently needed for developing skills in key infrastructure projects in green industries and nature restoration, along with increasing opportunities for retraining, reskilling and transitioning to changing industries, providing a 'just transition' for workers.
- **National Nature Service:** this would deliver multiple wins of protecting nature and creating jobs. We estimate the total funding required to establish a NNS team would be £167,000 for 2021-22.

Below is some more detail on my areas of focus, which I hope will be of interest to Finance Committee as you consider your priorities for scrutiny:

1. Investment in Skills and Training

Earlier this year I published [my report with the New Economics Foundation](#) looking at the potential for investment in green jobs and skills versus how prepared our current skills, training and employability programmes are to cope with these changes. The main findings of the report are:

- Over 60,000 jobs could be created in the green economy in Wales over two years with infrastructure investment.
- However, the current skills pipeline is not prepared for this demand with our analysis suggesting low apprenticeship and training numbers in key sectors compared to potential job growth.
- There is a mismatch between levels of existing employment and potential; the level of job creation is significant compared to existing numbers.
- Funding to deal with this shortfall is insufficient to cope with demand and scale.
- Targeted and sustained action is needed to ensure green growth industries provide entry for Black, Asian and minority ethnic people; women; disabled people and those furthest from the labour market.

Even without the proposed investment, the report identifies significant shortfalls in the current upskilling infrastructure in Wales in its ability to deal with the scale and nature of the structural shifts our economy is experiencing. In the process, the report flags concerns regarding whether Wales is prepared for the delivery of a just transition, which makes good green jobs available for all.

In next year's draft budget, I will be looking at the level of budget provision for skills and retraining both as a critical pillar of decarbonisation and in supporting our economy to adjust to the changes brought about by the pandemic and Brexit. Recent Welsh Government commitments on skills have typically been short-term and limited in scale in comparison with the size of the transition needed. At the time, my report forecast double the allocated resources would be needed to deal with the multiple impacts of the pandemic, Brexit and transitioning to a low carbon economy. The investments announced to date are unlikely to be sufficient to provide the retraining and upskilling required or to offset the dramatic declines in participation in further education, adult and part-time higher education, and work-based learning seen over the past decade. Whilst the key policy drivers of these declines in adult learning sit with the UK Government, I am keen to see Welsh Government exploring all possible levers and financing mechanisms aimed at increasing investment in upskilling and retraining.

I am aware that Welsh Government are currently developing a Net Zero Skills plan, due for publication in Spring 2022, and it is imperative this budget provides sufficient resources and capacity to increase the scale and pace of change needed for our education, training and skill sectors.

2. Investment in the Decarbonisation of homes

A few months ago I published my "[Homes Fit For the Future: the Retrofit Challenge](#)" Report. This looked at the financing needs of the major home retrofit challenge faced in Wales, an investment essential both for meeting our climate goals, addressing fuel poverty and quality of life in Wales. It identifies a government investment need of around £5.3bn over the next ten years – £1.7 bn and £3.6 bn from Welsh and UK Governments respectively. Our modelling estimates that the total investment needed to upgrade or retrofit all homes in Wales is £14.75 with 64% of this coming from private finance. Our report also suggests various options for delivery and alternative finance mechanisms that should be explored urgently.

While pre-existing expenditure can meet some of this requirement, and recent announcements¹ suggest an additional £150m is forthcoming, a very significant gap remains. I will be looking to this draft budget to begin to put the foundations in place for a significant upscaling of our home retrofit programme that is urgently needed over the next few years. Welsh Government also need to be working closely with the UK Government to ensure that funding decarbonisation of homes is considered as essential infrastructure investment which could lead to significant economic benefits through creating new jobs, supporting local supply chains, as well as the health and environmental benefits that a national programme could deliver.

In their report "*Debt and the Pandemic*", the Equality and Social Justice Committee recommend that "The Welsh Government should provide clarity in its Draft Budget on how it will allocate sufficient funds up until 2024-25 to accelerate plans to bring all social homes up to Energy (EPC) Rating A to mitigate increased fuel poverty as a result of rising energy costs". The consultation on the forthcoming Warm Homes programme will need to signal how decarbonising fuel poor homes will be funded addressing the need to tackle 'the worst homes first' as has been acknowledged by Welsh Government.

3. Investment in Nature

Addressing the nature emergency is critical to protecting the well-being of future generations, and action cannot be isolated from the climate crisis.

While I welcomed Welsh Government's declaration of a nature emergency in June 2021, the actions and steps being taken in response are less clear. Spending on the nature recovery has been somewhat stagnant in recent Welsh Government budgets, with focus on the migration of EU agricultural spending into domestic budgets and progress in other areas stalling.

For example, in response to the draft budget for 2021-22, Wales Environment Link (WEL) highlighted that while there was an increase in the environment MEG in 2021-22, this was predominantly due to farming payments

¹ <https://www.insidehousing.co.uk/news/news/welsh-government-announces-additional-150m-to-retrofit-social-housing-73164>

being included and a realignment of ministerial portfolios. As a result, the bulk of the increase in 2021-22 could be attributed to those two reclassifications, rather than genuine new investment in the Welsh environment.

I was also disappointed to see relatively limited (financial) support in last year's budget for the recommendations set out by the Green Recovery Taskforce (being led by Natural Resources Wales). [The Dasgupta Review](#) highlights how our unsustainable engagement with nature is endangering the prosperity of current and future generations. This is why I believe better connecting people and communities with nature lies at the heart of tackling the nature emergency.

I am therefore keen to see plans for a National Nature Service (NNS) in Wales progressed with support and some financial investment from Welsh Government. I called for this in my '[Fit for the Future Programme for Government](#)' report earlier in the year. The NNS is a Wales-wide system intended to mobilise people in support of nature recovery, accelerating action at the pace and scale needed.

My office is working with key partners and engagement with Welsh Government Ministers and Officials is ongoing, with further detail being submitted in December. I'd be happy to share an overview of the NNS proposal with the Committee if this is of interest.

4. Overall Carbon impact of the Welsh Government budget

In advice to Government in 2020 we recommended² that they need to forensically analyse every aspect of their expenditure, especially capital spend, in terms of carbon impact and publish details on the overall carbon impact of their budget in a 'Carbon Impact Account'. Our suggestion was echoed in Recommendation 16 of the Senedd Finance Committee's report on the draft budget 2020-21:

Recommendation 16. The Committee recommends that the Welsh Government develops an understanding of the carbon impact of the budget and its spending decisions, and looks at how it can meaningfully demonstrate the carbon impact of future budgets.³

I note that since this advice was published, this call has been echoed by the UK Climate Change Committee in their 2021 advice to parliament, here termed a 'net zero test'.

A Net Zero Test would ensure that all Government policy, including planning decisions, is compatible with UK climate targets.⁴

Welsh Government responded positively to our advice, and for the first time alongside the 2021-22 budget an initial assessment was published of the carbon impact of Welsh Government spending. Unfortunately, the usefulness of this assessment for analysing the carbon impact of the budget was limited. The approach taken pursued a macroeconomic whole-of-economy approach to attributing the impact of Welsh Government spend.

² <https://www.futuregenerations.wales/wp-content/uploads/2020/11/FGC-Budget-Briefing-for-Committee-Members-ENGLISH.pdf>

³ <https://business.senedd.wales/mgIssueHistoryHome.aspx?IId=25830>

⁴ <https://www.theccc.org.uk/publication/2021-progress-report-to-parliament/>

By contrast, the approach I recommended involved a bottom-up, investment-by-investment approach utilising the government's pre-existing tools for project carbon impact assessment.

Progress was made to this end in the Net Zero Wales plan. I was pleased to see an assessment made of the relative contribution to decarbonisation of policies proposed by Welsh Government's Transport department. While I recognise that such assessments are not perfect, and the undertaking of such assessments should not involve disproportionate expenditure, such analysis is important for understanding the true extent of progress the actions of Welsh Government are delivering in terms of addressing the climate crisis. I am keen to see such assessment further rolled out, across other departments, particularly where capital expenditure is involved, and when new policy announcements are made.

Until a comprehensive assessment of the Welsh Government budget is made available, it is not possible to know whether budget decisions are in fact having a net positive (or indeed negative) impact on decarbonisation in Wales. However, with support from the New Economics Foundation, I have been conducting my own highly-simplified approach to assessing changes in carbon spend. This analysis shows positive year-on-year improvements in the level of spending in key areas of the budget relevant to decarbonisation (see Table below).

I have recently asked the Finance Minister to clarify:

- How they are undertaking the carbon impact assessment of the budget this year;
- How will the policies and priorities in the forthcoming Net Zero Wales plan be considered within the budget process;
- Whether they have considered how the approach developed by Transport officials could be scaled up across other Welsh Government departments; and
- Whether they will be publicly committing to undertake a "Net Zero test" of the annual budget and the projects in the forthcoming Wales Infrastructure Investment Strategy to support Government's commitment to net zero.

5. Budget links to the Net Zero Wales plan

The recently published "Net Zero Wales" plan details a wide range of policies which Welsh Government hopes will deliver Wales' net zero by 2050 target, with a focus on actions that are needed during the second carbon budget (2021-25). I note, however, that without detailed carbon impact assessment of the majority of policies in the plan it is not possible to fully assess whether the plan is indeed of sufficient scope. There is no clarity provided on the approach being taken to assess carbon impact of budget decisions apart from a commitment to "aim to improve [our] understanding of how to effectively count the carbon impact of decisions and how multiple decisions interact to impact our overall targets". Welsh Government have already committed to aligning their financial and carbon budget cycles, so I will be interested to see whether the 2022-23 Draft Budget supports this alignment, ensuring investment is prioritised for key decarbonisation policies and actions in the new plan.

6. Equalities

I have recently published "[Inequality in a Future Wales](#)", in partnership with Public Health Wales. The research analysed the equalities impact of three future trends - the future of work, climate and demographic change. The

main finding of the report is that existing socio-economic inequalities in Wales risk being carried into the future unless they are specifically addressed. It suggests taking action on this would involve: looking for opportunities to promote equality in policy development across all areas; and creating opportunities for equalities advocates and policymakers to think and plan for the long-term in partnership as part of policy development processes. This reflects the ways of working set out in the Well-being of Future Generations Act; particularly integration, involvement and long-term.

I will be interested in understanding how the Government is demonstrating how they are addressing inequalities through their spending decisions, helping to support a just transition in addition to other well-being priorities.

Thank you for the opportunity to submit this evidence to your call for information. I look forward to discussing these issues with your Committee in January.

Yours sincerely,

Sophie Howe



Comisiynydd Cenedlaethau'r Dyfodol Cymru / Future Generations Commissioner for Wales

Table: NEF assessment of year-on-year changes in budget lines relevant to decarbonisation

	Tier 1	Tier 2	Tier 3	Tier 1+2+3	Non decarb spend
Budget	Primary decarbonisation spend	An unknown but likely small proportion of these budget lines goes on primary decarbonisation	With the right legislation in place a proportion of this spend goes on enabling decarbonisation	Sum of spending lines relevant to decarbonisation	Spending lines not clearly relevant to decarbonisation (primarily salaries and benefits)
Example	<i>Active travel spend</i>	<i>Regeneration spend</i>	<i>Social housing grants</i>		
19-20	2.09%	2.51%	5.62%	10.22%	89.78%
20-21	2.50%	2.53%	5.39%	10.42%	89.58%
21-22	2.94%	2.51%	5.88%	11.32%	88.68%

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

Agenda Item 4

Senedd Finance Committee

Inquiry into the Welsh Government Draft Budget 2022-23

The Bevan Foundation is Wales' most influential think tank and is a registered charity, independent of government. We are grateful for the opportunity to give evidence to the Committee's inquiry. We are responding only to those questions that are relevant to our work.

What, in your opinion, has been the impact of the Welsh Government's 2021-22 budget including funding related to COVID-19?

The 2021-22 budget made a significant contribution to easing the worst effects of poverty and inequality during COVID-19. The pandemic brought in a raft of measures designed to compensate people over and above the provisions of the UK Government. The provision of cash in lieu of free school meals at £19.50 a week, plus the provision during the holidays, was a key step in alleviating hardship amongst families, along with the flexibilities introduced into the Discretionary Assistance Fund which enabled more people to get support in a crisis. We also welcomed the Tenancy Hardship Grant, the top ups to Discretionary Housing Payments and the recently announced Winter Fuel Support Scheme.

The self-isolation support scheme and the NHS and social care financial recognition scheme were also an important recognition of the inadequacies of sick pay arrangements and of pay in social care. The support provided to self-employed people provided a lifeline for people who were not eligible for UK Government's schemes.

Last but not least the 2021-22 budget also helped to ensure that essential services such as a skeleton public transport service, plus food and medicines for people who were advised to shield, were available.

How do you think Welsh Government priorities for 2022-23 should change to respond to COVID-19?

Although COVID-19 restrictions have eased, neither the labour market nor wider society have recovered fully. Demand for healthcare services and wellbeing support (both physical and mental) is at a record high. Employment numbers have yet to return to pre-pandemic levels in large areas of Wales and claimant numbers continue to be above February 2020 figures. Many social security benefits have been frozen or reduced while the cost of living, including rents, is also rising sharply. The combination of the legacy of lockdown and current circumstances is creating substantial and additional pressures on households.

The 2022-23 budget should take account of these significant pressures, as well as addressing the root causes of poverty and inequality. As an immediate step we would like to see the Welsh Government focus on ensuring that nobody in Wales is destitute. We endorse the JRF definition of destitution as:

‘... going without the essentials we all need to eat, stay warm and dry, and keep clean.’

We are pleased that the Welsh Government has announced free meals for all children in primary school, and we would like to see the 2022-23 budget include provision for a rapid roll-out of that provision. We also welcome in principle the announcement the expansion of the leasing scheme in the private rental sector.

However there are other areas in which there should be increased budget allocations to ease the immediate pressures on people on low incomes. These include:

- accelerating provision of social housing and capping on social housing rent rises;
- extending Tenancy Hardship Grant to social renters who are not eligible for DHPs;
- continuing additional allocations to the Discretionary Assistance Scheme and Discretionary Housing Payments;
- action to deal with Council Tax arrears;
- increasing the eligibility threshold for and value of Educational Maintenance Allowance and Welsh Government Learning Grant.

Welcome though the Welsh Government's interventions are, they do increase the number of separate schemes to help low-income households. Each scheme has separate administration, variable eligibility requirements and a low public profile which means that people in greatest need may miss out. The Bevan Foundation has been urging for some time that the plethora of devolved grants and allowances should be streamlined, administered as a single system and the value of support increased.¹ The number of new schemes reinforces our case.

The Welsh Government should also use its 2022-23 budget to put in place the building blocks that will reduce poverty in the longer-term. Despite COVID, the root causes of poverty continue to be too few people in decently-paid, secure work; an ineffective welfare system (including devolved grants and allowances); and a high cost of living (especially housing costs). We would like to see specific allocations for progressing fair work through a mixture of regulation and incentives;² a coherent system of devolved grants and allowances that are sufficient to meet needs; and substantial investment in truly affordable social housing and fair rents and security in the private rented sector. These are deep-seated challenges that need a concerted and substantial effort to resolve.

Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?

The current timing of the draft budget constrains scrutiny while the scrutiny of supplementary budgets is limited indeed. Changes in Ministerial responsibilities make year on year comparison extremely difficult. The lack of information in the budget narrative on the wider context such as anticipated changes in demand for services make assessment of the adequacy of budget allocations impossible.

The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2022-23 budget?

- How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.

The Bevan Foundation researched the impact of the pandemic on the economy and labour market throughout the pandemic with the following key findings:

- The sectors proven to be essential in the pandemic were wider than the 'foundational' economy. They included, for example, manufacturing of goods such as medicines or food

¹ <https://www.bevanfoundation.org/resources/a-welsh-benefits-system/>

² <https://www.bevanfoundation.org/resources/fair-work-what-should-be-done/>

packaging. We concluded that a sectoral approach overlooks the interconnectedness of different parts of modern economies.³

- Sector matters less than individual business behaviour. Many businesses were highly entrepreneurial e.g. developing new goods and services while others simply closed.⁴ Harnessing and supporting innovation in all sectors is key to recovery.
- The geographical impact was very uneven, with areas in Wales with the weakest economies being hardest hit by pandemic restrictions and having the slowest recoveries.⁵
- There has also been a significant labour market impact with many workers – most often people in lower paid jobs - becoming unemployed or on furlough, and some places are yet to bounce back.⁶

Support for economic recovery should therefore be based on a whole economy approach rather than selected sectors, should be coupled with plans and actions to support the recovery of the labour market, and should prioritise intervention in places which have been hardest hit.

- Welsh Government policies to reduce poverty and gender inequality.

Our evidence on Welsh Government policies to reduce poverty are covered in previous sections.

- How the Welsh Government should use taxation powers and borrowing

The Bevan Foundation has argued for greater use of devolved taxation powers since 2016 and in particular has urged the use of new, devolved taxes to change behaviour as well as raise revenues. We are pleased that our proposal for a tourist tax is included in the Cooperation Agreement, and urge the Welsh Government to continue to press its proposed land tax with the UK Treasury.

Given that devolved taxes account for around 20% of the Welsh budget we would like to see more emphasis on the balance being struck between income and expenditure in the Welsh Government's draft budget.

- What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act).

In our keynote document published before the elections, the Bevan Foundation has urged the Welsh Government to ensure the provision of a good quality, universal essential services that are either free or subsidised at the point of use.⁷ These comprise health and social care, a decent and affordable home, support for the care and development of children, food, and connectivity. It is not enough just to provide these services – they must be delivered in a way that ensures equity of access by different groups of people and to equity of outcome, so that services eradicate inequalities as far as possible.

We have also urged the Welsh Government to use its powers over the economy and labour market more effectively to reduce disparities between different places within Wales and to improve the quality of work amongst the lowest paid and people excluded from the labour market.

³ <https://www.bevanfoundation.org/resources/transforming-wales-building-a-better-economy/>

⁴ <https://www.bevanfoundation.org/resources/making-the-everyday-economy-work-for-smaller-places/>

⁵ <https://www.bevanfoundation.org/resources/where-next-for-the-welsh-economy/>

⁶ <https://www.bevanfoundation.org/resources/coronavirus-and-fair-work/>

⁷ <https://www.bevanfoundation.org/resources/transforming-wales-welsh-public-services-and-benefits/>

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

Agenda Item 5



RETAIL RECOVERY: ENABLING THE CORNERSTONE OF THE WELSH ECONOMY TO THRIVE POST PANDEMIC

RETAIL INDUSTRY RECOMMENDATIONS
FOR THE 2022-23 WELSH BUDGET



A SNAPSHOT

RETAIL: WALES LARGEST PRIVATE SECTOR EMPLOYER

11,350
SHOPS



19.5%
VACANCY RATE



120,000
EMPLOYEES



348M
WELSH VAT
COLLECTED



RISE IN RETAIL WAGES
4.3% COMPARED TO

3.9% IN UK
RETAIL ON AVERAGE



Economic Overview

The past eighteen months of the Covid pandemic have been the most challenging and tumultuous period for the Welsh retail industry in decades, with sharp consequences for large swathes of the industry many of whom continue to face an uncertain future. Shopper footfall remains 17% below pre-pandemic levels, shop vacancies have spiked with one in five premises now vacant and retail sales in Wales, while recovering, have yet to claw their way back to pre-pandemic levels and remain lacklustre. This places a question mark over the viability of some stores; and comes after Welsh shops have spent many millions on physical distancing and hygiene measures and PPE.

The industry has publicly praised the substantial and swift support that has been on offer from government for the sector during the crisis, especially the business rates waiver, furlough scheme, grants and loans. As the guardrails of State support for the economy are withdrawn, some support will likely be required in the transition. Given continued turbulent trading conditions it is likely that it will take time for retailers to pay back the Covid loans and tax deferrals and other debts (e.g. unpaid rents accrued whilst shops were shuttered), more so as they grapple with various upcoming policy challenges which are being introduced (e.g. deposit return scheme for drinks bottles, extended producer responsibility, packaging tax etc).

CHIEF RECOMMENDATIONS

Back Page 62



WELSH BUDGET 2022-23 – WRC PRIORITIES

DELIVER ON THE COMMITMENT TO A RETAIL STRATEGY FOR WALES

Following representations from the WRC, we were delighted that the Welsh Government has committed to a retail strategy for Wales. The strategy with the ambition of helping the industry to flourish, and to release its potential as a core driver of the Welsh economy, has never been so critical. We would expect that the approach will ensure retailers have early and ongoing dialogue, both in terms of the strategy's actions but also in relation to wider policy making. It is vital that we have coherent decisions which reflect the challenges and opportunities that the sector currently experiences, and takes on board the experiences and insight of those that will be tasked with delivering its ambitions.

It is conceivable the strategy's recommendations may have a fiscal implication. As such, it would be sensible for the Budget to include funding for the delivery of these recommendations.



DELIVER ON THE COMMITMENT TO A RETAIL STRATEGY FOR WALES



AVOID THE CLIFF EDGE RETURN TO FULL BUSINESS RATES IN 2022-23



ACTION TO STIMULATE CONSUMER SPENDING AND ENTICE PEOPLE BACK TO CITY CENTRES



INCREASE THE FREQUENCY OF THE BUSINESS RATES REVALUATION CYCLE TO MIRROR ENGLAND AND SCOTLAND AT THE VERY LEAST.



NO INCREASE IN INCOME TAX RATES FOR LOW AND MODEST EARNERS

STIMULATE CONSUMER SPENDING AND REVITALISE HIGH STREETS

Consumer spending is the mainstay of the Welsh economy, yet eighteen months on from the onset of the pandemic and retail spending has yet to recover to pre-pandemic levels. WRC estimates stores have missed out on billions of pounds worth of revenue during this period. The problems are especially acute in city centres where shopper footfall is weakest, and where we've yet to see a return of the likes of office workers, students and tourists. Our shopping centres have been particularly hard hit during the pandemic, and even now footfall is down almost 60 per cent on 2019 figures.

Retailers are playing their part in trying to tempt shoppers back, however policy makers could do more to help reignite consumer confidence and entice people back, especially during our crucial 'golden quarter' of pre-Christmas shopping (Oct-Dec). This is traditionally when retailers generate the funds required to tide them through the leaner period in the early months of the new year.

The Transforming Towns funding is a promising move to enhance the viability of our town centres, and one which should be continued in the next financial year – but policy makers need to think more creatively and at greater scale about enticing shoppers back e.g. through temporary free parking, and/or a government advertising campaign to encourage people back to city centres, and/or a high street voucher scheme as the Northern Ireland Executive is introducing. A voucher scheme could trigger additional spending by shoppers beyond the value of the voucher transaction and create an even larger economic multiplier.

Policymakers exert significant influence over the amount of money in people's pockets and discretionary spending, and should be wary about adding further pressure on to family finances over and above those already planned including the upcoming rises in employees national insurance contributions. As such, Ministers ought to continue to protect workers on low or modest earnings from rises in income tax rates.

We note the plans in the Welsh Government's intention to review council tax and are open to reform or replacement of it. However, any changes should take into account the impact on consumer spending or any administrative implications for employers.

With the Welsh Government advising on working from home where possible, the protracted absence of office workers continues to have a commensurate impact on commercial and economic activity in our cities. In addition, we need to address these challenges in light of the commitment by the Welsh Government to 30% home working post pandemic. Any failure to re-start the economy in our larger towns and cities will have tax revenue implications for councils, such as fewer receipts from business rates.

COMPETITIVE NON-DOMESTIC RATES

Retail traditionally contributes a fifth of business rates. The rates relief on offer during the pandemic has been absolutely critical for the industry, much of which ceased to trade at least twice. It provided timely cashflow assistance, and helped firms fund Covid safety expenditure and changes to their business models. However, we are several months through the current financial year (and eighteen months on from the onset of Covid) and retail sales remain sluggish despite the efforts of retailers to encourage consumers back into store.

Instead of a rigid re-instatement of 100% business rates next April, which were at a 21-year high prior to the crisis, Ministers should consider a modest further discount to business rates in 2022-23 to reflect the significant fall in retail market rents since the last valuation – and particularly since the start of the pandemic - especially if retail sales don't pick up on a sustained basis. An early decision would be most helpful, as would a timetabled route map towards lowering the multiplier to a permanently more sustainable level. The small firms' rates relief has historically recognised the need to keep down costs for firms, albeit three quarters of retail employment is with firms who do not qualify.

Additionally, it is vital that the Welsh Government commits to reviewing the revaluation cycle, and brings this in line with Scotland and England with a move to a three yearly approach. This should be the first step towards making the business rates system fairer and more reflective of current economic conditions through fundamental reform. As retail emerges from the pandemic, a return to 'business rates-as-usual' could derail the industry's recovery, with unnecessary shop closures and job losses the result.



A MORATORIUM ON NEW LEVIES AND RED TAPE

During the pandemic Ministers shrewdly postponed new regulations in order to lessen the workload on firms. Government should continue with this pause for now, to allow retailers the breathing space to recover. A one-year pause on new public policy measures which are not related to protecting customers and retail workers from Covid19 should be maintained. Thereafter, new regulations should be stress-tested for proportionality through the developing retail strategy for Wales.

SKILLS AND THE FLEXIBLE WORKFORCE FUND

A more highly skilled workforce will be key as the industry transforms itself for the future. As such the Welsh Government should allow flexible and simple access to apprenticeship levy payments to ensure the dramatically changing skills' needs of the industry are met and to ensure efficient use of the £7 million contribution made into the Apprenticeship Levy by Welsh retailers. Level 2 and 3 apprenticeships should be encouraged and increased through Government support to enable a pathway of development. This is increasingly acute at a time when retailers are devoting more of their budgets towards training staff to implement public policy e.g. minimum unit pricing of alcohol and Covid restrictions.

In terms of the apprenticeships on offer we would ask for greater flexibility; both in terms of the time taken for 'off the job training', which substantially increases costs due to the need to backfill roles, and in terms of preparing colleagues for future jobs, providing an opportunity to move to a position of helping colleagues onto their next role or a role that might exist in a few years.

ABOUT THE WRC

The WRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future. Retail is an exciting, dynamic and diverse industry which is going through a period of profound change which has been accelerated by the Covid pandemic. The trends are clear - technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The WRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit.

Contact details:



Pack Page 64





The WRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The WRC is committed to ensuring the industry thrives through this period of transformation.

We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit.

Our membership comprises of businesses delivering £200bn of retail sales and employing over one and half million employees.



WELSH RETAIL CONSORTIUM

Suite 103, 209 City Road, Cardiff, CF24 3JD
info@brc.org.uk | brc.org.uk/wrc | 07785 619333

Welsh Retail Consortium - a company limited by guarantee
Registered in England and Wales No. 405720
registered office: 100 Avebury Boulevard, Central Milton Keynes, MK9 1FH



**‘Welsh Government Budget Considerations’
Submission by Wales Tourism Alliance to Finance Committee**

1. Budget transparency; scrutiny & accountability
2. Efficiency and effectiveness; the value of engagement
3. Covid recovery
4. Sustainable industry

Wales Tourism Alliance Limited
77 Conwy Road,
Colwyn Bay,
LL29 7LN

Company No: 4449548

Introduction

The Wales Tourism Alliance would like to acknowledge, on behalf of its members, the contributions made by both governments to securing the future of the tourism industry during the pandemic. There is no question that prompt action and the delivery of financial resources saved jobs and businesses. It was the hardest hit industry in terms of job losses and loss of earned income in Wales and has, according to EMsi labour market research, been the slowest to bounce back. Whilst this was true for the UK generally, over-all recovery is happening more quickly in Wales than elsewhere, due primarily to a proportionally larger public sector (where jobs were protected).

Despite solid recovery in the non-service private sector and high demand in parts of the service sector, e.g., care, tourism remains a vulnerable industry. While parts of Wales had a good summer, it is still exposed to a range of financial shocks and threats and we urge Welsh Government to remember that we still need short, medium and long-term support to maximise our contribution to the Welsh economy.

Please note that, while we have focused on the forthcoming budget, some of the matters raised may also be of interest to PAC and the ETRA Committee. We would be happy for you to share our thoughts with them.

1. Budget Transparency

As an interested, independent organisation representing the Tourism industry in Wales, external to Welsh Government, it is currently not possible to effectively scrutinise Welsh Government support and investment and its impact on the growth of the Wales visitor economy.

This is true for direct funding of Visit Wales and its subsequent use, but just as importantly, spending in other departments, or other parts of the economy portfolio, which have an indirect effect on tourism; looking to tourism to help support other government objectives e.g., health and wellbeing, local government delivery, education and skills.

The annual report on the Welsh Government's consolidated fund provides us with no information with which we can usefully use to respond to this consultation. The fact that the final current annual budget MEG for the economy is £1.75bn tells us nothing

about investment in tourism. The narrative accompanying the budget identifies some key areas of expenditure, which *could* include tourism. However, without overt reference, it is unlikely that those recipients will think of how our industry can help them fulfil their aims and vice versa; apprenticeships, Brexit transition (despite a number of tourism programmes being supported through EU funding streams), agriculture (rather than rural economy), culture and sport.

Unlike the British Tourist Authority (Visit Britain & Visit England), Visit Scotland and Tourism Ireland, which are arms-length national tourism bodies, Visit Wales does not produce a standard, publicly available, annual report and set of accounts. This means understanding its budget is extremely difficult and we have to rely on periodic statements made by Visit Wales or intelligence from recipients of various grants and loans where they are itemised in those recipients' accounts or where there is willing disclosure. Visit Wales statements are invariably made at a time of welcome investment in tourism activity, but without contextual reference to the department's overall budget.

Recommended Action: Visit Wales produces an annual report and set of departmental accounts.

The "Welcome to Wales: Priorities for the visitor economy 2020 to 2025" Plan contains no budget or specific KPIs. It is, therefore, not possible to establish to what extent the Welsh Government's investment actually contributes toward growth. We understand that there is £60m behind this plan (in partnership with the Bank of Wales) but we have no access to the basis on which that figure was reached, how much of the plan it covers or what percentage of Visit Wales's budget that represents.

This situation also means we will find it difficult to track the effect of the loss of programmes supported through EU funding streams, e.g. Regional Tourism Engagement Fund (RTEF). Welsh Government has introduced new programmes of financial support which will need to be scrutinised once they have had time to bed in.

As this is the established position, we have no means of assessing year on year progress, not least financially. There is no practical route into identifying secondary support for tourism in other departments.

Recommended Action: Annual report to include consistent standardised reporting on achievement against KPIs. Also to include spend and results in other departments

In order to be able to assess the impact that the Welsh Government's support makes toward growth, an accurate breakdown of the expenditure on marketing, product development, useful research and tourism training should be provided by the Welsh Government against ONS figures for tourism growth in Wales. Accepting that a direct link of causation between spend and growth is not always easy to demonstrate, we are not in a position to begin assessing what is effective spend, and what is not, without understanding what is being spent in the first place.

The Budget for 2022/23 will not be released until the 20th December 2021. Even when it is released, attempts to review previous budgets give us little confidence that it will be possible to accurately ascertain the level of direct tourism spend made by the Welsh Government toward tourism industry support - even in the four activities above.

Arguably, if the tourism industry is ever going to assist the Welsh economy to become truly sustainable, we need to establish the correlation between tourism spend and the contribution to growth made by the Welsh Government, in order to be in a position to suggest directional changes for the future development of the visitor economy. While some sectoral bodies within the industry here in Wales are able to engage in some research, most of the resources for the most relevant research lie within Welsh government. We do not know what Visit Wales's research budget is, but it does not appear to be sufficient to craft a detailed, horizon scanning body of data to inform strategy development. We note that Visit Wales does commission external research via consultancy.

Even so, the general point remains that, overall, the wider industry relies on the government's own figures, without independent capacity of its own to offer further assistance. That limits scrutiny by the industry of the effectiveness of spend and limits constructive challenge - emphasis on "constructive" - which it can offer.

With, hopefully, the worst of the pandemic behind us, the need to mitigate the impacts of Brexit, and the need to meet the challenges faced in relation to environmental recovery and changing consumer expectations, this simple level of detail is not just required, it is essential in order to assist both governments and the private sector in planning the Tourism economy for the longer term. Indeed, even this is not enough in itself, we need to be able to go much further and be able to drill down into detail beyond mere departmental budget headings.

Our main observation therefore (beyond the expected observations of value for money, etc.) is that a key priority should be the development of a comprehensive breakdown

into both direct and indirect spend by the Welsh Government on the Visitor economy and an accurate assessment of that spend's impact on actual growth'.

Cost implication: Reforming budget presentation and preparation of a Visit Wales annual report and set of accounts is not cost-free, but the information needed will already be collected by Welsh Government.

2. Efficiency & Effectiveness; the Value of Engagement

The reverse side of the scrutiny coin is the industry's keenness to be a constructive friend to Visit Wales. It is primarily made up of the small, private business which characterise the Welsh economy and no decisions on government investment in tourism will maximise its leverage if it is not fully informed by this majority of the industry.

Welsh Government reformed the structures for engagement between the industry and Visit Wales seven years ago. The four regional Fora who meet with Visit Wales are led by chairs from the private sector, paid by government. These replaced four regional partnerships, private sector organisations which received arms-length funding from government, but were perceived confidently as independent advocates and two-way conduits of necessary information.

Engagement with the fora has declined, especially seriously in south-east Wales although the picture is not consistent across the four fora. Therefore, their value as two-way information conduits needs assessing. Disenchanted larger tourism businesses are looking to engage directly or through other structures like growth deals and, to a varied extent, cross-industry bodies like local skills partnerships. Smaller businesses claim that the fora are not representative - which may be unfair but they disengage as a result

While getting into the detail of industry concerns on this is not for this committee, we would like to see a commitment in the budget to fund an independent efficiency and effectiveness review of the current structure. That should include a qualitative assessment of how the many voices, but clear messages from the industry are used to maximise the effectiveness of Visit Wales in meeting both the industry's and Welsh Government's priorities. It should, of course, be a virtuous and mutual advantageous partnership. The WTA is willing to assist with this work.

Cost implication: Previous reviews have cost in the region of £200k, which is no small sum. As Visit Wales is part of a government department, the cost should be met from its own Central Services and Admin MEG, not the Visit Wales' own budget. This proposal cannot reduce funding made available for tourism.

3. Covid Recovery

During the height of the pandemic response, tourism was comparatively well-protected as the result of frequent engagement with the Fora and *other industry leads* giving real time feedback.

While that intensity of engagement has reduced, meetings continue so that Welsh Government can glean feedback re potential steps it might take to contain covid. These tend to be at short notice which means attendees may not be fully armed with the quantum details of the financial hit implicit in any proposals.

Nevertheless, the following points re finance have been raised by our members in relation to the fragility of recovery, all of which have been made known to Welsh Government and which we would hope to see acknowledged in the budget as well as other policy areas:

- Rising cost of goods and services
- Shortage of staff; immediate and longer term
- Decrease in capacity to earn income; staff shortages, covid regulatory requirements, deferred demand reducing availability
- Investing in greening businesses at a time of reduced savings
- A rapid change in the needs, demands and expectations of both new and existing customers
- Increasing wages and costs of employment, e.g., NI contributions

To be clear, there is acceptance that staff should be properly treated both financially and via working practices. There is also support for green modernisation, but none of this comes for free.

As these challenges are biting at the same time, we urge Welsh Government to resist any further downward pressure on the industry via the budget. The challenges to tourism as an industry are not unique to Wales and were recognised in the UK budget in

terms of non-domestic rates and support for culture. We ask Welsh Government not to divert the consequential away from meeting challenges which apply equally in Wales:

- Extend the business rate relief period for tourism businesses and to introduce the equivalent of the new one year 50% business rates discount for retail, hospitality, & leisure sectors.
- Adopt the new business rates relief designed to support investment in property improvements so that no business will face higher business rates bills for 12 months after making qualifying improvements to a property they occupy. This is aimed at enabling businesses to adapt to meet rising demand and make improvements to their premises that support net zero targets and enhance productivity as employees return to the workplace.
- Alongside that, consider grants or low-cost loans for on-site capital spend on green infrastructure e.g., car charging points, replacement boilers, heat pumps, etc. However, many businesses will not be able to access the schemes for domestic improvements and - being mainly micro and small businesses. As they may fall outside any plans that support larger operators with such costs, consideration should be given to scheme entry thresholds.
- Consider extensions to payback periods on recovery loans via the Bank of Wales
- Place a moratorium on any expenditure from this budget to develop plans for a tourism tax.

4. Sustainable Industry

Tourism is currently competing for staff with other industries - immediately and in the long term. While the industry in Wales needs to take its own steps to make itself more attractive to different types of employee, employer and investor, Welsh Government has an important role in policy development to achieve that shared aim

An annual budget does not lend itself to detailed discussion of multi-year investment. The Hospitality & Tourism Regional Skills Partnership will be giving evidence to Welsh Government shortly which will be of interest to you; WTA will have contributed to that.

However, while it will take some detailed consideration about what skills will add value to the industry, we would hope to see the following in the forthcoming budget:

- Resources committed to curriculum development to include the use of tourism as a *context* for wider learning; developing interpersonal skills, financial literacy and budgeting, confidence building and personal resilience, problem solving, persuasive writing (and speaking), critical thinking, psychology, forward planning; all transferable skills. This will be especially pertinent with an emphasis on local curriculum design.

- Funding for the scoping of degree level apprenticeships in visitor economy specialisms and improvements in the lines of sight between entry level and professional qualifications/experience
- Visible, increased funding for larger, independent destination management operators (DMOs). We draw the committee's attention to the de Bois report (England only), which makes the case that fragmentation of destination management, and fragmentation of funding, is counterproductive and ineffective. This does take us back to the concerns about structures. However, it is wholly unreasonable to expect a small part of a larger department in a large portfolio full of competing pressures to be responsible for running a private sector-led industry. It's industry partners need financial support too to help lift the load while this model exists.
- While it will likely take two years for any realistic growth in opportunities provided by inward overseas travel, working with Visit Britain we would recommend some investment in maintaining visibility in key markets so that Wales does not slip from view when travel opens more fully
- Transport infrastructure. We acknowledge the investment in active travel and look forward to seeing its increased presence in tourism activity. Active travel routes will also mean that some of the tourism workforce can take advantage of routes for non-leisure purposes.

However, if we are to take non-car transport options seriously, we would expect to see considerable finances committed to new rolling stock on lines serving popular tourism destinations. Further, existing support for bus companies could include clearer conditionality on maintaining consistent services on local routes accessing various visitor destinations; these are less dependent on free bus pass customers too.

Even so, car use will dominate travel for some time and we would recommend a clear financial signal on publicly accessible electric vehicle charging stations as well as support to individual businesses for on-site installation mentioned earlier.

- The wider point of general communication with Visit Wales is not a matter for this Committee. However, we draw your attention to the fact that there have not been any dedicated industry communication officers at Visit Wales for some time. This needs attention as communicating with a SME heavy sector needs energy and time, and we recommend seeing this omission addressed in the budget .

Wales Tourism Alliance – 21st November 2021

Scrutiny of the Welsh Government Draft Budget 2022-23: Written evidence from FSB Wales

Business Rates – Retail, Leisure and Hospitality

FSB Wales welcomes the £116m support for sectors most directly affected by the pandemic through a 2022-23 Retail Leisure and Hospitality Rates Relief (RLHRR) scheme where ratepayers in Wales will receive 50% non-domestic rates relief for the duration of 2022-23. We note that that it matches the equivalent scheme announced by the UK Government. The Welsh Government's RLHRR scheme will be capped at £110,000 per business across Wales.

However, we note that the package was drafted prior to the current Omicron crisis and before the severity of the significant additional challenges within these sectors were felt – challenges which may yet have a lasting impact on businesses. As a result of the significant impact on trade over the crucial Christmas and New Year period due, in part, to Omicron's influence on consumer behaviour – as well as the restrictions imposed on these businesses to help protect the capacity of the NHS – we would urge that the Welsh Government should retain the full 100% business rates relief holiday, which was in place in the 2021-22 budget period and which has been a welcome support to businesses at a difficult time. Furthermore, in April, Welsh businesses face the additional challenges of rises in National Insurance Contributions, repayment of Covid debt and a likely significant hike in energy prices providing for a 'perfect storm'. We are concerned about the cumulative impact of this for businesses which may only recently have come out of the Omicron wave. Retaining the 100% rates holiday would provide significant 'headroom' for businesses to regroup and recover, reinforce their survival as well as signal the importance of the sector to the Welsh economy

Business Rates – Other sectors

We would urge flexibility to remain for business rates relief and support for other industries impacted in the upcoming pressures of Omicron, and call for an analysis of its economic impact – and any targeted measures following this wave – ahead of the final budget. The Omicron variant's impact on public services is well known, but its impact on wider supply chains, business productivity capacity, staff shortages remains to be seen but what is clear from our membership is that the impact goes far beyond the most directly-affected sectors. An economic impact assessment would allow monitoring of any sectoral impact and where any additional support measures should be in place.

Flexibility and contingency funding

The impact of Omicron has again illustrated the importance of keeping contingency funding in place, in anticipation of other shocks. We note that the Welsh Government have been prudent in their use of support funds, allowing them to have funds held back for a crisis – an approach that was proven to be correct in light of Omicron. We would urge a similar approach for 2022-23, with clear benchmarks and timelines for when such funding can be released from 'crisis funding' to support the wider budget should circumstances allow.

While the advantages of more flexibility in year-on-year budgets have been illustrated during the pandemic, given the severity of the Omicron crisis on SMEs, we urge that the Welsh Government should ensure that any money available to respond to the crisis in 2021-22 be used ahead of the end of the budget year. Given the impact of the past year – where many may have anticipated more recovery – it is vital that SMEs affected are supported to ensure survival. Unused reserves would now be seen by small businesses – especially those that would have to close as a result – as support not provided when most needed.

Document is Restricted